



Summary Report for the State of Sikkim



1. Demography

As per Census population projections for 2022-23, Sikkim has a population of 0.7 million and represents 0.05 percent of India's total population.¹ The State's projected population growth, at 0.9 percent, is equal to the national average, as of 2022-23. The State's population density, at 86 people per sq. km., is one of the lowest in the country. Its dependency ratio, at 51.3 percent, is also lower than the national average (2021). According to 2023 projections, nearly half of the State's population (49.5 percent) resides in urban areas. As per the National Family Health Survey (NFHS V), the sex ratio at birth (female births per 1000 male births) in the State is above the national average, as of 2019-21.

As of 2022-23, the State's annual unemployment rate, at 2.2 percent, is below the national average and the Female Labour Force Participation Rate, at 68.6 percent, is higher than the national average. The working population in the State is predominantly concentrated in the Agriculture (45.8 percent); Services (39.2 percent); and, Construction (9.2 percent) sectors, in that order.²

2. Economic Structure (Growth and Sectoral Composition)

Sikkim's real GSDP grew at an average rate of 6.4 percent during the period 2012-13 to 2021-22, which is higher than the national average growth rate of 5.6 percent.³ The State's share in the country's nominal GDP is 0.2 percent, as of 2021-22. Its nominal per capita income is 3.2 times higher than the national per capita income, as of 2021-22.

With a share of 62.6 percent, the Industry sector is the largest contributor to the State's GSVA, followed by the Services (28.3 percent) and Agriculture (9.1 percent) sectors, in that order, as of 2021-22. During the period 2013-14 to 2022-23, these three sectors grew by 7.1 percent, 6.7 percent, and 4.7 percent per annum, respectively.⁴

3. Socio-economic Indicators

Sikkim's literacy rate, at 81.4 percent, is higher than the national average of 73 percent.⁵ As of 2016-17, the State had a lower school drop-out rate, at 22.2 percent for Class X, as compared to the national average of 35.2 percent. The pass percentages for students, at 94.6 percent for Class X and 93.2 percent for Class XII in 2015-16, are both above the respective national averages. The Gross Enrolment Ratio at the Higher Secondary level (39.9 percent in 2015-16) is lower than the national average, but at the Higher Education level, it is higher than the national average.⁶ For the age group 18 to 23 years, the Gender Parity Index in Higher

¹ Projected data on population growth rate, dependency ratio, population density, and urban population is sourced from "Population Projections for Indian States 2011-2036" by the Technical Group on Population Projections, National Commission on Population, Ministry of Health and Family Welfare, Government of India.

² Data on unemployment, female labour force participation, and workforce distribution is from the Periodic Labour Force Survey.

³ Data on Economic Structure is sourced from Ministry of Statistics and Programme Implementation (MoSPI), as of August 2023.

⁴ Data used is sourced from MoSPI, as of March 2024.

⁵ Literacy data is sourced from Office of the Registrar General and Census Commissioner, Ministry of Home Affairs, 2011.

⁶ Data on drop-out rates, pass percentage of students, and Gross Enrolment Ratio at Higher Secondary Level is taken from the Unified District Information System for Education.

Education (the ratio of girls to boys enrolled in higher education institutions) is higher than the national average while the college density is closer to the national average, as of 2021.⁷

In terms of health indicators, the Infant Mortality Rate in the State, at 5 deaths per 1000 live births, is one of the lowest in the country and the Total Fertility Rate, at 1.1 children per woman, is also very low as compared to the national average, as of 2019-21.⁸ The share of fully immunised children, at 80.6 percent, is higher than the national average, as of 2019-21. The State has shown improvement on the “quality of life” indicators over time. The households’ access to electricity (99.3 percent) and sanitation facilities (85.3 percent) is much better than the national average, but access to drinking water (94 percent) is slightly below the national benchmark, as of 2021.

4. State of Public Finances and Tax Devolutions

Sikkim’s debt-to-GSDP ratio, at 31.2 percent, is at par with that of a median State,⁹ while its contingent liabilities, at 10.4 percent, are much higher than that of a median State, as of 2022-23.¹⁰ The fiscal deficit and primary deficit levels, at 4.4 percent and 2.7 percent respectively, are higher than that of a median State, as of 2022-23. The State had a revenue surplus of 2 percent of GSDP in 2022-23, which is higher than a median State's deficit of 0.4 percent.

As of 2022-23, the State collects more revenue as a percentage of GSDP (21.3 percent) as compared to a median State. Its expenditure-to-GSDP ratio, at 25.7 percent, is higher than that of a median State.

The State’s Debt Sustainability Analysis done under five scenarios where the baseline scenario (where debt level, primary deficit, real GDP growth, real effective interest rate remain as they are) shows that its debt-to-GSDP ratio is projected to decrease over the next five years. This ratio is expected to increase by 6 percentage points in the next five years if the State absorbs its outstanding contingent liabilities.

The State’s share in taxes from the Centre, as per the recommendations of the Finance Commission (FC), has remained consistent at 0.4 percent under the 14th and 15th FCs. Its share in the total grants-in-aid has remained low, but increased marginally from 0.1 percentage under the 14th FC to 0.3 percent under the 15th FC.

5. Fiscal Rules

The Sikkim Fiscal Responsibility and Budget Management (FRBM) Act, 2010, enacted under the 12th FC recommendations, establishes fiscal targets whereby the State is required to present a Medium-Term Fiscal Policy (MTFP) Statement alongside the budget every year, containing

⁶ Data on dropout rates, pass percentage of students and Gross Enrolment Ratio at the Higher Secondary Level is taken from Unified District Information System for Education, 2015-16.

⁷ Data on Gross Enrolment Ratio at the Higher Education Level, Gender Parity Index, and college density is taken from the All-India Survey on Higher Education, 2020-21.

⁸ Data on health variables is sourced from the National Family Health Survey and the Sample Registration System.

⁹ Data on fiscal variables is sourced from Reserve Bank of India, State Finances Report, as of December 2023.

¹⁰ For calculation of a median State, the variable as a percentage of GSDP was computed for each State, with the median across 22 major States shown (excluding all Union Territories and the North-eastern States, except Assam). The Macro and Fiscal Landscape State brief includes this benchmark in the States’ Median (Large States), Column 6, Table 4A.

three year rolling targets for the fiscal parameters.¹¹ Since 2010, the Act has been amended thrice in 2011, 2020, and 2021.

The fiscal targets under these amendments have been modified as follows:

Revenue Deficit: The 2010 Act required the State to maintain the revenue account balance beginning from the year 2011-12.

Fiscal Deficit: The initial Act mandated the State to reduce its the fiscal deficit-to-GSDP ratio starting in financial year 2011-12, with the goal of maintaining it below 3 percent by 31 March 2014. The 2020 amendment allowed an additional borrowing capacity of up to Rs. 216 Crores for the financial year 2019-20 as a one-time special dispensation. In view of the COVID-19 pandemic, the State was eligible for an additional borrowing of 2 percent of GSDP above and beyond the previous 3 percent limit in 2020-21. The relaxation to the borrowing limits were partly conditional and partly unconditional. The 2021 amendment mandated the State to adhere to a maximum fiscal deficit of 4 percent of GSDP in 2021-22 and 3.5 percent of GSDP in 2022-23, and to maintain it at 3 percent of GSDP in 2023-24 and thereafter.

Outstanding Liabilities: Initially the State Act 2010 mandated capping the total outstanding guarantees within the specified limit under the Sikkim Ceiling on Government Guarantees Act, 2000, to ensure that the outstanding debt-GSDP ratio followed a sustainable path emanating from the above targets of the fiscal deficit, as specified by the Government beginning with the fiscal year 2011-12. The 2011 amendment mandated reduction of the stock to 55.9 percent of the GSDP within a period of five years, commencing from the year 2010-11 onwards and achievement of this target by 2014-15. The 2021 amendment mandated the State to maintain a declining trend in the debt-to-GSDP ratio with the following indicative path: 27.5 percent in 2021-22, 28.1 percent in 2022-23, 28.1 percent in 2023-24, 28 percent in 2024-25, and 27.9 percent in 2025-26.

Fiscal Discipline: As per the State Finances Audit Report of the Comptroller and Auditor General of India (CAG), during the period 2016-17 to 2020-21, the State missed achieving the revenue and fiscal deficit targets for only two out of five years (2019-20 and 2020-21). However, the State failed to achieve the targeted ratios for the outstanding liabilities for all the five years.

¹¹ Data is sourced from the State Audit Report of the CAG for the respective years and the State Government Gazette.