



## Summary Report for the State of Uttarakhand



## ***1. Demography***

As per 2023 Census population projections, Uttarakhand has a population of 11.6 million and represents 0.8 percent of India's total population.<sup>1</sup> Uttarakhand's projected population growth rate, at 1.0 percent, is higher than the national average of 0.9 percent, as of 2022-23. The State's population density, at 213 persons per sq. km., and dependency ratio, at 52.4 percent, are both lower than the respective national averages (2021). According to these 2023 projections, only 35.9 percent of the State's population resides in urban areas. As per the 2011 Census, the sex ratio of 886 females per 1,000 males in the State is lower than the national average.

The annual unemployment rate in the State has decelerated to 4.5 percent, but it has remained above national estimate since 2017-18. The Female Labour Force Participation Rate has improved and is close to the national average, as of 2022-23. The working population in the State is predominantly concentrated in the Agriculture, Forestry, and Fishing (47.4 percent); Services (31.4 percent); and Construction and Manufacturing sectors (20.3 percent).<sup>2</sup>

## ***2. Economic Structure (Growth and Sectoral Composition)***

Uttarakhand's real GSDP grew at an average rate of 5.4 percent during the period 2012-13 to 2021-22, which is marginally lower than the national average growth rate of 5.6 percent during the same period.<sup>3</sup> The State accounts for a small share of 1.2 percent in the country's GDP (2021-22). Its nominal per capita income is around 40 percent higher than the national per capita income, as of 2021-22.

The Industry sector has a 48.6 percent share in the State's GSVA, which is primarily driven by the Manufacturing (36.0 percent), and Construction (8.3 percent) sectors, with minor contributions from Electricity, and Mining and Quarrying. The Services sector contributes a share of 40.8 percent to the GSVA, within which the largest contributors are Trade, Hotels and Restaurants (13.7 percent); Other Services (7.5 percent); and Transport, Storage and Communication (6.8 percent). The Agriculture sector contributes only 10.6 percent to the State's GSVA.

Out of all the major sectors, Other Services; Public Administration; Banking and Insurance; and, Trade, Hotels, and Restaurants witnessed the highest growth during the period 2012-13 to 2021-22.

## ***3. Socio-economic Indicators***

Uttarakhand's literacy rate in 2011, at 78.8 percent, is higher than the national average of 73 percent.<sup>4</sup> As of 2016-17, the State has a lower school drop-out rate (9.1 percent for Classes VIII to X) but also a lower pass percentage rate of 84.7 and 82 percent for Classes X and XII, as

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<sup>1</sup> 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.

<sup>2</sup> Data on unemployment, female labour force participation, and workforce distribution is from the Periodic Labour Force Survey, 2017-18 to 2023-24.

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

<sup>4</sup> Literacy data is sourced from Office of the Registrar General and Census Commissioner, Ministry of Home Affairs, 2011.

compared to the respective national benchmarks. The Gross Enrolment Ratio of 75.8 percent at the Higher Secondary level (2015-16) and 45.7 percent at the Higher Education level (2021) are both higher than the respective national averages.<sup>5</sup> Additionally, for people aged 18 to 23 years, the Gender Parity Index in higher education (the ratio of girls to boys enrolled in higher education institutions), at 1.14, and the college density, at 40 colleges per 100,000 population, are both above the respective national benchmarks, as of 2021.<sup>6</sup>

As of 2020, life expectancy in the State, at 70.3 years, is close to the national average (70.0 years). The Infant Mortality Rate, at 24 deaths per 1,000 live births, and the Total Fertility Rate, at 1.9 children per woman, are both lower than the respective national averages in 2020 and 2019-21. The percentage of fully immunised children (80.8 percent) is above the national average for 2019-21. The households' access to drinking water (95.5 percent) is close to the national average, but the households' access to sanitation (77.9 percent) and electricity (99.4 percent) are both higher than the respective national benchmarks, as of 2019-21.

#### ***4. State of Public Finances and Tax Devolutions***

Uttarakhand has seen a consistent rise in its public debt since 2014 but as of 2022-23<sup>7</sup>, its public debt, at 26.5 percent of its GSDP, was lower than that of a median State by over 4 percentage points.<sup>8</sup> Its contingent liabilities have declined consistently, and as of 2021-22, stood at 0.1 percent of its GSDP. In 2022-23, the State ran fiscal deficit and primary deficit of 2.7 percent and 0.7 percent of its GSDP, respectively, both of which were lower than that of a median State. The State ran a revenue surplus of 0.8 percent of GSDP in 2022-23, which is again better than that of a median State (0.4 percent deficit).

In 2022-23, the State's total revenue receipts, at about 17.2 percent of its GSDP (own tax, own non-tax, and shared by the Centre) were lower than what a median State collected. And, its total expenditure, at 19.9 percent of its GSDP, was also 0.6 percentage points lower than that of a median State.

As of 2022-23, its capital expenditure-to-GSDP ratio is slightly above that of a median State, but its revenue expenditure-to-GSDP ratio is below that of a median State.

The Debt Sustainability Analysis shows that the State is on a predicted upward trajectory of higher debt in the next five years under the baseline scenario (where Debt level, primary deficit, real GDP growth, and real effective interest rate remain constant at their decadal average from 2012-13 to 2021-22). Although the State's outstanding contingent liabilities are not very high, the predicted outcomes in the benign scenarios of higher growth and lower primary deficit are not optimistic for the next five years, starting from 2021-22.

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<sup>5</sup> Data on dropout rates, pass percentage of students and Gross Enrolment Ratio at Higher Secondary Level is taken from Unified District Information System for Education, 2015-16.

<sup>5</sup> Data on Gross Enrolment Ratio at Higher Education Level, Gender Parity Index, and college density is taken from the All-India Survey on Higher Education, 2020-21.

<sup>7</sup> Data on fiscal variables is sourced from Reserve Bank of India, State Finances Report, as of December 2023.

<sup>8</sup> 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.

Uttarakhand's share in taxes from the Centre, as per the recommendations of the Finance Commission (FC), remained consistent at 1.1 percent under both the 14<sup>th</sup> and 15<sup>th</sup> FCs. The State's share in the total grants-in-aid increased by 3.5 percentage points from 4.2 percent under the 14<sup>th</sup> FC to 7.7 percent under the 15<sup>th</sup> FC.

## **5. Fiscal Rules**

As per the recommendations of the 12<sup>th</sup> FC, the Uttarakhand Fiscal Responsibility Act and Budget Management (UFRBM) Act was enacted in 2005,<sup>9</sup> under which targets relating to the revenue deficit, fiscal deficit, and outstanding guarantees and liabilities are fixed. The State Government is required to present a Medium-Term Fiscal Policy Statement alongside the budget every year. Since 2005, the Act has been amended four times in 2011, 2016, 2020, and 2023.

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

**Revenue Deficit:** The Uttarakhand FRBM Act, 2005, required the State to eliminate its revenue deficit within four financial years, from 2005-06 to 2008-09, with a yearly reduction in the revenue deficit as a percentage of GSDP. The 2011 amendment extended this deadline, mandating that the revenue deficit be eliminated from 1 April 2011 to 31 March 2015.

**Fiscal Deficit:** The Uttarakhand FRBM Act of 2005 mandated the State to reduce its fiscal deficit to no more than 3 percent of GSDP from 2004-05 to 2008-09. An amendment in 2011 permitted an increase to 3.5 percent for the fiscal years 2011-12 and 2012-13, after which the limit was reverted to 3 percent for 2013-14 and 2014-15. The 2016 amendment required the State to anchor its fiscal deficit at 3 percent from 2016-17 to 2019-20, allowing for a maximum fiscal deficit of 3.5 percent, contingent on the fulfilment of certain conditions. The 2020 amendment permitted a 2 percent increase above the 3 percent limit for 2020-21, with specific conditions tied to clearly specified measurable reforms. These include implementation of the One Nation One Card system; ease of doing business reforms; urban local body/utility reforms; and power sector reforms. The 2023 amendment established the limits on fiscal deficit of 4.0 percent for 2021-22, 3.5 percent for 2022-23, and 3.0 percent for 2023-24 to 2025-26.

**Outstanding Debt:** The Uttarakhand FRBM Act of 2005 stipulated that the State's total liabilities should not exceed 25 percent of the estimated GSDP from 1 April 2005 to 31 March 2015. The 2011 amendment set limits on total estimated debt liability for four years, from 1 April 2011 to 31 March 2015. The 2023 amendment mandated that the total liabilities as a percentage of GSDP should not exceed 32.5 percent by 2025-26.

**Outstanding Guarantees:** The Uttarakhand FRBM Act of 2005 prohibited the State from providing guarantees for any amount exceeding the limits set by the existing or subsequent state laws at the time of enactment of the FRBM Act.

**Fiscal Discipline:** As per the State Finances Audit Report of the Comptroller and Auditor

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<sup>9</sup> Data is sourced from the State Audit Report of the CAG for the respective years and the State Government Gazette.

General of India (CAG), during the period from 2017-18 to 2021-22, the state met its revenue and fiscal deficit targets for years only 2020-21 and 2021-22. But the total outstanding debt targets was met for only one-year (2017-18) during this five-year period.