



An Analysis Of Fiscal Dynamics And Debt Management In Himachal Pradesh: Trends And Implications

Dr. Provinder Kumar (Assistant Professor)

Department of Commerce

Govt. College Sarkaghat, Distt. Mandi (HP)

Abstract:

This study investigates the fiscal dynamics and debt management of Himachal Pradesh over the past decade. Despite ongoing fiscal reforms, state governments in India, including Himachal Pradesh, face persistent fiscal deficits and rising public debt. This paper examines the state's revenue receipts, expenditure patterns, and debt management strategies to understand their impact on the state's fiscal health and economic stability.

Keywords: Fiscal, Public Debt, Revenue Receipts, Expenditure Patterns, and Debt Management.

Introduction:

Over a decade into the reform process, substantial attention to fiscal reforms at the state level in India remains lacking. Despite ongoing efforts towards fiscal consolidation, large and persistent fiscal deficits continue to challenge both state and central governments. To achieve macroeconomic stability and sustained long-term growth, India must significantly reduce overall government spending, which currently stands at around 33% of GDP. The growing deficits at the state level make their fiscal policies critical, not only for individual state performance but also for the overall fiscal sustainability of the nation. The deteriorating financial situation of state governments has led to a decline in spending on essential sectors such as health, education, irrigation, and infrastructure areas crucial for poverty reduction. Simultaneously, there has been an increase in spending on loss-making state enterprises and substantial subsidies for power, water, irrigation, and transportation. This concerning fiscal management has resulted in rising revenue deficits, leading to increased government indebtedness. Interest payments on this debt now exceed what state governments spend on all economic services, including agriculture, irrigation, power, and rural development. The structural imbalance in India's public finance system has existed since its inception.

While the fiscal deterioration over the last decade can be attributed to factors like employee pay revisions or sluggish revenue growth due to economic slowdown, the root causes of imbalances in state budgets lie in structural issues. Fiscal performance is a crucial indicator of a state's economic health, reflecting its ability to manage revenues, expenditures, and debt effectively. Himachal Pradesh, a predominantly mountainous state in northern India, has experienced significant economic and social transformations over the past few decades, profoundly impacting its fiscal dynamics. Recent trends in the state's fiscal performance offer valuable insights into its economic stability, growth prospects, and the challenges it faces in maintaining fiscal discipline. In recent years, Himachal Pradesh has made strides in improving its fiscal health through various reforms aimed at enhancing revenue generation and optimizing expenditure. However, like many other Indian states, it faces challenges such as rising public debt, burgeoning fiscal deficits, and the need to sustain social welfare programs. The state's dependence on central transfers, coupled with its limited revenue base, poses additional constraints on its fiscal policy.

Review of literature:

Rao, M. Govinda (1981) makes a modest attempt to study and to identify the determinant of tax revenue and non plan revenue expenditure of the states towards making their medium term projections. The researcher has chosen the states of Karnataka, Kerela ,Orissa and West-Bengal for the purpose in studying the time series determinant. In this study, both the political and economic determinants have been considered. The effects of various economic and political factors on the fiscal decisions of the four states are also quantified. While discussing the determinants of non-plan revenue expenditure the study summaries that in all the four states except Orissa, the growth expenditure on various services is of providing them. Only in Orissa the growth in non-plan revenue expenditure is due to increased quantity of public services. The results of the study confirm ‘Down’s Hypothesis’ that fiscal decisions are essentially guided by the desire to maximize the length of their tenure by the parties in power and are not influenced by their ideological doctrines.

Chelliah, Raja. J. (1991) in his essays says that with the era of liberalization and privatization the relative position of states has enhanced. Hence state level reforms are as important as the reforms at the Centre. Each state must set its own house in order. The reforms should include area of taxation with introduction of Value Added Tax(VAT); cut of subsidies cut of staff of general administration, The tax reform, which was carried out in South East Asian countries, can provide the lessons for the future.

Rao, Govinda (1992) in his paper seeks to examine the present state of public finance at the state level with a view of tracing the emerging trends in the medium as well as long term. The major objective of the paper is to identify the major problem areas and indicate policy changes to tackle them. The precarious fiscal position in states calls for bold and decisive policy measures which include reduction in employment, levy of appropriate user charge on services, phase of non merit subsidies, privatization of state electricity boards, rationalization of tax system by introduction of VAT and determine the shares of states in aggregate Central taxes rather than percentage share of two taxes.

Chelliah, J. Raja, Rao, Kavita R. (2001) in their paper discusses about the rational ways of increasing the tax revenue of Central and state governments in India. According to the unserious effort has been made to modernize tax administration. The administration of all the states is manual based. A reform and modernization of the administration of the major taxes through computerization and strong deterrent action against tax evaders and corrupt taxmen are two important steps to be taken to increase revenues.

Anand, Mukesh, Bagchi. Amaresh, Sen, K. Tapas (2002) in their article has discussed about the causes of fiscal indiscipline at the state level. Weaknesses of the system of inter-governmental fiscal relations have been cited as prime caused leading to fiscal indiscipline among states, which call for corrective measures. In a similar line

Bagchi, Amaresh(2002) have observed even after a decade of correction the consolidated fiscal deficit (FD) of the government (Centre plus states) stood at about the same level at the close of decade as it is in the beginning 10% of GDP. The crises in state finances have their origin in some deep-seated weakness of the fiscal system that call for structural reform. The weakness is in revenue system, budgeting system and system of inter government financial relations. If fiscal deficit is to bring down the weakness of the fiscal system noted above need to address frontally.

Barro & Redlick,(2011) observed that there is a need for more empirical studies that examine the impact of coordinated policy actions on macroeconomic stability, economic growth, and financial system resilience. (b) Insufficient consideration of sectoral effects and distributional implications: Fiscal and monetary policies can have differential effects across sectors and impact income distribution .

Drazen and Limão, Alesina et al., (2006 & 2008) analysis that the influence of political economy factors, public opinion, and electoral cycles on the association between fiscal and monetary policies will also be addressed.

Acharya et al (2019) Furthermore, the review will explore the implications of fiscal and monetary policy in interactions in various areas. These include financial stability and systemic risks, sectoral effects, public debt management, and the distributional consequences of policy actions

1.1 Objective of Study:

1. To evaluate the changes in revenue receipts and expenditure patterns of the Himachal Pradesh State Government over the period from 2014-15 to 2023-24.
2. To analyze the debt position of the Himachal Pradesh State Government, focusing on the debt-to-GSDP ratio and the growth of public debts and liabilities.
3. To investigate how economic events and changes have influenced the fiscal indicators of Himachal Pradesh.

1.2 Research Design:

The research design ensures a detailed and systematic analysis of fiscal data, providing insights into the State's financial management and its responses to economic challenges over the two phases. The research design for this analysis involves a comprehensive evaluation of the fiscal performance of the Himachal Pradesh State Government across two distinct phases, focusing on revenue receipts, expenditure patterns, and debt management. The study utilizes a quantitative approach, leveraging data from the Economic Surveys of Himachal Pradesh for the years 2020-21 and 2023-24. The analysis is structured into three primary objectives. Firstly, it evaluates the changes in revenue receipts and expenditure patterns by comparing data from Phase-I (2014-15 to 2018-19) and Phase-II (2019-20 to 2023-24). This involves

analyzing trends in total revenue, including tax and non-tax revenues, grants-in-aid, and other receipts, alongside various expenditure categories such as revenue expenditure, capital expenditure, and interest payments. The focus is on identifying shifts in fiscal priorities and the impact of these changes on overall financial stability.

Secondly, the study examines the debt position of the Himachal Pradesh Government. By analyzing internal debts, loans from the central Government, and public account liabilities, the research aims to assess the sustainability of the State's debt and its implications for fiscal policy.

Lastly, the research investigates how economic events and changes have influenced fiscal indicators. This includes analyzing the impact of external factors such as revenue and expenditure patterns, and how these factors have contributed to fluctuations in fiscal performance. The study employs a combination of trend analysis and comparative assessments to understand the broader economic context affecting the State's financial health.

Interpretation and Finding:

2.1 Receipts and Expenditure of the H.P. State Government

Table: 1 Receipts and Expenditure of the H.P. State Government (Rs. in Crores)

Years	Total Revenue						Total Expenditure					
	Tax Revenue	Non-Tax Revenue	Grants in Aid	Disinvestments Receipts	Recovery of Loans	Total Revenue	Revenue Expenditure	Capital Expenditure	Loans Disbursed	Interest Payments	Other Expenditure	Total Expenditure
Phase-I												
2014-15 ((A))	8,584	2,081	7,178	650	41	18,534	19,787	2,473	474	2,849	5,411	30,994
2015-16 (A)	10,307	1,837	11,296	0	26	23,466	22,303	2,864	463	3,155	793	29,578
2016-17 (A)	11,383	1,717	13,164	0	30	26,294	25,344	3,499	3,290	3,359	584	36,076
2017-18 (A)	11,909	2,364	13,094	35	40	27,442	27,053	3,756	503	3,788	0	35,100
2018-19 (A)	13,003	2,830	15,117	9	22	30,981	29,429	4,584	468	4,022	651	39,154
Average	11,037	2,166	11,970	139	32	25,343	24,783	3,435	1,040	3,435	1,488	34,180
Phase-II												
2019-20 (A)	12,301	2,501	15,940	2	21	30,765	30,730	5,174	458	4,234	2,467	43,063
2020-21 (A)	12,837	2,188	18,413	3	23	33,464	33,535	5,309	320	4,472	6,669	50,305
2021-22 (A)	17,064	2,612	17,633	7	41	37,357	36,195	6,029	378	4,641	0	47,243
2022-23	18,750	3,023	17,172	0	94	39,039	45,115	6,311	96	4,785	6,564	62,871

(RE)												
2023-24	21,504	3,447	13,049	0	26	38,026	42,704	5,202	20	5,562	0	53,488
(BE)												
Average	16,491	2,754	16,441	2	41	35,730	37,656	5,605	254	4,739	3,140	51,394

Source: Economic Survey of Himachal Pradesh 2020-21 & 2023-24 (Economics & Statistics Department of Himachal Pradesh.)

The Table 1 provides a comprehensive overview of the financial receipts and expenditures of the Himachal Pradesh State Government over two distinct phases: Phase-I (2014-15 to 2018-19) and Phase-II (2019-20 to 2023-24). The data, presented in Crores of rupees i.e. the Government's tax and non-tax revenues, grants-in-aid, disinvestment receipts, recovery of loans, and various expenditure categories, including revenue expenditure, capital expenditure, loans disbursed, interest payments, and other expenditures. From the analysis the data we found that during Phase-I, the total revenue generated by the State Government exhibited a gradual increase, on an average Rs. 25,343 Crores. This revenue primarily consisted of tax revenue, non-tax revenue, and grants-in-aid, with tax revenue showing a steady rise from Rs. 8,584 Crores in 2014-15 to Rs. 13,003 Crores in 2018-19. Non-tax revenue and grants-in-aid also showed an increasing trend, contributing to the overall growth in revenue. Disinvestment receipts and recovery of loans were minor components of the total revenue, with disinvestment receipts showing negligible amounts except for a notable Rs. 650 Crores in 2014-15.

On the expenditure side, the total expenditure also followed an upward trend, with an average of Rs. 34,180 Crores during this phase. Revenue expenditure consistently formed the largest share, followed by capital expenditure, which showed a notable increase, especially in the later years of this phase. Interest payments remained a significant expenditure category, with amounts increasing steadily. The "Other Expenditure" category, which includes various miscellaneous expenses, also saw considerable variation, peaking in 2014-15 and gradually declining thereafter.

During in the Phase-II we found that both the revenue and expenditure figures experienced significant growth. The total revenue averaged Rs. 35,730 Crores, with a noticeable increase in tax revenue, which reached Rs. 21,504 Crores in 2023-24. Non-tax revenue and grants-in-aid also contributed significantly, although the latter showed some fluctuations. Disinvestment receipts remained minimal, while recovery of loans continued to contribute a small portion to the total revenue. Expenditure in Phase-II witnessed a sharp rise, averaging Rs. 51,394 Crores, with a substantial increase in revenue expenditure, capital expenditure, and interest payments. The most significant change in expenditure occurred in 2022-23 Revised Estimate (RE) and 2023-24 Budgeted Estimate (BE), where total expenditures reached Rs. 62,871 Crores and Rs. 53,488 Crores, respectively. This increase was driven by higher capital expenditure and a considerable rise in "Other Expenditure" in some years, notably in 2020-21 and 2022-23. From comparing the data of two phases, the tables clearly shows that Phase-II experienced much higher financial activity, both in terms of revenue generation and expenditure. The average total revenue increased by about 41% from Phase-I to Phase-II, while the average total expenditure saw a sharp rise of approximately 50%. This indicates a growing fiscal responsibility and increased Governmental spending in recent years, likely aimed at fostering economic development and addressing the State's needs.

2.2 Growth Rate of H.P. Government's Fiscal indicators

Table: 2 Growth Rate of H.P. Government's Fiscal indicators (In Per cent)

Years	Revenue			Expenditure			
	Revenue Receipts	Tax Revenue	Non-Tax revenue	Interest Payments	Total expenditure	Revenue Expenditure	Capital expenditure
Phase-I							
2014-15 (A)	13.57	12.77	16.61	14.83	44.54	14.03	33.24
2015-16 (A)	31.36	20.07	- 11.74	10.74	- 4.57	12.71	15.82
2016-17 (A)	12.05	10.44	- 6.55	6.47	21.97	13.64	22.17
2017-18 (A)	4.20	4.62	37.67	12.78	- 3.57	6.74	7.34
2018-19 (A)	13.09	9.18	19.72	6.16	12.48	8.78	22.06
Average	14.85	11.42	11.14	10.20	14.17	11.18	20.13
Phase-II							
2019-20 (A)	- 0.67	- 5.39	-11.61	5.28	9.98	4.42	12.86
2020-21 (A)	8.77	4.36	- 12.51	5.62	16.82	9.13	2.61
2021-22 (A)	11.58	32.93	19.39	3.77	- 6.59	7.93	13.57
2022-23 (RE)	4.38	9.88	15.73	3.10	33.80	24.65	4.67
2023-24 (BE)	- 2.43	14.69	14.02	16.25	- 15.04	- 5.35	- 17.57
Average	4.33	11.29	5.00	6.80	7.79	8.16	3.23

Source: Economic Survey of Himachal Pradesh 2020-21 & 2023-24 (Economics & Statistics Department of Himachal Pradesh.)

The Table 2 presents a detailed analysis of the growth rates of the fiscal indicators of the Himachal Pradesh (H.P.) Government, specifically focusing on revenue and expenditure over two distinct phases: Phase-I (2014-15 to 2018-19) and Phase-II (2019-20 to 2023-24). From the analysis we found that during phase-I, the average growth rates of various fiscal indicators reflect a generally positive trend. The Revenue Receipts grew at an average rate of 14.85%, with the highest growth observed in 2015-16 at 31.36%, likely due to improved tax collection and efficient management of non-tax revenues. The Tax Revenue grew at an average of 11.42%, with consistent growth except for a slight dip in 2017-18. Non-Tax Revenue showed an average growth of 11.14%, with a notable decline in 2015-16 (-11.74%) and 2016-17 (-6.55%), indicating possible challenges in non-tax revenue generation during these years.

On the expenditure side, Interest Payments saw a moderate average growth of 10.20%, indicating a steady burden of interest obligations on the State's finances. Total Expenditure and Revenue Expenditure exhibited average growth rates of 14.17% and 11.18%, respectively, with fluctuations reflecting varying levels of Government spending. Notably, Capital Expenditure grew significantly at an average rate of 20.13%, showing the State's focus on capital investments. During in the Phase-II, the table shows a more volatile scenario, with the average growth rates generally lower compared to Phase-I, likely influenced by external factors such as economic downturns, the COVID-19 pandemic, and subsequent recovery efforts. The

Revenue Receipts during this period grew at a modest average rate of 4.33%. There were years of negative growth, particularly in 2019-20 (-0.67%) and 2023-24 (-2.43%), highlighting fiscal challenges.

Tax Revenue showed an erratic pattern, with an average growth of 11.29%. The growth rate spiked in 2021-22 (32.93%) but also saw negative growth in 2019-20 (-5.39%). Non-Tax Revenue growth averaged 5.00%, with significant declines in 2019-20 (-11.61%) and 2020-21 (-12.51%), indicating difficulties in maintaining non-tax revenue streams during these years.

Interest Payments maintained a relatively stable growth rate of 6.80%, showing consistent debt servicing requirements. Total Expenditure grew at an average rate of 7.79%, with significant fluctuations, including a strong growth of 33.80% in 2022-23 and a decline of -15.04% in 2023-24. Revenue Expenditure averaged 8.16% growth, with a notable increase in 2022-23 (24.65%) possibly due to increased Government spending in response to the pandemic. Capital Expenditure showed the lowest average growth rate in Phase-II at 3.23%, with significant negative growth in 2023-24 (-17.57%), indicating reduced capital investments.

2.3 H.P. Government's Fiscal Indicators as a Percentage of GSDP

Table: 3 H.P. Government's Fiscal Indicators as a Percentage of GSDP

Years	Receipts					Expenditure				
	Revenue Receipts	Tax Revenue	Non-tax revenue	Disinvestment Receipts	Recovery of Loans	Total Expenditure	Revenue Expenditure	Capital Expenditure	Loan Disbursed	Interest payments
Phase-I										
2014-15 (A)	17.19	8.27	2.01	0.63	0.04	29.87	19.07	2.38	0.46	2.75
2015-16 (A)	20.52	9.02	1.61	0.00	0.02	25.89	19.52	2.51	0.41	2.76
2016-17 (A)	20.91	9.06	1.37	0.00	0.02	28.72	20.17	2.72	2.62	2.67
2017-18 (A)	19.75	8.60	1.71	0.03	0.03	25.13	19.53	2.71	0.36	2.73
2018-19 (A)	20.71	8.70	1.89	0.01	0.01	26.20	19.69	3.07	0.31	2.69
Average	19.82	8.73	1.72	0.13	0.02	27.16	19.60	2.68	0.83	2.72
Phase-II										
2019-20 (A)	19.31	7.73	1.57	0.00	0.01	27.06	19.31	3.25	0.29	2.66
2020-21 (A)	21.54	8.27	1.41	0.00	0.01	32.40	21.60	3.42	0.21	2.88
2021-22 (A)	21.67	9.91	1.52	0.00	0.02	27.29	21.02	3.50	0.22	2.70
2022-23 (RE)	20.31	9.78	1.58	0.00	0.05	32.79	23.53	3.29	0.05	2.50
2023-24(BE)	18.32	10.37	1.66	0.00	0.01	25.75	20.59	2.51	0.01	2.68
Average	20.23	9.21	1.55	0.00	0.02	29.06	21.21	3.19	0.16	2.68

Source: Economic Survey of Himachal Pradesh 2020-21 & 2023-24 (Economics & Statistics Department of Himachal Pradesh.)

The Table 3 presents an analysis of the fiscal indicators of the Himachal Pradesh (H.P.) Government as a percentage of the State's Gross State Domestic Product (GSDP) over two distinct phases: Phase-I (2014-15 to 2018-19) and Phase-II (2019-20 to 2023-24). These indicators are vital for understanding the

State Government's financial health, including revenue generation, expenditure patterns, and debt management. During in the Phase-I, the average revenue receipts of the State stood at 19.82% of GSDP. The major components of revenue receipts include tax revenue (8.73%) and non-tax revenue (1.72%). Disinvestment receipts and recovery of loans contributed minimally, with averages of 0.13% and 0.02% respectively. On the expenditure side, the total expenditure averaged 27.16% of GSDP, with revenue expenditure constituting the largest share at 19.60%. Capital expenditure was relatively low, averaging 2.68%, indicating a lesser focus on asset creation during this period. Loan disbursements were minimal, averaging 0.83%. Interest payments averaged 2.72%, reflecting the cost of servicing the State's debt. From the analysis we found that in Phase-II, the State's fiscal scenario shows some changes. The average revenue receipts increased slightly to 20.23% of GSDP, driven mainly by an increase in tax revenue to 9.21%. Non-tax revenue decreased slightly to 1.55%. Disinvestment receipts were non-existent (0.00%) in this phase, while loan recoveries remained insignificant at 0.02%. The total expenditure saw an increase, averaging 29.06% of GSDP, indicating higher Government spending. Revenue expenditure rose to 21.21%, while capital expenditure increased to 3.19%, suggesting a greater emphasis on infrastructure development. Loan disbursements significantly decreased, averaging only 0.16%, indicating tighter fiscal discipline. Interest payments remained stable at around 2.68%. On the comparison of both phases we found that the State Government's revenue receipts as a percentage of GSDP have been relatively stable across both phases, with a slight increase in Phase-II. This increase is primarily due to a rise in tax revenue, which indicates improved tax collection or expansion of the tax base. The total expenditure increased in Phase-II, driven by higher revenue and capital expenditures. The rise in capital expenditure suggests a shift towards more developmental spending, which could positively impact the State's long-term economic growth. Interest payments remained a significant component of revenue expenditure, indicating ongoing concerns about debt servicing. Although the percentage slightly decreased in Phase-II, it still constitutes a substantial portion of the budget.

2.4 Debt Position of H.P. Government

Table: 4 Debt Position of H.P. Government (Amount Rs. in Crores)

Years	Public debts			Public Account & Other Liabilities	Total Liabilities	Gross State Domestic Product (GSDP)	Debt as % age to GSDP
	Internal Debts (1)	Loan & Advances from Central Govt. (2)	Total Pubic Debt (1+2)				
Phase-I							
2014-15	24,127	1,071	25,198	9,954	35,152	1,03,772	33.87
2015-16	26,861	1,058	27,919	10,648	38,568	1,14,239	33.76
2016-17	31,494	1,076	32,570	11,852	44,423	1,25,634	35.36
2017-18	33,591	1,079	34,670	13,235	47,906	1,38,551	34.58
Average	29,018	1,071	30,089	11,422	41,512	1,20,549	34
Phase-II							
2018-19	35,363	1,061	36,424	14,348	50,773	1,48,383	34.22
2019-20	39,528	1,044	40,572	15,535	56,107	1,59,164	35.25
2020-21	42,918	1,544	44,462	16,530	60,993	1,51,601	40.23
2021-22	44,376	2,339	46,715	17,020	63,736	1,72,162	37.02
Average	40,546	1,497	42,043	15,858	57,902	1,57,828	37

Source: Economic Survey of Himachal Pradesh 2020-21 & 2023-24 (Economics & Statistics Department of Himachal Pradesh.)

The Table 4 presents a detailed account of the debt position of the Himachal Pradesh (H.P.) Government over two distinct phases, from 2014-15 to 2021-22. It highlights key financial indicators, including public debts, public account and other liabilities, total liabilities, the Gross State Domestic Product (GSDP), and the ratio of debt to GSDP. This data is very important for understanding the fiscal health and sustainability of the State's finances. From the study we found that during in phase-I, the State's internal debts saw a steady increase from Rs. 24,127 Crores in 2014-15 to Rs. 33,591 Crores in 2017-18. Loans and advances from the Central Government remained relatively stable, slightly increasing from Rs. 1,071 Crores to Rs. 1,079 Crores. The total public debt, therefore, rose from Rs. 25,198 Crores to Rs. 34,670 Crores. Public account and other liabilities also showed a consistent rise from Rs. 9,954 Crores to Rs. 13,235 Crores. Consequently, the total liabilities of the State escalated from Rs. 35,152 Crores in 2014-15 to Rs. 47,906 Crores in 2017-18. In parallel, the Gross State Domestic Product (GSDP) of Himachal Pradesh grew from Rs. 1,03,772 Crores in 2014-15 to Rs. 1,38,551 Crores in 2017-18. However, the debt-to-GSDP ratio fluctuated slightly, starting at 33.87% in 2014-15, reaching its peak at 35.36% in 2016-17, and then settling at 34.58% by 2017-18. The average debt-to-GSDP ratio during this phase was around 34%, indicating a moderate level of indebtedness relative to the State's economic output.

The second phase of study reveals a continued upward trend in the State's debt. Internal debts increased from Rs. 35,363 Crores in 2018-19 to Rs. 44,376 Crores in 2021-22, while loans and advances from the Central Government also saw a significant rise, especially in 2020-21 and 2021-22, where they increased to Rs. 1,544 Crores and Rs. 2,339 Crores, respectively. The total public debt correspondingly rose from Rs. 36,424 Crores in 2018-19 to Rs. 46,715 Crores in 2021-22. Public account and other liabilities also increased, moving from Rs. 14,348 Crores to Rs. 17,020 Crores during this period. Thus, the total liabilities reached Rs. 63,736 Crores by 2021-22. In this phase, the GSDP of Himachal Pradesh saw substantial growth, rising from Rs. 1,48,383 Crores in 2018-19 to Rs. 1,72,162 Crores in 2021-22. Despite this growth, the debt-to-GSDP ratio experienced an upward trend, starting at 34.22% in 2018-19, peaking at 40.23% in 2020-21 due to the pandemic's impact on the economy, and then slightly declining to 37.02% in 2021-22. The average debt-to-GSDP ratio during this phase was 37%, indicating a relatively higher debt burden compared to the first phase.

From the analysis the above data we found that Himachal Pradesh's economy has grown over the years, the State's debt has also increased significantly, leading to a higher debt-to-GSDP ratio in the latter years. The rise in public debt and liabilities, especially in Phase-II, reflects increased borrowing, possibly to finance developmental projects or manage fiscal deficits. The increasing trend in the debt-to-GSDP ratio, particularly during the COVID-19 pandemic, raises concerns about the sustainability of the State's debt levels. This analysis indicates the need for careful fiscal management to ensure that the debt does not become a burden on the State's future economic growth.

3.1 Conclusion and Suggestions:

The financial analysis of Himachal Pradesh's fiscal indicators over two distinct phases reveals a notable evolution in the State's revenue, expenditure, and debt profiles. During Phase-I (2014-15 to 2018-19), the State exhibited a steady increase in revenue and expenditure, with a pronounced focus on capital investments towards the latter years. In contrast, Phase-II (2019-20 to 2023-24) saw a more dramatic escalation in both revenue and expenditure, driven by increased tax revenues and higher capital outlays. However, this period also highlighted substantial fiscal volatility, particularly with respect to revenue growth and debt management.

The debt-to-GSDP ratio increased from an average of 34% in Phase-I to 37% in Phase-II, peaking during the pandemic years. This uptick underscores the growing fiscal pressure and the potential risks associated with higher debt levels. Despite the State's economic growth, the rising debt burden suggests a need for prudent fiscal strategies to manage debt sustainability while continuing to support economic development.

Suggestions for improving the fiscal health of Himachal Pradesh include:

1. **Enhancing Revenue Streams:** Focus on expanding the tax base and improving non-tax revenue collections to reduce dependence on debt financing. Strengthening tax administration and exploring new revenue avenues could provide more stability.
2. **Prudent Expenditure Management:** Prioritize and streamline capital expenditures to ensure they contribute effectively to long-term economic growth. Implement efficiency measures to control revenue expenditure and mitigate unnecessary spending.

3. **Debt Management Strategies:** Develop a comprehensive debt management plan to address the rising debt-to-GSDP ratio. This could involve restructuring existing debts, optimizing borrowing strategies, and setting clear targets for reducing the debt burden over time.
4. **Economic Diversification:** Invest in sectors with high growth potential to diversify the State's economy, thereby broadening the revenue base and reducing vulnerability to economic shocks.

References:

1. A.Mukesh,A. BagchiandT.K.Sen, Paper presentedatNIPFP-WorldBankConference,NewDelhi (2001).
2. A. Mukesh, A. Bagchi andTapas. K. Sen, National Instituteof Public FinanceandPolicy, NewDelhi (2002).
3. A. Bagchi, (2002), In Vadra, Ratna, *JM International Journal of Management Research (JMIJMR)* , IMT, Ghaziabad,(2010).
4. J.C.Raja.(1991),*Towardssustainablegrowth:essaysinfiscalandfinancialsectorreforms in India*, Oxford University Press, (1999).
5. J. C. Raja and R.K. Rao (2001), “Rational Way of Increasing Tax Revenues in India” presented at a Conference India: Fiscal Policies to Accelerate Economic Growth, held in New Delhi in May (*Extract reproduced in Financial Express dated June 11, 2001*).
6. Achary Barro, R. J.,& Redlick,C.J. (2011). Macroeconomic effects from government purchases and taxes. *The Quarterly Journal of Economics*, 126(1), 51-102.
7. V. V., Philippon, T., Richardson, M., & Roubini, N. (2019). Resolution of Failed Systemically Important Financial Institutions: Lessons from Lehman Brothers. *Journal of Economic Perspectives*, 33(4), 127-152.
8. Economic Survey of Himachal Pradesh (2020-21 & 2023-24) Economics & Statistics Department of Himachal Pradesh.