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Centre approves Rs 56,415 crore to 16 states for capital investment

The approval has been given under the scheme titled 'Special Assistance to States for Capital Investment 2023-24'.

By: ENS Economic Bureau
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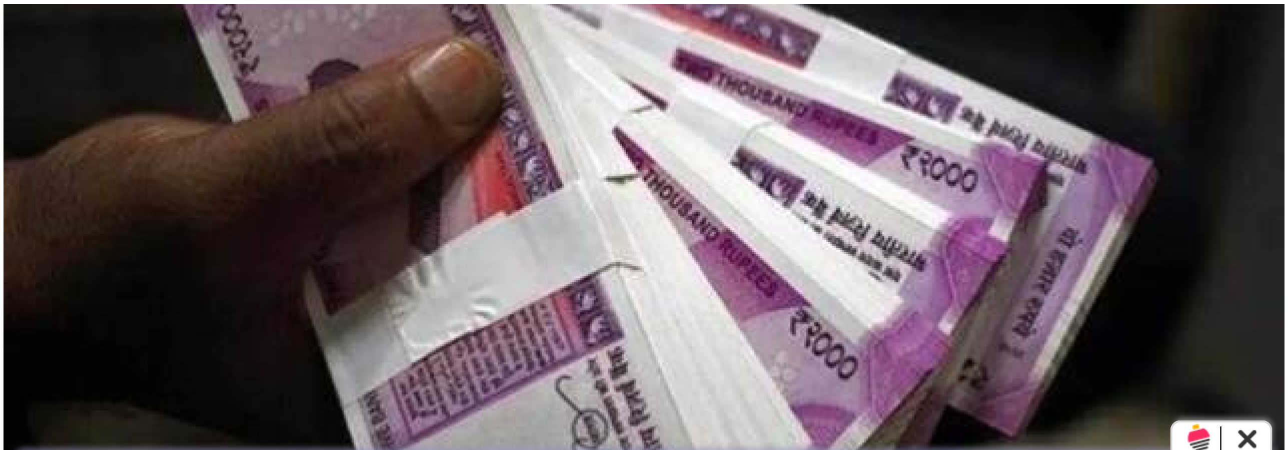

The Centre has released two installments of tax devolution totalling Rs 1.18 trillion for June instead of the normal monthly devolution of Rs 59,140 crore. (Express Photo)

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The Department of Expenditure under the Finance Ministry has approved capital investment proposals of Rs 56,415 crore for 16 states in the current financial year 2023-24, a finance ministry statement said Monday.

With an intent to tap into a higher multiplier effect of capital expenditure by frontloading the spending by states, the amount has been approved for 16 states including Arunachal Pradesh, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Karnataka, Madhya Pradesh, Mizoram, Odisha, Rajasthan, Sikkim, Tamil Nadu, Telangana, and West Bengal.

The approval has been given under the scheme titled 'Special Assistance to States for Capital Investment 2023-24'. The scheme, which was announced in the Budget for 2023-24 in continuation of a similar push for capex from the last three years, special assistance is being provided to the state governments in the form of 50-year interest free loan up to an overall sum of Rs 1.3 lakh crore during the financial year 2023-24.

State	Amount (in ₹ cr)	State	Amount (in ₹ cr)
Bihar	9640	Chhattisgarh	3195
MP	7850	Telangana	2102
West Bengal	7523	AP	1255
Rajasthan	6026	Haryana	1093
Odisha	4528	HP	826
Tamil Nadu	4079	Mizoram	399
Karnataka	3647	Sikkim	388
Gujarat	3478	Goa	386

Source: Ministry of Finance

The scheme has eight parts, Part-I being the largest with grant-like special capex facility. In this part, the amount has been allocated amongst states in proportion to their share of central taxes and duties as per the award of the 15th Finance Commission, while other parts of the scheme are either linked to reforms or are for sector-specific projects.

The continued push for capital expenditure or capex by Centre, especially for states, is significant given the fact that many states, led by Andhra Pradesh, Maharashtra, UP and Kerala, failed to meet the target in terms of actual capex on various fronts despite getting the required disbursals from the central government in FY2023.

Last week, a Bank of Baroda report said that out of data available for 25 states, as many as 14 states met less than 75 per cent of the target in FY2023. A total of Rs 7.49 lakh crore was budgeted for by these states. However, they spent only Rs 5.71 lakh crore which is 76.2 per cent of the total, it said. The Centre had met its target both in terms of actual capex in various areas as well as the loans disbursed to states that were to be used for capex. In FY23, Centre's capital expenditure exceeded the government's revised estimate of Rs 7.28 lakh crore by Rs 8,551 crore.

The frontloading of funds for capex is important for states this financial year as some of them are headed for elections later this year and ahead of general elections

States require some certainty regarding their revenue flow to determine their respective expenditure, with revenue expenditure also forming a significant chunk of their expenses, an expert said.

To augment resources for the states to accelerate capital expenditure, the Centre has also further advanced tax devolution to the first quarter of FY24 compared with such advance releases in the second quarter of the previous year.

The Centre has released two installments of tax devolution totalling Rs 1.18 trillion for June instead of the normal monthly devolution of Rs 59,140 crore.

Capex of government has been considered to be the prime driver of capex in the economy in the last few years.

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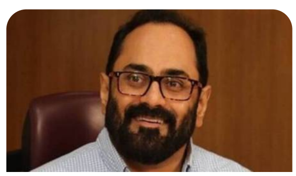

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This is so as the private sector has not been in a position to invest for various reasons. These range from lower demand to excess capacity and high inflation.

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