

## FOREWORD

The Reserve Bank's annual publication "*State Finances: A Study of Budgets*" provides a comprehensive analysis of the fiscal position of State governments in India. This year's Report covering the period 2022-23 (actuals) to 2024-25 (budget estimates) takes 'Fiscal Reforms by States' as its theme.

The analysis shows that State governments have demonstrated fiscal prudence by containing their consolidated gross fiscal deficit and revenue deficit, while continuing to improve the quality of expenditure. While States' total outstanding liabilities have been declining, they remain above the pre-pandemic level.

The Report highlights several reforms that would strengthen public finances. It also emphasises the need for sustained fiscal prudence while prioritising growth-enhancing capital spending. Looking ahead, the Report recommends the adoption of a risk-based fiscal framework with provisions for counter-cyclical fiscal policy actions; a medium-term expenditure framework incorporating the 'golden rule' which requires all current/revenue expenditures should be financed from current revenue and capital expenditure should be financed through borrowings; a clear, transparent and time-bound glide path for debt consolidation; and enhanced data dissemination and communication policies including on reporting of outstanding liabilities, off-budget borrowings and guarantees. In addition, strengthening of State Finance Commissions is critical for ensuring adequate and timely fund transfers to local bodies.

This Report has been prepared in the Division of State Finances (DSF) in the Department of Economic and Policy Research (DEPR) under the supervision of Shri Muneesh Kapur, Executive Director. Smt. Rekha Misra, Adviser-in-Charge, DEPR, provided overall guidance. The DSF team was led by Dr. Atri Mukherjee, Director, and comprised Shri Bichitrananda Seth, Assistant Adviser, and Shri Rachit Solanki, Shri Kovuri Akash Yadav, Ms. Debapriya Saha, Shri Ettem Abhignu Yadav and Ms. Amrita Basu, Managers. Officers from the Division of Central Finances (DCF) – Dr. Samir Ranjan Behera, Director, Shri Anoop K. Suresh, Assistant Adviser, and Ms. Harshita Yadav, Manager – were also part of the drafting team.

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This Report is available on the Reserve Bank's website ([www.rbi.org.in](http://www.rbi.org.in)). Feedback/comments to help improve the analytical and informational content of the Report may be sent to the Director, Division of State Finances, Department of Economic and Policy Research, Amar Building (6<sup>th</sup> Floor), Reserve Bank of India, Sir Pherozshah Mehta Road, Mumbai - 400 001 or through e-mail: [deprfad@rbi.org.in](mailto:deprfad@rbi.org.in).

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