

FOREWORD

The Reserve Bank of India (RBI) brings out an annual publication entitled “State Finances: A Study of Budgets” which analyses the fiscal position of state governments on the basis of primary state level data. This year the majority of states had presented their budgets during February-March 2020, but the outbreak of COVID-19 delayed the presentation of budgets by a few states to the post lockdown period. This Report analyses the underlying dynamics of the combined budget estimates (BE) of all states/union territories for 2020-21 against the backdrop of actual and revised (or provisional accounts) outcomes for 2018-19 and 2019-20, respectively.

The salient features that emerge from this analysis are:

- States have budgeted their consolidated gross fiscal deficit (GFD) at 2.8 per cent of GDP in 2020-21; however, the COVID-19 pandemic may alter budget estimates significantly, eroding the gains of consolidation secured in the preceding three years - the average GFD for states that presented their budgets before the outbreak of COVID-19 is 2.4 per cent of GSDP, while the average for budgets presented post-lockdown is 4.6 per cent.
- The associated increase in indebtedness, coupled with persisting losses of power distribution companies (DISCOMs) and rising guarantees, slants risks to state finances to the downside, going forward.
- Sustaining the recovery from the pandemic will reshape state finances, entailing boosting investment in health care systems and other social safety nets in line with the states’ demographic and co-morbidity profiles; building digital infrastructure to improve provision of public services more efficiently in a post-pandemic new normal and upgrading the urban infrastructure with increased engagement of local governments so as to improve the resilience of our COVID-scarred cities, which were severely hit during the pandemic.
- The quality of spending and the credibility of state budgets will assume critical importance. The next few years are going to be challenging for the states. They have played an important role in the frontline of the defence against the pandemic. Going forward, they need to remain empowered to provide growth impulses to the Indian economy and build resilience against future pandemics as well. It is in this context that this Report’s spatial lens provides content and value to the theme “COVID-19 and its Spatial Dimensions in India”.

The Report has been prepared under the overall guidance of Dr. Mridul Saggar, Executive Director, and supervision of Dr. Deba Prasad Rath, Officer-in-Charge. The Report has been prepared in the Division of State Finances (DSF) of the Department of Economic and

Policy Research (DEPR) by a team led by Smt. Sangita Misra, Director, and comprising Shri Bichitrananda Seth, Assistant Adviser, Shri Rahul Agarwal, Shri Sudhanshu Goyal and Shri Rachit Solanki, Managers. Officers from the Division of Central Finances (DCF) Dr. Samir Ranjan Behera, Director, Smt. Kaushiki Singh, Assistant Adviser and Shri Saksham Sood and Shri Anshuman Kamila, Managers, made useful contributions to the Report. Data compilation support provided by Shri Nirmal Kumar, Ms. Archana Verma and Shri G. Hamand is gratefully acknowledged.

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This Report is available on the Reserve Bank's website (www.rbi.org.in). Feedback/comments are solicited to help improve the analytical and informational content of the Report. They may be sent to the Director, Division of State Finances, Department of Economic and Policy Research, Amar Building (6th Floor), Reserve Bank of India, Shahid Bhagat Singh Road, Mumbai- 400 001 or through email (deprfad@rbi.org.in).

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