

## FOREWORD

The Reserve Bank of India brings out a report as an annual publication entitled *State Finances: A Study of Budgets*, which analyses the fiscal position of state governments on the basis of primary disaggregated state-wise data. From 2005-06 onwards, the report has been structured around a special theme of topical relevance. This report's theme is 'Fiscal Consolidation: Assessment and Medium Term Prospects.'

The salient features that emerge from an analysis of the state finances are:

- In the years following the global financial crisis, amendments to states' fiscal responsibility enactments have motivated renewed efforts towards fiscal consolidation.
- Key to successful sub-national fiscal consolidation is a sustained increase in states' own revenues, with grants from the centre playing a supplemental role.
- Improvement in fiscal marksmanship is also important for delivering on fiscal consolidation intentions, particularly by minimising the systematic bias towards over-estimation of expenditure relative to receipts.
- Higher untied transfers under the Fourteenth Finance Commission award would afford greater fiscal autonomy for the states; it is incumbent upon them to efficiently use these resources.
- The rapidly growing e-commerce could contribute to states' own revenue efforts, provided there is greater clarity in rules and procedures to enable better compliance; furthermore, windfall gains accruing over time from auctioning of natural resources needs to be channelised effectively for meeting developmental needs of the mineral rich states.

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This report is also available on the RBI website ([www.rbi.org.in](http://www.rbi.org.in)). Feedback/comments are solicited to help improve the analytical or informational content of the report. These may be sent to the Director, Fiscal Analysis Division, Department of Economic and Policy Research, 6<sup>th</sup>Floor, Amar Building, Reserve Bank of India, Shahid Bhagat Singh Road, Mumbai 400 001 or through email at [deprfad@rbi.org.in](mailto:deprfad@rbi.org.in)

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