

FOREWORD

The Reserve Bank's annual publication titled "State Finances: A Study of Budgets" provides data on and analysis of the fiscal position of State governments in India during 2021-22 (actuals), 2022-23 (revised estimates/provisional accounts) and 2023-24 (budget estimates). The theme for this year's Report is 'Revenue Dynamics and Fiscal Capacity of Indian States'. The highlights of the analysis are:

- The improvement achieved in State finances in 2021-22 was sustained in 2022-23, with the combined States' gross fiscal deficit (GFD) contained at 2.8 per cent of gross domestic product (GDP) - below the budget estimate for the second consecutive year - primarily through a reduction in the revenue deficit.
- States envisage a continuation of prudent fiscal management for 2023-24, with the consolidated GFD budgeted at 3.1 per cent of GDP.
- Alongside the near elimination of the revenue deficit, capital outlay is budgeted to increase by 42.6 per cent in 2023-24 to 2.9 per cent of GDP.
- States' total outstanding liabilities are budgeted to fall to 27.6 per cent of GDP for 2023-24 from the peak of 31.0 per cent in 2020-21; however, outstanding liabilities may remain higher than 30 per cent of gross state domestic product (GSDP) for many States.
- The implementation of goods and services tax (GST) has led to increased tax buoyancy for the States.
- While the overall tax efforts of the States are strong, further improvement in tax revenues will require them to strengthen their tax capacity, including through tax reforms and effective and innovative tax administration.
- In case of non-tax revenues, there is considerable scope for States to increase them through revisions of user charges on electricity, water and other public services, royalties and premiums from mining, and better financial management of their PSUs.

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. Dr. Deba Prasad Rath, Principal Adviser, 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, and Shri Ettem Abhignu Yadav, Managers.

Officers from the Division of Central Finances (DCF) - Dr. Samir Ranjan Behera, Director, Shri Anoop K. Suresh, Assistant Adviser, and Shri Saksham Sood, Smt. Ipsita Padhi, Ms. Harshita Yadav, Managers - made valuable contributions to the Report.

Support and inputs by Shri Harsh Kumar Gautam, General Manger, Shri Anand Prakash Ekka and Shri Sourit Das, Assistant Advisers, and Shri Adit Narayan and Smt. Nayana Kulkarni, Managers, of the Internal Debt Management Department (IDMD) are gratefully acknowledged. Data support provided by Shri Arpan Srivastava, Assistant Manager, and Shri Aditya Shankar Sirsat, Assistant, are highly appreciated.

Officers from the Regional Offices of the DEPR - Dr. Rajmal, Dr. Raj Rajesh, Shri B.S. Choudhary, Shri T. P. Meitei, Dr. Shromona Ganguly, Dr. Alice Sebastian, Smt. Upasana Sharma, Smt. Priyanka Bajaj, Ms. Pallavi Bhankhor, Shri Rashmi Ranjan Behera, Ms. Madhuchanda Sahoo, Shri Prabal Bilantu, Ms. Barkha Gupta, Dr. Kirti Gupta, Ms. Sarita Sharma, Shri Sudhanshu Goyal, Ms. Aayushi Khandelwal, and their staff - provided significant and timely support in collection and compilation of data.

This Report is available on the Reserve Bank's website (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 (6th Floor), Reserve Bank of India, Sir Pherozshah Mehta Road, Mumbai- 400 001 or through e-mail.

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December 11, 2023