

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. In a break from the past, this issue eliminates the lag in data availability by covering developments right up to budget estimates for 2018-19 that were presented by states during April-July this year. Accordingly, this year’s report analyses the underlying dynamics of revised estimates (RE) for 2017-18 and budget estimates (BE) for 2018-19 against the backdrop of actual outcomes for 2015-16 and 2016-17.

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

- While the states budgeted a gross fiscal deficit (GFD) to gross domestic product (GDP) ratio of 2.7 per cent in 2017-18, the revised estimates place it at 3.1 per cent, essentially due to shortfalls in own tax revenues and higher revenue expenditure on account of pay revisions and farm loan waivers.
- For 2018-19, states have budgeted for a consolidated GFD of 2.6 per cent of GDP with the correction mainly emanating from a revenue surplus of 0.2 per cent of GDP (deficit of 0.4 per cent in the revised estimates of 2017-18).
- Visible fiscal pressures are emerging for several states on the expenditure side, particularly on account of pay revisions, interest payments and other state-specific schemes like farm loan waivers. Given debt sustainability concerns associated with rising market borrowings, improved efficiency of expenditures and fiscal marksmanship may be necessary to sustain growth while maintaining fiscal prudence.
- Revenue mobilisation remains the key to attaining the budgeted targets; as the GST stabilises, it should boost states’ revenue capacity and support the resumption of fiscal consolidation.

The report has been prepared in the Fiscal Analysis Division (FAD) of the Department of Economic and Policy Research (DEPR) led by Smt. Sangita Misra, Director, and comprising Shri Bichitrananda Seth, Dr. Indrani Manna, Shri Neeraj Kumar and Dr. P.S. Rawat (Assistant Advisers); Smt. Kaushiki Singh, Shri Khaijamang Mate and Shri Saksham Sood (Research Officers) under the overall guidance and supervision of Dr. Rajiv Ranjan, Adviser and Officer-in-Charge. Data compilation support provided by Shri Nirmal Kumar, Smt. Monalisa Das, Smt Edna Fernandes, Shri G.Hamand and Smt Hasita is acknowledged gratefully.

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

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