

FOREWORD

The Reserve Bank's annual publication 'State Finances: A Study of Budgets' provides data and analysis of the fiscal position of the State governments in India. This year's Report analyses the underlying dynamics of the combined budget estimates (BE) of all States/Union Territories for 2021-22 *vis-à-vis* actual and revised (or provisional accounts) outcomes for 2019-20 and 2020-21, respectively, against the backdrop of the COVID-19 pandemic and its impact on the sub-national fiscal positions.

The salient features that emerge from the analysis in the Report are:

- For 2021-22, States have budgeted their consolidated gross fiscal deficit (GFD) to gross domestic product (GDP) ratio at 3.7 per cent, a marked improvement from the level of 4.7 per cent in the revised estimates for 2020-21, the year of the first wave of the pandemic. This consolidation is sought to be achieved through higher revenue receipts in an environment of expanding vaccination coverage, waning of the second wave and removal of localised restrictions on mobility and activity.
- With the third-tier governments in India playing a frontline role in combating the pandemic by implementing containment strategies, healthcare, quarantining and testing facilities, organising vaccination camps and maintaining the supply of essential goods and services, their finances have come under severe strain, forcing them to cut down expenditures and mobilise funding from various sources.
- Going forward, increasing the functional autonomy of the civic bodies, strengthening their governance structure and empowering them financially *via* higher resource availability, including through own resource generation and transfers, are critical for their effective interventions at the grass-root level.

This Report has been prepared in the Division of State Finances (DSF) of the Department of Economic and Policy Research (DEPR) under the supervision of Dr. Mridul Saggur, Executive Director. The Report was prepared under the overall guidance of Dr. Deba Prasad Rath, Officer-in-Charge (DEPR). The DSF team led by Dr. Atri Mukherjee, Director, included Dr. Somnath Sharma and Shri Bichitrananda Seth, Assistant Advisers and Shri Rahul Agarwal, Shri Rachit Solanki and Ms. Arushi Gupta, Managers. Officers from the Division of Central Finances (DCF), Dr. Samir Ranjan Behera, Director, Shri Anoop K Suresh, Assistant Adviser and Shri Saksham Sood and Smt. Ipsita Padhi, Managers made valuable contributions to the Report. Technical inputs from Shri Khaijamanj Mate, Assistant Adviser, Dr. Paritosh Jha, Consultant and Shri Saurabh Sharma, Manager and the contributions and support provided by Dr. Sangita Misra, Director, Dr. Ramesh Golait, Assistant Adviser, Shri Kovuri Akash Yadav, Manager, and Shri Nirmal Kumar, Assistant Manager are gratefully acknowledged.

Officers from DEPR Regional Offices, Smt. Deepa S. Raj, Shri Raj Rajesh, Shri Seenuvasan M, Shri B.S. Choudhary, Smt. Rakhe Balachandran, Shri T. P. Meitei, Ms. Alice Sebastian, Smt. Upasana Sharma, Shri Kapil Dev Manhas, Shri Kunal Rahar, Smt. Pallavi Bhankhor, Shri Rasmi Ranjan Behera,

Smt. Anchal Agarwal Jain, Shri Neeraj Kumar, Shri Prabal Bilantu, Smt. Kirti Gupta and Ms. Sarita Sharma provided noteworthy support in drafting useful parts of the Report as well as in collection and compilation of data.

Support provided by the Internal Debt Management Department (IDMD), Finance Departments of State Governments and Union Territories, the Ministry of Finance, Government of India, the Office of the Comptroller and Auditor General (CAG) of India and Municipal Corporations of different States is also highly appreciated.

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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November 30, 2021