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State Finances: A Study of Budgets of 2024-25

Today, the Reserve Bank of India (RBI) released the Report "[State Finances: A Study of Budgets of 2024-25](#)". The theme of this year's Report is "Fiscal Reforms by States". It provides a comprehensive assessment of the finances of State governments for 2024-25 against the backdrop of actual and revised/provisional accounts for 2022-23 and 2023-24, respectively.

Highlights:

- i) State governments contained their consolidated gross fiscal deficit (GFD) within 3 per cent of gross domestic product (GDP) and their revenue deficit at 0.2 per cent of GDP during 2022-23 and 2023-24. In 2024-25, States have budgeted a GFD of 3.2 per cent of GDP.
- ii) The improvement in the quality of expenditure was sustained, with capital expenditure rising from 2.4 per cent of GDP in 2021-22 to 2.8 per cent in 2023-24 and budgeted at 3.1 per cent of GDP in 2024-25.
- iii) States' total outstanding liabilities declined from 31.0 per cent of GDP at end-March 2021 to 28.5 per cent at end-March 2024 but remain above the pre-pandemic level (25.3 per cent at end-March 2019).
- iv) State-specific Fiscal Responsibility Legislations (FRLs) along with tax and expenditure reforms have strengthened their finances over the past two decades. In view of high debt levels, contingent liabilities and the rising subsidy burden, State government finances would benefit from the adoption of a risk-based fiscal framework with provisions for counter-cyclical fiscal policy actions; a prudent medium-term expenditure framework; a clear, transparent and time-bound glide path for debt consolidation; and enhanced data dissemination and communication policies, including on reporting of outstanding liabilities, off-budget borrowings and guarantees. Strengthening of State Finance Commissions is also critical for ensuring adequate and timely fund transfers to local bodies.

This publication has been prepared in the Division of State Finances in the Department of Economic and Policy Research. The current issue, along with past issues of the Report, are available on the Reserve Bank's website (www.rbi.org.in). Comments on this publication can 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. Comments can also be forwarded via [e-mail](#).

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