



Institute for Social and Economic Change

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Golden Jubilee Seminar

Report on State Finances: 2021-22

Reserve Bank of India

Abstract

The Reserve Bank of India publishes an annual Study titled 'State Finances: A Study of Budgets', which provides in-depth analyses and assessments of the finances of State Governments in India. The study also provides detailed statistical tables relating to fiscal performance of the States which are widely used by the State Governments, academicians and independent researchers. In the proposed seminar, the RBI team will discuss the findings of their latest State Finances Report, in terms of current fiscal position of the States, the evolving concerns and the way forward. The presentation will also cover the theme of the report – 'Coping with the Pandemic: A Third Tier Dimension', and highlight the challenges faced by India's local governments during COVID-19 in terms of resource constraints, infrastructure bottlenecks, and post-pandemic strategies to build resilience. The main findings of the Study are:

- State government finances, which deteriorated sharply in 2020-21, have improved significantly in 2021-22 through higher revenue receipts in an environment of expanding vaccination coverage, waning of the COVID second and third waves 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 came under severe strain, forcing them to cut down expenditures and mobilise funding from various sources.
- 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.