


**भारतीय रिज़र्व बैंक**  
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**State Finances: A Study of Budgets of 2019-20**

Today, the Reserve Bank of India (RBI) released the report titled "[State Finances: A Study of Budgets of 2019-20](#)", an annual publication that provides information, analysis and an assessment of the finances of state governments. With several states facing state elections this summer, presentation of their final budgets was delayed till July-September 2019. This year's Report analyses the underlying dynamics of budget estimates (BE) for 2019-20 against the backdrop of actual for 2017-18 and revised (and provisional accounts) outcomes for 2018-19. The Report addresses the theme of "Debt: States' Medium Term Fiscal Challenges". [A time-series data](#) published in State Finance Reports from 1990-91 is also released along with this Report.

**Highlights of the report are:**

- States' gross fiscal deficit (GFD) has remained within the Fiscal Responsibility and Budget Management Act (FRBM) threshold of 3 per cent of gross domestic product (GDP) during 2017-18 and 2018-19.
- For 2019-20, states have budgeted a consolidated GFD of 2.6 per cent of GDP.
- Outstanding debt of states have risen over the last five years to 25 per cent of GDP, posing medium term challenges to its sustainability.
- Revenue generation holds the key to prudent debt management - improving tax buoyancy by capitalising on technology enabled efficiency gains under the GST architecture, and raising user charges, wherever possible, should bolster revenue raising capacity.
- Incipient risks to debt sustainability emanate from losses of Distribution Companies (DISCOMs) and from potential invocation of guarantees.
- A combination of consolidation, reissuances and maturity elongation can help in improving liquidity and in developing a secondary market for state development loans (SDLs). Differential pricing of SDLs as per the risk profile of the states holds the key for better market discipline.
- Going forward, it is important for states to pursue their capital expenditure plans as budgeted in 2019-20, considering that states account for two thirds of general government capital expenditure with implications for overall economic activity and welfare.

This publication has been prepared in the Division of State Finances of the Department of Economic and Policy Research. The current issue, along with past issues of the report, is available on the website ([www.rbi.org.in](http://www.rbi.org.in)). Comments on this publication may be sent to The Director, Division of State Finances, Department of Economic and Policy Research, Reserve Bank of India, Shahid Bhagat Singh Road, Mumbai - 400001. Comments can also be forwarded via [e-mail](#).

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