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Fiscal Consolidation in Madhya Pradesh and Chhattisgarh during 2001 to 2019

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Abstract

This paper looks into fiscal consolidation in India's heartland states of Madhya Pradesh and Chhattisgarh following their separation from 2001 to 2019. The study examines the trends in states' budget deficits, public spending, debt, and revenue collection to meet FRBMA, 2003 fiscal targets. According to the analysis, both states achieved fiscal consolidation after an initial hiccup during the period. The states adhered to the fiscal targets established by the FRBM Act of 2003 and various finance commissions. In Madhya Pradesh and Chhattisgarh, the gap between revenue receipts and revenue expenditure has narrowed. The percentage of interest payments deducted from revenue has also been reduced. Madhya Pradesh and Chhattisgarh are backward states, despite their above-average economic growth. The deficit and debt levels and the states' interest payments have increased later in the study period. The States must generate revenue through legislative non-GST taxes and other non-tax sources.

Keywords: Regional Budget Deficit, Regional Public Spending, Fiscal Consolidation, Debt, Taxes.

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