



## FISCAL HEALTH INDEX NITI AAYOG: GOVERNANCE

**NEWS:** Odisha, Chhattisgarh, Goa among top-performing States in NITI Aayog's fiscal health index

### WHAT'S IN THE NEWS?

NITI Aayog's first Fiscal Health Index (FHI) report for 2022-23 ranks Indian states based on fiscal stability, revenue mobilization, expenditure quality, and debt management. Odisha emerged as the top performer, while states like Kerala and Punjab were listed as aspirational due to significant fiscal challenges.

### Key Insights from the Fiscal Health Index (FHI)

#### 1. Top Performers: Achievers

- **States:** Odisha, Chhattisgarh, Goa, and Jharkhand.
- Odisha secured the **highest FHI score of 67.8**, highlighting its robust fiscal health.
- Features of achiever states:
  - High **capital outlay** of up to **4% of GSDP** (focused spending on infrastructure).
  - Effective **non-tax revenue mobilization**.
  - Revenue surplus with **low interest payments** ( $\leq 7\%$  of revenue receipts).

#### 2. Front-Runners

- **States:** Maharashtra, Uttar Pradesh, Telangana, Madhya Pradesh, and Karnataka.
- Attributes:
  - **High developmental expenditure** (up to **73% of total spending**).
  - Sustained growth in **own tax revenues**.
  - Debt-to-GSDP ratio of **24%**, showing **improved debt sustainability**.

#### 3. Moderate Performers: Performers

- **States:** Tamil Nadu, Bihar, Rajasthan, and Haryana.
- Observations:
  - Showed **moderate fiscal management** but had scope for improvement in revenue generation and spending efficiency.

#### 4. Struggling States: Aspirational Category



- **States:** Kerala, West Bengal, Andhra Pradesh, and Punjab.
- **Key Challenges:**
  - **Low revenue mobilization**, unable to generate adequate tax or non-tax revenues.
  - Rising **debt burdens** and poor debt sustainability metrics.
  - Failure to meet fiscal and revenue deficit targets.

## Odisha's Exceptional Fiscal Performance

### 1. Debt Management and Sustainability

- Odisha ranked highest in the **Debt Index (99.0)** and **Debt Sustainability (64.0)**.
- Maintained **low fiscal deficits**, showcasing excellent financial discipline.

### 2. Capital Outlay and Development

- Odisha's **capital outlay-to-GSDP ratio** was **above the national average**, emphasizing its focus on productive investments.

### 3. Revenue Surplus

- Effective revenue generation combined with prudent expenditure ensured a surplus, reducing fiscal stress.

## Long-Term Trends in Fiscal Health (2014-15 to 2021-22)

- **Top Performers Over Time:** Odisha, Goa, Karnataka, Maharashtra, and Chhattisgarh consistently scored high in fiscal health.
- **Data Source:** All FHI data is sourced from the **Comptroller and Auditor General (CAG)**.

## Significance of the Fiscal Health Index

### 1. For Policymakers:

- Provides insights into state-level economic governance.
- Helps in identifying areas requiring fiscal reforms.

### 2. For States:

- Encourages states to focus on improving debt sustainability and revenue generation.

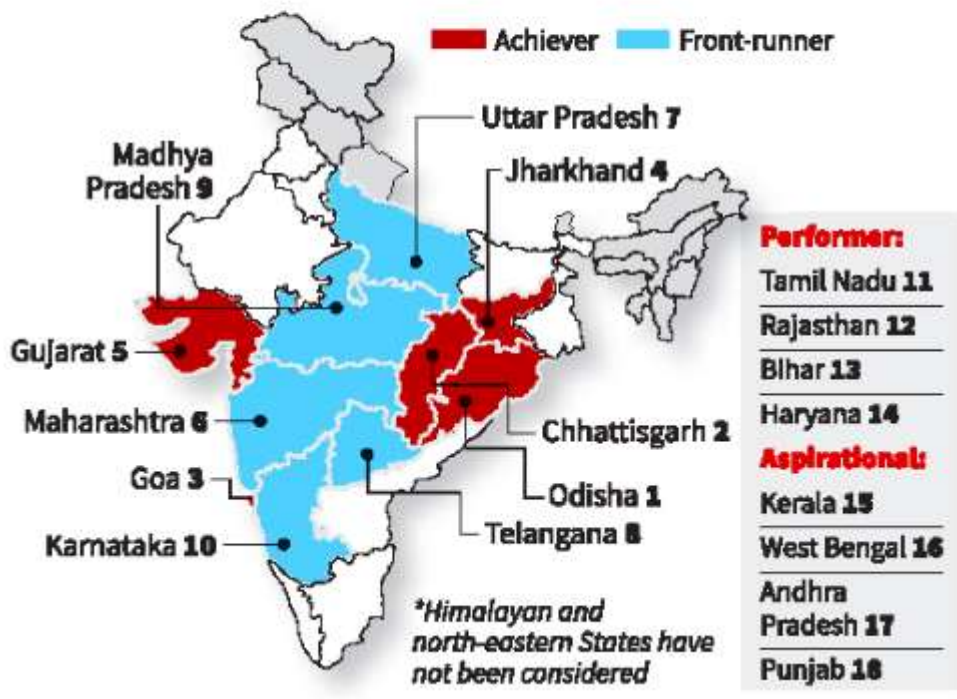
### 3. For the Economy:



- Strong fiscal performance ensures better investments, developmental expenditure, and long-term growth.

## Fine balance

Analysis in the Niti Aayog's report on the fiscal health index for FY23 highlights that strong revenue mobilisation, effective expenditure management, and prudent fiscal practices are critical determinants of success



Source: <https://www.thehindu.com/business/Economy/odisha-chhattisgarh-go-a-mong-top-performing-states-in-niti-aayogs-fiscal-health-index/article69137406.ece>

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