FISCAL RISK ANALYSIS: THE INDIAN SCENARIO

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ANALYSIS OF THE STATES

INTRODUCTION

- An integral part of every nation's economic planning and management is the examination of its fiscal risks. It is a procedure for assessing the risks that might influence a nation's capacity to maintain fiscal restraint and satisfy its financial commitments.

- Given the size, complexity, and diversity of India, fiscal risk analysis has become increasingly important. India is now dealing with a number of economic issues, such as growing debt levels, budget deficits, and unclear revenue sources.

- Therefore, carrying out a thorough fiscal risk analysis becomes essential to ensuring the sustainability and stability of the national economy.

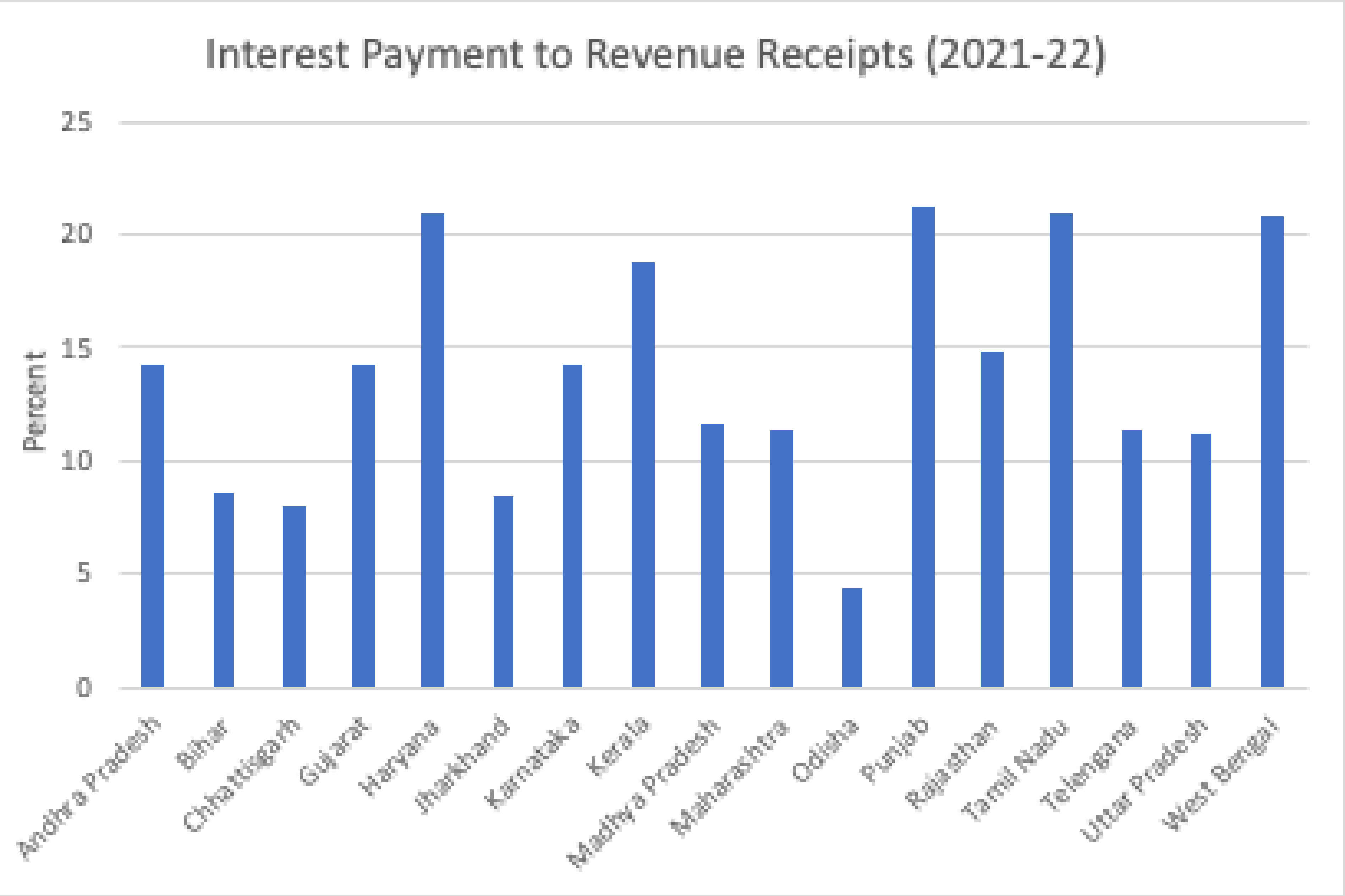
- This issue examines the Indian scenario's fiscal risk analysis, looking at its current fiscal status, prospective dangers, and obstacles it may encounter, as well as possible solutions. In order to limit the scope of this issue, four states namely, Andhra Pradesh, Kerala, West Bengal, and Punjab, are analyzed to assess their fiscal conditions.

- In India, both the federal government and the state governments have independent sources of funding for their operations. The fiscal health of Indian states has changed throughout time, with some performing better than others. Some states have in the past experienced severe fiscal crises, while others have been able to maintain a generally stable fiscal situation.

- The state of West Bengal experienced a major budgetary crisis in the 1980s. Due to excessive expenditure and a deficiency in income production, the state's budget imbalance has grown to catastrophic proportions. In order to get out of the crisis, the state was forced to ask the federal government for a rescue package.

- Due to the adoption of economic reforms, especially the liberalisation of the economy, several Indian states had financial difficulties in the 1990s. For instance, the state of Kerala experienced a serious financial crisis at this time, which was made worse by elements like a heavy debt burden and a decline in revenue.

- There have, however, also been cases where Indian states have been able to keep their financial situation constant. For instance, Gujarat has constantly been rated as one of the states with the best fiscal management. Through a variety of strategies, including as the encouragement of industrial expansion and the adoption of tax changes, the state has been able to sustain a high level of income creation.



Soruce: World Bank

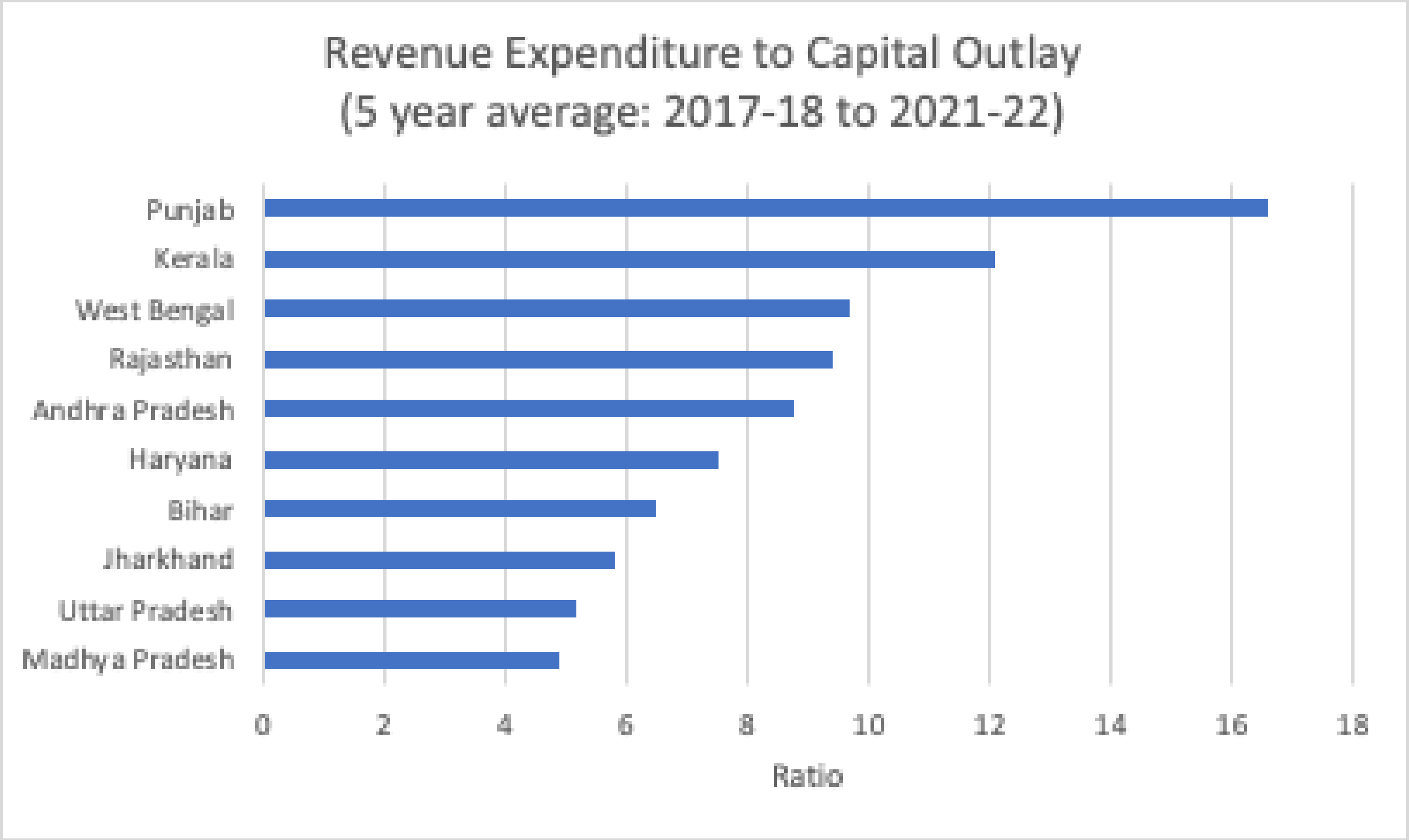
- The financial health of Indian states as of 2021 is uneven. Due to decreased revenue collections and increased spending on health and welfare initiatives, the COVID-19 pandemic has had a significant negative impact on the financial stability of many Indian states.

- Due to a decrease in the amount of tax revenue collected, including the GST, income tax, and excise duty, several states are currently experiencing budget deficits. As a result, several governments are currently having trouble meeting their spending needs, particularly in the fields of health and education.

- However, by implementing responsible fiscal management techniques, some states have been able to maintain a comparatively stable fiscal situation. Through a variety of strategies, including the promotion of industry, tax reforms, and cutting-edge revenue collection techniques, states like Maharashtra, Tamil Nadu, and Gujarat have been able to maintain a high level of revenue generation.

- Additionally, the central government has announced a number of initiatives to assist the fiscal health of Indian states. For instance, the government extended state borrowing limits and offered financial support to states under the Atmanirbhar Bharat package.

- Overall, the fiscal health of Indian states is uneven, with some facing serious problems while others have maintained stability through careful fiscal management. The position is still shaky, and a lot will rely on how India's COVID-19 pandemic crisis develops over the following years.



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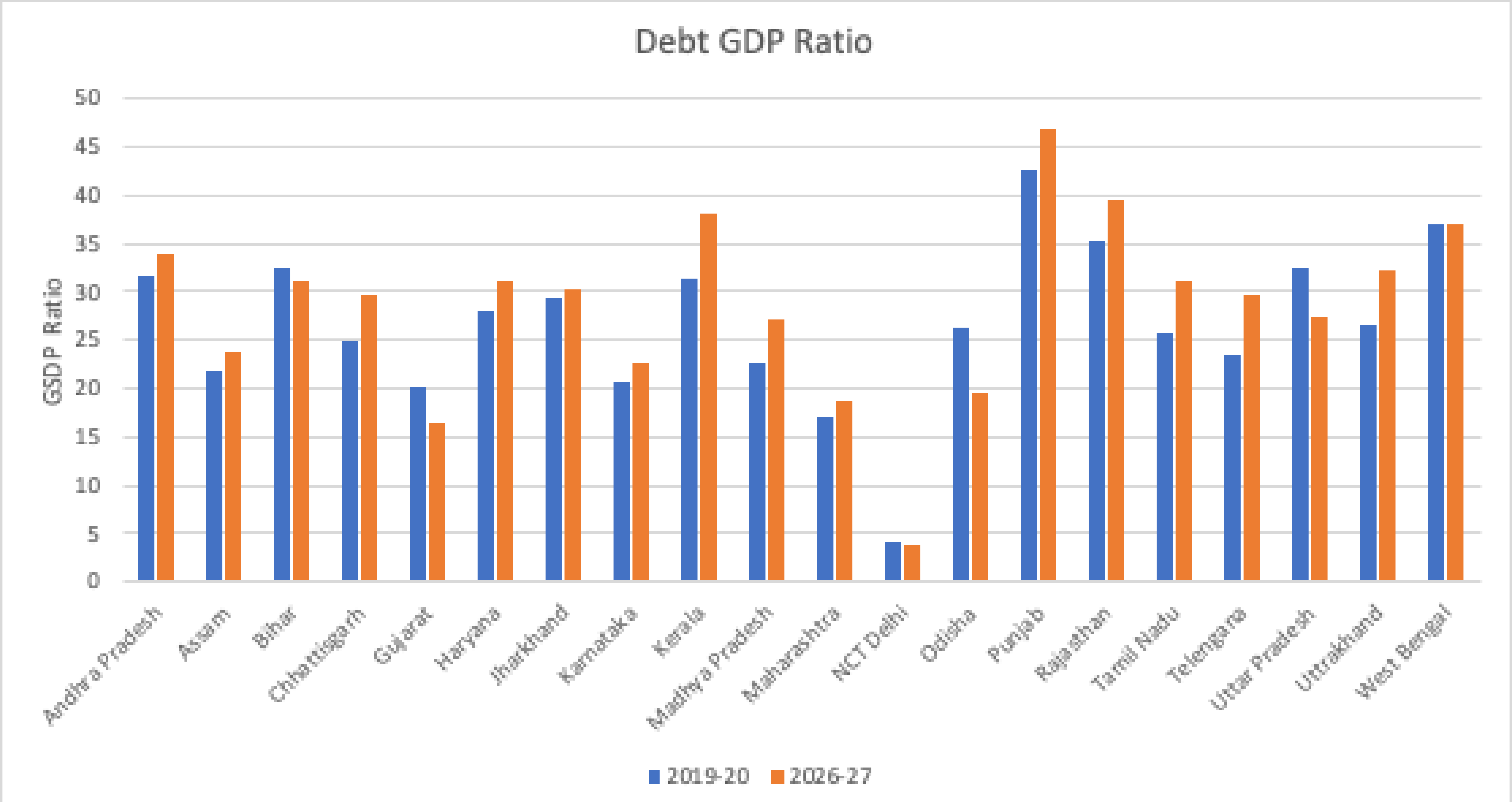
Some states have much higher revenue expenditures vis-a-vis revenue outlays as a result of which, the economic growth is slow and fiscal debts are on the rise.



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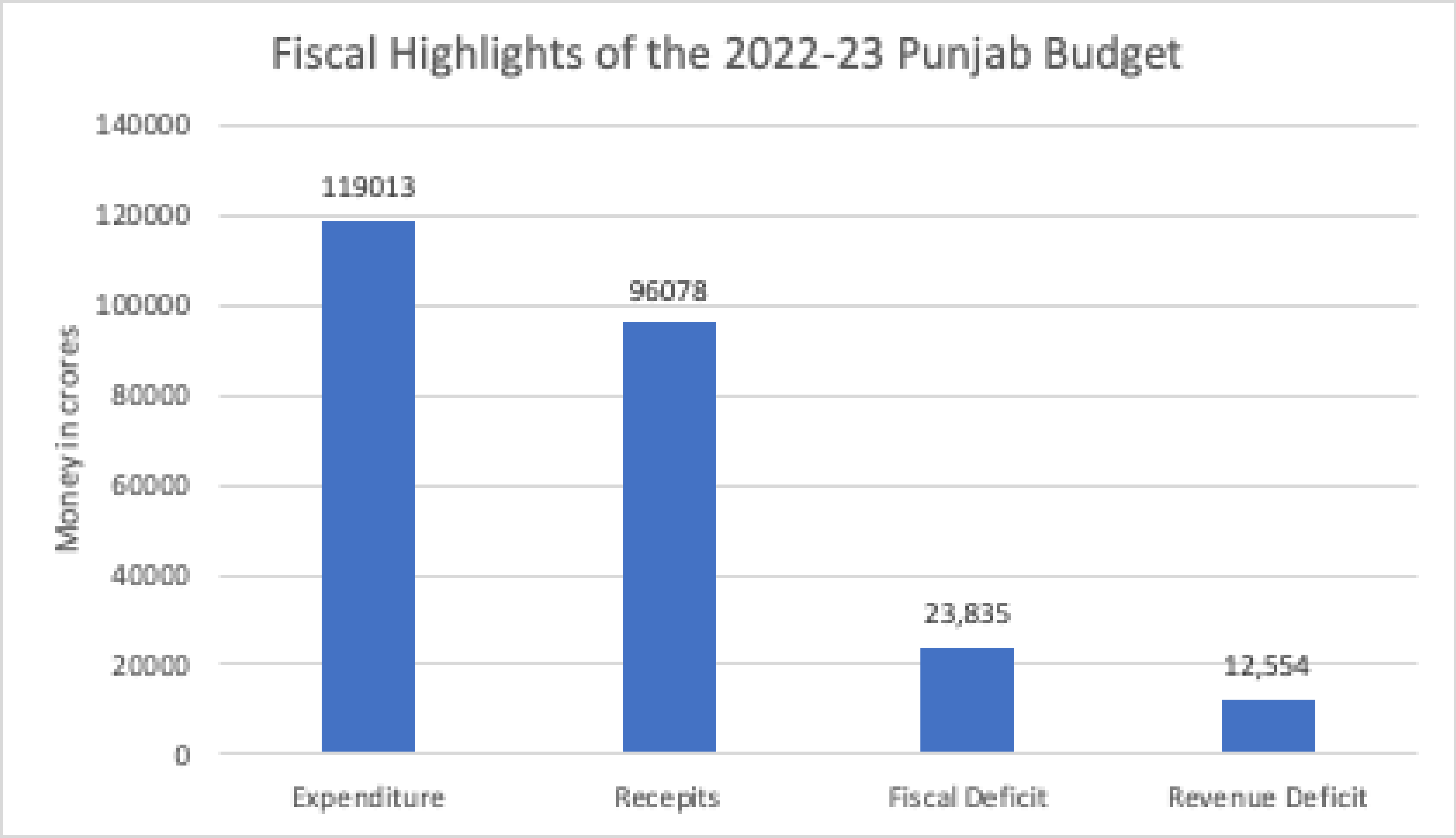
The graph shows a change in the debt levels of the Gross State Domestic Products from 2019-20 to 2026-27. As can be seen most states will see a rise in debt levels except a few states that have adopted better fiscal policies and financial estimates.

STATE WISE ANALYSIS

Punjab

- There have been several fiscal crises in Punjab, a state in northern India, in the past. One of the most significant was in the early 1990s, when the state government was facing a severe financial crisis due to a number of factors, including poor tax collection, high levels of corruption, and mismanagement of public funds. While there are many empirical crisis which have happened, the more recent ones are of interest in this research.

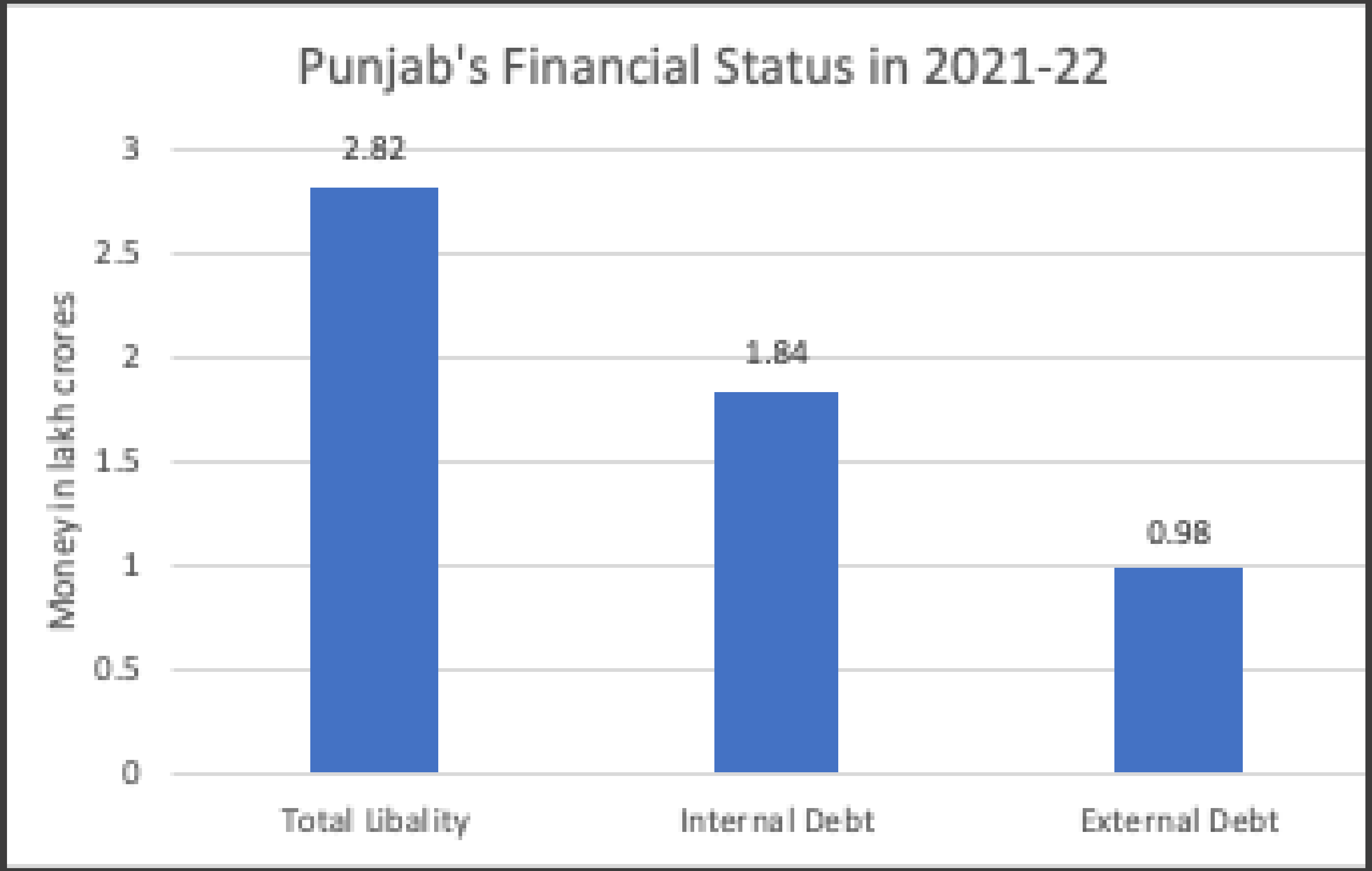
- For instance, in 2015, when the state government was facing a huge debt burden due to the accumulation of unpaid loans and the cost of various welfare schemes. The state government had to take drastic measures to cut spending and raise revenues, including increasing taxes and reducing subsidies. In any case, the fiscal crises in Punjab had a significant impact on the state's economy, causing widespread unemployment, social unrest, and a decline in living standards for many people.



Soruce: World Bank

- While all the aforementioned factors tell us how it lead to a situation of crisis, one major way of analysing the current condition of the state government may be to analyse their liabilities.

- According to the latest data available *(Hindustan Times)*, as of March 2021, the total liability of Punjab stood at approximately Rs. 2.82 lakh crore ($38 billion USD). This includes both internal and external debt. Internal debt refers to the amount owed to various entities within the country, while external debt refers to the amount owed to foreign lenders. As of March 2021, Punjab's internal debt was approximately Rs. 1.84 lakh crore ($25 billion USD), while its external debt was approximately Rs. 98,000 crore ($13 billion USD). This tells us that the increasing liability has a negative impact on the state's finances and can limit its ability to invest in infrastructure and other development projects.



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- Since Punjab's own tax income contributed barely 51% to total revenue collections between 2015 and 2021, compared to Haryana's 63%, the mobilisation of public resources is still a major challenge. Among other low-income sources like the GST, Punjab spends just 19% of its budget on human development, 10% on administration, and only 4% on the health sector. This, along with COVID 19, greatly impacted the state's economy because Punjab was reliant on agriculture.

- The question now is, what lead to the current crisis? Due to extensive tax fraud, extravagant subsidies, insufficient tax and non-tax revenue collection, the central government's concentration of tax collection and distribution, poor investment in capital growth, and dismal resource mobility, Punjab has amassed interminable debt.

- The question that arises now is, what can the state do going ahead?

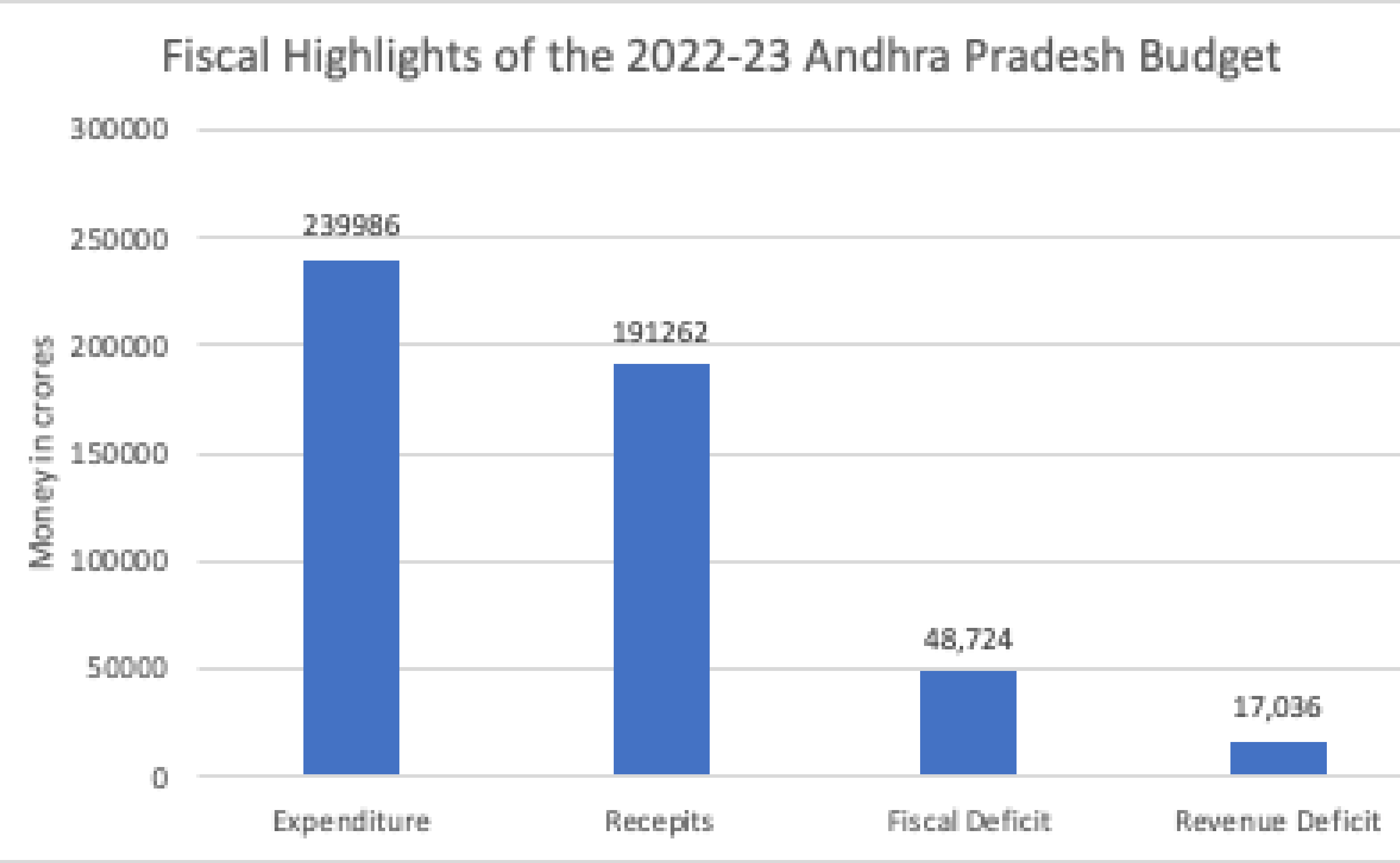
- There are several approaches to solve the state's finances, and the economic growth process can be restarted. In a democracy, the people are the ultimate decision-makers, and if they are knowledgeable and well-informed, they may use this power and knowledge to participate in the political process to restore order. Fiscal rules that are too onerous must be removed. The state government is primarily responsible for changing its budgetary strategy in order to increase income based on the notions of progression. Borrowing is only permitted for investments when the societal rate of return exceeds the cost of borrowing. Increasing tax revenue is one of the most sensible options for combating tax evasion.

- To catch up to other states, Punjab must increase its low tax to GDP ratio. The numerous economic and social services the state offers do not always bring in the most money. The state must take spending into account. Unfortunately, Punjab's expenditure base has grown so much that merely raising funds and growing revenue will not be enough. The nation's largest per-capita carrying cost belongs to the government. In the past, Punjab was quite proud of having the highest growth rate and per capita income. They now have the most debt per capita, highest interest rates on debt, and highest per capita spending on debt, labour, and pensions. The course of events has entirely changed.

Andhra Pradesh

- Among the multitude of states that are on the verge of structural and economic collapse, Andhra Pradesh stands out the most. The debt-ridden state is currently encumbered with contingent liabilities that have exceeded 5% of GSDP, RBI has repeatedly highlighted it as having fiscal fragility. Furthermore, the government has been careless by failing to contribute to the sinking fund for the past three years, which results in a 3000 crore rupee upside

- Andhra Pradesh is one of the most indebted states in the country. According to a recent report of the Reserve Bank of India (RBI), the state’s outstanding debts stand at Rs 3.98 lakh crore. Its debt to GSDP ratio stands at 37.6 percent, the fourth highest among the states.



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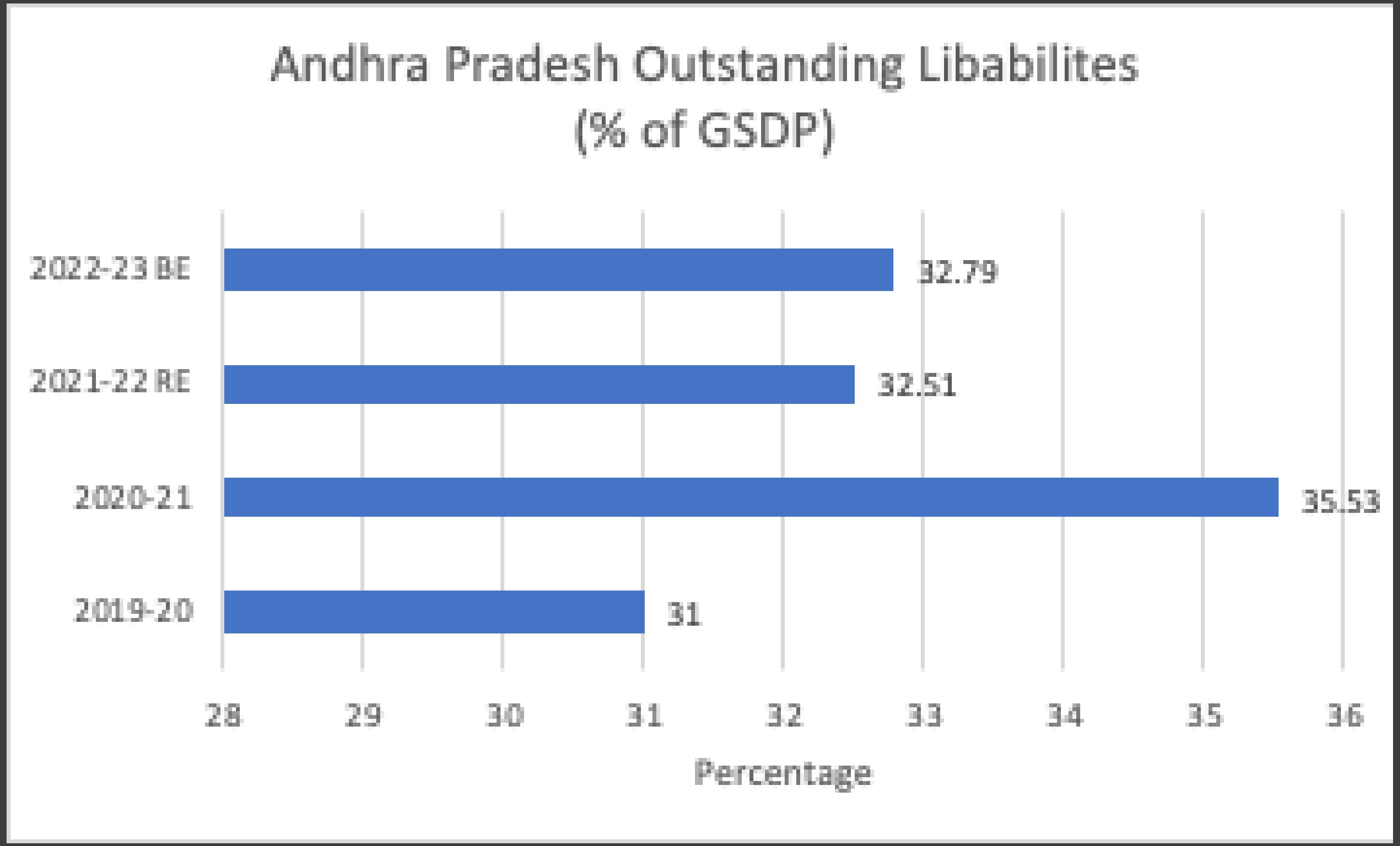
- According to the Comptroller and Auditor General (CAG) statistics last year, Andhra Pradesh had a debt burden of Rs 3.37 lakh crore. It also revealed that during 2020-21, the state borrowed Rs 9,226 crore an average per month, mainly to pay the salaries, pensions and foot the freebies bill. The same trend is believed to have continued during 2021-22.

- Over 90% of the FDI inflow has decreased over the last three years, which is a sign of poor management and ineffective policies. A state facing a severe energy shortage is forced to implement weekly power outages in the commercial sector along with other desperate measures including 50% power cuts in the industrial sector and the declaration of power holidays for certain industries.

There may be a set of reasons behind this crisis. We estimate them to be:

- Increasing Revenue - Expenditure Gap
- Large Scale Fiscal Borrowing
- Poor Tax Compliance
- Mismanagement of Public Funds
- Inconsistent Policy

- Outstanding Liabilities which is the accumulation of total borrowings at the end of a financial year. It also includes any liabilities on public account. At the end of March 2023, the outstanding liabilities of the state are estimated to be 32.79% of the GSDP.



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- According to a report by RBI, the total liabilities of Andhra Pradesh stood at a high of Rs 4,42,442 crore.

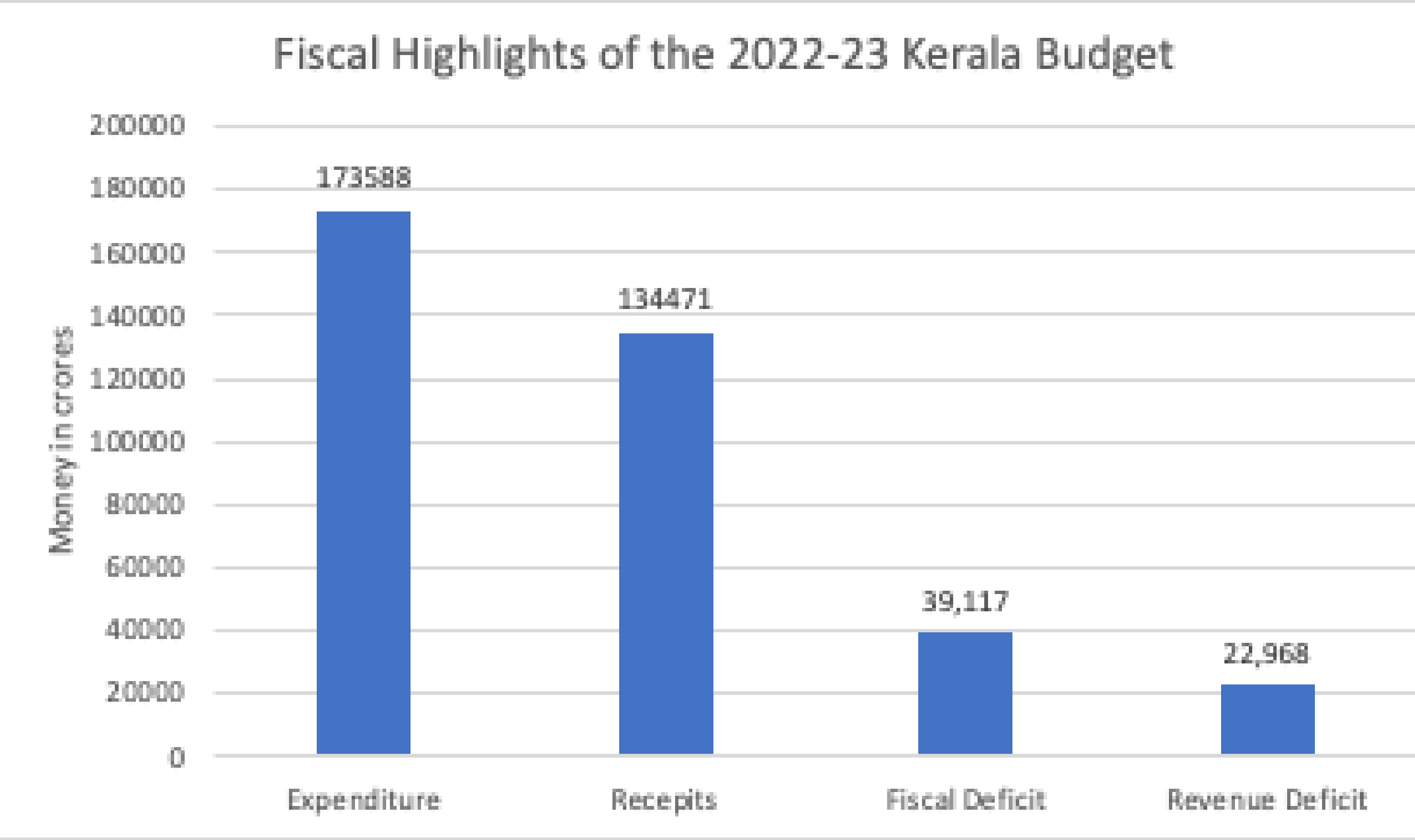
- Andhra Pradesh’s debt burden at the time of bifurcation in 2014 was Rs 97,000 crore. In five years till March 2019, it jumped to nearly Rs 2.59 lakh crore. The YSRCP government, which came to power in May 2019, borrowed another Rs 1.40 lakh crore from banks and other sources. The situation has reached a stage where there are fears that the state may require to raise loans even for debt servicing.

- Compared to the expected allocation of Rs 48,000 crore, the YSR Congress government borrowed around Rs 58,000 crore through Open Market Borrowings (OMB) during the first half of the current financial year. And these borrowings would reach Rs 1 lakh crore by the end of the fiscal year, which was twice the projected amount.

Kerala

- The Budget estimates for 2022-23 indicate that the State's overall debt will touch ₹3,71,692.19 crore. Add to this the ₹13,000 crore liability on repayment of the Kerala Infrastructure Investment Fund Board (KIIFB) and the ₹7,800 crore of Kerala Social Security Pension Ltd (KSSPL), overall debt liabilities will be closer to ₹4 lakh crore

- The revenue deficit rose from ₹9,657 crore in 2015-16 to ₹23,176 crore (revised estimates for 2021-22). Fiscal deficit increased from ₹17,818 crore to ₹ 37,656.48 crore during the same period. The total debt of the State, which stood at ₹1,57,370 crore, soared to ₹3,33,592.17 crore and the per-head debt from ₹46,078.04 to ₹1,05,000.



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- Devolution: In 2023-24, state's share in central taxes is estimated at Rs 21,425 crore, an increase of 20% over the revised estimates of 2022-23. However, as per the Union Budget 2023-24, Kerala's share in central taxes in 2023-24 is projected to be lower (Rs 19,663 crore).

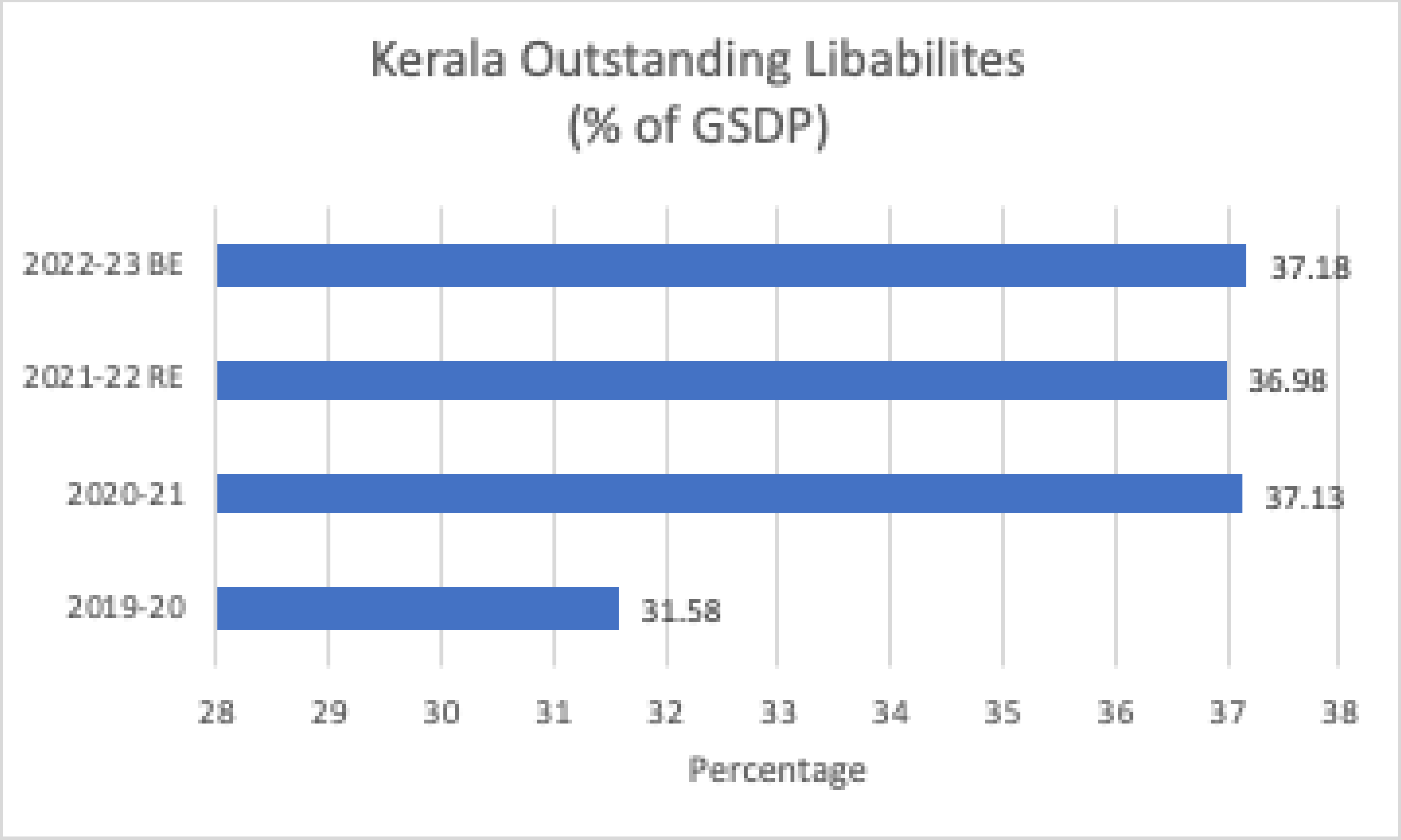
- Grants from the centre in 2023-24 are estimated at Rs 15,866 crore, a decrease of 39% over the revised estimates for 2022-23. This decline is on account of the discontinuation of GST compensation after June 2022, and a reduction in revenue deficit grants.

Educated Unemployment

- Educated Unemployment is a situation where a person cannot find a job suitable to his qualification. The youth aspires to get a permanent job, not work for a living.

- The Unemployment rate of Kerala is higher than the national average of India. The rate among youth between 15 and 29 years of age stood at 40.5% in Kerala between January and March 2020 as per the Periodic Labour Force Survey (PLFS) published by the Government of India.

- However, the national rate was only 21%, according to the survey released on 31 December 2020.



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External Debt

- The total debt of the State, which stood at ₹1,57,370 crore, soared to ₹3,33,592.17 crore and the per-head debt from ₹46,078.04 to ₹1,05,000, registering an increase of 80%.

- The Budget estimates for 2022-23 indicate that the State's overall debt will touch ₹3,71,692.19 crore. Add to this the ₹13,000 crore liability on repayment of the Kerala Infrastructure Investment Fund Board (KIIFB) and the ₹7,800 crores of Kerala Social Security Pension Ltd (KSSPL), overall debt liabilities will be closer to ₹4 lakh crore, the white paper says.

- Debt-GSDP ratio: 39.1%

- The ratio of public debt to the Gross State Domestic Product (GSDP) has risen from 20.43% in 2019-20 to 27.07% in 2020-21

Infrastructure Failure

- **Food Infrastructure:** The rice requirement for the State for one year is 40 lakh Tonnes. The production capacity remains at only five lakh tonnes out of this huge demand. The vegetables required in the State are 20 lakh tonnes per annum, of which the production capacity is at 7 lakh tonnes only.
- **Housing Sector:** Twelve lakh families in Kerala are without a proper shelter. A considerable number of existing houses are dilapidated or of sub-standard quality. The elected government's initiatives in the housing sector are very nominal, in the State. The declared projects in the housing sector generally meet with little success, because of corruption and lack of commitment of the Civil engineers in Government service.
- **Electricity: The state is currently buying 60** million units from outside, to meet the daily consumption of 75 million units, of current. Meanwhile, at least 40 numbers of small hydroelectric projects have been held up for decades due to the failure of the Civil engineering division of KSEB. The collective capacity of these forty stopped small Hydel projects is a whopping 500 Megawatts.
- **Roads:** In the last seventy years of independence, the state only constructed forty kilometers of road between Mannuthi and Angamali, fit to be called a road. Sixteen years before, the then PWD minister proposed the North-South Corridor along the middle of the state for a length of seven hundred kilometers, with two plus two lanes, at an estimated cost of five thousand crores. The political climate at that time actively opposed it in the fears of “dividing the state into 2 parts”. Looking at the current requirements the same road now, it will cost a whopping 2 lakh crores, a 40 times escalation in the cost, during the last sixteen years.
- **Water Supply: T**he underground pipelines in Kerala are laid without any wrapping coating or cathodic protection.

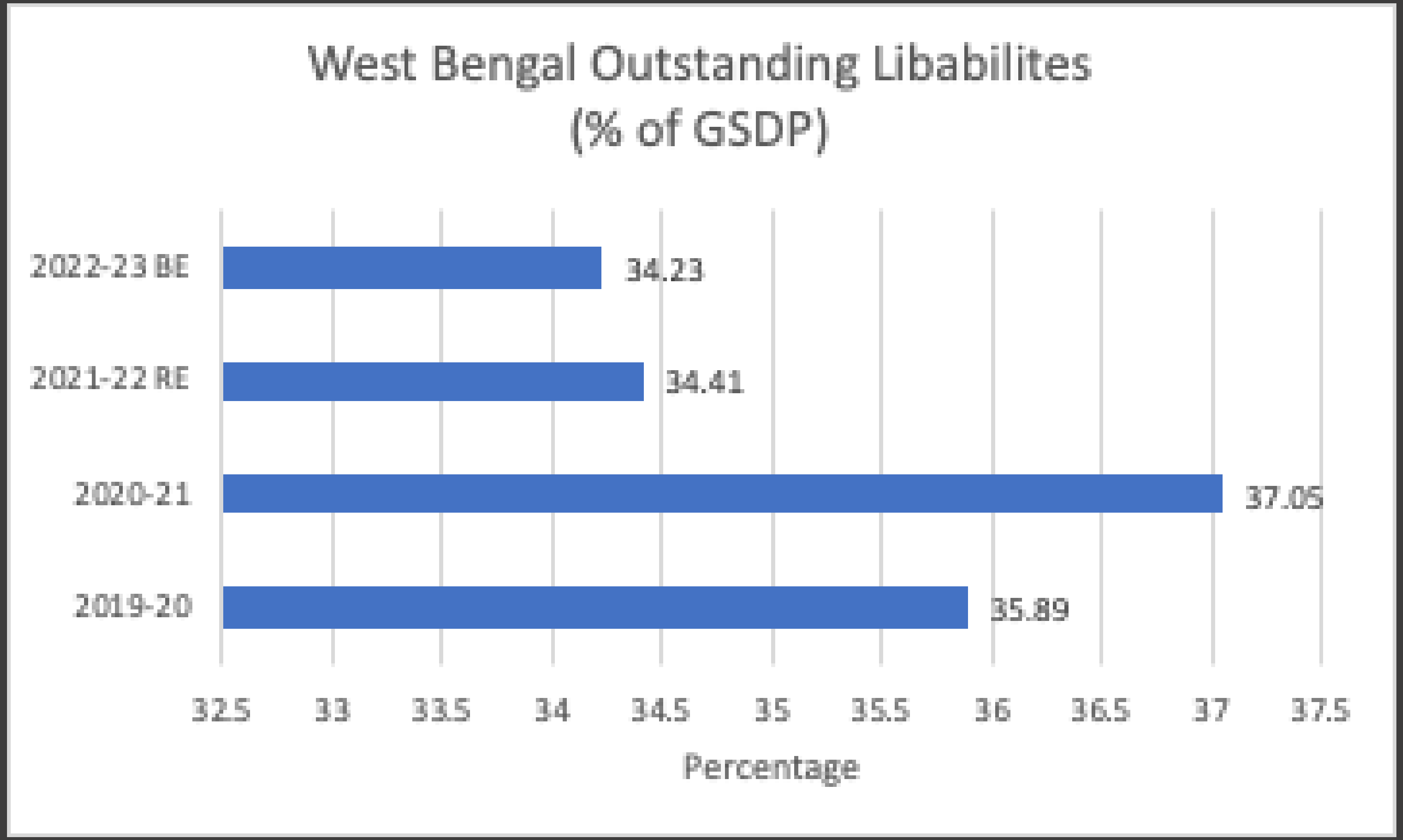
West Bengal

EXTERNAL DEBT

- Currently, with a population of around nine crore and cumulative debt of Rs 5.86 lakh crore, debt per capita in West Bengal stands at a conservative estimate of more than Rs 60,000.

- According to data available from the Finance department, the TMC government, on average, borrowed more than Rs 20,000 crore from the open market from fiscal 2011-'12, subject to repayment after the completion of 10 years of its tenure.

- According to government data, the state's debt burden started rising from fiscal 2015-'16. In 2015-16, the government took a loan of Rs 23,696.79 crore, which increased over the next five years to Rs 34,430.52 crore rupees (2016-17), Rs 36,911.00 crore rupees (2017-18), Rs 42,828.00 crore rupees (2018-19) and Rs 56,992.00 crore rupees (2019-20).



Soruce: World Bank

EMPLOYMENT

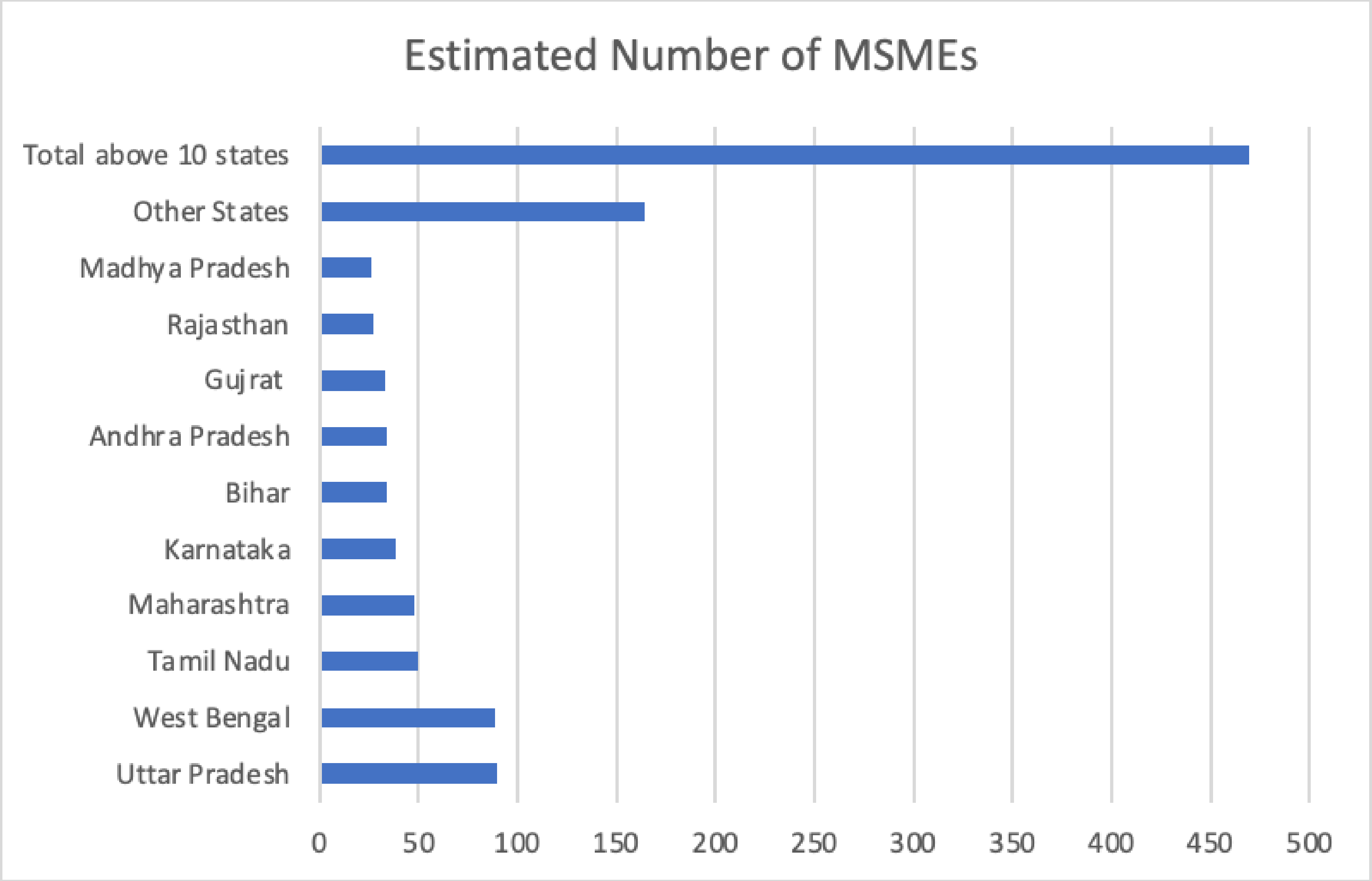
When it comes to the aspect of employment, the state of West Bengal has done fairly reasonable work:

- The 2019-2020 MSME ministry's report too showed that West Bengal employed 135.52 lakh people in 88.67 lakh units.

- Bengal tops the list in employing the most female workers in MSMEs at a staggering 2901324, which is 1616061 more than runner-up Tamil Nadu. Female MSME owners top their male counterpart in Bengal by almost 12 per cent.

Sl. No.	State/UTs	Male	Female	All	Share of State among All MSMEs with Male Owners(%)	Share of State among All MSMEs with Female Owners (%)
1	West Bengal	5583138	2901324	8484462	11.52	23.42
2	Tamil Nadu	3441489	1285263	4726752	7.10	10.37
3	Telangana	1459622	972424	2432046	3.01	7.85
4	Karnataka	2684469	936905	3621374	5.54	7.56
5	Uttar Pradesh	8010932	862796	8873728	16.53	6.96

Female MSME owners by state (Photo: MSME Annual Report 2019-2020)



Soruce: World Bank

Several reasons can be identified for the financial crisis in West Bengal:

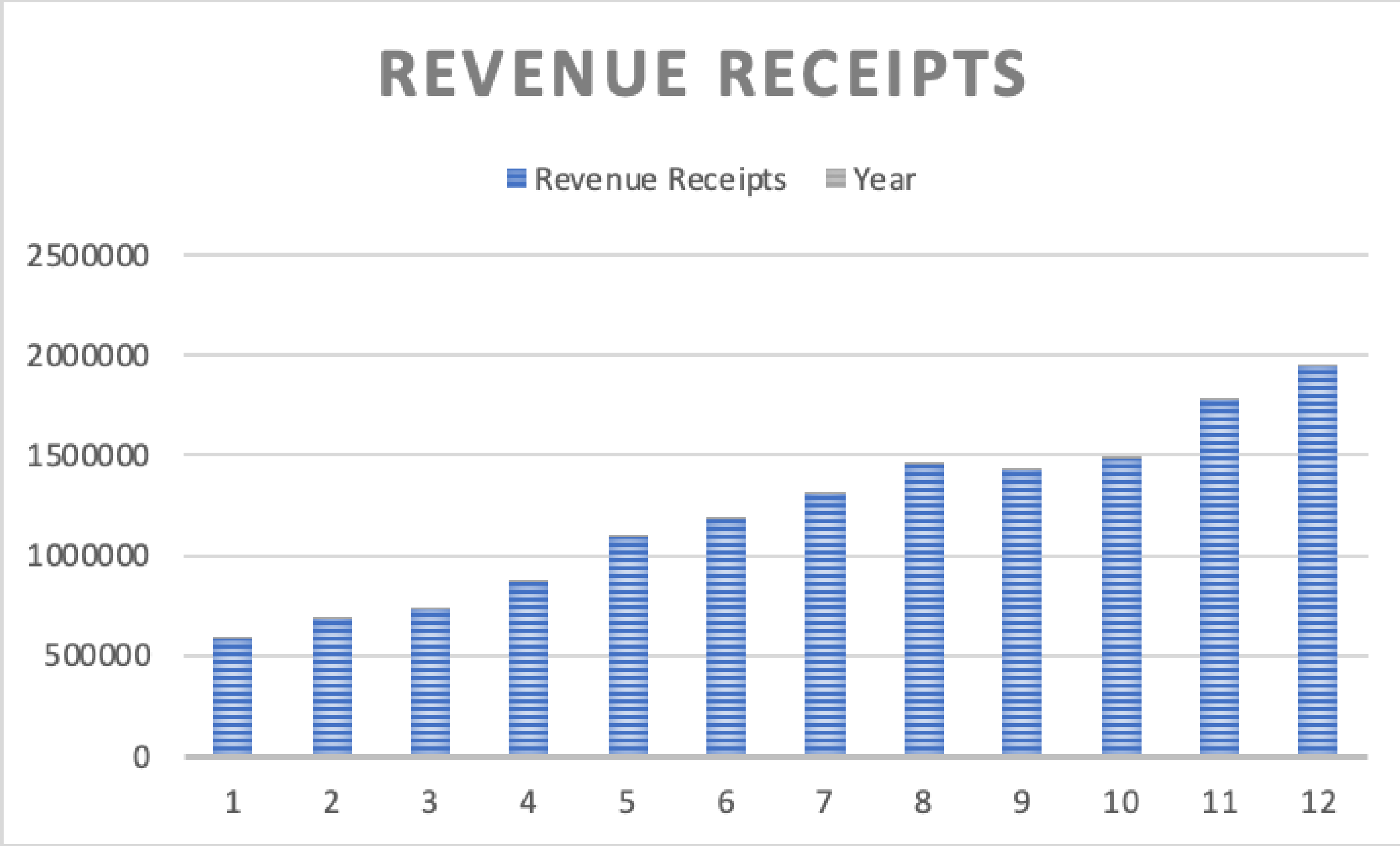
- High Debt Burden: The state's debt burden is high, which limits the government's ability to invest in infrastructure and social programs. The interest payments on the debt also put a strain on the state's finances

- Unproductive Expenditure: The state's expenditure on unproductive areas such as subsidies and non-plan expenditures is high. In its last Budget, the government proposed to allocate Rs 99.85 crore for grants to Durga Puja organizers but the actual expenditure increased to Rs 204 crore. In this year's Budget, the state proposed to allocate Rs 207 crore under this head.

- Low revenue generation: West Bengal's revenue generation capacity is relatively low compared to other Indian states. The state's dependence on the central government for revenue grants is high, which puts significant pressure on the state's finances.

- Weak tax administration: The state's tax administration is weak, which leads to a low tax base and limited revenue generation. Income tax collection in West Bengal increased 2.4% at Rs 56,422 crore during the financial year 2022-23.

- If we look at this graph, it's clearly visible that the rate of tax collection in the state hasn't grown drastically



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COMPARATIVE STATISTICS BETWEEN PUNJAB, ANDHRA PRADESH, KERALA AND BENGAL

- In order to emphasise the flaws in the fiscal health of Indian states against the backdrop of the Sri Lankan crisis, the RBI research State Finances: A Risk Analysis chose to concentrate on these states. It also claimed that their fiscal health merited a comprehensive evaluation. The apex bank claimed that, in general, the budgetary situations in Indian states are showing warning signs of escalating stress. Alarm bells have been triggered just as the states were starting to go back to business as usual after Covid's impact and the lingering slowdown, all the while grappling with issues with GST compensation in their dispute with the Centre. As a result, the debate over how growth should be measured has also been renewed.

- The RBI research tried to draw attention to the financial issues Indian state governments have, concentrating on those that are heavily indebted. The research claims that state government finances, which were already under stress from Covid-19, have been made much more so by a decline in the states' own tax revenues, a high proportion of committed spending, and an increase in the cost of subsidies. The RBI furthered its case by noting that between 2011–12 and 2019–20, the states' average gross fiscal deficit (GFD) to gross state product (GSDP) ratio was small at 2.5%, far below the Fiscal Responsibility Legislation (FRL) ceiling of 3%. However, the study reveals that there are sizable interstate variances. Both Kerala and Punjab had average GFDs that were more than 3.5% of GSDP.

- According to the report, all 4 states are amongst the 5 highest debt-GDSP ratio states and their debt has been outpacing their growth in the past 5 years, highlighting a cause for concern.

- The question that arises now is, how are other states doing better while these select few lag behind?

There are several factors that can contribute to certain states being fiscally better than others. Some of the key factors include:

- Taxation policies: States that have lower tax rates or tax-friendly policies may be more attractive to businesses and individuals, which can lead to higher tax revenues and a stronger economy.
- Economic diversity: States that have a diverse economy with a mix of industries are more likely to weather economic downturns and maintain a stable fiscal position.
- Debt management: States that manage their debt responsibly and have a low debt-to-GDP ratio are more likely to maintain a high credit rating and have lower borrowing costs.
- Demographics: States with a younger and more educated population tend to have higher levels of economic growth, which can lead to a stronger fiscal position.
- Natural resources: States with abundant natural resources, such as oil or minerals, may have a more robust economy and higher tax revenues.

In short, the secret lies in their economic growth plan. While some focus on the GSDP expansion, others wager on redistribution and an increase in the population's standard of life. The majority of the five states included in the RBI report have historically placed a significant priority on social welfare and upliftment. Since these nations tend to spend more on social programmes, experts and economists have long observed that this type of expenditure highlights the poor economic policies. Many of their policies have come under fire for being perceived as handouts or gifts given for political advantage.

- For instance, Kerala's GSDP decreased by 9.2 percent in the fiscal year 2020–21 as a result of Covid and its impacts. Kerala's growth rate dropped to 3.46 percent in 2019–20 from 6.49 percent in 2018–19. Kerala, however, excelled in certain other areas. The state's nearly faultless healthcare system won it accolades on a worldwide scale when the virus struck.

- In the case of Punjab, GDP growth decreased from 6% in 2018–19 to 4% in 2019–20. GDP for the state fell by 7% in 2020–2021. It was also one of the first states to be successful in supplying electricity to every home, as shown by the National Family Health Survey. Additionally, it has mostly been successful in ensuring that everyone has access to clean water.

- Surprisingly, despite the nation as a whole seeing a 7.7% loss, West Bengal, a state that the RBI is keeping an eye on, was one of the few in India to post positive GDP growth of 1.2% in 2020–21.

- In order to balance growth and welfare in the face of a crisis like Covid, the RBI wishes to demonstrate how these states, as opposed to the federal government, decided to pursue measures that would encourage growth. The RBI observed in its analysis that, under such conditions, a multiplicity of free social welfare programmes would not only put a substantial financial burden on the government's finances but would also raise rates if they were financed by market borrowing. The cost would exacerbate the breach between the states and the federal government, which has grown significantly over the past several years over GST payments.

- The final question we address in the segment is, what exactly is this growth that we have been talking so much about?

The production of products and services inside an economy gradually increasing through time is referred to as economic growth. The Gross Domestic Product (GDP), which is the entire value of all products and services generated inside a country's boundaries, is typically used to quantify this growth. But if we dissect it, we can assess it in terms of state-by-state GDP growth. Here is a summary of the entire country's economic growth from the growth survey in 2021-22 by Ministry of Finance:

- According to projections from the World Bank, ADB, and IMF, India would continue to be the world's fastest-growing major economy between 2021 and 2024.
- In real terms, the Indian Economy will grow by 9.2%.
- Industrial Sector showed expansion to 11.8%.
- 15% growth in investment.
- Fiscal deficit at 46.2% of the budget.

One can argue that these macroeconomic indicators are due to the fact:

- The per capita GSDP of states like Karnataka, Uttar Pradesh, and Bengal increased in FY21.
- States have sharply reduced capital spending by 11.3% from what was initially projected in the FY21 budget.
- Because COVID raised the need for infrastructure and welfare facilities across all states in FY21, the budget for the health sector was boosted.
- The GSDP projections for Rajasthan, West Bengal, Madhya Pradesh, and Uttar Pradesh all indicate growth in FY21.

PRECAUTIONS AND SOLUTIONS MADE TO AVIOD FISCAL CRISIS

- The complexity of the economic crisis will make recovery hard and expensive. It has very deep roots, and the epidemic and shutdown further depressed the economy.

- Judicial anomalies, demonetisation, and a troubled implementation of a new company tax system all diverted focus from the essential work of the required reorganisation. In the recent past, the government failed to meet its budget deficit goals, India's exports had declined, and the central bank has made significant efforts to reduce the country's persistently high inflation and inflation expectations. In essence, India had lost its way and has to change if it wants to maintain its economy expanding at a pace of at least 7%, much alone double digit growth rates that would pave the way for development along the lines of East Asia.

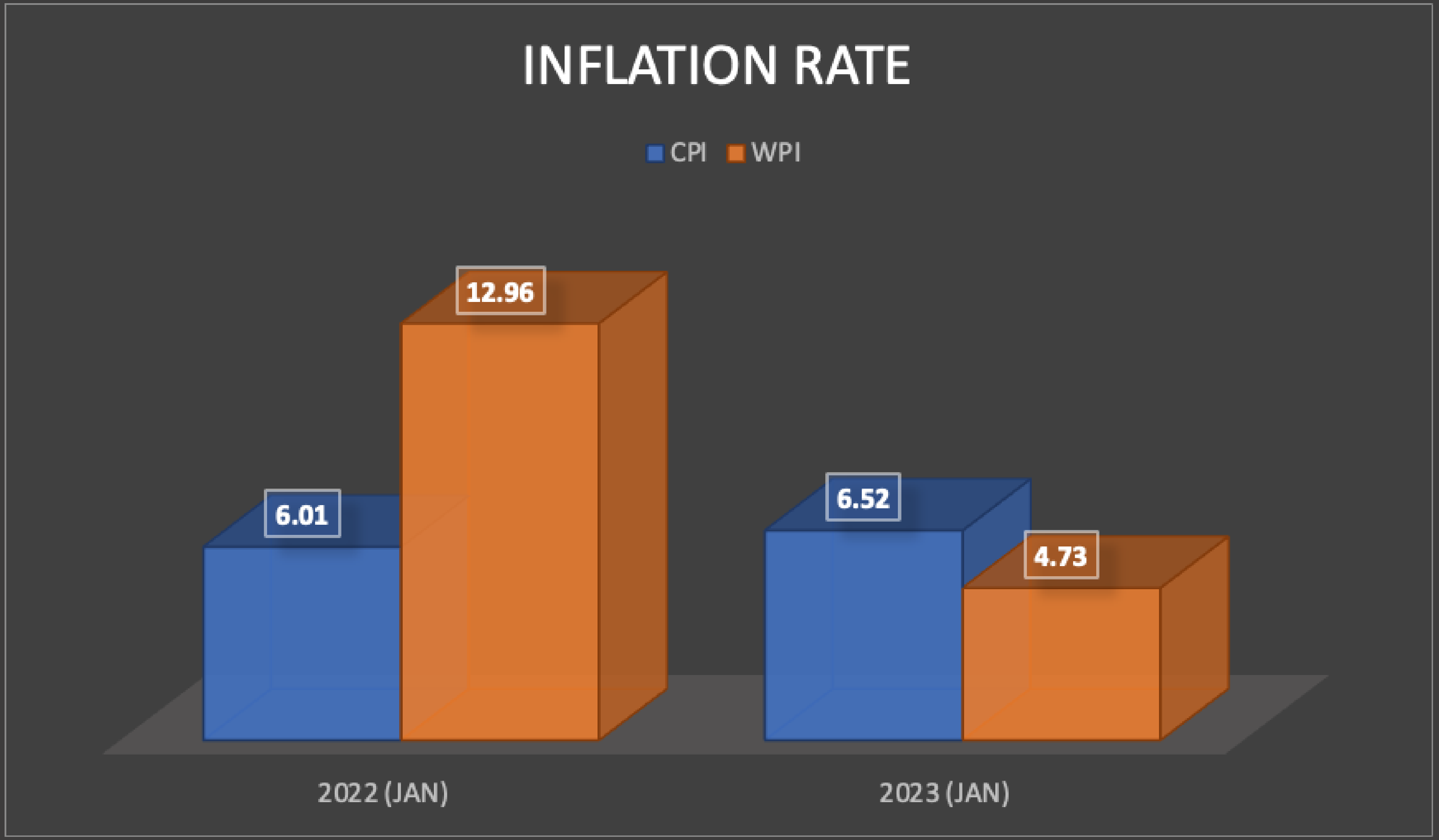
- Is there a route to recovery in this case?

Source: World Bank

The lockdown has made the continuous investment downturn in the Indian economy much worse, resulting in a major breakdown of economic activity. A few statistics in India's post-independence history,

- Both GDP and tax revenues decreased in FY21.
- Since peaking at 6.9% in 2010–2011, real GDP growth has been trending downward and is anticipated to reach the trend level of 6.0% in FY20.
- In contrast to the trend growth, which was 4.2%, actual growth for FY20 was 1.8% points lower at 4.2%.

The Indian economy is also dealing with a number of issues, such as excessive inflation, an overshooting budget deficit, a dramatic decline in demand, unprecedented GDP shrinkage, and unemployment.



Source: https://www.forbes.com/advisor/in/personal-finance/inflation-rate-in-india/

The government is trying to make forays into the road to recovery. The plan to achieve this is by making new monetary and fiscal strategies. On the fiscal front, the PM Garib Kalyan Yojana, which the government announced on March 26, 2020, would provide INR 1.7 lakh crores in economic assistance. The stimulus package includes direct cash transfers through DBT for underprivileged populations as well as insurance coverage for medical professionals including physicians, paramedics, and nurses. It is projected that this package will provide INR 62,082 crores in demand-side support.

Apart from this, the Finance Minister announced a stimulus package in five instalments totalling INR 11.02 lakh crores, adding an additional INR 1.2 lakh crores to the FY21 budget. These 5 instalments are:

1. Spend 5.94 lakh crores of Indian rupees on the MSME sector, which is being hit most by COVID-19.
2. INR 3.1 lakh crores, to the less fortunate members of society, such as small and marginal farmers.
3. 1.5 lakh crores of Indian rupees on long-overdue supply-side agricultural reforms.
4. Addressed industry improvements that would increase efficiency over the medium term.
5. An increase in the MGNREGA budgeted allocation and relaxation on borrowing restriction for states from 3% to 5% of GSDP.

- However, the impact of stimulus packages has not been uniform across states. States with a relatively low level of economic development and weak fiscal capacity have faced greater challenges in accessing and utilizing the resources provided by the central government.

- Additionally, the allocation of resources under the stimulus packages has been based on a range of criteria, including population, tax devolution, and expenditure on healthcare, which has led to some states receiving more resources than others.

- The effectiveness of stimulus packages has been limited by structural issues in the Indian economy, such as low productivity and a lack of investment in infrastructure and human capital.

- While these packages have provided a much-needed boost to demand and helped to support economic activity, they have also led to inflationary pressures and increased debt levels.

- Overall, the impact of stimulus packages on Indian states has been significant, with both positive and negative implications. While these packages have provided much-needed support to state governments during a challenging time, they have also highlighted the need for greater coordination and reform in the intergovernmental fiscal system to ensure more equitable and effective distribution of resources.

The Indian economy has been in decline in recent years despite the adoption of several growth-supporting measures during the previous administration. The conventional reform, relief, and stimulus programmes (PM Fasal Bima Yojana, PM Suraksha Bima Yojana, PM Jeevan Jyoti Bima Yojana, and Ayushman Bharat) are based on credit guarantee schemes and insurance plans. The functioning of these businesses is influenced by a wide range of behavioural factors, including the entrepreneurial decisions made by farmers, MSME firms, management of NBFCs and banks, etc. These factors significantly reduce these tactics' efficacy.

Other precautions that the government can take to revive the state's shrinking economy could be:

ADDRESSING DEMAND SLOWDOWN → Government investments, which typically fill the gap during a recession, have slowed as state governments' capex.

FOCUS ON JOB CREATION → The solutions to India's job crisis lie in improving regulatory conditions for xthe private sector while respecting employees' rights.

RECAPITALISING BANKS → Bank recapitalisation in order to bring them up to capital-adequacy norms. Using a variety of tools, the government injects capital into banks that are cash-strapped.

CLEARING STATE DUES → States spend more money on specialised programmes and infrastructure development, hence the Centre needs to come up with a different strategy to pay up the massive amount of GST owed.