

Federal Fiscal Balances in India: Methods, New Estimates, and their Implications

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Paper Abstract: This paper provides first-ever estimates of interregional fiscal flows in India for the period of 2001-2015. Estimates show that nearly 40 percent of the Indian population lives in the 'donor' or net contributing states, providing fiscal resources to rest of the country. In presence of wide regional disparities and small donor base, fiscal redistribution cannot succeed as a tool to reduce regional income inequalities. However, fiscal redistribution serves an important purpose in reducing regional fiscal inequalities by two-third. On measurement issues, paper contributes on regional allocation of federal fiscal deficit and interest payment on public debt. Issues related to double counting on these components are addressed, with clearer theoretical ground for their allocation.