Conclusion:

To sum up, there is a wide spread realization of the need for fiscal stabilization and reform. Although each state has devised its own measures, most have common threads of the reform of public enterprises, reduction of subsidies, expenditure containment and revenue augmentation. However, there are still limitations to the adjustment effort in view of the large magnitude of committed expenditure, namely, salaries, pensions and interest charges on various borrowings.

As a part of expenditure management, some states have proposed the setting up of expenditure reform committees, while other states have identified performance indicators to assess the quality of expenditure restructuring. Some states have also initiated measures for reducing non-merit subsidies, better targeting of subsidies and reducing non-productive expenditure. Measures for fiscal restructuring have also been tried through the downsizing of government. The budget proposals for revenue augmentation include the enhancement and restructuring of sales tax, land revenue rates, vehicle tax and betting tax. However, in federal structure the scope to increase revenue is limited with the states since the authority remains with the central government, whereas the responsibilities of state towards the public is more in areas such as the social sector.

The institutional reforms support the fiscal consolidation process. Many states have announced ways of reducing the cost of administration by proposing a freeze on fresh recruitment as well as reviewing manpower requirements.

The two-way motivation for undertaking reforms is seen, partly due to endogenous needs for increasing economic performance and competing with other states and partly due to exogenous pressures such as that exerted by international institutions (like ADB in Gujarat) for extending their support in terms of consultancy, technical and financial forms.