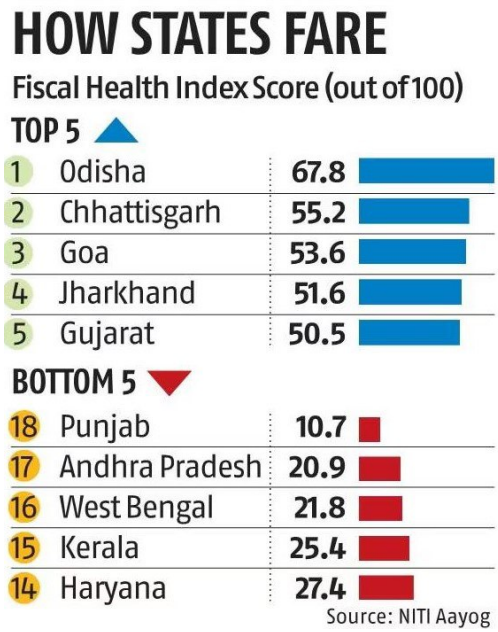
Fiscal Health Index (FHI), 2025

Why in news?

The Fiscal Health Index (FHI) was recently released by Niti aayog that provides a comprehensive assessment of the fiscal health of 18 major States.

- **Aim** – To throw light on the fiscal status at the sub-national level and guide policy reforms for sustainable and resilient economic growth.
- **Fiscal Health Index 2025** – Is *first of kind in India*, a comprehensive assessment with insights into state-specific challenges and areas for improvement.
- **Five key sub-indices** – The index is based on 5 key sub-indices that include *Quality of Expenditure, Revenue Mobilisation, Fiscal Prudence, Debt Index, and Debt Sustainability*.
- **Launched by** – Niti Aayog.
- **18 major States** – The index assess the fiscal health of the only 18 major states.
- **Comptroller and Auditor General (CAG)** – The report uses the data from CAG.
- **Odisha** – With a cumulative *score of 67.8*, Odisha tops the ranking in fiscal health among 18 major States, *followed by Chhattisgarh and Goa* with scores of 55.2 and 53.6, respectively.
- Odisha tops the Debt Index (99.0) and Debt Sustainability (64.0) rankings with better than average scores under Quality of Expenditure and Revenue Mobilization.
- **Strong fiscal health** – The achiever States display strong fiscal health, excelling in revenue mobilization, expenditure management, and debt sustainability.
- **West Bengal and Punjab** – States like West Bengal and Punjab witnessed *growing debt burdens*, increasing debt-to-GDP ratios and raising serious concern about debt sustainability.



- **Significance** – FHI helps to promote more integrated approach to fiscal health and sustainable growth, with shared responsibility of both levels of government in achieving national prosperity.
- FHI offers a roadmap for achieving fiscal consolidation, improving transparency, and fostering effective resource management.
- FHI is not merely a ranking but *a tool designed to assess* and thereby improve the fiscal health of States.
- It provides *a framework to evaluate the financial well-being of state economies* through key fiscal indicators.

References

1. PIB| Launch of the Fiscal Health Index 2025
2. Business Standard| Fiscally Healthiest States

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