



OVERALL BUDGETARY SITUATION OF THE GOVERNMENT OF INDIA

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1. INTRODUCTION

The central government collects revenue from different sources to meet its expenditure. The important source of revenue for the governments are tax revenue and non-tax revenue. The revenue from these sources also has been rising since the 1991 reform period because of the rise in government expenditure.

The central government budget can be classified into revenue budget and capital budget. The revenue budget consists of revenue receipts (tax revenue and non-tax revenue) and revenue expenditure (non-developmental expenditure, developmental expenditure, and statutory grants to state). The capital budget consists of capital receipts (market loans, external debt, and small savings, etc.) and capital expenditure (non-developmental expenditure, developmental expenditure, and loans, and advances).

2. OBJECTIVES OF THE STUDY

The following are the main objectives of the study:

- To study the trends in the revenue receipts of government of India.

- To study the trends in the aggregate expenditure of government of India.

- To make policy suggestions and recommendations.

3. RESEARCH METHODOLOGY

Only secondary data has been collected from books, journals, budget documents, Reserve Bank of India Bulletins, Annual Economic Survey, and Indian Public Finance Statistics.

4. SCOPE OF THE STUDY

The present study attempts to study the overall budgetary situation of the central government. The period covered is from 1998-99 to 2017-18. With the inception of the new government of India since 1998-99, the central government of India initiated fiscal reforms aimed at fiscal consolidation.

5. OVERALL BUDGETARY SITUATION OF THE GOVERNMENT OF INDIA

Table No. 1 shows the overall budgetary situation of the government of India.

Table No.1
Overall Budgetary Situation of Government of India

Year	Aggregate Receipts	Aggregate Expenditure	Surplus(+) Deficit(-)
1998-1999	250977	250833	144
1999-2000	303217	289400	13817
2000-2001	306101	313011	-6910
2001-2002	283690	346613	-62923
2002-2003	357131	367227	-10096
2003-2004	364635	359839	4796
2004-2005	466368	402550	63818
2005-2006	431763	496614	-64851
2006-2007	539005	564934	-25929
2007-2008	701676	701985	-309
2008-2009	722638	874831	-152193
2009-2010	1024288	1013193	11095
2010-2011	1173710	1187898	-14188



2011-2012	1175842	1286997	-111155
2012-2013	1391239	1393577	-2338
2013-2014	1552903	1541466	11437
2014-2015	1558319	1645342	-87023
2015-2016	1751183	1814958	-63775
2016-2017	1932599	1996069	-63470
2017-2018	2110587	2125434	-14847
Growth in Fold	8.40	8.47	-103.10
GAGR	11.23	11.25	-

Note: 1. Data for 2016-17 are revised estimates and data for 2017-18 are budget estimates

2. GAGR: Compound Annual Growth Rate

Source: 1. Indian Public Finance Statistics, 2007-08, 2014-15, 2017-18, Ministry of Finance, Government of India, New Delhi.

Table No.1 gives information about the overall budgetary situation of the central government during the period under study. The table depicts that, there is a phenomenal growth of the size of overall budgetary operations of the central government. It is clear from this data, the aggregate receipts, as well as aggregate expenditure of the central government during the period under study, have increased tremendously. The increase in consumption of petroleum products coupled with efforts at additional resource mobilization explained the 40 percent increase in excise collections from petroleum products. The aggregate receipts of the central government were Rs. 250977 Crore in 1998-99, which increased to Rs. 2110587 Crore in 2017-18, representing 8.40 fold increased over the period of 20 years. The compound annual growth rate of aggregate receipts of the central government during the period under study was 11.23 percent.

The table also reveals that the aggregate expenditure of the central government has increased rapidly. It was Rs. 250833 Crore in 1998-99, which increased to Rs. 2125434 Crore in 2017-18, representing an 8.47 fold increase. The compound annual growth rate of aggregate expenditure of the central government during the period under study was 11.25 percent.

The compound annual growth rate of aggregate receipts of the central government during the period under study was 11.23 percent, which was lower than that of the rate of aggregate expenditure i.e. 11.25 percent.

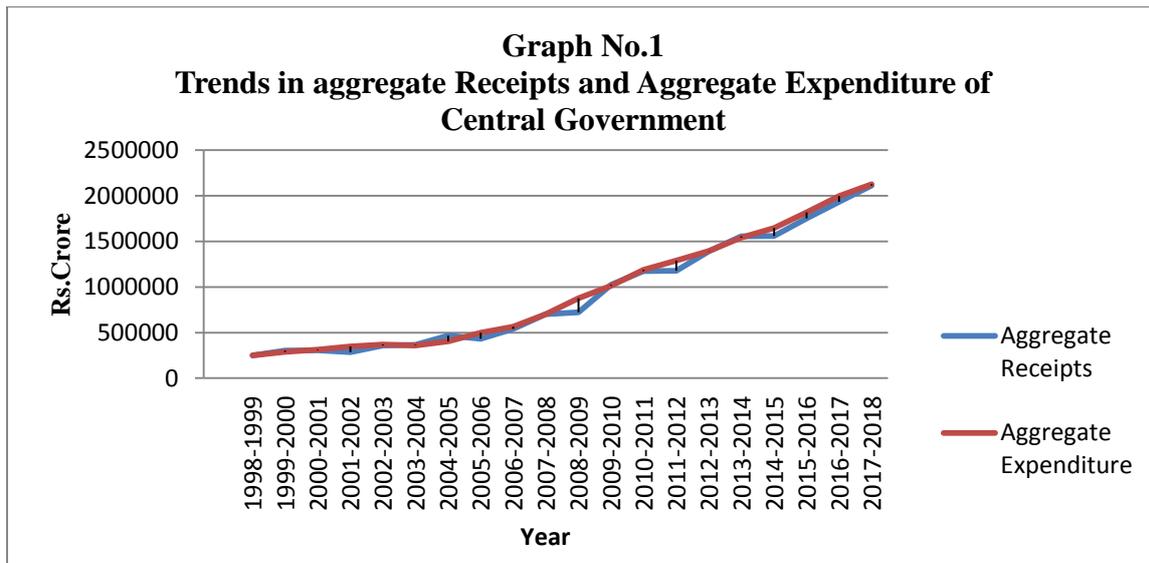
A budget deficit is also called a conventional deficit. The budget deficit represents the difference between the total expenditure and total receipts.

Equationally,

Budget deficit = Total Expenditure - Total Receipts

From table No.1 we can observe that there was a surplus/deficit of Rs. 144 Crore in the year 1998-99, which increased to Rs. 14847 Crore in 2017-18, representing a -103.10 fold. It reflects the rapid growth in the budget deficit of the central government. The central government meets its budgetary deficit by borrowings from either the central bank of the government of India or raising money from capital markets by issuing different instruments like treasury bills and bonds.

The main reason for this continuous expansion of aggregate receipts of the central government from 1998-99 to 2017-18 was the rapid increase in tax revenue, non-tax revenue, market loans, external debt, and small savings funds.



Trends in aggregate receipts and aggregate expenditure are shown in graph no.1. The phenomenal growth in the aggregate receipts was possible due to the increased revenue from union excise duty, reflecting upward duty revisions on petroleum products for consumption- smoothing in the face of a sharp decline in international crude prices, custom duty collections rose modestly on the back of rate increases, revenue from service tax increased, the

imposition of the Swachh Bharat Cess and some increase in the tax base.

The substantial change in aggregate expenditure is mainly due to the rise in expenditure on developmental revenue expenditure, non-developmental revenue expenditure, non-developmental capital expenditure, developmental capital expenditure, loans and advances, and the continuous expansion in the welfare activities.

Table No.2
Mean, Standard Deviation and Co-efficient of Variation of Aggregate Receipts and Aggregate Expenditure

Statistical Techniques	Aggregate Receipts	Aggregate Expenditure
Arithmetic Mean	919893.55	948638.55
Standard Deviation	616247.62	629617.24
Co-efficient of variation	66.99	66.37

Source: computed by the researcher

Table No.2 shows the arithmetic mean, standard deviation, and co-efficient of variation of aggregate receipts and aggregate expenditure of the central government. The data shows the following observations:

- i. The arithmetic mean of aggregate expenditure has shown the highest value of 948638.55 as compared to the arithmetic mean of aggregate receipts (mean was 919893.55). It implies that aggregate receipts were lower than the aggregate expenditure.
- ii. The standard deviation shows higher variations in aggregate expenditure (629617.24) than the aggregate receipts

(616247.62) during the period under study.

- iii. Co-efficient of variations of aggregate expenditure shows a lower value of 66.37 as compared to aggregate receipts value of 66.99 showing the highest variations in aggregate receipts of the central government.

6. FINDINGS

1. The aggregate expenditure of the central government has increased rapidly. It was Rs. 250833 Crore in 1998-99, which increased to Rs. 2125434 Crore in 2017-18, representing an 8.47 fold increase. The compound annual



growth rate of aggregate expenditure of the central government during the period under study was 11.25 percent.

2. The aggregate receipts of the central government were Rs. 250977 Crore in 1998-99, which increased to Rs. 2110587 Crore in 2017-18, representing 8.40 fold increased over the period of 20 years. The compound annual growth rate of aggregate receipts of the central government during the period under study was 11.23 percent.
3. The substantial change in aggregate expenditure is mainly due to the rise in expenditure on developmental revenue expenditure, non-developmental revenue expenditure, non-developmental capital expenditure, developmental capital expenditure, loans and advances, and the continuous expansion in the welfare activities.
4. The main reason for this continuous expansion of aggregate receipts of the central government from 1998-99 to 2017-18 was the rapid increase in tax revenue, non-tax revenue, market loans, external debt, and small savings funds.

7. CONCLUSIONS

From the findings recorded above one can reach the following conclusions:

1. There has been a phenomenal change in the revenue receipts, revenue expenditure, capital expenditure, and capital receipts.
2. The revenue deficit of the central government is growing. This is rise is due to the sustained increase in the expenditure during the study period.

8. SUGGESTIONS

1. The central government should increase capital developmental expenditure.
2. It should create a stable policy framework for direct and indirect taxes.
3. The process of reform should be initiate to improve the quality of expenditure.

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