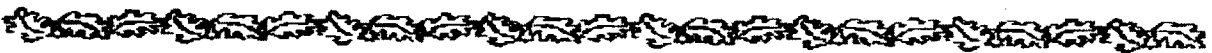


CHAPTER 5



CHAPTER - Five

(V)Conclusions and Suggestions

Conclusion

The major conclusions of the analysis of state finances of Maharashtra during the period between 1990-91 to 1999-2000 are as follows

State government in India are in recent

1) Years witnessing fiscal stress as is evident from large and increasing fiscal and revenue deficit. In recent years the rise in revenue deficit is due to rise in revenue deficit. This implies significant use of debt. receipts for current expenditure arise in public debt. and consequent accumulation of debt alligation the put constraints on the state's efforts to increase developmental investments. Hence, today there is urgent need for a) revenue augmentation b) containment of expenditure and c) public sector reforms at state level. The centre and reserve Bank of India also have to undertake incentives measures to help fiscal consolidation of the state level. Each state government has to draw up a medium term fiscal reforms policy which brings in fiscal consolidation.

2) The state government in India and more so Maharashtra have to develop a fiscal consolidation policy which aims at.

a) Enhancing revenues through tax rate revision

b) Widening of tax base and improved tax compliance.

c) Rationalisation of pricing policy with move towards user charges and cost recovery based pricing policy.

d) Innitation of economy in expendituer more so on revenue account by putting curb new recruitment and evolution of new pension schemes for new entrant and

e) enactment of fiscal responsibility bill for fiscal consolidation.

3) The overall budgetary trends of government of Maharashtra shows fluctuation trends. In 1990-91 and 1991-92. It was surplus respectively Rs 275.95 crores and Rs. 981.15 crores and next two year. It was in deficit respectively -714.12 in 1992-93 and -59.65 in 1993-94 and again next two year It was surplus position respectively Rs.606.24 crores in 1994-95 and Rs. 194.2 in 1995-96 and again in 1999-2000 was in deficit position by Rs-1785 crores during the period under study.

4) It is revealed from the analysis that the revenue receipts as well as revenue expenditure of state government of Maharashtra expenditure of state have increased tremendously during the period between 1990-91 to 1999-2000. The compound growth rates of revenue receipts was 12.62 percent and compound growth rate of revenue expenditure was 14.59 percent. This shows that the growth rate of revenue expenditure of the government of Maharashtra under study exceeded the growth rate of revenue receipts of the state government.

5) As a consequence the magnitude of the revenue deficit has been increasing during the period under study. In 1990-91 was Rs -54.65 crores which increased to Rs -4268.71 crores in 1999-2000.

In other words we can say that certain structural weakness persist in state finances in the form large revenue deficit.

6) Major components of aggregate expenditure of Maharashtra is mainly from revenue expenditure which is around 80 percent to total revenue expenditure is contribute to aggregate expenditure rise in the aggregate expenditure is mainly due to growth of expenditure on revenue account during the period under study.

7) A revenue expenditure consist development expenditure and non development expenditure. Both are rising trend but, as percentage, the percentage of development expenditure to total revenue expenditure shows decreasing trend while the percentage of non development expenditure to total revenue expenditure shows increasing trend.

8) Major components of revenue expenditure is expenditure on social service has increased the growth rate of social service is 3.61 and compound growth rate is 15.41 percent as percentage, the percentage of social service to total development expenditure has increasing trend. Near about 53 percent to total development expenditure was spent on social service during the period under study.

9) And other component of development revenue expenditure is expenditure on economic service has increased but in percentage. the percentage of economic service to total development expenditure has in decreasing trend. The growth rate on economic service was 1.73 percent and compound growth rate 7.92 percent to total development expenditure during the period under study.

10) Total Non development expenditure shows increasing trend interest payment and servicing of debt Administrative service, pension are major components of total non development expenditure due to these components non development expenditure has increased.

11) The overall budgetary trend of all states has fluctuating. Sometimes it is in surplus position and some it is deficit position during the period under study.

12) The revenue receipts as well as revenue expenditure for all states under study have increased tremendously during the period between 1990-91 to 1999-2000. The growth rate of aggregate expenditure for all states was 3.44percent and compound growth rate of aggregate expenditure for all states was 14.27 percent during the period under study.

13) The capital receipts as well as capital expenditure for all states has shows increasing trend under the capital account have every year in surplus position during the period under study.

14) The capital receipts and capital expenditure of state government of Maharashtra under study have increased tremendously during the period under study . The compound growth rate of capital receipts and capital expenditure orderly 19.10percent and 15.13percent this shows that the growth rate revenue receipts of state government of Maharashtra exceeded the growth rate of capital expenditure of state government of Maharashtra capital expenditure shows increasing trend during the period under study.

15) Every year, the capital account is always in surplus. The Maharashtra government has not incurred the all capital receipts remained capital receipts transformed to revenue side to reduce revenue detail.

16) Major components of the total capital expenditure of the state government of Maharashtra during 1990-91 to 1999-2000 were total capital outlay and loans and advanced by state government.

17) Total capital outlay of total disbursement shares on increasing trend. The growth rate of total capital outlay was 3.90 percent and compound growth rate was 17.0percent during the period under study.

18) As percentage, that the percentage of total capital outlay to total disbursement till 1999 has shows increasing trend but 1999-2000 the percentage of total capital outlay to total disbursement is decreased during the period under study.

19) Total capital outlay consist development and Non development expenditure as percentage development expenditure to total capital outlay was almost 90percent during the period under study.

20) The major outlay under total capital outlay was capital outlays on economic services alone contributed around 95percent to total capital outlay during the period under study.

21) Among the economic services the state government of Maharashtra has given first priority to irrigation energy, Industry, minerals the growth rate of these items was 2.76 percent and compound growth rate was 13.74 during the period under study.

22) Among the economic service the government of Maharashtra has given priority to capital outlays water and power development. The infrastructure of water and power development is the most essential sector for the economic development of a state the capital outlay water and power development. As percentage, to economic service of total capital outlay was around 70 percent during the period under study.

23) Discharge of internal debt of total disbursement shows fluctuation trend. The growth rate of discharge in internal debt was 3.35 percent and compound growth rate of discharge of internal debt was 5.51 percent during the period under study.

24) Repayment of loan to the centre :- The growth rate of repayment of loan to the centre was 2.90 percent and compound growth rate was 12.56 percent during the period under study.

25) Loans and advances of state government of total disbursement has shows increasing trend. The growth rate of loans and advances by state Government to total expenditure was 5.49 percent and compound growth rate of loans and advance by state government of Maharashtra was 11.10 percent during the period under study.

Suggestions

1) Expenditure reduction more so on revenue account at the state level is very a crucial need we feel that each state can have its own separate pay commission which would recommend pay scales for state government employees based on the fiscal capacity of each state parity in scales with central government employees may be made optional, not obligatory. This will go a long way in reducing the salary payment liability of the states and the pension liability also.

2) State finances especially expenditure levels affect the major and crucial sectors of the economy agriculture, irrigation, power development, road transport education etc. These sectors, in years to come assume significance for better economic performance of the state as well as national economy, Hence the state have to develop and maintain a minimum level of socio economic infrastrucutre net work so that economy performance of the economy of Maharashtra will also help in solving many associated political and social problems which have adversely affected the state for many years.

3) It is observed from our analysis that the fiscal health of the state has been under sever stress in recent year. Our analysis of state finances for 1990-91, 1999-2000 reveals that finances of the state government have recorded a continuous deterioration. This is reflected in the rise in almost all the major deficit

indicators (except capital account). Any effort of correcting fiscal disequilibrium must recognise the need for resource augmentation and expenditure restructuring and management as the revenue receipts do not seem to display commensurate buoyancy. In this respect bold initiatives for tax reforms are needed to be undertaken by state government of Maharashtra

A) The number of persons engaged in profession trades, callings, and employment has increased substantially and this source has become an important source of income for the states.

b) Land Revenue :- The state government have right to levied tax on agricultural sector. Government should levied tax on agriculture sector in progressive manner like high income farmers or large land holder should pay tax in large size and small farmers, marginal farmers should be deduct from the agricultural tax.

c) sales taxes has remained the single source of income for the state government . The state government should take steps to improve their growth rate of sale tax. Therefore, the state government should take necessary steps to check the evasion of sales taxes and recover the sales taxes arrears.

d) Improvement of corporation sector :- There is enough scope for further increase in their revenue if the state government take certain measure for improving the working of state electricity boards. For example, improving load factor, reducing loss in transmission, avoiding stealing of electricity, revision of electricity rates in such a way that those who can pay higher rates are made to

pay dividends in this respect. Therefore the state government should take immediate steps in this regard.

4) Due to political instability, political parties come together and establishes the government so, There are large number of ministers are found for that, expenditure is increases. We suggest that the state government should be make to the smalles possible size of their ministries. But it seems that the coalition based ruling parties will not easily accept. This, Therefore it has become necessary to impose limits on the size of ministries by enhancing legal provisions through an amendment to the constitution. We feel 10 percent of the total number of assembly seats in case of the major states will be the optimum size of their ministry.

5) Expenditure regulation of the stae government level has become very important. A broad based, comprehensive review of the expenditure of the state is necessary. Each state has to appoing a “state expenditure commision” which would suggest ways and means to control and regulate state government expenditure.

6) State government initiative to reduce facilities provided to administrative officers in order to control revenue expenditure, may undermine the working efficiency of these officers because such a step will adversely effect

administrative setup thereby raising administrative expenditure to the government so it must be kept in mind while taking such step.

7) capital receipt which are presently used to cover the revenue deficits, should be used to develop infrastrucher development. This will help to economic growth and help to raise living standard of the people.

8)The schemes under the contract of state government, which are not effective in raising living standard of the people must be stopped.

9) After 2001-02 the pension liabilites of the state government are increasing and are a source of worry. Hence it is suggested that to cut dwon this liabilites

No pension liability of new government semi government state government employees be broke by the states. The employees lane is make perfect arrangement from their take home salaries only for this they can avail of the various schemes offered by private and public life insurance egeencies and corporations.

10) Legilation has to be evacted to keep the size of ministry to a fixed percentage of the total members in the assembly. This will keep reduce administrative costs on ministers and their other allowances and administrative expences .