

C H A P T E R - I

I N T R O D U C T I O N

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INTRODUCTON

1.1 Introduction and Significance of Subject :

The budget in the democratic set up and a Federal structure determines the directions in which the economy is moving. More precisely an Annual Budget is a financial mirror in which the reflections of economic policies become evident. The budgetary exercise is intended to transform the economic and social platform of the nation and through this an effort is made to attain the welfare of masses through various objectives. An annual budget, therefore, is document that gets a constitutional recognition and provides an authentic base for attainment of economic and social objectives.

The global economic scene is changing fast. What appeared yesterday as a permanent economic landmark has become a myth today. The world was split under different ideologies and instead of pragmatism, ideological superstructures appeared on the global varism. However, this situation underwent a drastic change as in Europe socialistic ideology changed the shape of entire Europe. In U.S.S.R., the Communism collapsed and the winds of market economy permitted the entire world. Therefore the ideas of Annual Budget under socialistic and communist set up had to be discarded and new global atmosphere has emerged through market

economy. The economic reforms and structural adjustment programmes had to be undertaken as a matter of a compulsion and this necessity transformed the shape of the phase of revenues and expenditure. Therefore the budgetary exercise had to be undertaken such a new and altered economic scenario.

The relevance of scientific budgetary framework in the Indian context assumes significance. The financial commitments during pre-independence period were founded on the political necessity of the alien rulers. The post independence period underwent Nehru-mahalanobis economic model and the thrust was on heavy industries. The five-year plans and the overall economic goals revolved around this model and the budgetary foundations stood on these pillars. During recent years, however, India adopted economic reforms and structural adjustment programmes since 1991 and this re-adjustment to the global transition necessitated a new outlook for the budget design also. Thus the need for analysing the budgetary exercise in background of the offersaid facts becomes significant for the present research design. The researcher has therefore, selected a topic under title "A Review of Annual Budgets During 1985 to 1993, A critical study."

1.2 Scope of The Study :

The entire research concerns with the review of budgets for the period of 9 years from 1985-1986 to 1993-94 (of 9 years). The reason for adopting this period was that the Government

embarked upon restructuring the economy from 1991 onwards and there are two distinct phases prior to this economic restructuring i.e. the budget prior to 1991 and subsequent budgets. This is ideological transition during the period under research and at the same time there is change of power at the central level. There is also a vast change in the global economy scenario. Thus the study extends to and towards these issues while examining the budgets during this period.

1.3 Objectives of the Study :

As stated above the entire research exercise aims at reviewing the budgets during the period 1985 to 1993. The review of budgets is undertaken with a view :

- 1 To examine theoretical background of the budgets.
- 2 To study the budgetary provisions in the Indian Annual Budgets.
- 3 To study trends of revenues and expenditure in Indian Annual Budgets.
- 4 To study deficit financing in Indian Annual Budgets.
- 5 To draw conclusions and provide some suggestions.

1.4 Methodology of the Study :

The research has been undertaken with the help of secondary data such as Annual Budgets of Government of

India, Bulletins of Reserve Bank of India, the theoretical texts on public finance and reference to various journals, magazines, periodicals and newspapers. Thus the reliance has been based on the information.

1.5 Limitations of the Study :

The topic under the research concerns with the budgets for the years 1985-86 to 1993-94. Therefore very obviously a specific period is covered under the present study. An attempt is made here to examine the Budgets of Government of India and as such the budgets of the State Government have not been review nor the issue is dealt with here.

1.6 Chapter Scheme of The Study :

The study is divided into following chapters :

Chapter first deals with the introduction of the subject and the issues pertaining to this research design.

Chapter Second deals with theoretical background of budgets.

Chapter third deals with an analytical study of Indian Annual budgets during 1985-86 to 1993-94. This chapter is concerned with analysis of revenue and expenditure of Government of India in annual budgets.

In Chapter four, an attempt has been made to examine growth in deficit in Indian Annual Budgets.

Chapter fifth deals with the conclusions and provides some suggestions.