


CHAPTER 2



Chapter -Two

Overall Budgetary Trends in MAHARASHTRA

State Finances

- 2.1 Introduction
- 2.2 Overall Budgetary operation
- 2.3 Budgetary operation on Revenue Account
- 2.4 Budgetary operation on Capital Account

Introduction

This Chapter examines the overall budgetary trends of the state Government of Maharashtra and the comparative position during the period between 1990-1991 and 1999-2000 such a comparative study is necessary for gaining some Useful knowledge of the state Governments finances.

In India at both central As well as state level budget is divided in revenue account and capital account In India, such classification of the Governments budgetary transaction of the central budget is being followed since 1957-58. In our country Revenue expenditure Include all current expenditure on Administration, Defence and Public sector Undertaking like Railways, Post and Telegraphs, Grant in aid. While capital expenditure includes consists of all capital transaction of Public commercial Undertaking Capital expenditure is further sub divided into two heads as Gross fixed capital and increase in inventories and capital transfers. Gross fixed capital Includes the expenditures on building, construction. Mechinery equipment etc. While increase in inventories consist of stores and stocks of foodgrains etc. and capital formation to the States and Union territorries etc.

Revenue expenditure and capital expenditure can be classified on the basis of budget. This classification is also popularly known as Functional classification. Actually functional classification is nothing but a description of Revenue and capital disbursement on various Heads of expenditure in a detailed manner. Therefore we begin our analysis with Study overall budgetary operation

and then deal with the budgetary operation on the revenue account and capital account during the Period Under the study.

The Table No. 2.1 Shows the aggregate receipts and Aggregate Expenditure of State Government of Maharashtra during the period Under study.

There has been phenomenal Growth of Aggregate receipts and Aggregate Expenditure of Maharashtra. The Aggregate receipt was Rs. 11048.21 Crores in 1990-91 which is increased to Rs. 36456.5 Crores in 1999-2000. The Aggregate receipts of State Government of Maharashtra has been Increased more than 3 fold in 1999-2000 over 1990-91. It was 3.30 percent and compound Growth rate of Aggregate receipts of Maharashtra State was 12.68 percent during the period Under study. Aggregate receipts of Maharashtra shows increasing trend.

The Table No. 2.1 also Reveals the Aggregate Expenditure of State Government of Maharashtra. The Aggregate Expenditure of Maharashtra was Rs. 10772.26 Crores in 1990-91 which is increased to Rs. 38241.6 Crores in 1999-2000 The Aggregate Expenditure has increased more than 3 fold in 1999-2000 over 1990-91. It was 3.55 percent and compound Growth rate of Aggregate Expenditure was 13.50 percent. The aggregate Expenditure of State Government of Maharashtra shows increasing trend.

The Aggregate receipts of State Government of Maharashtra has increased more than 3 fold in 1999-2000 over 1990-91. It was 3.30 percent and Growth rate of Aggregate Expenditure of State Government of Maharashtra was 3.55 percent. It means Growth rate of Aggregate Expenditure is larger than Growth rate of Aggregate Receipts during the period under study.

TABLE NO. 2.1
OVERALL BUDGETARY OPERATION
Of MAHARASHTRA

(RS. IN CRORES)

SR. NO	Year	Aggregate Receipts	Aggregate Expenditure	Surplus Deficit
1	1990-91	11048.21	10772.26	275.95
2	1991-92	13032.71	12051.56	981.15
3	1992-93	13299.34	14013.56	-714.12
4	1993-94	15924.07	15983.12	-59.05
5	1994-95	20632.57	20026.33	606.24
6	1995-96	21571.3	21377.1	194.2
7	1996-97	24851.6	25004.9	-153.3
8	1997-98	27919	27675.1	243.9
9	1998-99	31071.7	30317.2	754.5
10	1999-2000	36456.5	38241.6	-1785.1
	Increased in 99-00 Over 90-91 (Times)	3.3	3.55	
	C.G.R.	12.68	13.5	

C.G.R. = Compound Growth Rate (percent)

Source : Monthly Bulletin of R. B. I. Specially related of State finances.:

March 93, Feb. 94, Oct. 94, Dec. 95, Feb. 97, Feb. 98, Oct. 2000.

Center for monitoring Indian Economy (CMIE) "Special issue of Public finance March 2002"

Budgetary deficit

Budget deficit is also called as conventional deficit. The Budget deficit is the difference between the total expenditure and total receipts

Equation ally.

Budget deficit = Total Expenditure - Total receipts.

In this case, total expenditure includes aggregates of both revenue expenditure and Capital expenditure, like wise, total receipts are the addition of revenue receipts and capital receipts which include market borrowings and other liabilities. It was this budgetary deficit which was financed by deficit financing by the Government of India. While the central Government meets It's overall budgetary deficit by reduction in it's cash balances and net Sales of treasury bills to the Reserve Bank of India. The State Government meet their budgetary deficit by

- 1) decrease in their cash balance
 - 2) Sale of securities in the market and
 - 3) through ways and means advances and overdrafts
- from Reserve Bank of India

The table No. 2.1 gives information about the overall budgetary deficit in the State Government of Maharashtra during the period Under our study. In 1990-91 the overall Budgetary trend of State Government of Maharashtra was in surplus Position It was Rs. 275.95 Crores in 1990-91 and in 1999-2000 the

Table No 2.2**Budgetary Operation on Revenue Account
Of Maharashtra**

(RS.IN CRORES)

SR NO	Year	Revenue Receipts	Revenue Expenditure	Surplus/ Deficit
1	1990-91	8699.02	8753.67	-54.65
2	1991-92	9772.59	10048.32	-275.73
3	1992-93	10818.21	11546.7	-728.49
4	1993-94	12986.79	13108.69	-121.9
5	1994-95	15089.48	14812.19	277.29
6	1995-96	16559.3	17168.4	-609.1
7	1996-97	19255.2	20845.8	-1590.6
8	1997-98	20316.6	22896.5	-2579.9
9	1998-99	21737.1	25663	3925.9
10	1999-2000	25269.5	29538.2	-4268.7
	Increased in 99-00 Over 90-91 (Times)	2.9	3.37	
	C.G.R.	12.62	14.59	

C.G.R. = Compound Growth Rate (percentage)

Source : As per table No. 2.1, page no. 10

overall budgetary trend of State Government of Maharashtra shows deficit position that year deficit was -1785.1 Crores in 1999-2000. 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. The table No. 2.1 Shows fluctuating trend of State Government of Maharashtra during the period Under study.

1.3 Budgetary Operations on Revenue Account

The Table No. 2.2 gives the details regarding the revenue receipts and revenue expenditure and the relative mismatch of these two that is revenue surplus or deficit. It is essential to note here that, in depth analysis of revenue expenditure is attempted in section one of the third chapter (B) of the study. Therefore, this section concentrates mainly on the surpluses and deficits on this account and their trends during the period under the study. Attempt is also made to point out briefly the implications of these trends.

It is clear from the table No.2.2 that the revenue expenditure as well as revenue receipt of the State Government have increased tremendously. The revenue receipts for State was only Rs. 8699.02 Crores in 1990-91 which increased to Rs.25269.5 Crores 1999-2000 representing almost three fold increase (2.90) over the period of 10 years study. However It is found from the

table that the revenue receipts have increased to Rs. 15089.48 crores in 1994-95 more than revenue expenditure Rs. 14812.19 Crores of same year. In 1994-95 year Revenue account was in the surplus. Except for the year (1994-95) this year all years Under the study shows deficit on this account.

The Growth rate of Revenue receipts of State Government of Maharashtra was 2.90 percent and the Compound Growth rate of revenue receipts for Maharashtra State during the period Under study was 12.62percent this implies that the State has Undertaken the measures for increasing revenue receipts.

The substantial increase in revenue receipts is the result of deepening and widening of tax structure increase in tax rates, growth in State domestic product and increase in the magnitude of revenue transfers from the centre.

The table also reveals that the revenue expenditure for Maharashtra. The revenue expenditure of Maharashtra state was Rs. 8753.67 Crores in 1990-91 which is increased to Rs. 29538,2 Crores in 1999-2000. during the period 1990-2000. It shows State expenditure has increased tremendously. The Revenue expenditure of State Government of Maharashtra has increased more than 3 fold in 1999-2000 over 1990 1991. It was 3.37 Percent. The growth rate of revenue expenditure for Maharashtra State exceeded the growth rates at revenue receipts. The compound Growth rate of revenue expenditure during the period under study was 14.59 percent. It is found that the Revenue Expenditure of Maharashtra state has risen appreciably from 1995 to 2000.

The table No. 3.4 shows the percentage of Revenue expenditure to Aggregate Expenditure. It was 81.26 percent in 1990-91 which is increased to 84.64 percent in 1998-99. The Percent of Revenue expenditure to total Expenditure shows increasing trend.

Revenue deficit :

It is a simple and straight concept. Revenue expenditure is met out of current or revenue receipts which includes net tax revenue and Non-tax revenue of the state Government. The revenue deficit represents the difference between the revenue expenditure and revenue receipts of a state Government. Thus,

Revenue -Deficit = Revenue Expenditure- Revenue Receipts

The table No:-2.3 reveals that, the magnitude of the revenue deficit is increasing over the period Under study of Maharashtra State. For example the revenue deficit of Maharashtra State. In 1990-91 was Rs. -54.65 Crores which increased to Rs. -4268.7 Crores in 1999-2000 showing more than 78 fold increase over the period of 10 years with exceptional year of 1994-95. In the year Revenue account was in surplus that year surplus was Rs. 277.29 Crores.

From the table No. 2.2 a tendency towards increasing revenue deficit (exception year 1994-95) is noticed. The main reason for this changes are the continuous expansion of current expenditure particular due to Implementation of the Fifth pay commission scales for employees of Government and Administration service and rising Interest payments.

Accordingly, revenue deficit has become a special feature of state Government budgetary operations. We can say that, certain structural weaknesses persist in state finances in the form of large revenue deficit. Naturally this has reflected in to states in ability to provide for financing the plans through revenue account surpluses and increased borrowing of the state Government resulting into increasing Gross fiscal deficit of the state Government. This necessitates the Urgent steps on the part of the state Government for correcting imbalance on revenue account.

Budgetary operation on capital Account

The table No. 2.3 Gives details about budgetary operation of the state government on capital account during the period under study. It is clear from the table No. 2.3 that the budgetary operation on capital account in Maharashtra state has increased substantially during period under study. The capital receipts and disbursement for Maharashtra state in 1990-91 was Rs. 2349.19 crores Rs. 2018.59 crores respectively representing surplus of Rs 330.60 Crores and these receipts and disbursement increased to Rs 11187.0 and Rs. 8705.4 Crores in 1999-2000 respectively that is representing surplus of Rs. 2481.6 Crores. The table reveals that in case of the state under study also there has been substantial increase in the fiscal operation on capital account. The capital receipts of state Government of Maharashtra has increased more than

Table No 2.3**Budgetary Operation on Capital Account
Of Maharashtra**

(RS.IN CRORES)

SR. NO	Year	Capital Receipts	Capital Expenditure	Surplus Deficit
1	1990-91	2349.19	2018.59	330.6
2	1991-92	3260.12	2002.89	1257.23
3	1992-93	2481.13	2466.86	14.27
4	1993-94	2937.28	2874.43	62.85
5	1994-95	5543.09	5214.14	328.95
6	1995-96	5012.01	4208.7	803.31
7	1996-97	5596.4	4159.1	1437.3
8	1997-98	7602.4	4778.6	2823.8
9	1998-99	9334.6	4654.2	4680.4
10	1999-2000	11187	8705.4	2481.6
	Increased in 99-00 Over 90-91 (Times)	4.76	4.31	
	C.G.R.	19.1	15.13	

C.G.R. = Compound Growth Rate (percentage)

Source : As per table No. 2.1, page no. 10

four fold in 1999-2000 over 1990-91. It was 4.76 percent. and compound Growth rate of capital receipt was 19.10 percent during the period under study.

The table No. 3.4 shows the percentage of capital expenditure to aggregate expenditure. It was 18.73 percent in the 1990-91 which decreased to 15.35 percent in 1998-1999 the capital Expenditure to total Expenditure shows decreasing trend during the period under study.

Capital deficit :

Capital deficit is also a simple and straight concept. The capital deficit is the difference between the capital disbursement/Expenditure and the capital receipts of a state Government. We can express this equation ally.

Capital deficit = capital disbursement - capital Receipts

The table No. 2.3 depicts the most Important Feature of the budgetary operation on capital account in the state during the period under our study that in the period there were surplus. The surplus during the period under our study was increasing exceptional year to 1992-93 . In 1992-93 in the capital account there was certainly surplus but It was to much less amount. It was Rs 14.27 Crores. Only the exceptional 1992-93 year the surplus on capital account substantial increased. that is capital Receipts exceeded capital Expenditure for example during the period. Under our study capital Receipt has increased 4.76 fold and capital disbursement is increased 4.31 fold from 1990 to 2000 year. It means

Growth rate of capital Expenditure is not exceeded with the growth rate of capital revenue, capital Expenditure is equal with capital Receipt. Before our study the capital disbursement exceeded the capital receipts and the excess was mainly financed through revenue surpluses. This was a positive development. The capital disbursement of the state from the 1990-91 to 1992-93 the capital account was in surplus but it was decreasing In 1990-91 It was 330.60 Crores and 1992-93 It was 14.27 Crores only. From the 1992-1993 to 1999-2000 during the period under our study capital account and capital Receipt have been increasing continuously. In result from 1992-93 the surplus of capital account is increasing this implies that the capital receipt were being used for financing implies Revenue account financing implies that on the one hand state Government are using debt receipt to finance their day to day expenditure as a result of which each state is cutting down is capital expenditure which is very much headed for infrastructural development and modernisation. State capital outlays need increased budgetary provisions as the basic infrastructural at the district and village level needs improvisation and modernisation so that the much needed private sector investment Spreads the state level. The large and rising revenue deficit of the state have unfortunately the capital receipts of the states and this has hampered increased state Government invest in their capital account.