CHAPTER - 4

TRENDS IN REVENUE EXPENDITURE OF GOVERNMENT OF INDIA

4.1 INTRODUCTION:

Public expenditure is one of the most important side of public finance. It is the expenditure incurred by the public authorities i.e. central government, state governments and local bodies such as *municipalities, zilla parishadas, panchayat samities* and *village panchayats* for the satisfaction of collective needs of the citizens or for promotion of economic and social welfare. In other words, government incurs expenditure to perform various functions to achieve socio-economic objectives by rendering services and supplying public goods to the people. Government incurs expenditure on education, public health, social securities, irrigation, public administration, agriculture, etc. These functions of economic and social welfare have increased public expenditure to a greater extent. This chapter analyses the overall growth of expenditure of central government of India, composition of total expenditure, expenditure as per cent of GDP, budgetary operations on revenue account and growth in revenue expenditure of India

4.2 COMPOSITION OF TOTAL EXPENDITURE OF INDIA:

Public expenditure has gained a significant place in the study of public finance as the place of consumption in economics due to manifold increase in the economic activities of the government. The size and pattern of the public expenditure has great relevance in the growth process and in the reduction of economic disparities. Keynes, a revolutionary economist regarded public expenditure as an exogenous factor which can be utilised as a policy instrument to stimulate economic growth. Conventionally, government budget is classified into two parts, i.e. revenue budget and capital budget. Classification of budget is important because different categories of revenue and expenditure explain the interrelationship between the government sector and the rest of the economy. It also helps to study the relative size of different governmental activities in the economy. The revenue budget consists of revenue receipts and revenue expenditure. The capital budget consists of capital receipts and capital expenditure. In other words, total expenditure of the government comprises of revenue and capital expenditure. The revenue expenditure is for normal running of the government departments and various services, interest charges on debts incurred by the government, etc. It means that, it is the expenditure incurred for purposes other than creation of assets of the government. In many countries, it is known as current expenditure.[1] Broadly speaking, the expenditure which does not result in the creation of asset is treated as revenue expenditure. In India, revenue expenditure includes all current expenditure on civil administration, defence and public commerical undertaking like railways, post offices, grants-in-aid etc. On the other hand, capital expenditure is for creation of assets in the country. It consists of all capital transactions including defence and capital transactions of public commercial undertakings. It also includes expenditures on buildings, construction, machinery, equipment, stores and stocks of foodgrains, grants for capital formation to the states and union territories, etc.

As earlier said that government budget is classified into revenue budget and capital budget. The revenue and capital budget has been illustrated with the help of following table.

Revenue Budget

Items of Receipts	Items of Expenditure
(i) Taxes on income	(i) Administrative and general services
(ii) Taxes on property	(ii) Economic services
(iii) Custom duties	(iii) Social services
(iv) Taxes on services	(iv) Community services
(v) Union excise duties	(v) Interest payments
(vi) Non-tax revenue	(vi) Maintenance of roads and railways
(vii) Other receipts	(vii) Other revenue expenditure
Total revenue receipts	Total revenue expenditure

Capital Budget

Items of Receipts	Items of Expenditure
(i) Loans and recoveries	(i) Public works
(ii) Market borrowings	(ii) Irrigation, canals etc.
(iii) Small savings	(iii) Construction of roads, railways
(iv) External loans	(iv) Construction of power generation plants
(v) Other receipts	(v) Flood control works
Total capital receipts	Total capital expenditure

At a very broad summary level, the best way to look at the structure of government expenditure is to examine the composition of total expenditure between revenue expenditure and capital expenditure. Table No. 4.1 reveals composition of total expenditure of central government and Table No. 4.2 reveals arithmetic mean, standard deviation and coefficient of variation of relative share of it.

Table No. 4.1

Composition of Total Expenditure of Government of India

(Rs. Crore)

Year	Revenue Expenditure	Capital Expenditure	Total Expenditure
1991-92	82290.80 (76.3)	25612.16 (23.7)	107902.96 (100.0)
1992-93	92690.20 (75.7)	29825.57 (24.3)	152515.77 (100.0)
1993-94	108499.50 (76.6)	33190.07 (23.4)	141689.57 (100.0)
1994-95	122345.70 (79.1)	32294.36 (20.9)	154640.06 (100.0)
1995-96	139714.90 (80.2)	34504.46 (19.8)	174219.36 (100.0)
1996-97	158810.70 (82.1)	34533.77 (17.9)	193344.47 (100.0)
1997-98	179996.53 (86.7)	27667.92 (13.3)	207664.45 (100.0)
1998-99	216417.41 (86.3)	34415.81 (13.7)	250833.22 (100.0)
1999-2000	248869.34 (86.0)	40530.93 (14.0)	289400.27 (100.0)
2000-01	277975.49 (88.8)	35035.72 (11.2)	313011.21 (100.0)
2001-02	301774.76 (87.1)	44838.28 (12.9)	346613.04 (100.0)
2002-03	340092.66 (92.6)	27134.24 (07.4)	367226.90 (100.0)
2003-04	363044.82 (100.9)	-3206.80 (-0.9)	359838.02 (100.0)
2004-05	383030.66 (95.2)	19519.61 (4.8)	402550.27 (100.0)
2005-06	440302.87 (88.7)	56310.75 (11.3)	496613.62 (100.0)
2006-07	514313.34 (91.0)	50620.96 (09.0)	564934.30 (100.0)
2007-08	593658.67 (84.6)	108326.69 (15.4)	701985.36 (100.0)
2008-09	790593.23 (90.4)	84237.55 (09.6)	874830.78 (100.0)
2009-10	905472.98 (89.4)	107719.79 (10.6)	1013192.77 (100.0)
2010-11	1048480.48 (87.2)	153897.94 (12.8)	1202378.42 (100.0)
2011-12	1092743.43 (87.6)	154314.34 (12.4)	1247057.77 (100.0)
2012-13	1263072.00 (88.3)	167753.00 (11.7)	1430825.00 (100.0)
2013-14	1436169.00 (86.2)	229128.00 (13.8)	1665297.00 (100.0)
Growth in 2013-14 over	17.5	08.9	15.4

1991-92 (times)			
CAGR (%) 1991-92 To 2013-14	13.9	10.5	13.2

Note: 1. Data for 2012-13 are revised estimates and data for 2013-14 are budget estimates.
2. Figures in bracket indicates share of the particular items to total expenditure of government of India
3. CAGR: Compound Annual Growth Rate

Source: 1. Indian Public Finance Statistics, 1998-99, 2004-05, 2011-12, Ministry of Finance, Government of India, New Delhi.
2. Economic and Political Weekly, Statistics, March 23, 2013, Vol XLVIII, No. 12, p. 77.

Table No. 4.1 shows the amount of revenue expenditure, capital expenditure and total expenditure and the share of revenue and capital expenditure in total expenditure of the central government. The data shows that revenue expenditure is a major component of total expenditure of the central government. The percentage of revenue expenditure to total expenditure was 76.3 per cent in 1991-92, which increased to 86.2 per cent in 2013-14. Total expenditure of the central government since 1991-92 has been continuously growing (from Rs. 107902.96 crore to Rs. 1665297.00 crore) and revenue expenditure has grown at higher rate (compound annual growth rate is 13.9 per cent) as compared to capital expenditure (compound annual growth rate is 10.5 per cent). This is shown in graph 4.1. The increase in total expenditure is mainly because of a sharp hike in expenditure on revenue account. Revenue expenditure has registered the compound annual growth rate of 13.9 per cent during the period 1991-92 to 2013-14. In 1991-92, revenue expenditure was Rs 82290.80 crore and increased to Rs. 1436169.00 crore. It created serious imbalances in the fiscal sector of the economy. Revenue expenditure constituted 76.3 per cent in 1991-92 and was much as 91.0 per cent and reached to the level of 95.2 per cent of total expenditure in 2006-07 and 2004-05 respectively. It is 86.2 per cent in 2013-14. This is shown in graph 4.2. The main aspects for sharp increase in revenue expenditure of the central government from 1991-92 to 2013-14 was the rapid increase in salary bills and pension payments, subsidies, and inflation etc. Table No. 4.2 shows inflation rate (simple average). Revenue expenditure, capital expenditure and total expenditure of the central government have been increasing since 1991. Increasing inflation rate is also one of the cause of increasing revenue, capital and total expenditure of the central government.

Table No. 4.2

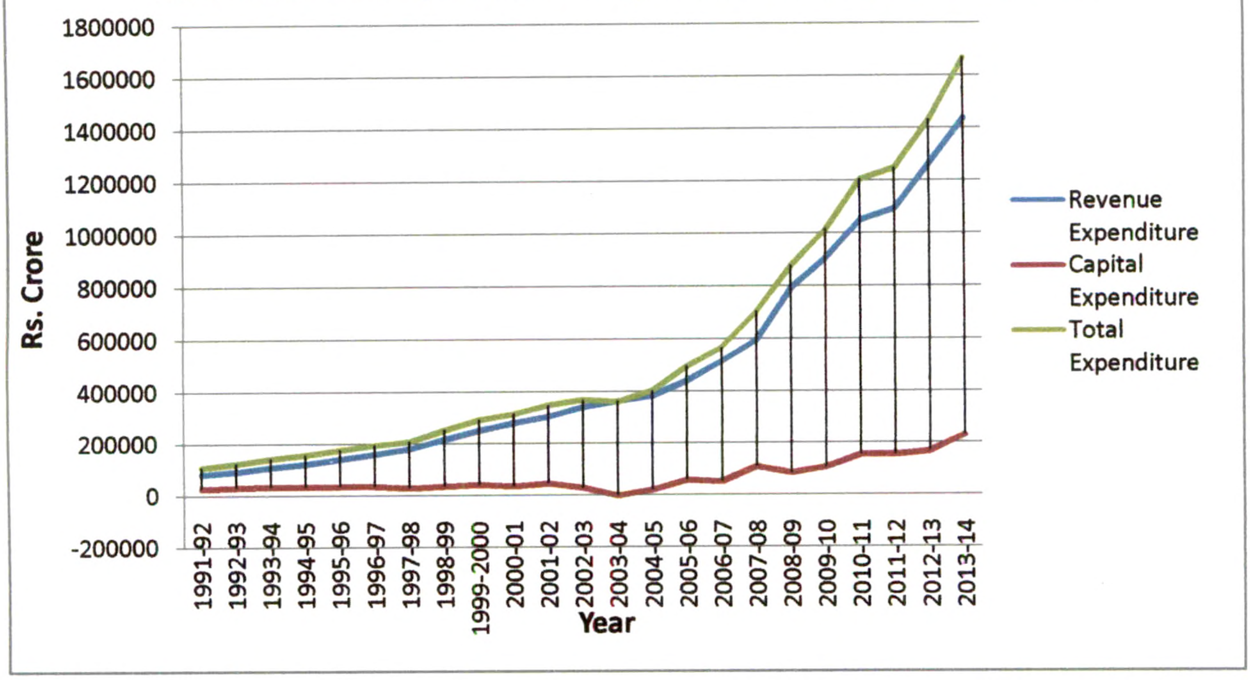
Inflation Rate (Simple Average)

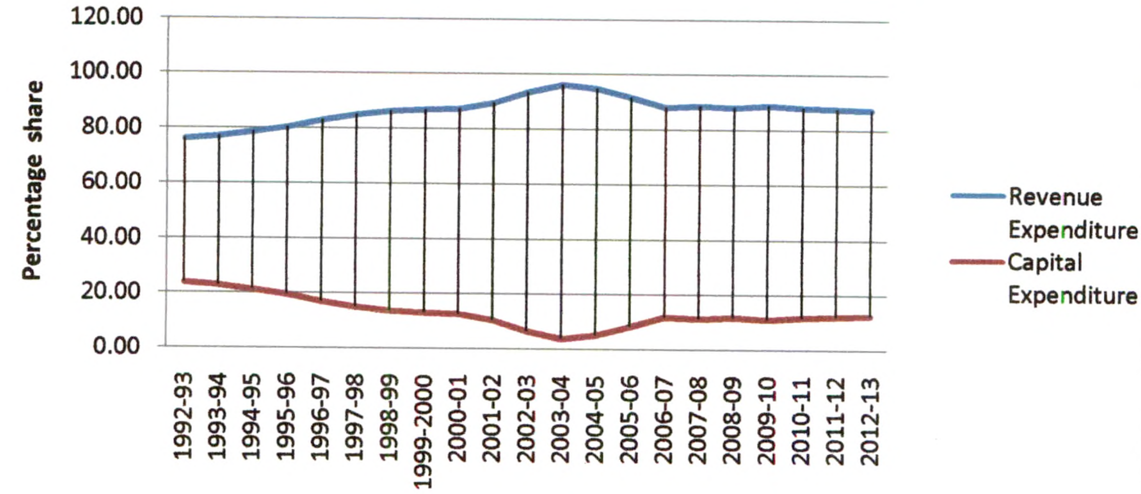
Year	Inflation Rate (Simple Average)
1991-92 To 1993-94	10.73 (Base: 1981-82 = 100)
1994-95 To 2004-05	5.9 (Base: 1993-94 = 100)
2005-06 To 2011-12	6.6 (Base: 2004-05 = 100)

Source: Handbook of Statistics on Indian Economy (2011): Reserve Bank of India, Mumbai, p. 99.

Graph No. 4.1

Trends in Revenue, Capital and Total Expenditure of the Central Government





Note: Trend lines are drawn on the basis of three year moving average

A tremendous increase in the share of expenditure on revenue account of the central government is accounted for by the decline in the share of capital expenditure in the post-reform period. Capital expenditure moved up from Rs. 25612.16 crore in 1991-92 to Rs. 229128.00 crore in 2013-14 - recorded the compound annual growth rate of 10.5 per cent in the post reform period of 23 years. Capital expenditure constituted 23.7 per cent of the total expenditure of the central government in the year 1991-92. This percentage decreased to 13.8 per cent in 2013-14. In 2004-05, the share of capital expenditure in total expenditure was only 4.8 per cent and -0.9 per cent in 2003-04. This is shown in graph 4.3. The share of capital expenditure in total expenditure declined by 10 percentage points in the post reform period. From the time the economic reforms began, there has been a tendency to suppress capital expenditures in the face of the inability to control revenue expenditure.

Graph No. 4.3

Composition of Total Expenditure in 1991-92 and 2013-14

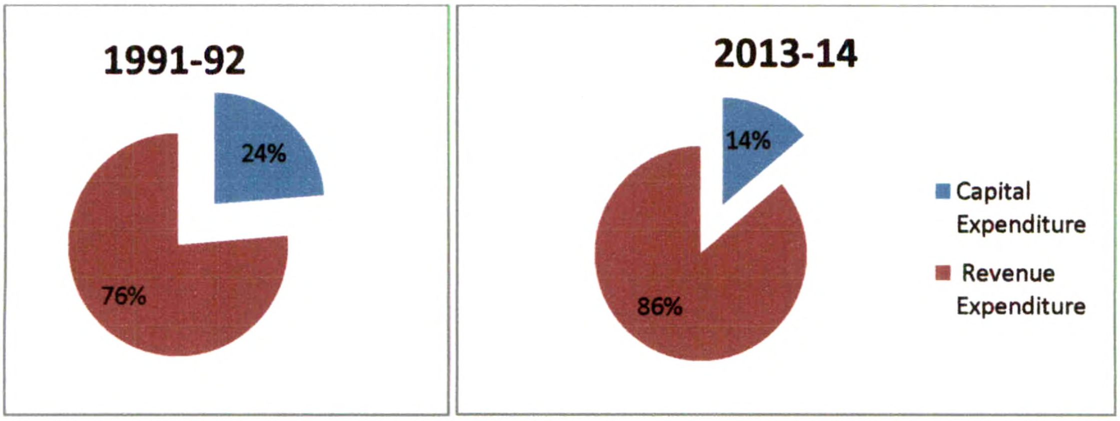


Table No. 4.3 shows arithmetic mean, standard deviation and coefficient of variation of relative share of revenue expenditure, capital expenditure of government of India.

Table No. 4.3

Mean, Standard Deviation and Coefficient of Variation of Relative Share of Revenue Expenditure and Capital Expenditure

(per cent)

Statistical Techniques	Revenue Expenditure	Capital Expenditure
Arithmetic Mean	86.4	13.6
Standard Deviation	5.95	5.95
Coefficient of Variation	7.0	44.0

Source: Computed by the researcher

The data shows following observations:

(i) The arithmetic mean of relative share of revenue expenditure has shown value of 86.4 per cent as compared to mean of relative share of capital expenditure (mean was only 13.6 per cent). It implies that revenue expenditure is a major component of total expenditure of the central government.

(ii) Standard deviation shows equal variations in relative share of revenue expenditure and capital expenditure of central government during the period under study.

(iii) Coefficient of variation of relative share of revenue expenditure shows lower value of 7.0 per cent indicating large variations as compared to relative share of capital expenditure of central government.

4.3 EXPENDITURE AS PER CENT OF GDP:

Revenue expenditure, capital expenditure and total expenditure of the central government as per cent of GDP at current market prices reveal the true picture of the importance and quality of the expenditure of government in Indian federal set-up. Table No. 4.4 reveals revenue, capital and total expenditure of the central government as per cent of GDP.

Table No. 4.4

Expenditure as per cent of GDP at Current Market Prices

(Rs. Crore)

Year	GDP at current market prices	Revenue Expenditure	Capital Expenditure	Total Expenditure
1991-92	654729	82290.80 (12.6)	25612.16 (3.9)	107902.96 (16.5)
1992-93	752591	92690.20 (12.3)	29825.57 (4.0)	152515.77 (16.3)
1993-94	865805	108499.50 (12.5)	33190.07 (3.8)	141689.57 (16.4)
1994-95	1015764	122345.70 (12.0)	32294.36 (3.2)	154640.06 (15.2)
1995-96	1191813	139714.90 (11.7)	34504.46 (2.9)	174219.36 (14.6)
1996-97	1378617	158810.70 (11.5)	34533.77 (2.5)	193344.47 (14.0)
1997-98	1527158	179996.53 (11.8)	27667.92 (1.8)	207664.45 (13.6)
1998-99	1751199	216417.41 (12.4)	34415.81 (2.0)	250833.22 (14.3)
1999-2000	1952036	248869.34 (12.7)	40530.93 (2.1)	289400.27 (14.8)
2000-01	2102313	277975.49 (13.2)	35035.72 (1.7)	313011.21 (14.9)
2001-02	2278952	301774.76 (13.2)	44838.28 (2.0)	346613.04 (15.2)
2002-03	2530663	340092.66 (13.4)	27134.24 (1.1)	367226.90 (14.5)
2003-04	2837900	363044.82 (12.8)	-3206.80 (-0.1)	359838.02 (12.7)

2004-05	3242209	383030.66 (11.8)	19519.61 (0.6)	402550.27 (12.4)
2005-06	3693369	440302.87 (11.9)	56310.75 (1.5)	496613.62 (13.4)
2006-07	4294706	514313.34 (12.0)	50620.96 (1.2)	564934.30 (13.2)
2007-08	4987090	593658.67 (11.9)	108326.69 (2.2)	701985.36 (14.1)
2008-09	5630062	790593.23 (14.0)	84237.55 (1.5)	874830.78 (15.5)
2009-10	6477827	905472.98 (14.0)	107719.79 (1.7)	1013192.77 (15.6)
2010-11	7795314	1048480.48 (13.9)	153897.94 (2.0)	1202378.42 (15.4)
2011-12	8974947	1092743.43 (12.2)	154314.34 (1.7)	1247057.77 (13.9)
2012-13	10028118	1263072.00 (12.6)	167753.00 (1.7)	1430825.00 (14.3)
2013-14	11371886	1436169.00 (12.6)	229128.00 (2.0)	1665297.00 (14.6)
Growth in 2013-14 over 1991-92 (times)	17.4	17.5	08.9	15.4
CAGR (%) 1991-92 To 2013-14	13.9	13.9	10.5	13.2

Note:
1. Data for 2012-13 are revised estimates and data for 2013-14 are budget estimates.
2. Figures in bracket indicates share of the particular items to Gross Domestic Product (GDP) at current market prices
3. GDP upto year 2001-02- base year: 1999-2000; GDP for 2002-03 to 2013-14 – base year: 2004-05.
4. CAGR: Compound Annual Growth Rate

Source:
1. Handbook of Statistics on Indian Economy (September 15, 2011): Reserve Bank of India, p. 22.
2. Indian Public Finance Statistics, 1998-99, 2004-05, 2011-12, Ministry of Finance, Government of India, New Delhi.
3. Economic and Political Weekly, Statistics, March 23, 2013, Vol XLVIII, No. 12, p. 77.

Table No. 4.4 shows that total expenditure of the central government as a proportion of GDP has decreased from 16.5 per cent in 1991-92 to 14.6 per cent in 2013-14. In it, a large part of total expenditure (60 to 65 per cent) has been accounted for by the items namely interest payments, pensions, defense and subsidies, which has placed a difficult burden on budgetary balances.[2] This fall is due to steps taken by the government i.e. reduction of posts at various levels, reduction in expenditure on telephone and restrictions on purchases of additional vehicles.[3] The fall in total expenditure as per cent of GDP upto 2004-05 was mainly on account of the fall in the capital expenditure - GDP ratio. In 2005-06, total expenditure was 13.4 per cent to GDP (11.9 per cent of GDP of revenue expenditure and 1.5 per cent of GDP of capital expenditure) which was higher than the level in the previous year. In 2004-05, the government carried out the process of improving revenue expenditure and increasing capital expenditure. After 2004-05, total expenditure of the central government began to rise and reached to 14.6 per cent of GDP in 2013-14.

Looking at revenue expenditure as per cent of GDP, due to continuous attempts since 1991-92, revenue expenditure - GDP ratio of the central government could be brought down from 12.6 per cent in 1991-92 to 11.5 per cent in 1996-97. This was despite the fact that interest payments continue to increase.[4] Thereafter, revenue expenditure – GDP ratio increased to 13.4 per cent in 2002-03 due to loose fiscal discipline. Due to enactment of the Fiscal Responsibility and Budget Management (FRBM) Act in 2003, it fell to 11.9 per cent of GDP in 2005-06 from 13.4 per cent of GDP in 2002-03. It again increased to the level of 12.6 per cent of GDP in 2013-14. It has serious implications for economic growth as well as fiscal discipline.

On the other hand, capital expenditure – GDP ratio had decreased from 3.9 per cent of GDP in 1991-92 to 0.6 per cent of GDP in 2004-05. It was -0.1 per cent of GDP in 2003-04. It was due to fiscal correction through reduction in capital expenditure. The quality of expenditure has also witnessed deterioration over the years as the share of capital expenditure declined. The position improved a little and it reached to the level of 2.0 per cent of GDP in the budget estimates in 2013-14. But in actual figures, it was 1.7 per cent of GDP in 2011-12.

4.4 BUDGETARY OPERATIONS ON REVENUE ACCOUNT:

Table No. 4.5 depicts budgetary operations on revenue account of the central government during the period under study.

Table No. 4.5

Budgetary Operations on Revenue Account

(Rs. Crore)

Year	Revenue Receipts	Revenue Expenditure	Surplus (+) / Deficit (-)
1991-92	66030.00	82290.80	-16260.80
1992-93	74128.00	92690.20	-18562.20
1993-94	75453.00	108499.50	-33046.50
1994-95	91083.00	122345.70	-31262.70
1995-96	109983.41	139714.90	-29731.50
1996-97	126186.74	158810.70	-32624.00
1997-98	133547.71	179996.53	-46448.80
1998-99	149441.16	216417.41	-66976.30
1999-2000	181272.75	248869.34	-67596.60
2000-01	192741.63	277975.49	-85233.90
2001-02	201612.37	301774.76	-100162.00
2002-03	232213.26	340092.66	-107879.00
2003-04	264783.00	363044.82	-98261.80
2004-05	304692.41	383030.66	-78338.30
2005-06	348002.98	440302.87	-92299.90
2006-07	434091.61	514313.34	-80221.70
2007-08	541089.67	593658.67	-52569.00
2008-09	537053.86	790593.23	-253539.00
2009-10	566474.80	905472.98	-338998.00
2010-11	778637.00	1048480.48	-269843.00
2011-12	785473.45	1092743.43	-307270.00

2012-13 2013-14	871828.00 1056331.00	1263072.00 1436169.00	-391244.00 -379838.00
Growth in 2013-14 Over 1991-92 (times)	16.0	17.5	23.4
CAGR (%) 1991-92 To 2013-14	13.4	13.9	15.4

Note: 1. Data for 2012-13 are revised estimates and data for 2013-14 are budget estimates.
2. CAGR: Compound Annual Growth Rate

Source: 1. Handbook of Statistics on Indian Economy (September 15, 2011): Reserve Bank of India, pp. 176 &178.
2. Indian Public Finance Statistics, 1998-99, 2004-05, 2011-12, Ministry of Finance, Government of India, New Delhi.
3. Economic and Political Weekly, Statistics, March 23, 2013, Vol XLVIII, No. 12, p. 77.

Table No. 4.5 gives the details regarding the revenue receipts, revenue expenditure and the relative extents of these two, i.e. the revenue surplus or deficit. It concentrates trends in revenue deficit during the period under study. It is clear from this data that, the revenue receipts as well as revenue expenditure of the central government during the period under study have increased tremendously. The revenue receipts of the central government was Rs. 66030.00 crore in 1991-92, which increased to Rs. 1056331.00 crore in 2013-14, representing 16.0 fold increased over the period of 23 years. The compound annual growth rate of revenue receipts of the central government during the period under study was 13.4 per cent. This implies that central government has undertaken the measures for increasing revenue receipts. This substantial increase in revenue receipts is the result of deepening and widening of tax structure (introduction of service tax), increase in tax rates and growth in gross domestic product.

The data also reveals that the revenue expenditure of the central government during the period under study has also increased tremendously. In fact, an important feature of revenue expenditure reveals from our study is that the compound annual growth rate of revenue expenditure of central government exceeded the compound annual growth rate of revenue receipts of central government. The compound annual growth rate of revenue expenditure of central government during the period under study was 13.9 per cent, which was higher than that of the rate of revenue receipts i.e. 13.4 per cent.

Revenue deficit is a simple and straight concept. In economics, a deficit is a shortfall in revenue. The revenue deficit represents the difference between revenue expenditure and the revenue receipts of the government. Thus,

Revenue Deficit = Revenue Expenditure – Revenue Receipts

Revenue expenditue is met out of revenue receipts which include tax revenue and non-tax revenue of the government. Restricting the revenue deficit is extremely important for the economy. Higher revenue deficit increases fiscal deficit. It results in increase in the government borrowings from the money market which increase the interest rate in the money market. Higher borrowings of the government leads to higher interest payments and debt burden on the government. Higher revenue deficit reduces capital expenditure of the government.

Fiscal imbalance of the central government as indicated by the revenue deficit which was at high level during the period under study. The data shows that central government has been experiencing deficits on revenue account and the size of the deficit is rising. The revenue deficit of central government in 1991-92 was Rs. 16260.80 crore, which increased to Rs. 379838.00 crore in 2013-14, showing 23.4 fold increase over the period of 23 years. The compound annual growth rate of revenue deficit of central government during the period under study was 15.4 per cent. A revenue surplus of 0.2 per cent of GDP was estimated by the Task Force on implementation of FRBM Act (2004). However, it is 3.34 per cent of GDP in 2013-14. It reflects the rapid growth in the revenue deficit of central government. This rise is due to the sustained increase in the revenue expenditure during the period under study. The reason being continuously growing revenue deficit is the sharp increase in government salaries and pensions.

4.5 GROWTH OF REVENUE EXPENDITURE OF INDIA:

Table No. 4.6 reveals overall growth of revenue expenditure of government of India.

Table No. 4.6

Growth of Revenue Expenditure of Government of India

(Rs. Crore)

Year	Revenue Expenditure	Variations over the previous year in percentages
1991-92	82290.80	-
1992-93	92690.20	12.6
1993-94	108499.50	17.1
1994-95	122345.70	12.8
1995-96	139714.90	14.2
1996-97	158810.70	13.7
1997-98	179996.53	13.3
1998-99	216417.41	20.2
1999-2000	248869.34	15.0
2000-01	277975.49	11.7
2001-02	301774.76	08.6
2002-03	340092.66	12.7
2003-04	363044.82	06.7
2004-05	383030.66	05.5
2005-06	440302.87	15.0
2006-07	514313.34	16.8
2007-08	593658.67	15.4
2008-09	790593.23	33.2

2009-10	905472.98	14.5
2010-11	1048480.48	15.8
2011-12	1092743.43	04.2
2012-13	1263072.00	15.6
2013-14	1436169.00	13.7
Growth in 2013-14 Over 1991-92 (times)	17.5	-
CAGR (%) 1991-92 To 2013-14	13.9	-

Note: 1. Data for 2012-13 are revised estimates and data for 2013-14 are budget estimates.
2. CAGR: Compound Annual Growth Rate

Source: 1. Indian Public Finance Statistics, 1998-99, 2004-05, 2011-12, Ministry of Finance, Government of India, New Delhi.
2. Economic and Political Weekly, Statistics, March 23, 2013, Vol XLVIII, No. 12, p. 77.

Table No. 4.6 reveals the overall growth of total revenue expenditure of government of India during the period between 1991-92 and 2013-14. The important thing is that the large increase in the quantum of revenue expenditure in the last 23 years. The revenue expenditure of central government has increased more than 17 times during the period between 1991-92 and 2013-14. The revenue expenditure of central government in 1991-92 was Rs. 82290.80 crore and increased to Rs. 1436169.00 crore in 2013-14 (Budget Estimates). For examining the revenue expenditure more correctly, the compound annual growth rate (CAGR) of revenue expenditure is calculated. The data shows that the CAGR of revenue expenditure of central government during the period under study was 13.9 per cent. It reflects the rapid growth in the revenue expenditure of central government. It means that revenue expenditure of the central government since 1991-92 has been continuously growing.

Last column of this table shows the variations in revenue expenditure over the previous year in percentages. In 1992-93, it was 12.6 per cent and in

2013-14 (Budget Estimates), it is 13.7 per cent. In 1998-99, the variation in revenue expenditure over the previous year was 20.2 per cent. In 1997-98, revenue expenditure was Rs. 179996.53 crore and increased to Rs. 216417.41 crore in 1998-99. In 2008-09, the variation is too much as compared to other years. In this years, it was 33.2 per cent. In 2007-08, revenue expenditure of central government was Rs. 593658.67 crore and increased to Rs. 790593.23 crore in 2008-09. This variation is large due to increase in developmental expenditure of the central government on revenue account. The substantial increase in revenue expenditure is due to hike of expenditure on items like interest payments, pension and other retirement benefits, defence services and developmental expenditures on economic and social services.

Accordingly, revenue deficit became a special feature of central government budgetary operations since 1991. In other words, we can say that certain structural weaknesses persist in central government finances in the form of large revenue deficit. Naturally, this has reflected into central government's inability to provide funds to the projects through revenue account surpluses. It leads to increase in borrowings of the central government resulting into increasing gross fiscal deficit of the government. This necessitates the urgent steps by the central government for correcting imbalances on revenue account.

References:

1. Economic Survey, 2011-12.
2. Report of the 12th Finance Commission, p. 34.
3. Economic Survey, 2008-09.
4. Economic Survey, 1995-96.