

A Comparative Study of Revenue and Budgetary Deficit of Uttarakhand from 2011-12 to 2017-18

Abstract

The State of Uttarakhand came into existence on 9th November, 2000. It was the mid of the financial year 2000-2001 of the Uttar Pradesh Government. After formation of the state it has got significant growth in respect of Gross State Domestic Product, Per capita income, education etc., and the size of the state budget has been expanded every year. In this context an attempt has been made in this study to analyze the budget of the different years mainly from 2011-12 to 2017-18 of Uttarakhand Government to know that in which direction different aspects of these budgets, like deficit, revenue and capital receipt have taken place. After analysis it has been found that trend of revenue, expenditure and different type of budget deficits do not show any remarkable difference during the study period except, increasing revenue expenditure and decreasing capital expenditure, which is good for economy. The study shows nominal change in fiscal and surge primary deficit after 2015-16.

Keywords: Gross State Domestic Products, Budget Deficit, Capital Receipt, Expenditure.

Introduction

A modern state has a variety of political, social and economic functions to carry out and due to this public expenditure has grown enormously to meet the increasing functions of the modern state. As such, every modern state is forced to raise large revenues every year to meet such public spending. The fiscal or budgetary operations of the state have manifold effects on the economy. In a modern welfare state, such functions lead to an increase in economic welfare of the people. But when current expense of the budget exceed the amount of income received, occurs budget deficit. A Nation or State wishing to correct its budget deficit may need to cut back on certain expenditures and increase revenue generating activities.

The outcome of the study of A. S Sakeh (2003) was that the relationship between budget deficit and inflation showed strong evidence and the budget deficit financed through monetization and a rising money supply could lead to inflation. Magehema (2015) concluded in his study that the effect of budget deficit on economic development depends on how the funds financing the deficit used for meeting the recurrent expenditures then there would have a positive one but if it is for meeting the recurrent expenditure then there would be a negative relationship between the two. Elward Hedger and Philipp Krause (2015) have told that there are two important dimensions to the relationship between revenue and expenditure, general fiscal policy and the fiscal contract between a state and its citizens. The nature of these links may further be affected by the main sources of revenue used by the state of fund public expenditure as well as the nature of intergovernmental fiscal relations, especially in federal states. K Gayithri and Vijeth Acharya (2018) have concluded in their research that inclusive philosophy underlying budget allocations under different political parties that have held power and it has changed over time by analyzing the budget speeches. Thus, inclusive development is possible when the policy is adequately backed by budgeting support and effective implementation. With this background, the main objectives of this study are: -

Objectives of the Study

1. To analyze the pattern of revenue and expenditure of the government of Uttarakhand and

Nilu Kumari

Associate Professor,
Dept. of Economics,
Govt. PG College,
New Tehri, India

2. To study the different types of deficit of the budget since 2011-12 to 2017-18

Methodology

This study is based on secondary data. The date is collected from different sites of internet, statistical diary of Uttarakhand (Different Years), Budget speech of the government and books and research papers. For analysis simple average and percentage method have been applied.

Discussion

Government of each nation or state has to do several social, economic and other activities. For this purpose government has to collect necessary revenue to meet these expenditure. A statement of receipts and expenditure of central or state government is prepared for every financial year and integrated in a document, is called budget. Budget

provides actual financial estimates for previous year along with budget estimates of current year. Uttarakhand government has also been preparing the budget every year since 2001-02 after separation from Uttar Pradesh but for this study time frame has been taken for eight year from 2011-12 to 2017-18. Table-1 provides data on recent trends of budgetary expenditure, revenue receipts and aggregate receipts. The data shows that total budget expenditure of the government has increased 70.54 percent during the period 2011-12 to 2017-18. In the same way total revenue receipts have also increased 117.53 percent in this period i.e. more than double. However, aggregate expenditure has decreased about 3.64 percent or more in many years due to decrease in capital receipt.

Table: 1

Trends of Total budget expenditure and aggregate receipts during 2011-12 to 2017-18

Item/Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Aggregate Expenditure	1746352	1926226	2208854	2719842	2958378	2488896	2978299
% change from 2011-12	-	10.29	26.4	55.7	69.40	42.52	70.54
Aggregate Receipt	4516752	3443362	6964850	4151433	4456216	3551576	4352298
% Change From 2011-12	-	-23.76	54.20	-8.08	-1.34	-21.37	-3.64
Aggregate Receipt	1369141	1574721	1732053	2024624	2123443	2488896	2978299
% Change From 2011-12	-	15.02	26.51	47.87	55.09	81.79	117.53

Source: Finance Department, Government of Uttarakhand.

Revenue receipt has continuously been increasing. It was 30.31 percent of GSDP in 2011-12 and reached 68.43 percent in 2017-18. On the other hand capital receipt was 69.69 percent of GSDP in 2011-12 and came down 34.57 percent in 2017-18 as Table 2 is indicating. This is a good shine for

economy because increasing capital receipt either reduces the assets of the state or creates the liability for the state. But increasing revenue receipt neither creates many liabilities nor reduces the assets of the state. They are always recurring in nature.

Table: 2

Receipts and Expenditure of Uttarakhand

Item/Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue receipt	1369141	1574721	1732053	2024624	2123443	2488896	2978299
Revenue receipt	1297532	1396022	1621641	2088436	2308644	2527150	2974470
Capital Receipt	3147611	1868641	5232797	2126809	2332773	1062680	1374000
Capital Receipt	448820	530204	587213	631406	649734	495421	555159
Revenue receipt	30.31	45.73	24.86	48.76	47.65	70.07	68.43
Revenue Expenditure	74.30	72.47	73.42	76.79	78.04	83.60	84.27
Capital Receipt	69.69	54.27	75.14	51.24	52.35	29.93	31.57
Capital Expenditure	25.70	27.53	26.58	23.21	21.96	16.40	15.73

Source: Finance Department, Government of Uttarakhand

When we see in the composition of revenue receipt as table 3 is showing, state's revenue receipts have increased 50.54 percent during the study period 2011-12 to 2018-19. In revenue receipts total tax

receipts shows 33.94 percent growth in which share of State's own tax revenue is maximum 21.5 percent. Total non tax receipt is showing minimum 5.35 percent growth during this period.

Table-3

Composition of Revenue and Receipt of the State

Year	State's own tax revenue	Share in central tax	Total tax Receipts	Total Non tax receipts	Grant in aid from central Govt.	Total revenue receipts	Total capital receipt	Aggregate Receipts
2011-12	12.43	6.35	18.78	2.52	9.02	30.31	69.69	100
2012-13	18.62	9.50	28.13	4.65	12.94	45.73	54.27	100
2013-14	10.56	2.13	15.69	71.89	7.2	24.86	75.14	100
2014-15	20.09	9.13	29.22	2.67	16.87	48.76	51.24	100
2015-16	21.05	11.96	33.01	2.74	11.98	47.65	52.35	100
2016-17	30.68	18.05	48.73	3.79	17.55	70.07	29.93	100
2017-18	30.90	16.28	47.28	5.69	15.46	68.43	31.57	100
2018-19	33.93	18.79	52.72	7.87	20.26	80.85	19.15	100
Difference during	21.5	12.44	33.94	5.35	11.24	50.54	50.54	

2011-12 to 2018-19								
--------------------	--	--	--	--	--	--	--	--

Source: Calculated from the data of Finance Department, Government of Uttarakhand for various years.

Table 4 shows not any significant change in the composition of state own tax revenue during 2011-12 to 2017-18. Although sales/trade is showing maximum contribution from 2011-12(64.88 percent), but after that its contribution is about less than half of

the previous year 31.12percent and 28.11 percent in 2017-18 and 2018-19 respectively. It may be due to change in structure of taxation (GST), because transformation takes sometimes in adjustment. All other tax contribution has been double in this period.

Table-4

Composition of State's own Tax Revenue in Uttarakhand (in%)

Item	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Hotel	0.25	0.28	0.24	0.26	0.26	0.27	0.47	0.51
Malgujari	0.18	0.17	0.29	0.47	0.30	1.46	0.61	0.63
Excise	15.03	17.43	17.26	17.83	18.50	17.49	33.36	34.99
Stamp	9.33	10.11	9.34	8.56	9.28	7.14	15.23	15.79
Vehicle	5.96	4.74	5.01	4.72	5.02	5.10	10.17	11.22
Sales/Trade	66.88	66.87	66.66	65.54	65.08	65.15	31.12	28.11
Electricity	4.08	0.04	0.88	2.31	1.22	1.73	4.24	5.28
Other	0.29	0.36	0.32	0.31	0.34	1.16	4.80	3.96
Total	100	100	100	100	100	100	100	100

Source: Calculated from the data of Finance Department, Government of Uttarakhand

On the expenditure side, distribution of total budgetary expenditure during 2011-12 to 2017-18 reveals that a major percentage of revenue expenditure has been expend on interest payment, average 13 to 14 percent and secondary on pension. But expenditure on pension has about doubled during this period from 8.75 percent in 2011-12 to 15.97 percent in 2017-18. In the capital expenditure

percentage of expenditure on loan and advances has decreased 5.50 in 2011-12 to 1.91 percent in 2017-18 but capital outlay shows increasing order 51.63 percent in 2011-12 to 67.30 in 2017-18 and others capital expenditure has also been decreasing 42.87 to 30.79 during 2011-12 to 2017-18. We can see these changes in table 5.

Table-5

Distribution of Total Budgetary Expenditure during 2011-12 to 2017-18

Major Items	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue	1297532	1396022	1621641	2088436	2308644	2527150	2974470
Expenditure	(100)	(10)	(10)	(100)	(100)	(100)	(100)
Interest Payment (% of A)	13.63	14.96	12.68	11.74	11.38	12.54	15.97
Pensions (% of A)	8.75	9.78	11.15	11.74	11.38	12.54	15.97
Others (% of A)	77.62	75.25	74.18	76.74	75.53	72.73	69.99
Capital Expenditure	448820	530204	587213	631406	631406	1033794	824817
Capital Outlay (% of B)	51.63	66.81	63.21	78.22	64.91	47.92	67.30
Loan and Advances (% of B)	5.50	5.14	1.54	4.77	1.28	1.89	1.91
Others (% of B)	42.87	28.05	25.24	17.01	33.81	50.48	30.79

Source: Analysis of State Government Budget of different years Directorate of Economics and Statistics, Govt. of Uttarakhand.

In the Table 6 percentage share of budget expenditure on major heads during this period 2011-12 to 2017-18 shows that Government has done maximum expenditure on education between 31.09 to 28.75 percent and secondly on agriculture about 5 to

6 percent except 2013-14 to 2015-16. Following that expenditure on transport has been 8.45 percent in 2011-12 to 5.40percent in 2017-18. Expenditure on health is almost equal during this period 5.82 percent in 2011-12 to 6.40 percent in 2017-18.

Table 6

Percentage share of Budget Expenditure on Major Heads during 2011-12 to 2017-18

Component	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Education	31.09	25.96	21.15	27.52	19.62	29.01	28.75
Health	5.82	0.51	4.34	7.89	4.71	5.69	6.40
Agriculture	10.46	8.38	0.38	0.28	3.66	7.82	7.40
Energy	2.11	6.37	1.16	1.94	0.65	-	-
Water supply	1.96	2.27	2.06	2.12	1.23	2.11	1.92
Transport	8.45	6.84	4.94	7.63	3.36	7.33	5.40
Others	40.11	49.67	66.05	52.63	66.76	-	-

Source: Analysis of State Government Budget of Uttarakhand for different years.

As Table- 7 shows in the composition of revenue and capital expenditure, State's revenue expenditure has continuously been increasing during

the study period from 74.30 percent in 2011-12 to 84.40 percent in 2017-18. It has increased 10.10 percent. Revenue expenditure is a routine

expenditure, that is incurred in the day to day state activities. It is non development expenditure like subsidy, interest payment, expenditure on government department and schemes etc. On the other hand capital expenditure has been declining during this period from 25.70 percent in 2011-12 to

15.60 percent in 2017-18. As the aim of capital expenditure in improving overall earning capacity and generates future economic benefits, capital expenditure and revenue expenditure both are important for running the financial need of the state.

Table-7
Composition of Expenditure – Revenue and Capital (in %)

Year	Revenue Expenditure	Capital Expenditure
2011-12	74.30	25.70
2012-13	72.47	27.53
2013-14	73.42	26.58
2014-15	76.79	23.21
2015-16	78.04	21.96
2016-17	83.60	16.40
2017-18	84.27	15.53
2018-19	84.40	15.60

Source: Finance Department, Government of Uttarakhand.

As far as budgetary deficit in concern budgetary deficit is the excess of total expenditure (both revenue and capital) over total receipt (both revenue and capital). There are three types of budget deficit. Revenue Deficit, Fiscal Deficit and Primary Deficit.

Revenue Deficit

Revenue Deficit refers to the excess of revenue expenditure over revenue receipts. It signifies that government's own earning is insufficient to meet normal functioning of government department and provision of services. Revenue deficits results in borrowing. Revenue deficit includes only such transactions which affect current income and expenditure of the government. A high revenue deficit warns the government either to curtail its expenditure or increase its tax and non tax receipts.

Revenue Deficit= Total Revenue expenditure – Total Revenue Receipts

Fiscal Deficit

Fiscal deficit is defined as excess of budget expenditure over total budget receipts excluding borrowing during a fiscal year. Large deficit means large amount of borrowing to meet its expenditure.

Fiscal Deficit= Total Expenditure- Total Receipts (Excluding borrowing)

Primary Deficit

Primary Deficit is defined as fiscal deficit of current year minus interest payment on previous borrowing, i.e. if we deduct interest payment on debt from Fiscal Deficit, the balance is called Primary Deficit.

Primary Deficit= Fiscal Deficit- Interest Payment

The following Table-8 shows the above three types of deficit of the budget from 2011-12 to 2017-18 of Uttarakhand Government.

Table 8
Revenue Deficit, Fiscal Deficit and Primary Deficit (in percent of GSDP) from 2011-12 to 2017-18

Year	Revenue Deficit	Change Over previous year	Fiscal Deficit	Change Over previous year	Primary Deficit	Change Over Previous year
2011-12	0.61	-	1.18	-	0.36	-
2012-13	1.34	+0.73	1.22	+0.04	0.37	+0.01
2013-14	0.73	-0.61	2.05	+0.83	0.67	+0.30
2014-15	0.41	-0.32	3.53	+1.48	2.04	+1.37
2015-16	0.99	+0.58	3.46	-0.07	1.78	-0.26
2016-17	0.89	-0.10	2.85	-0.61	0.91	-0.87
2017-18	0.90	+0.01	2.52	-0.33	0.58	-0.33

Source: Calculated on the basis of the data of Government of Uttarakhand, Uttarakhand Budget Speech, Annual Financial Statement and Demand for Grant, 2019-20, PRS.

Although above data shows deficit in every year since 2011-12 to 2017-18 but rate of deficit is different in every type of deficit. Revenue deficit is volatile. It shows more or less deficit in comparison to previous year in different financial year.

Each year revenue deficit is less than one percent except 2012-13. It means government has tried to balance its general expenditure according to its revenue receipt. Fiscal Deficit and Primary Deficit both shows increasing rate than previous year till 2014-15 and after that both are in decreasing order than previous year. Fiscal Deficit is maximum 3.53 percent in 2014-15 and it has increased 1.48 percent

than 2013-14. Following this primary deficit is also maximum 2.04 percent in 2014-15, 1.37 percent more than 2013-14 after that although subsequently it shows deficit in every year, but rate of deficit is decreasing every year over previous year.

Conclusion

After analysis of the above data it is found that government expenditure has increased 70.14 percent and revenue receipts has become doubled during the study period of 2011-12 to 2017-18. As the percentage of GSDP revenue receipts has increased 50.54 percent of GSDP and capital receipts has decreased in the same way. In State's own tax

revenue sales/trade has been contributing maximum percentage in tax revenue. On the expenditure side government's maximum expenditure has been accounted for education about 13 to 14 percent, transport and agriculture about 5 to 8 percent. A major portion of revenue expenditure has been done on loan and interest payment about 13 to 14 percent during 2011-12 to 2017-18. Although it is almost equal during this period but there is need to decrease this percentage. Expenditure on pension has also increased during this period and has doubled from 8.75 percent to 15.97 percent. Over the years budgetary deficit has not shown any significant change but tendency is always increasing.

References

- A. S. Saleh, "The Budget Deficit and Economic Performance: A Survey," UOW Library Research Publication (2003).
- Bryn Welham, Edward Hedger and Philipp Krause, "Linkages between Public Sectors Revenues and Expenditure in Developing Countries," A Research Project.
- Dr. A. K. Pathak, Taxation and Economics Development of Bihar, RashtriyaPrakashanSansthan.
- D. M. Mithani, Modern Public Finance: Theory and Policy, Himalaya Publishing House, Mumbai.

Directorate of Economics and Statistic, Government of Uttarakhand, Analysis of State Government Budget of Uttarakhand for different years.

Dr. D. M. Mithani, Money Banking International Trade and Public Finance, Himalaya Publishing House, 2016.

Dr. H S Agrawal, Indian Economy, lakshmiNarainAgarwal, Agra.

K. Gayithri and VkjeshAcharya, "Karnatka State Budgets. How far have they promoted Inclusiveness Institute of Social and Economic change (2018).www.isec.ac.in.

Magehema, Talakemel; W.A. John, "The Effect of Budget Deficit on Economic Development in East African countries," A Research Project, NAIROBI (2015).

Prof. MubinaShaikh, "A Study on Budget and Budgetary control", International Journal of Commernce& Business Studies, Volume 4, issue, January – March 2016.

Sankhikiye Diary Uttarakhand, 2011-12 to 2015-16.

SumanKalyanChakraborty, Macro Economics, Himalaya Publishing House, Mumbai.

Uttarakhand Budget Speech, Annual Financial Statement and Demand for Grants, 2019-20 PRS.