

Public Income and Expenditure Analysis of Indian Government

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Abstract: Public Income and Expenditure plays a vital role to achieve the major goals of economic development. Role of public expenditure become more significant in the case of developing economies due to the presence of various socio-economic-infrastructural problems and lack of resources . Thus, government need to maintain balance between expenditure and revenue. An attempt is made to analyze the trend and pattern of public revenue and expenditure of central government in India.

Keywords: tax receipt, non tax receipt, revenue expenditure, capital expenditure, planned expenditure

1. INTRODUCTION :

In order to achieve macroeconomic imbalance adequate fiscal policy with proper execution plan was required , thus keeping in view this objective the constitution of India provides for two layers of government , one at the central level, and other at the levels of the states. Along, with that two tier system was adopted

in order to distribute legislative power and functions between these governments, among them first list i.e. union list represents the power and function allocated to central government .

2. REVIEW OF LITERATURE :

Ashobanta , Parida and smruti, Smruti Ranjan Behera (2012); tries to analyze the causal relationship between central government revenue and expenditure for India using annual data over the period 1970-2008. Use of statistical method Johansen cointegration test was made . Findings of the study reveals that there is a long-run relationship between central government revenue and expenditure.

3. RESEARCH METHODOLOGY & OBJECTIVE :

The study was based on the secondary data and information collected from websites books research paper etc. There

are following major objectives of the study:

- i. To analyse trend and pattern of public revenue ;
- ii. To analyse trend and pattern of public expenditure.

I. Composition Of Central Government Revenue :

Composition and Trends Sources of Central Govt Revenue can be classified into two categories :

1.1 Tax Revenue :

Entry from 82 to 92C in union list represents sources of tax receipts. Tax receipts can be further classified into two categories i.e. Direct tax and Indirect tax receipts :-

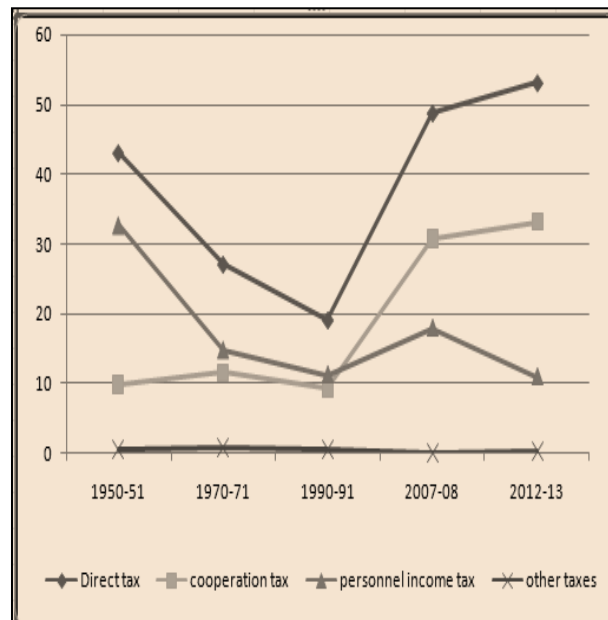
a) Direct Tax Receipt :

Major taxes in this category includes income tax, cooperation tax, wealth tax, gift tax. However, personal income tax and cooperation tax are dominating one in comparison to other direct tax as their importance can be seen with the help of fig 1

It was clear from the figure 1 above that where in 1980-81, personal income tax receipts contributes 1/3 of total direct tax receipts, in the upcoming years- its

contribution started declining but mark right increment after 1991 tax reforms. Major change occur in case of cooperation tax after these reforms.

Fig.1. trends in the level & composition of direct tax receipts



Source : Budget Documents of GOI;Ministry of Finance

b) Indirect Tax Receipt : Major Indirect tax receipts comprise of revenue from excise duty, custom duties, service tax and other tax, Trends of these major indirect tax can be traced with the help of following fig (2) .

One can infer from the fig 2 that major progress in excise duties receipt takes place during the period of 19980-90 but after that there is decline in their contribution, one

major reason behind it decline in average tax rates during these period. While looking on custom duties their contribution during 1980-70 declines due to protective or restrictive trade policies. But due to adoption of long term fiscal policy in 1985, it marks progress.

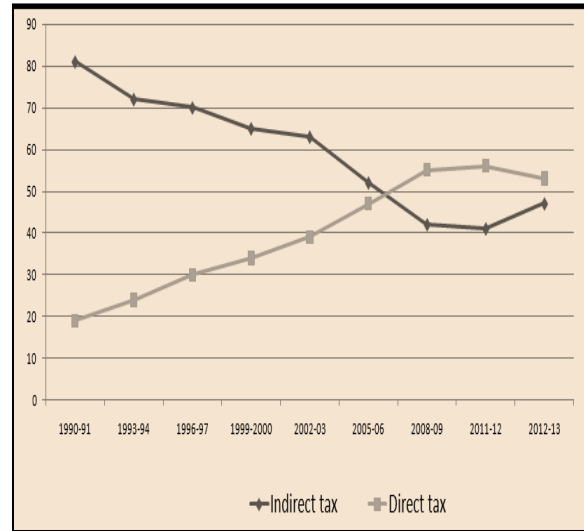
Fig.2. trends in the level & composition of indirect tax receipt



Source : Budget Documents of GOI;Ministry of Finance

Although after liberalization it again started declining as India accepted conditions of reducing tariff rate in order to become the member of WTO. It will be significant to trace the trend of these two major components of tax revenue sources – direct and indirect over a period of time as they are major part of revenue receipts.

Fig. 3. TREND OF DIRECT & INDIRECT TAX RECEIPT



Source : Budget Documents of GOI;Ministry of Finance

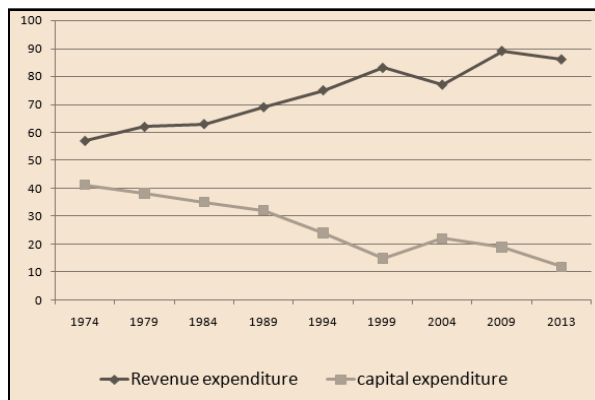
It was clear from the fig (3) above that IT plays vital role in revenue receipts till 190-91 but after that it share started but still remain higher than DT upto 2009 after that share of DT is tax receipt was more than IDT but the gap between these two taxes were declining.

1.2) Non Tax Receipts. It mainly comprises of three major receipts which are interest receipt, profit and dividend and other non-tax receipts.

2. CompositionOfCentraGovernment Expenditure. Expenditure done by the Central Govt can be divided into two categories – Revenue and capital expenditure. Revenue expenditure as define

as a expenditure which neither creates assets nor reduces liability of government ,which normally includes development and non development expenditure. On the other hand capital expenditure is one which either creates assets or reduce government liability. Trend of these two expenditure can be traced with the help of fig (4)

Fig. 4. TREND OF REVENUE & CAPITAL EXENDITURE



Source : Budget Documents of GOI;Ministry of Finance

It was clear from the fig (4) that there is increasing tendency of revenue expenditure and decline in capital expenditure along with that gap between these two expenditure keep on increasing. Major reason for rise in revenue expenditure is continuous increase in grant in aid as a part of development expenditure and defense expenditure and interest payment as a part of non-development expenditure.

4. Characteristics of Central Finance :-

Above discussion on revenue and expenditure pattern of central govt in India come out in the form of :-

- Income elasticity of tax in India is less than_
- With the passage of time, share of direct tax receipts not only keep on increasing but remain higher than indirect tax receipts.
- Share of non tax receipts keep on declining.
- Increasing focus on defense expenditure.

5. Conclusion:

Increasing trends in revenue and expenditure can't be deny, but problems related to it like continuous increase in revenue expenditure, declining share of non tax receipts and others need to be solve.

REFERANCES :

<http://www.finmin.nic.in/>

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