

## A Study of Recent Trends in Maharashtra's Annual Budget

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### Abstract

The role of governments is very significant under the principle of welfare state. Before great recession of 1930s, it was believed that an invisible hands will work in the economy and through it market will be in equilibrium. But, it was proved wrong by recession. Later on, Keynesian economics was adopted which favoured functional finance instead of sound finance in which governments expenditure can change as per requirement of the economy. Accordingly, governments are making expenditure in India and normally expenditures are more than receipts which leads to the various types of deficits. In the composition of total expenditure the proportion of capital expenditure must be appropriate otherwise expenditure will be unproductive. Making appropriate provisions for education, health, agriculture and rural development etc. is essential. Accordingly, what are the recent trends in the budget of Maharashtra is analysed in this research paper. Some time it becomes the sign of financial indiscipline. To control these situation Central Government passed Fiscal Responsibility and Budget Management Act. 2003 in the parliament. All the states of the country were supposed to follow these guidelines and pass their own acts and observe the financial discipline. However expectations are not fulfilled.

**KEYWORDS:** Revenue expenditure, capital expenditure, social responsibility of the government etc.

### Introduction

According to Indian constitution each Government assigned specific financial powers and responsibilities in our country. However, Centre Government is financially strong as compare to state governments. But, logically all governments are supposed to work for betterment of the society in which resources must be channelized in appropriate way, inequality must be reduced and sustainable growth should be attained etc. However, in democratic set up, some other factors are also influencing on the receipts and expenditure of the governments. Some social components are not getting due weight / significance in the annual budget like education, health services etc. In this research paper, light is thrown on trends in the annual budgets of the Maharashtra Governments. The conclusions will be useful to understand the trends in annual budgets of Governments of Maharashtra during 2011-12 to 2017-18.

#### 1. Objectives of the Study:

1. To study the trends in the annual budgets of Maharashtra.
2. To analyse the trends in development and non- development expenditure of the Maharashtra Government.

#### 2. Research Methodology:

This research work is depends on secondary data. It includes Government of Maharashtra's Economic surveys, Annual Budget, daily newspapers, websites etc. Statistical tool of percentage is used in research paper.

#### 3. Hypothesis

The proportion of the development expenditure of the Maharashtra Government is decreasing.

**4. Maharashtra's Annual Budgets at a Glance:** Government is supposed to direct appropriately available resources in the concerned jurisdiction. The policies and approach of the government influences significantly on it. It is reflected through annual budgets which is shown in table no.01

Table No.1:Trends in the Maharashtra's Budget								
Sr. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 <sup>#</sup>	2017-18
1.	Revenue Receipts(a +b)	1,21,286	1,42,947	1,49,822	1,65,415	1,85,036	2,20,012	2,43,738
	a) Tax Revenue	1,00,952	1,18,640	1,25,228	1,32,694	1,54,714	1,70,945	1,90,842
	b) Non-Tax Revenue	20,334	24,307	24,593	32,722	30,322	49,067	52,896
2.	Revenue Expenditure	1,23,554	1,38,736	1,54,902	1,77,553	1,90,374	2,34,390	2,48,249
	of which							
	a) Interest Payments	17,505	19,076	21,207	23,965	25,771	28,830	31,027
	b) Administrative Services	10,848	12,472	14,008	15,086	16,628	19,800	22,232
	c) Pensions & Misc. gen. Services	10,581	11,649	13,163	14,407	15,468	18,122	19,967
3.	Revenue Deficit (2 - 1)	2,268	(-) 4,211	5,081	12,137	5,338	14,378	4,511
4.	Capital Receipts	28,336	21,842	38,928	45,939	38,233	61,579	56,764
	of which							
	a) Recovery of loans	559	863	728	975	865	1,118	1,227
	b) Other capital receipts	456	0	850	10	17	0	0
	c) Borrowings & Other Liabilities	20,863	13,935	26,785	29,783	27,308	49,454	38,893
5.	Capital Expenditure	25,674	26,733	33,080	40,195	34,913	48,065	52,149
6.	Total Receipts (1 + 4)	1,49,623	1,64,789	1,88,749	2,11,355	2,23,268	2,81,591	3,00,502
7.	Total Expenditure (2 + 5)	1,49,228	1,65,469	1,87,982	2,17,748	2,25,287	2,82,455	3,00,398
8.	Appropriation to Contingency Fund	500	875	0	4,350	962	0	0
9.	Budgetary Deficit (7 - 6 - 8)	(-) 894	(-) 195	(-) 767	2,043	1,057	864	(-) 104
10	Fiscal Deficit (9 + 4 C)	19,969	13,740	26,018	31,827	28,364	50,318	38,789
As per cent of GSDP (base year 2011-12)								
1	Revenue Receipts (a +b)	9.5	9.8	9.1	9.3	9.3	9.7	9.8
	a) Tax Revenue	7.9	8.1	7.6	7.5	7.8	7.6	7.7
	b) Non - Tax Revenue	1.6	1.7	1.5	1.8	1.5	2.2	2.1
2	Revenue Expenditure	9.6	9.5	9.4	10.0	9.6	10.4	10.0

	of which							
	a) Interest Payments	1.4	1.3	1.3	1.3	1.3	1.3	1.2
	b) Administrative Services	0.8	0.9	0.8	0.8	0.8	0.9	0.9
	c) Pensions & Misc. gen. Services	0.8	0.8	0.8	0.8	0.8	0.8	0.8
3	Revenue Deficit (2 -1)	0.2	(-) 0.3	0.3	0.7	0.3	0.6	0.2
4	Capital Receipts	2.2	1.5	2.4	2.6	1.9	2.7	2.3
	of which							
	a) Recovery of loans	0.0	0.1	0.0	0.1	0.0	0.0	0.0
	b) Other capital receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	c) Borrowings & Other Liabilities	1.6	1.0	1.6	1.7	1.4	2.2	1.6
5	Capital Expenditure	2.0	1.8	2.0	2.3	1.8	2.1	2.1
6.	Total Receipts (1 +4)	11.7	11.3	11.4	11.9	11.2	12.5	12.1
7.	Total Expenditure (2+5)	11.7	11.3	11.4	12.2	11.3	12.5	12.1
8.	Appropriation to the	0.0	0.1	0.0	0.2	0.0	0.0	0.0
9.	Budgetary Deficit (7 – 6 –8)	(-) 0.1	0.0	0.0	0.1	0.1	0.0	0.0
10	Fiscal Deficit (9 + 4C)	1.6	0.9	1.6	1.8	1.4	2.2	1.6

Table no. 1 shows the trends in the annual budgets of Maharashtra's since 2011-12 to 2017-18. The total receipts and total expenditure approximately increased by two fold during this period. Its interpretations are as following:

1. Except 2012- 13, revenue account is in deficit position, however it is less than one percent of GSDP, but the target given by F.R.B.M .Act.2003 i.e. zero percent of GSDP by 2008 , did not achieved yet. Furthermore, the ratio of revenue expenditure to GSDP is increasing that reached to ten percent to total GSDP.
2. It is found that interest payment is one of important component of expenditure from revenue account which is dominant and continuously greater than one percent. It was less than one percent for both Administrative Services & Pensions & Misc. gen. Services.
3. The capital expenditure accounted approximately only two percent of GSDP throughout the analysis period.
4. Borrowings and other liabilities of the government reached to 2.2 percent of GSDP in 2016-17 which was more than capital expenditure, it implies government's financial disability to spend on capital account.
5. **Trends in the receipts on revenue and capital accounts:** Total receipts of the government comprises of revenue account and capital account. Revenue account receipts are recurring and capital account receipts are non- recurring. Its trends is shown in the table no. 02.

Sr. No.	Table No. 02: Trends In Receipts On Revenue And Capital Accounts (Rs. Crore)							
	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 <sup>RE</sup>	2017-18 <sup>BE</sup>
A	Total Revenue Receipts (1+2+3+4)	1,21,286	1,42,947	1,49,822	1,65,415	1,85,036	2,20,012	2,43,738
1	State's own Tax Revenue (1 to 9)	87,648	1,03,448	1,08,641	1,15,090	1,26,628	1,37,230	1,53,437
	(1) Sales Tax	50,596	60,080	62,530	67,466	69,661	81,438	92,839
	(2) Stamps and Registration Fees	14,408	17,548	18,676	19,959	21,767	20,000	21,000
	(3) State Excise Duties	8,606	9,297	10,101	11,397	12,470	13,600	14,340
	(4) Taxes and Duties on electric.	4,831	5,896	6,084	4,350	8,506	7,913	8,228
	(5) Other Taxes on Income & expenditure	1,830	1,961	2,165	2,175	2,193	2,517	2,769
	(6) Taxes on Vehicles	4,137	5,027	5,096	5,405	6,017	6,750	7,200
	(7) Other Taxes & Duties on Commodities & Services	1,702	1,874	1,659	2,478	2,684	2,236	2,460
	(8) Tax on Goods and Passengers	574	691	1,241	587	1,582	1,276	1,400
	(9) Land Revenue	964	1,074	1,089	1,272	1,748	1,501	3,200
2	Non-Tax Revenue (1+2)	8,168	9,985	11,352	12,580	13,423	16,619	20,156
	(1) Interest Receipts	1,359	2,465	3,934	3,351	3,079	2,981	1,178
	(2) Other non-tax revenue	6,809	7,520	7,418	9,229	10,344	13,638	18,978
3	Share in Central Taxes (1 to 6)	13,304	15,192	16,588	17,604	28,086	33,715	37,405
	(1) Taxes on Income other than Corporation Tax	2,660	3,267	3,673	4,390	6,145	7,628	9,624
	(2) Corporation Tax	5,236	5,457	5,578	6,147	8,835	10,848	11,008
	(3) Taxes on Wealth	20	9	15	17	2	0	0
	(4) Customs	2,307	2,525	2,706	2,847	4,487	4,641	5,254
	(5) Union Excise Duties	1,493	1,716	1,911	1,608	3,730	5,165	5,492
	(6) Service Tax	1,588	2,218	2,703	2,596	4,887	5,433	6,027
4	Grants in Aid from Central Government	12,166	14,322	13,241	20,141	16,899	32,447	32,739
B	Total Capital Receipts (1+2+3+4)	28,336	21,842	38,928	45,939	38,233	61,579	56,764
1	Receipts from Public Debts (a+b)	24,453	22,117	27,887	35,726	37,976	51,120	50,597
	(a) Internal Debt of the State Govt.	24,146	21,366	26,923	35,184	37,392	50,024	49,500
	(b) Loans & Advances from Central Govt.	306	751	964	542	584	1,097	1,097
2	Loans & Advances by the State Government (Recoveries)	559	863	728	975	865	1,118	1,227
3	Other Capital Receipts. (net)	467	(-) 10	850	10	17	0	0
4	Public Account (net) (a+b+c+d)	2,858	(-) 1,128	9,463	9,228	(-) 626	9,340	4,941
	(a) Small Savings, Provident Funds, etc. (net)	2,260	2,188	1,894	1,260	1,209	1,512	1,716
	(b) Reserve Funds (net) (1+2)	(-) 400	38	(-) 381	(-) 275	(-) 321	2,348	2,603
	(1) Interest Bearing	114	(-) 141	(-) 80	(-) 43	9	2,548	2,802
	(2) Non-interest Bearing	(-) 513	179	(-) 301	(-) 232	(-) 330	(-) 200	(-) 199
	(c) Civil Deposits (net) (1+2)	4,532	6,442	6,772	4,411	2,773	5,707	6,371
	(1) Interest Bearing	3,737	4,264	4,590	3,361	1,251	3,169	3,527

(2) Non-interest Bearing	794	2,178	2,182	1,050	1,522	2,538	2,843
(d) Others	(-) 3,534	(-) 9,795	1,178	3,832	(-) 4,287	(-) 228	(-) 5,749
Total Receipts (A + B)	1,49,62 3	1,64,789	1,88,749	2,11,354	2,23,268	2,81,591	3,00,502

Table no. 02 shows the trends in receipts of Maharashtra's 2011-12 to 2017-18. It's implied as following.

1. The sale tax, Stamps and Registration Fees, Stamps and Registration Fees are the dominant source of tax revenue.
2. The debt of the government becomes double i. e. Rs. 24,453 crore to Rs.49,500 crore during analysis period in which internal source is dominant which can have crowding out effect of the State's economy.
3. There is no consistency in the other capital receipts and in last two years of the analysis period it was zero.
4. The reflection of GST is not clear in the recent data.

**6. Trends in Expenditure from Revenue and Capital Accounts:** The Government is supposed to make expenditure in such a way that marginal benefits from each head/direction of expenditure must be equal to each other to make expenditure effective and achieve maximum social benefit principle. Table no.3 shows the trends in expenditure on revenue and capital accounts.

Sr. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 RE	2017-18 <sup>BE</sup>
A	Revenue Expenditure (1+2)	1,23,554	1,38,736	1,54,902	1,77,553	1,90,374	2,34,390	2,48,249
	Percentage to total	82.80	83.84	82.40	81.54	84.50	82.98	82.64
1	Development Expenditure (a+b+c)	80,701	91,070	1,00,923	1,17,067	1,26,004	1,59,032	1,65,924
	(a) Social Services (1 to 8)	54,812	62,039	70,879	76,953	82,317	1,04,566	1,14,079
	(1) Education, Sport, Art & Culture	29,879	33,857	38,238	39,696	42,867	48,071	55,527
	(2) Health & Family Welfare	5,002	5,936	6,816	8,497	9,357	11,795	11,149
	(3) Water Supply Sani. Housing and Urban Development	7,438	7,114	6,952	7,429	9,573	20,062	20,433
	(4) Information & Broadcasting	47	57	68	122	83	111	138
	(5) Welfare of SC, ST & OBC	5,117	6,417	7,951	8,097	8,237	10,542	13,863
	(6) Labour and Labour Welfare	721	730	767	895	709	1,084	1,046
	(7) Social Welfare and Nutrition	6,541	7,855	9,996	12,112	11,407	12,728	11,703
	(8) Others	68	74	92	105	82	174	220
	(b) Economic Services (1 to 9)	24,869	27,551	27,991	37,686	38,052	46,730	43,312
	(1) Agriculture and Allied activities	6,145	7,218	7,821	8,567	9,660	12,576	11,990
	(2) Rural Development	2,524	4,399	3,130	6,172	5,609	8,650	10,279
	(3) Special Area Programme	44	48	33	33	1	1	1

	(4) Irrigation and Flood control	2,701	2,574	2,742	2,487	2,758	3,003	2,554
	(5) Energy	5,527	5,471	5,726	10,891	9,404	10,874	6,960
	(6) Industry and Minerals.	2,546	2,600	2,549	2,894	3,279	3,128	3,096
	(7) Transport and Communication	4,199	4,216	4,729	5,556	5,541	6,209	5,316
	(8) Science, Technology & Environment	67	72	84	77	97	226	331
	(9) General Economic Services	1,116	952	1,177	1,009	1,703	2,063	2,785
	(c) Grants-in-Aid & contributions to Local Bodies & P.R. Institutions	1,020	1,481	2,053	2,428	5,635	7,736	8,533
2	Non-Development Expenditure (a+b)	42,853	47,666	53,979	60,486	64,370	75,358	82,325
	(a) General Services ( 1 to 5)	24,340	27,346	31,180	34,631	36,378	43,928	48,197
	(1) Organs of State	1,249	1,266	1,435	2,334	1,859	2,108	2,478
	(2) Collection Charges	1,570	1,853	2,371	2,590	2,424	3,899	3,520
	(3) Administrative Services	10,848	12,472	14,008	15,086	16,628	19,800	22,232
	(4) Pensions and Miscellaneous General Services	10,581	11,649	13,163	14,407	15,468	18,122	19,967
	(5) Transfers to Reserve Funds	92	106	204	214	0	0	0
	(b) Interest Payments & Debt Services	18,513	20,320	22,799	25,855	27,991	31,430	34,127
B	Capital Expenditure (1+2)	25,674	26,733	33,080	40,194	34,913	48,065	52,149
	Percentage to total	17.20	16.16	17.60	18.46	15.50	17.02	17.36
	(1) Development Expenditure (a+b)	18,716	18,814	21,666	20,664	23,908	37,059	35,504
	(a) Capital Expenditure outside the Revenue Account	17,880	17,398	20,020	19,523	22,793	30,410	33,809
	(b) Loans and Advances given by the State Government	836	1,416	1,645	1,141	1,115	6,649	1,695
	(2) Non-Development Expenditure	6,958	7,919	11,414	19,530	11,005	11,006	16,645
	(a+b+c) (Repayment of Public debt)							
	(a) Internal Debt of the State Government	5,838	6,351	10,543	14,294	9,138	9,889	15,359
	(b) Loans & Advances from Central Govt.	620	693	871	886	905	1,117	1,286
	(c) Appropriation to the Contingency Fund	500	875	0	4,350	962	0	0
	Total Expenditure (A + B)	1,49,228	1,65,469	1,87,982	2,17,748	2,25,287	2,82,455	3,00,398
C	Development Expenditure %	66.62	66.41	65.21	63.25	66.54	69.42	67.05
D	Non- Development Expenditure %	33.38	33.59	34.79	36.75	33.46	30.58	32.95

Table no.03 reveals as following:

1. The development expenditure of Maharashtra Government is more as compare to non- development expenditure. The development expenditure ratio is hovering betwixt 63.25 percent to 69.54 percent during the analysis period.
2. The proportion of capital expenditure is comparatively less and hovering betwixt 16.16 percent to 18.46 percent during the same period.

3. As many study groups and committees including Fact Finding Committee of 1983, High Level Committee chaired by Vijay Kelkar of 2013 shown that there is large disparity and backlog of the development which is one of the major issue in the state, government is not making appropriate provision to remove the backlog as per recommended by concerned committees and furthermore, the provision under Special Area Programme is came down from Rs.48 crore in 2012-13 to only one crore in 2017-18.

### **Conclusion**

The Maharashtra State is one of the leading States in the country. It also supposed to set an exemplary example regarding fiscal discipline; it is not happened as state is not fulfilled norms laid down by F. R. B.M. Act. The Government must make more capital expenditure in an effective manner particularly in agriculture sector. Even though absolute loan ratio to SGDP is within expected limit, an interest service cost is a matter of concerned on which government must pay more attention.

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