



An Analysis Of The Public Expenditure Pattern Adopted By The State Of Chhattisgarh

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Abstract: This research paper aims to provide a comprehensive analysis of the public expenditure pattern in the state of Chhattisgarh. The study examines sectoral allocations, historical spending trends, and the efficiency of public funds in achieving socio-economic objectives. The paper will particularly focus on how Chhattisgarh's public expenditure aligns with its developmental goals, addresses the needs of marginalized groups, and compares with other Indian states. Recommendations will be offered to enhance fiscal efficiency and equity

Keywords: Public Expenditure, Chhattisgarh, Revenue Receipt, CAGR

I. INTRODUCTION

Public expenditure refers to the expenses that are paid for by the government, including central, state, and local self-governments. The purpose of such spending is to promote economic stability, growth, and employment opportunities. Moreover, public expenditure policies are crucial in addressing mass poverty and reducing income inequalities. This study is conducted to understand the public expenditure and economic growth of Chhattisgarh state.

One of the main goals of public expenditure policy is to achieve consistent and fair economic growth. Over time, public expenditures have been instrumental in promoting the formation of physical and human capital. Effective utilization of public expenditures has been acknowledged as a useful method for stimulating economic growth, even in the short term. Therefore, the effect of public expenditure on economic growth can be a comprehensive indicator of growth. The two components of such an indicator should be measureable: the contribution of public expenditures to economic growth, and the efficiency with which these expenditures yield their output (Gangal, V. L, et. al., 2013).

There are various government policies which are related for growth and development of the state. Public expenditure plays a vital role in the economic growth and development of the country. Public expenditure promotes growth by financing public services such as education, health and infrastructure. According to World Bank – "A Public Expenditure Review (PER) is a key diagnostics instrument used to evaluate the effectiveness of public finances. A PER typically analyzes government expenditures over a period of years to assess their consistency with policy priorities, and what results were achieved. A PER may analyse government-wide expenditures or may focus on a particular sector as Health Care, Education, or Infrastructure". The government of many countries have included public expenditure review as part of their budget planning. The goal is to create a fundamental comprehension of essential public expenditure and policy issues and identify critical areas for reform that policymakers should prioritize.

Public expenditure is often classified as Developmental Expenditure and Non-Developmental Expenditure. Developmental expenditures are those expenditures which contribute directly to the productive capacity of an economy, like expenditure on education, health, infrastructure, fertiliser subsidy etc. Non-developmental expenditures are expenditures which do not contribute directly to the productive capacity of economy, like Interest payments, law and order, defence expenditure, public administrative expenses and certain categories of subsidy is included in non-developmental expenditures. According to Indian Public Finance Statistics, the developmental expenditure includes all items of expenditure that promote socio-economic development.

Typically, they increase and enhance the physical resources of the nation, improve the knowledge, skills, and productivity of its people, and ensure the effectiveness of the system. Developmental Expenditure refers to the main categories of social and economic expenditures that are included in a budget, excluding certain non-plan expenses such as social security and pensions. The government's spending that falls outside of developmental expenditure, with the exception of loans and advances, is referred to as non-developmental expenditure.

On November 1, 2000, Chhattisgarh was established as an independent state as a result of the reorganization of Madhya Pradesh. Before Chhattisgarh was bifurcated from Madhya Pradesh, it was known as South Kosala and consisted of 16 districts within the undivided Madhya Pradesh (Subhrajee et al., 2022). The division occurred in November 2000, under the Madhya Pradesh Reorganization Act, which resulted in the southeastern region becoming the new state of Chhattisgarh. One significant implication of the state's separation was that Chhattisgarh had a smaller tax base compared to the rest of Madhya Pradesh. Chhattisgarh is the tenth largest state in terms of area, covering 127,898 square kilometers, and its population, according to the 2011 census, is 25.5 million. The state has a relatively low population density of 189 people per square kilometer, compared to the all-India average of 382. Chhattisgarh is rich in natural resources, with 44% of its land area covered by forests and abundant mineral deposits. The state boasts 28 significant minerals, including the second-highest coal deposits (accounting for 16% of the country's total), the third-largest iron-ore reserves (19% of India's total), large bauxite deposits (6.44%), significant quartzite reserves, around 5% of the country's limestone reserves (10% of its production), diamonds, and more. Mineral resources are a major source of revenue for the state. Chhattisgarh derives more than 40% of its income from non-tax revenue, including royalties on minerals and income from forests. In contrast, non-tax revenue accounted for only 23% of Madhya Pradesh State's income, indicating a disparity in resource distribution from the eastern to the western regions of Madhya Pradesh. Chhattisgarh is rich in mineral and forest resources, but these resources were not being fully utilized for economic development, leading to demands for a separate state. Since its formation, the economy of Chhattisgarh has recorded an average growth rate of around 14.13% until 2020-21. The current situation of the state shows that its nominal gross state domestic product (GSDP) is currently estimated to be around 4.38 lakh crore (US\$57 billion) as per the 2022-23 budget estimate, compared to US\$43 billion in 2018-19 (Subhrajee et al., 2022). As of 2022-23, the state ranks 18th in terms of GSDP among all Indian states. The state's mineral resources, such as coal, iron ore, dolomite, bauxite, limestone, and quartzite, are its strengths and backbone. It is the sole producer of tin concentrates in India, with 35.4% of the country's tin ore reserves. Due to its abundance of resources, the state has become the most popular investment destination in the country. It has also ranked 4th, in Indian states ranking on the basis of "ease of doing business" and also in 2020, it again won the title of cleanest state with more than 100 Urban Local Bodies (Swachh Survekshan 2020). Chhattisgarh State has emerged as a rapidly growing state and one of the best performing states in India on various financial indicators with the aim of developing this backward region economically. The state has seen a steady and positive growth in Gross State Domestic Product. The state's Gross Domestic Product has shown an upward trend since its formation, and it is doing well in the agriculture, industry, and service sectors, contributing 17%, 46%, and 37% (2019-20) respectively to the state's GDP. "These economic indicators provide a basis for examining the composition and distribution of the State's GDP, as well as the spending patterns of the economy, in order to provide a comprehensive analysis and reveal a coherent relationship between public expenditure and economic growth in Chhattisgarh state."

Public expenditure plays a crucial role in fostering economic development by providing necessary infrastructure, promoting human capital formation, and supporting overall economic activities. Understanding the impact of public expenditure on economic growth in Chhattisgarh is of particular significance, as the state has witnessed rapid development and faces unique challenges due to its mineral-rich landscape and socio-economic characteristics.

In simple terms, public expenditure refers to the money that the government spends on various things to ensure economic stability, promote growth, and create job opportunities. One important aspect of public expenditure is its role in reducing poverty and inequality. This study focuses on understanding how much money is spent on health and education in Chhattisgarh state. Investing in education and healthcare is crucial because it helps develop the human capital of a country, which in turn leads to economic growth and the development of physical infrastructure. Improving education and healthcare not only improves the overall quality of life for people but also has a positive impact on the economic development of a country.

II. REVIEW LITERATURE

The prominence of the government's role and the provision of public goods through public finance have consistently been the subject of attention in academic and political discussions. The availability of public goods not only reflects the overall demand but also indicates the level of government involvement in the economy. One frequently examined topic in scholarly research is the extent of government operations and the connection between fiscal deficit and economic growth. In the current discourse on the government's policy of subsidizing goods and services to stimulate the recovery of the pandemic-stricken economy, thereby putting a burden on the government's finances, there is widespread discussion about the choice between fiscal stimulus and fiscal consolidation. Numerous empirical studies have been conducted to explore the relationship between growth and fiscal deficit (Tanzi & Schuknecht, 1997; Taylor et al., 2012).

The efficiency of public expenditure is widely recognized as a crucial factor in determining economic growth. In her comprehensive book, "Public Expenditure in India: Policies and Development Outcomes," Gayathri Karnam delves into the historical trends and experiences of both national and subnational governments across various sectors, discussing different budgeting strategies and reforms that have been implemented over the years. The author provides an extensive explanation of budget and fiscal policy management and performance. Given India's status as an emerging economy with a large population, its fiscal policy has significant implications both internally and externally.

The book also addresses the unique context of public spending during the COVID-19 pandemic, which represents a new and distinctive area of study. Various sources such as Patnaik & Sengupta (2020), Rangarajan & Srivastava (2020), and the World Bank (2020) are referenced to discuss the backdrop of public spending in this unprecedented crisis. Furthermore, the chapter examines the long-term impact of spending and its effect on the fiscal deficit, considering that increased spending or tax reductions can lead to a higher budget deficit according to the International Monetary Fund (IMF, 2020).

The paper focuses on investigating the impact of institutional quality on the relationship between public health expenditure and the infant mortality rate. To analyze the data, the authors employ two methodologies: Panel Vector Autoregression (PVAR) and Panel Smooth Transition Regression (PSTR). By utilizing these approaches, the authors examine how the quality of institutions affects the association between public health expenditure and infant mortality rates. The findings of the study provide empirical evidence regarding the influence of institutional quality on the effectiveness of public health spending in reducing infant mortality rates.

The paper examines the relationship between public spending and economic growth, along with the dynamics of the public debt-to-GDP ratio. The authors argue that if public spending is oriented towards productive expenditures, which directly contribute to the economy's growth rate, it can lead to a stable public debt-to-GDP ratio even in the presence of government deficits. The authors validate their theoretical findings by analyzing the Indian case, which aligns with their theoretical assumptions and hypotheses. The empirical analysis supports the notion that both the economic dynamics and the public debt-to-GDP ratio are significantly influenced by a public sector that prioritizes productive expenditures.

The main objective of this study is to examine the direction of causality between different components of public expenditure and economic growth in India. The analysis utilizes annual data spanning from 1980 to 2015. Plan expenditure and non-plan expenditure are chosen as measures of public expenditure. The chosen econometric methodology is the Vector Autoregression (VAR) model. Initially, the stationary properties of the data are tested using statistical tests such as the Augmented Dickey-Fuller (ADF) test, Dickey-Fuller (DF) test, and the Phillip-Perron (PP) test. The results indicate that the variables are non-stationary in their levels but stationary in their first differences, suggesting the need for taking first differences of the data for further analysis. Next, the Johansen-Jueslius cointegration test is employed to examine the long-run relationship among the variables. The results of this test suggest the absence of any long-run association between plan expenditure, non-plan expenditure, and economic growth in India.

Furthermore, the Granger Causality test is conducted to explore the causality between the variables. The findings indicate the presence of unidirectional causality running from economic growth to non-plan expenditure, as well as from plan expenditure to non-plan expenditure. However, no causality is found

between public expenditure and economic growth. In summary, the study concludes that there is no long-term relationship between plan expenditure, non-plan expenditure, and economic growth in India. Additionally, there is evidence of causality running from economic growth to non-plan expenditure and from plan expenditure to non-plan expenditure, while no causality is observed between public expenditure and economic growth.

In this paper, the authors analyze the composition of public expenditure and its impact on per capita income in major states of India. The findings reveal that the proportion of revenue expenditure in total government spending has increased across all states, but it has a negative effect on economic growth. On the other hand, the share of capital expenditure, particularly government spending on infrastructure, agricultural productivity, gross capital formation, and the service sector's contribution to net state domestic product, has a significant positive influence on per capita income. The paper also delves into the political economy of public expenditure and contributes to existing literature by employing a theoretical framework in the growth process and including other factors as control variables in panel regression. It seeks to explain why governments tend to allocate more funds to unproductive or less productive areas in the revenue account, compromising long-term growth. The paper argues that in a democratic system, the government allocates a larger share of funds to distributional purposes to solidify its support base.

The results of the panel regression indicate that if a government remains in power for an extended period, the proportion of revenue expenditure in total spending tends to be higher. However, the effect of a coalition government on this relationship remains uncertain. Overall, this paper sheds light on the composition of public expenditure and its implications for per capita income in Indian states. It emphasizes the trade-off between short-term distributional goals and long-term economic growth, providing insights into the political and economic dynamics at play.

The research findings indicate that the size of fiscal expenditure in India has a slightly positive impact on economic growth. However, the specific components of expenditure have varying effects on growth. Defense spending, interest payments, and medical subsidies are found to have a negative impact on economic output. Conversely, education and old-age services have a positive effect on growth. The study also reveals that administrative expenditure has a positive impact on growth in the short term but a negative impact in the long term. Economic service expenditure, on the other hand, does not show a significant effect on growth in the short term but has a positive impact in the long term. Overall, the research highlights the differential effects of specific expenditure categories on economic growth in India. While some expenditures, such as education and old-age services, contribute positively to growth, others like defense, interest payments, and medical subsidies have a negative impact. Additionally, the study suggests that the impact of administrative expenditure varies depending on the time frame, and economic service expenditure demonstrates a positive effect on growth in the long term.

III. RESEARCH METHODOLOGY

Data Sources: Analysis of Chhattisgarh's state budget documents, annual reports, and data from the Reserve Bank of India (RBI), Ministry of Finance, and other government publications.

Approach: Quantitative analysis of public expenditure across sectors over time, coupled with qualitative analysis of policy impacts.

Comparative Analysis: Benchmarking Chhattisgarh's spending against other Indian states with similar demographics or resource bases.

Analysis and Discussion

Sectoral Analysis: Breakdown of expenditure in education, health, infrastructure, social welfare, and agriculture.

Spending Trends: Identification of key shifts in expenditure patterns over time, particularly since the state's formation in 2000.

Socio-Economic Impact: Examination of how public expenditure impacts various socio-economic indicators, including poverty reduction, literacy, health outcomes, and infrastructure development.

IV. RESULTS AND DISCUSSION

Public expenditure refers to the funds spent by the government at various levels, including the central, state, or local bodies. It can be defined as the financial outlay made by public authorities such as central, state, and local governments to meet the collective social needs of the populace.

This chapter aims to examine the primary focus of the study: the expansion of public expenditure in Chhattisgarh from 2010-11 to 2017-18. The analysis in this chapter encompasses:

1. The growth in the value of public expenditure in Chhattisgarh during the specified period.
2. The breakdown of public expenditure in Chhattisgarh into planned and non-planned expenditures.
3. The proportion of public expenditure in relation to the state's Gross State Domestic Product (GSDP).
4. Changes in the percentage of public expenditure concerning the Gross State Domestic Product.
5. Shifts in the revenue expenditure of the state from 2010-11 to 2017-18.

The researcher provides a concise overview of the evolution and framework of public expenditure, exploring how the allocated funds are distributed across different categories within the government.

State Expenditure:

Examining the spending pattern and trajectory holds great importance as it indicates the State Government's effectiveness in attaining socio-economic goals. This analysis establishes equilibrium between the populace's demands for increased expenditure and the imperative for fiscal discipline to sustainably manage finances. The government's budget statement, beyond being a record of income and spending, plays a crucial role in shaping policies.

Components of State Expenditure:

The overall spending of the State encompasses both revenue and capital expenditure, along with loans and advances. The breakdown of revenue and capital expenditure includes planned and non-planned disbursements. The non-planned expenditure category encompasses outlays on general services, social and economic services, as well as grants and aids. In our investigation, we scrutinized the spending trends of Chhattisgarh state spanning from 2010-11 to 2017-2018. The state's total expenditure has exhibited an absolute increase, rising from Rs. 22,874 crore in 2010-11 to Rs. 27,953 crore in 2011-12, and further reaching Rs. 66,600 crore in 2017-18. The Compound Annual Growth Rate (CAGR) of the State's expenditure from 2010-11 to 2017-18 stood at 16.5%.

Table 1.1: Expenditure share of components (Indicators-Rs. In Crore)

Year	Revenue Expenditure	Capital Expenditure	Disbursement of Loans and Advances	Total Expenditure
2010-11	19,355	2,952	567	22,874
2011-12	22,628	4,056	1,269	27,953
2012-13	26,972	4,919	1,889	33,780
2013-14	32,859	4,574	1,319	38,752
2014-15	39,561	6,544	89	46,194
2015-16	43,701	7,945	165	51,811
2016-17	48,165	9,471	273	57,909
2017-18	56,230	10,001	369	66,600

Source: Finance Commission Report

Revenue Expenditure

The Revenue Expenditure is allocated for maintaining existing service levels and fulfilling past commitments, without contributing to the expansion of the State's infrastructure and service network. The percentage of the State's total expenditure represented by revenue expenditure was 85% in 2010-11 and decreased slightly to 84% in 2017-18. In 2017-18, revenue expenditure accounted for 19% of the Gross State Domestic Product (GSDP). The rise in revenue expenditure from Rs. 48,165 crore in 2016-17 to Rs. 56,230 crore in 2017-18 was driven by increases of Rs. 3,030 crore in social activities and Rs. 3,447 crore in economic activities. There was a dip in revenue expenditure to 80% of total expenditure in 2012-2013. Over the last eight years, from 2010-11 to 2017-18, the state's revenue expenditure has surged from Rs. 19,355 crore to Rs. 56,230 crore, indicating a Compound Annual Growth Rate (CAGR) of 16.5%.

Table 1.2: Revenue Expenditure as Percentage of GSDP

Indicators (Rs. In Crore)	Revenue Expenditure	RE as % of GSDP
2010-11	19,355	16%
2011-12	22,628	14%
2012-13	26,972	15%
2013-14	32,859	16%
2014-15	39,561	17%
2015-16	43,701	17%
2016-17	48,165	17%
2017-18	56,230	19%

Source: Economic Survey of Chhattisgarh 2017-18

Plan and Non-plan Expenditure:

The Planned Expenditure of Chhattisgarh State rose from Rs. 11,587 crores in 2010-11 to Rs. 24,253 crores in 2016-17, exhibiting a Compound Annual Growth Rate (CAGR) of 13.1% during this period. In contrast, Non-Plan Expenditure increased from Rs. 11,287 crore in 2010-11 to Rs. 23,912 crore in 2016-17, demonstrating a CAGR of 13.3% from 2010-11 to 2016-17.

Table 1.3: Revenue Expenditure Plan and Non Plan Expenditure

Year	Plan Expenditure	Non Plan Expenditure	Total Revenue Expenditure
2010-11	11,587	11,287	22,874
2011-12	15,328	12,625	27,953
2012-13	19,243	14,537	33,780
2013-14	13,749	19,110	32,859
2014-15	20,990	18,571	39,561
2015-16	20,529	23,172	43,701
2016-17	24,253	23,912	48,165

Source: Economic Survey of Chhattisgarh 2017-18

Capital Expenditure

Capital expenditure serves the purpose of establishing lasting assets, improving the utility of existing assets, and mitigating liabilities. Its key components encompass general services, covering aspects like land, police, and revenue; social services, including education, health, family welfare, water supply, and the welfare of ST/SC; and economic services, such as agriculture, rural development, energy, and cooperation. Capital expenditure also involves disbursement of loans and advances. In Chhattisgarh, the state's capital expenditure escalated from Rs. 2,952 Crore in 2010-11 to Rs. 10,001 Crore in 2017-18. In the fiscal year 2017-18, capital expenditure saw a growth of Rs. 530 crore or 5.60% compared to the previous year, primarily attributed to increased spending on transport (Rs. 309 crore) and rural development (Rs. 289 crore).

Table 1.4: Ratio of Capital Expenditure to GSDP (Indicators Rs. In Crore)

Year	Capital Expenditure	Capital Expenditure as % of GSDP
2010-11	2,952	2.5%
2011-12	4,056	2.6%
2012-13	4,919	2.8%
2013-14	4,574	2.2%
2014-15	6,544	2.8%
2015-16	7,945	3.0%
2016-17	9,471	3.3%
2017-18	10,001	3.4%

Source: Economic Survey of Chhattisgarh 2017-18

Sectoral Distribution of Total Expenditure

The distribution of total expenditure across sectors involves general services, social services, economic services, and loans and advances. Over the period from 2010-11 to 2017-18, the proportion allocated to general services has contracted from 23% of total capital expenditure to 20%. Conversely, the share designated for social services has seen a slight increase, rising from 40% in 2010-11 to 41% in 2017-18. Notably, the government is directing a greater portion of its funds towards education, health, social security, and the welfare of SC and ST, as opposed to infrastructure development, agriculture, industry, roads, and irrigation. While augmented spending on social services is commendable, the decline in expenditure on economic services raises concerns about the potential impact on the overall economic development of the State.

Table 1.5: Distribution of Total Expenditure of Chhattisgarh

Years	General Services	Social Services	Economic Services	Grants-in- aid and Contributions	Loans and Advances	Total Expenditure
2010-11	5,300	9,138	7,162	707	567	22,874
2011-12	5,946	11,466	8,585	687	1,269	27,953
2012-13	6,774	12,407	11,855	854	1,889	33,779
2013-14	8,033	14,974	13,456	970	1,319	38,752
2014-15	9,299	16,949	18,879	979	89	46,195
2015-16	10,771	18,146	21,829	900	165	51,811
2016-17	11,684	23,785	20,998	1,151	273	57,891
2017-18	13,173	27,024	24,669	1,365	369	66,600

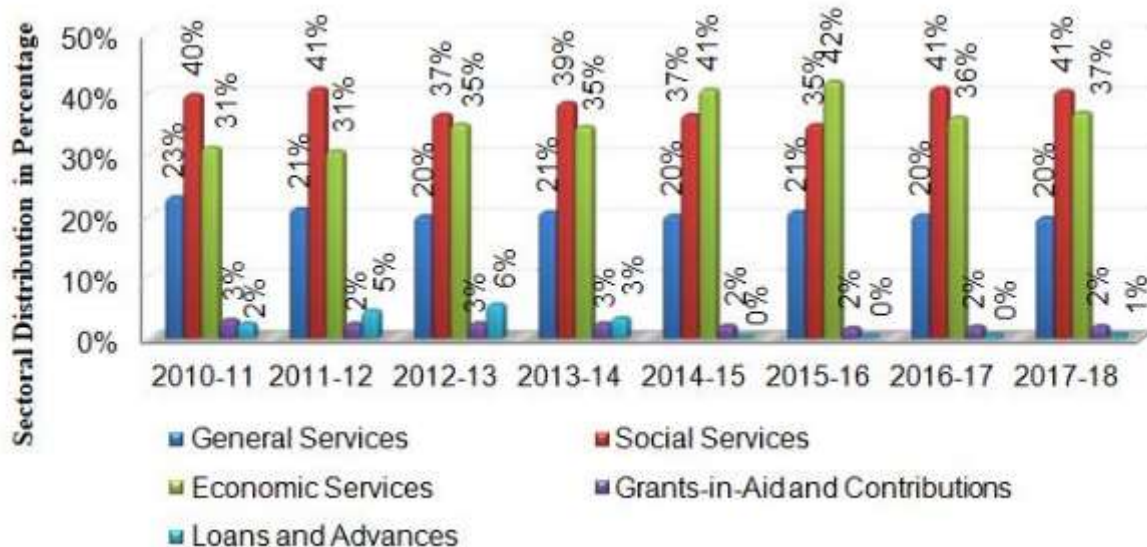
Source: Economic Survey of Chhattisgarh 2017-18

Table 1.6: Contribution of Sectoral Distribution of Total Expenditure

Years	General Services	Social Services	Economic Services	Grants-in- Aid and Contributions	Loans and Advances	Total Expenditure
2010-11	23%	40%	31%	3%	2%	100%
2011-12	21%	41%	31%	2%	5%	100%
2012-13	20%	37%	35%	3%	6%	100%
2013-14	21%	39%	35%	3%	3%	100%
2014-15	20%	37%	41%	2%	0%	100%
2015-16	21%	35%	42%	2%	0%	100%
2016-17	20%	41%	36%	2%	0%	0%
2017-18	20%	41%	37%	2%	1%	100%

Source: Economic Survey of Chhattisgarh 2017-18

The financial standing of Chhattisgarh State is on an upward trajectory, but it's equally crucial to understand the specific factors contributing to this improvement during the study period. It's not always detrimental for government accounts to register deficits, as the impact on the economy depends on the nature of the deficit. If the deficit arises from increased capital expenditure and developmental revenue expenditure, it can potentially enhance productivity and the economy's repayment capacity in the future, and vice versa. Consequently, this section of the chapter endeavors to dissect the key components of the revenue and expenditure indicators of the Chhattisgarh Government, aiming to elucidate how fiscal consolidation has transpired over the past fifteen years, leading to an enhancement of their financial position.

Figure 1.1: Trend of Sectoral Distribution of Total Public Expenditure

The fiscal deficit serves as a gauge of the extent to which the government resorts to borrowing to meet its expenditure obligations. Key fiscal indicators for the Chhattisgarh Government encompass the gross fiscal deficit, revenue deficit, and primary deficit. In the early stages of the state's existence, the fiscal deficit was notably high, primarily due to establishment costs. This historical trend is illustrated in the table below:

Table 1.7: Deficit Indictors of the Chhattisgarh Government from 2001-02 to 2015-2016

Sr.No.	Year Gross	Fiscal Deficit	Revenue Deficit	Primary Deficit
1	2001-02	-1086.46	-538.42	-384.45
2	2002-03	-972.60	-112.70	-162.76
3	2003-04	-2203.63	-641.10	-1149.83
4	2004-05	-1231.55	145.82	-79.64
5	2005-06	-435.11	1381.35	499.79
6	2006-07	36.77	2650.80	1062.30
7	2007-08	-127.96	3038.79	1012.21
8	2008-09	-1026.66	1869.06	50.86
9	2009-10	-1759.01	888.21	-664.15
10	2010-11	409.75	3363.79	1608.12
11	2011-12	-801.17	3239.33	392.03
12	2012-13	-2655.14	2606.25	-1501.66
13	2013-14	-5057.28	-809.31	-3706.76
14	2014-15	-8075.43	-1564.40	-6411.83
15	2015-16	-5443.83	2366.65	-3294.93

Note: “-” Deficit, “+” Surplus

Sources: Finance Commission Report

Table No. 4.8 provides a breakdown of the gross fiscal deficit, revenue deficit, and primary deficit for Chhattisgarh State. In absolute terms, the gross fiscal deficit rose from Rs. 1086.46 crores in the year 2001-02 to Rs. 1932.9 crores in 2003-04, then declined to Rs. 425 crores in 2005-06. Subsequently, there were surpluses of Rs. 33 crores in 2006-07 and Rs. 409.75 crores in 2010-11, attributed to a significant revenue surplus in those years. Post-2010-11, the gross fiscal deficit peaked at Rs. 8075.43 crores in 2014-15 and Rs. 5443.83 crores in 2015-16.

The revenue deficit in the state exhibits three distinct trends over the study period. Firstly, there was a revenue deficit from 2001-02 to 2003-04, with figures of Rs. 538.42 crores, Rs. 112.70 crores, and Rs. 641.10 crores for the respective years. Secondly, there was a revenue surplus from 2004-05 to 2012-13 due to fiscal reforms, showcasing a positive trend in the revenue account during this period. Thirdly, an increase in revenue expenditure in 2013-14 and 2014-15 reversed the trend, resulting in revenue deficits of Rs. 809.31 crores and Rs. 1564.40 crores, respectively. However, a surplus of Rs. 2366.65 crores was recorded in 2015-16. Overall, the revenue trend fluctuated positively during the study period, with a revenue surplus for ten out of fifteen years, contributing to the fiscal consolidation of the state. The primary deficit of the state exhibited a fluctuating trend.

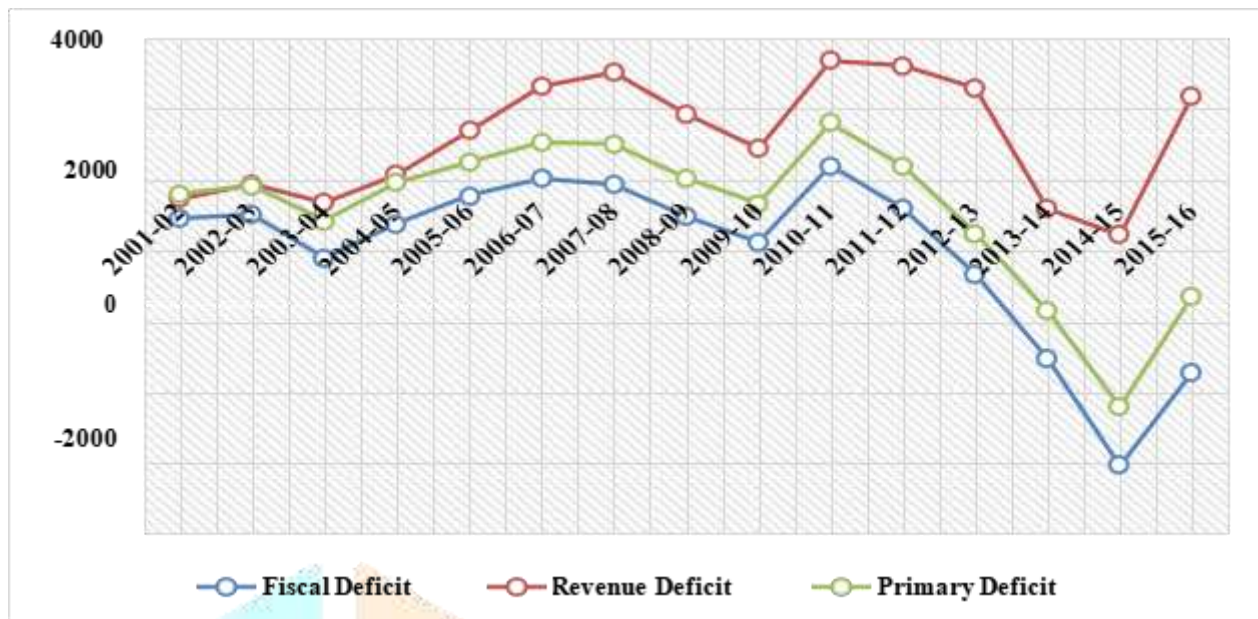
Figure 1.2: Trends in Deficit Indictors of Chhattisgarh Government from 2001- 02 to 2015-2016

Table No. 1.8 illustrates the ratios of gross fiscal deficit, revenue deficit, and primary deficit to the Gross State Domestic Product (GSDP) for the Chhattisgarh Government from 2001-02 to 2015-16. The Gross fiscal deficit, as a percentage of GSDP, started at 3.69 percent in 2001-02, reaching its highest level at 5.68 percent in 2003-04. The initial surge in fiscal deficit was primarily attributed to increased establishment costs during the early years of the state. Subsequently, it exhibited a downward trend, plummeting to 0.86 percent in 2005-06. As part of fiscal reforms, the state successfully curtailed its fiscal deficit in 2006-07, resulting in a fiscal surplus. From then onwards, the ratio fluctuated around 3 percent of GSDP, with the exception of the year 2014-15. Detailed figures are available in Table No. 4.9 for reference.

The Revenue deficit, expressed as a percentage of Gross State Domestic Product (GSDP), stood at 1.93 percent in the fiscal year 2001-02, decreased to 0.35 percent in 2002-03, and then increased to 1.65 percent in 2003-04. Subsequently, from 2004-05 to 2012-13, the Revenue deficit transformed into a Revenue surplus. However, there was a reversal of this trend, shifting back from revenue surplus to revenue deficit in the fiscal years 2013-14 and 2014-15, registering figures of 0.44 percent and 0.70 percent, respectively. Ultimately, in 2015-16, it reverted to a surplus, accounting for 0.91 percent of the GSDP.

Table No.1.8: Deficit Indictors as percentage of GSDP of Chhattisgarh Government from 2001-02 to 2015-2016

Sr. No.	Year Gross	Fiscal Deficit	Revenue Deficit	Primary Deficit
(1)	(2)	(3)	(4)	(5)
1	2001-02	-3.69	-1.93	-1.31
2	2002-03	-2.99	-0.35	-0.52
3	2003-04	-5.68	-1.65	-2.98
4	2004-05	-2.83	0.33	-0.20
5	2005-06	-0.86	2.75	1.03
6	2006-07	0.07	4.88	1.64
7	2007-08	0.19	4.47	1.27
8	2008-09	-1.08	1.96	0.05
9	2009-10	-1.6	0.81	-0.62

10	2010-11	0.35	2.86	1.24
11	2011-12	-0.57	2.32	0.00
12	2012-13	-1.73	1.70	-0.01
13	2013-14	-2.72	-0.44	-0.02
14	2014-15	-3.62	-0.70	-0.03
15	2015-16	-2.09	0.91	-0.01

Note: “-” Deficit, “+” Surplus

Sources: Finance Commission Report

Over the past fifteen years, the fiscal standing of Chhattisgarh State has witnessed notable improvement across key parameters. In accordance with the stipulated benchmarks set by the Twelfth Finance Commission, Thirteenth Finance Commission, and the Fiscal Responsibility & Budget Management Act, the State was required to maintain a revenue surplus annually. The analysis indicates that Chhattisgarh State successfully met the targets outlined for reducing the Revenue Deficit and fiscal deficit, achieving levels of zero percent and less than 3 percent of the Gross State Domestic Product (GSDP) up to the year 2008-09 (later extended to 2009-10) and subsequently amended in 2011.

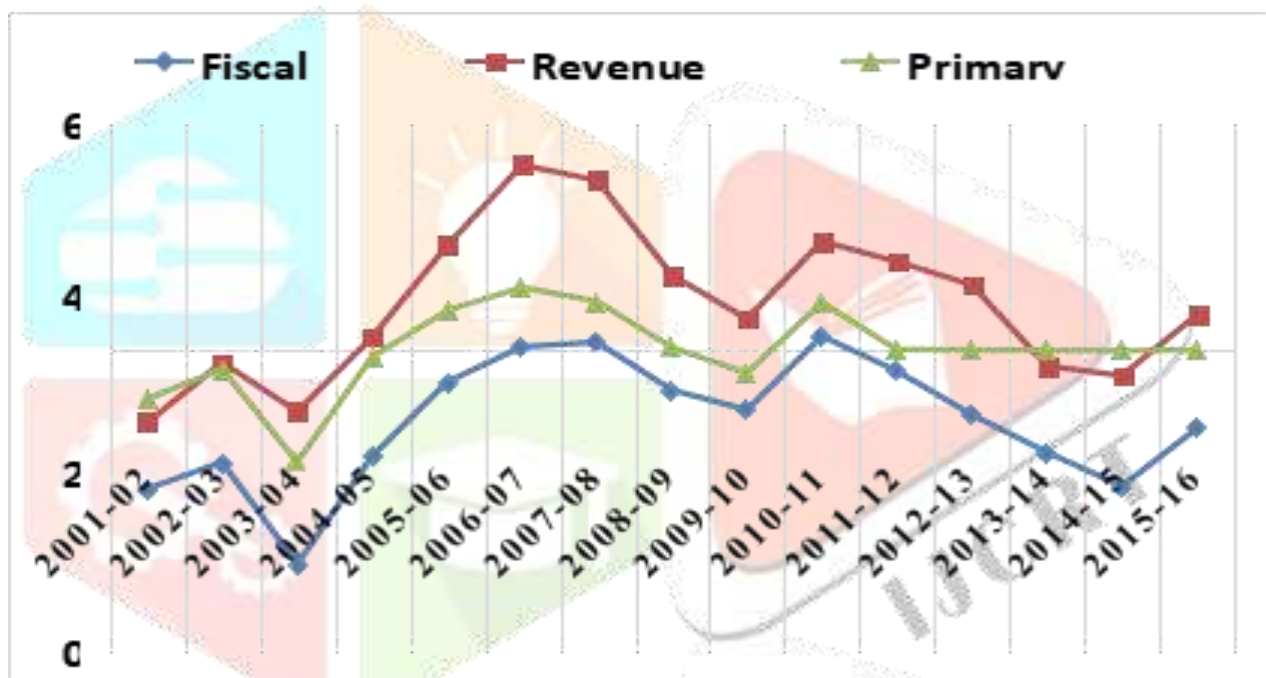


Figure 1.3: Trends in Fiscal Deficit, Revenue Deficit, and Primary Deficit (%GSDP)

REVENUE RECEIPTS OF CHHATTISGARH STATE

As the economy progresses, the aspirations of society also grow, leading to an expansion of government activities. These activities demand higher expenditures to meet the increased expectations of society. Consequently, the state finds itself in the position of allocating significant funds to address the heightened demands of the populace. Furthermore, this surge in expenditure calls for a proportional increase in receipts. Consequently, the government must generate public revenue to match the corresponding rise in public expenditure. This implies that the government needs to derive revenue from various existing sources, including Own Tax Revenue, Own Non-Tax Revenue, Grants-in-Aid, and Receipts from the Centre, to sustain its spending requirements across various sectors of the economy.

Table No. 1.9: The Revenue Receipts of the Chhattisgarh State from 2001-02 to 2015-2016

Sr. No.	Year	Own Tax Revenue	Own Non-Tax Revenue	Revenue of the state	State's Share at Centre	Grants in aid	Receipts from Centre	Total Re. R. of State
1	2001-02	1993.14	722.38	2715.52	1175.79	484.39	1660.18	4375.7
2	2002-03	2327.44	956.56	3284	1349.9	783.4	2133.3	5417.3
3	2003-04	2,588	1124.41	3712.66	1569.7	676.96	2246.66	5959.32
4	2004-05	3,228	1,244	4471.8	1876.22	900.82	2777.07	7248.87
5	2005-06	4,052	1,230	5281.56	2507.7	1049.23	3556.93	8838.49
6	2006-07	5,046	1451.34	6497.06	3198.77	1757.41	4956.18	11453.24
7	2007-08	5,618	2,020	7638.52	4035.01	2205.12	6240.13	13878.65
8	2008-09	6,594	2,202	8795.93	4257.91	2608.92	6866.83	15662.76
9	2009-10	7123.27	3,043	10166.27	4380.64	3606.74	7987.38	18153.65
10	2010-11	9005.14	3835.32	12840.46	5425.19	4453.89	9879.08	22719.54
11	2011-12	10712.25	4058.48	14770.73	6320.44	4776.21	11096.65	25867.38
12	2012-13	13034.21	4,616	17650.16	7217.6	4710.33	11927.93	29578.09
13	2013-14	14342.71	5101.17	19443.88	7880.22	4726.16	12606.38	32050.26
14	2014-15	15707.27	4874.71	20581.98	8363.02	8987.80	17350.82	37932.80
15	2015-16	21558.56	8625.32	30183.88	16213.36	12416.48	28629.84	58813.72
Average		8195.33	3006. 79	11202.29	5051.43	3609.59	8661.02	19863.32

Sources: Finance Commission Report

The fiscal performance of the State is evident in its ability to generate resources independently through tax and non-tax revenue channels. An assessment of the State's revenue capacity from various sources involves an examination of the growth trends in the State's own tax revenue (OTR) and State's own non-tax revenue (ONTR). Table No.4.10 provides insights into the Revenue Receipts of Chhattisgarh State from diverse sources spanning the period from 2001-02 to 2015-16. In column No. 9 of the table, the total revenue receipts of the State are showcased, escalating from Rs. 4,375.70 crores in 2001-02 to Rs. 15,662.76 crores in 2008-09, and substantially further to Rs. 58,813.72 crores in 2015-16. This illustrates a noteworthy increase of 3.58 times in 2008-09 and an impressive surge of 13.44 times in 2015-16. The compound annual growth rate of the total revenue receipts for the Chhattisgarh Government stands at 20.39 percent per annum throughout the entire study period from 2001-02 to 2015-16. Further analysis reveals that during the divided five-year periods, total revenue receipts exhibited a higher growth rate (22.79 percent per annum) from 2011-12 to 2015-16 compared to the periods of 2001-02 to 2005-06 (19.21 percent per annum) and 2006-07 to 2010-11 (18.67 percent per annum).

Column No. 5 in Table No.4.10 provides an overview of the Revenue Receipts of the State. The revenue generated by the state has seen substantial growth, escalating from Rs. 2,715.52 crores in 2001-02 to Rs. 8,795.93 crores in 2008-09, and further surging to Rs. 30,183.88 crores in 2015-16. This represents a notable increase of 3.23 times in 2008-09 and an impressive surge of 11.11 times in 2015-16. The compound annual growth rate of the Revenue Receipts of the Chhattisgarh State Government stands at 18.77 percent per annum over the entire study period from 2001-02 to 2015-16. Upon closer examination in five-year intervals, it is evident that the revenue receipts experienced a higher growth rate (19.56 percent per

annum) during the period from 2011-12 to 2015-16 compared to the periods of 2001-02 to 2005-06 (18.09 percent per annum) and 2006-07 to 2010-11 (18.56 percent per annum), respectively.

Column No. 3 in Table No.4.10 highlights the Own Tax Revenue-receipts of the State. Within the Revenue category, the state's own tax revenue has demonstrated a significant upward trajectory, rising from Rs. 1,993.14 crores in 2001-02 to Rs. 6,594 crores in 2008-09 and further to Rs. 21,558.56 crores in 2015-16. This indicates a notable increase of 3.30 times in 2008-09 and an impressive surge of 10.81 times in 2015-16. The compound annual growth rate of the Own Tax Revenue of the State for the entire study period from 2001-02 to 2015-16 stands at 18.53 percent.

Column No. 4 in Table No.4.10 outlines the Own Non-Tax Revenue-receipts of the State. The Non-Tax Revenue of the State has displayed substantial growth, climbing from Rs. 722.38 crores in 2001-02 to Rs. 2,202 crores in 2008-09 and further reaching Rs. 8,625.32 crores in 2015-16. This signifies a notable increase of 3.04 times in 2008-09 and an impressive surge of 11.94 times in 2015-16. The compound annual growth rate of the Own Non-Tax Revenue-receipts of the State for the entire study period from 2001-02 to 2015-16 stands at 19.37 percent.

The determination of the State's share of Receipts from the Centre is influenced by various factors, including the recommendations of the Finance Commission, Central assistance for plan schemes, and the collection of Central taxes. Column No. 8 in Table No.4.10 provides insights into the Receipts from the Centre to the State. These receipts have seen a substantial increase, growing from Rs. 1,660.18 crores in 2001-02 to Rs. 6,866.83 crores in 2008-09, and further soaring to Rs. 28,629.84 crores in 2015-16. This indicates a notable increase of 4.13 times in 2008-09 and an impressive surge of 17.24 times in 2015-16. The compound annual growth rate of Receipts from the Centre for the Chhattisgarh Government stands at 22.55 percent per annum over the entire study period from 2001-02 to 2015-16. Upon closer examination in five-year intervals, it is evident that Receipts from the Centre experienced a higher growth rate (26.73 percent per annum) from 2011-12 to 2015-16 compared to the periods of 2001-02 to 2005-06 (20.98 percent per annum) and 2006-07 to 2010-11 (18.82 percent per annum), respectively.

Column No. 6 in Table No.4.10 outlines the State's share in Central Taxes for Chhattisgarh State. The State's share in Central Taxes has demonstrated notable growth, ascending from Rs. 1,175.79 crores in 2001-02 to Rs. 4,257.91 crores in 2008-09, and further reaching Rs. 16,213.36 crores in 2015-16. This indicates a significant increase of 3.62 times in 2008-09 and an impressive surge of 13.79 times in 2015-16. The compound annual growth rate of the State's share in Central Taxes for the Chhattisgarh Government stands at 20.61 percent per annum over the entire study period from 2001-02 to 2015-16. Further analysis reveals that the State's share in Central Taxes for the Chhattisgarh Government experienced a higher growth rate (26.55 percent per annum) during the period from 2011-12 to 2015-16 compared to the periods of 2001-02 to 2005-06 (20.84 percent per annum) and 2006-07 to 2010-11 (14.12 percent per annum), respectively.

Column No. 7 in Table No.4.10 outlines the Grants-in-Aid from the Centre for Chhattisgarh State. Grants-in-Aid from the Centre has exhibited significant growth, rising from Rs. 484.39 crores in 2001-02 to Rs. 2,608.92 crores in 2008-09, and further surging to Rs. 12,416.48 crores in 2015-16. This indicates a substantial increase of 5.38 times in 2008-09 and an impressive surge of 25.63 times in 2015-16. The compound annual growth rate of Grants-in-Aid from the Centre for Chhattisgarh State stands at 26.07 percent per annum over the entire study period from 2001-02 to 2015-16. Further analysis reveals that Grants-in-Aid from the Centre for Chhattisgarh State experienced a higher growth rate (26.97 percent per annum) during the period from 2011-12 to 2015-16 compared to the periods of 2001-02 to 2005-06 (21.31 percent per annum) and 2006-07 to 2010-11 (26.17 percent per annum), respectively.

It has been noted that the Total Revenue Receipts of Chhattisgarh State exhibited a higher growth rate during the period from 2011-12 to 2015-16 compared to the earlier periods of 2001-02 to 2005-06 and 2006-07 to 2010-11. Similarly, the Revenue of the State demonstrated a higher growth rate during the period from 2011-12 to 2015-16 compared to the earlier periods of 2001-02 to 2005-06 and 2006-07 to 2010-11. Within the Revenue category, the annual growth rate of Own Tax Revenue is lower compared to Own Non-Tax Revenue during the period from 2001-02 to 2015-16. Consequently, the higher average growth rate in non-tax revenue compared to own tax revenue of the State has contributed to an overall acceleration in the growth of State Revenue.

Conversely, the compound annual growth rate of Receipts from the Centre has increased rapidly over the study period. Additionally, the compound annual growth rate of Grants-in-Aid is higher than the growth rate of State's Share at Centre during the period from 2001-02 to 2015-16. It has increased at a rate of 26.07 percent annually compared to the growth rate of 20.61 percent for the State's Share at Centre during the same period.

Thus, the Chhattisgarh Government has increased its Revenue Receipts from various sources. That is why the state remained in revenue surplus for the ten years out of fifteen years of study period.

Table No.4.11 Compound Annual Growth Rate of Revenue Receipts of Chhattisgarh State

Sr. No	Year	Own Tax Revenue	Own Non- Tax Revenue	Revenue of the state	State's Share at Centre	Grants in aid	Receipts from Centre	Total Revenue Receipts of State
1	CAGR (2001-02 to 2005-06)	19.40	14.23	18.09	20.84	21.31	20.98	19.21
2	CAGR (2006-07 to 2010-11)	15.58	27.49	18.56	14.12	26.17	18.82	18.67
3	CAGR (20011-12 to 2015-16)	19.10	20.74	19.56	26.55	26.97	26.73	22.79
4	CAGR (2001-02 to 2015-16)	18.53	19.37	18.77	20.61	26.07	22.55	20.39

Conclusion

There has been an emerging discourse on fiscal consolidation from developed countries to developing countries. Some countries are in favour of rule based fiscal consolidation programme and some are in favour of a policy based fiscal consolidation programme. Both consolidation programme has their own qualities. However, the process of fiscal consolidation has an enormous effect on macroeconomic parameters, of an economy. The traditional motivation for the fiscal policy rule is macroeconomic stability. Now recent thought in fiscal policy has been concentrated on maintaining long run fiscal stability. From the point of view of fiscal consolidation, Chhattisgarh State had continued with a revenue surplus, mostly in FRBM period. The response by CG government in front of deficits, debt, and fiscal management has constantly improved. The fiscal deficit and revenue deficit remained under control. The public debt relative to GSDP ratio has improved. During the study period, there was an appreciable reduction in interest payments and the resultant reduction in the revenue expenditure on this item

In the absolute figure, the gross fiscal deficit of Chhattisgarh State has increased to Rs. 1086.46 crores in 2001-02 to Rs. 1932.9 crores in 2003-04 and further declined to Rs. 425 crores in 2005-06. There was,

however, a surplus of Rs. 33 crores in 2006-07 and Rs. 409.75 crores in 2010-11. That is possibly because of the large revenue surplus in that year. After 2010-11, the gross fiscal deficit of the state had reached to its peak level Rs. 8075.43 crores in 2014-15 and Rs. 5443.83 crores in 2015-16. The revenue deficit of the state during the period of the study shows three major trends.

- i) There was revenue deficit from 2001-02 to 2003-04. The revenue deficit was Rs. 538.42 crores in 2001-02, Rs. 112.70 crores in 2002-03, and Rs. 641.10 crores in 2003-04 respectively.
- ii) There was revenue surplus during the period 2004-05 to 2012-13, as a part of fiscal reform and enactment of FRBM Act., the state reduced its revenue deficit and Revenue Surplus is created. In other words, Revenue account indicated a surplus trend from 2004-05 to 2012-13.
- iii) Increase in revenue expenditure in 2013-14 and 2014-15 over the previous years, the revenue surplus has converted into revenue deficit. And it was Rs. 809.31 crores in 2013-14 and Rs. 1564.40 crores in 2014-15 respectively. After that, it showed a surplus of Rs. 2366.65 crores in 2015-16. Overall, it has shown a positive and fluctuating trend during the study period. Thus, there was a revenue surplus throughout the ten-year period out of fifteen years and it has led to fiscal consolidation path of the state.

The Revenue deficit as a ratio to GSDP was 1.93 percent in 2001-02, 0.35 percent in 2002-03 and 1.65 percent in 2003-04 respectively. After that, the Revenue-Deficit has been changed into Revenue Surplus during the period 2004-05 to 2012-13. It shows that the Chhattisgarh State has achieved the targets of reducing the Revenue Deficit and fiscal deficit at zero percent and less than 3 percent of GSDP of the State up to the year 2008-09 as per the Fiscal Responsibility and Budget Management Act. And this surplus was continued until the financial year 2012-13.

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