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An Analysis of Growth and Pattern of Revenue and Expenditure in the State of Uttarakhand

Dr. Kailash Bharti Goswami
Assistant Professor, Department of Economics, Leh Campus, University of Ladakh

Abstract: ***The focus of the paper is to examine trends and growth in state government revenue and expenditures in Uttarakhand. In order to perform its functions i.e. social, economic and general government needs funds that have to be garnered from a variety of sources. Revenue and Expenditure plays a very significant role to achieve the major economic goals of growth, stability, equity and efficiency. The revenue and capital receipts, revenue and capital expenditure of the state determine their ability to deliver services. Weaknesses in revenue and expenditure management could constrain the ability of a state to contribute to poverty reduction and economic development. The importance of public revenue has greatly increased during recent times. This paper reviews key trends in public spending and revenue during this period. The result indicates that the revenue and expenditure of the state government increases from 17% to 23% during study period.***
Key words: Revenue receipt, Capital receipt, Revenue expenditure, Capital expenditure

I. INTRODUCTION

Fiscal policy plays an important part in achieving macroeconomic balance. The adequate fiscal policy has been seen as a necessary instrument used to achieve sustainable growth, price stability and increase in employment in any economy. Public finance is a field of economics concerned with how a government raises money, how that money is spent and the effects of these activities on the economy and society, It studies how government at state and local, provide the public with desired services and how they secure the financial resources to pay for these services. Public finance deals with the finances of public bodies for the performance of their functions. The performance of these functions leads to expenditure. The expenditure is incurred from funds raised through taxes, fees, sale of goods and services and loans. The different sources constitute the revenue of the public authorities. Public finance studies the manner in which revenue is raised; the expenditure is incurred upon different items etc. The state of Uttarakhand has its own receipts but these receipts are very low to meet the expenditure, so the union government gives special category status to state. Due to special status, the state government gets maximum receipts from union government. The receipts of the state broadly categorized into revenue and capital receipts. Revenue receipts are the income generated from the operating activities of the business, which don't create additional assets while capital receipts are the income generated from investment and financing activities of the business, which create physical or financial assets. Both revenue and capital receipts plays a vital role in the state economy. Uttarakhand is one of the fastest growing states of the India. The State's economy grew at an annual growth rate of over 10 percent during the last decade. In terms of economic growth, the state's performance has been above the national average. Karnataka has made notable progress in all sectors during the course of the 11th Plan. As far as overall growth is concerned, the increase in State Income has been satisfactory. When these receipts are used for the growth and development of economy and expends on different sectors. When some expenditure is incurred for the sake of generation of revenue in the current year, this is revenue expenditure. This type of expenditure doesn't create any productive assets.

II. OBJECTIVES OF THE STUDY

A. To analyze the growth in the revenue and capital receipt of state government from 2000-01 to 2016-17
B. To analyze the growth in the revenue and capital expenditure of state government from 2000-01 to 2016-17

III. RESEARCH METHODLOGY

The study covers the period 2000-01 to 2016-17 and base on secondary data, which is collected from various issues of statistical diary of Uttarakhand and from budgetary analysis of state revenue and expenditure (NITI Ayog) government of India. The research tools and concepts used for the study include simple percentage, compound growth rate etc.

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IV. DATA ANALYSIS & INTERPRETATION

Table 1: Total Receipts of the State Government of Uttarakhand

Year	Revenue Receipts		Capital Receipts		Total Receipts	
	%	(Rs. crore)	%	(Rs. crore)	%	(Rs. crore)
2000-2001	66.5	924	33.5	465	100	1389
2001-2002	63.8	2733	36.2	1546	100	4279
2002-2003	61.8	3218	38.2	1983	100	5201
2003-2004	59.9	3600	40.1	2404	100	6004
2004-2005	64.7	4086	35.3	2231	100	6313
2005-2006	69.4	5537	30.6	2445	100	7982
2006-2007	86.8	7373	13.2	1120	100	8493
2007-2008	81.6	7891	18.4	1782	100	9673
2008-2009	84.6	8635	15.4	1568	100	10203
2009-2010	70.4	9486	29.6	3989	100	13475
2010-2011	74	11608	26	4069	100	15667
2011-2012	83.8	13691	16.2	2638	100	16329
2012-2013	78.8	15747	21.2	4233	100	19980
2013-2014	78.7	17321	21.3	4691	100	22012
2014-2015	76.4	20247	23.6	6240	100	26487
2015-2016	79	26013	21	6932	100	32945
2016-2017	81.5	32276	18.5	7336	100	39612

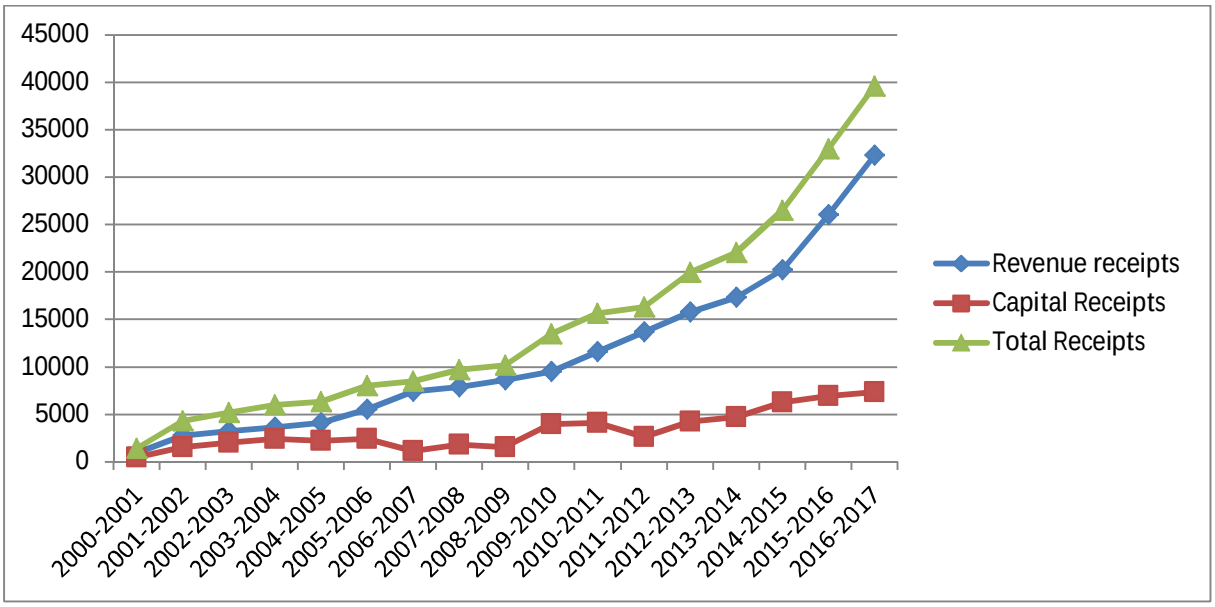
Source: Uttarakhand Public Finance Statistics various issues

Table 1 shows the amount of total receipts, revenue receipts and capital receipts of the state government of Uttarakhand. Figure 1 exhibits that total receipts, revenue receipts and capital receipts of the state government of Uttarakhand are showing an increasing trend. Total receipts of the state government of Uttarakhand have been continuously increasing since 2000-01. The total receipts of state government in 2000-01 was Rs 1389 crore in which the share of revenue receipts was 66.5% and share of capital receipts was 33.5%. The total receipts showed an increasing trend and reached to the line of Rs 9697 crore in 2007-08 from Rs 1389 crore in 2000-01. It showed further increasing trend and reached Rs 39612 crore in 2016-17. Table 2 shows that during 2000-01 to 2007-08, the total receipts of the state government increased at the rate of 27% per annum. From 2008-09 to 2016-17 the total receipts increased at the rate of 16% per annum and during the study period it increases 21% per annum.

Along with the increase in total receipts of the state government of Uttarakhand, the revenue receipts of the state government have also witnessed a rise. Such receipts increased from Rs 924 crore in 2000-01 to Rs 7891 crore in 2007-08. The total receipts increases by 27% from 2000-01 to 2007-08. It constituted 66.5% in 2000-01 of the total receipts of the state government (as shown in Table 1). This percentage declined to 59.9% in 2003-04. The share of revenue receipts in total receipts increased to 86.6% in 2006-07, which reached at highest level, after onwards there were shown fluctuations in revenue receipts. It has been fluctuating from 70% to 85%. The revenue receipts of the state government increased at the rate of 30% per annum from 2000-01 to 2007-08. From 2008-09 to 2016-17 the total receipts increased at the rate of 15% per annum and during the study period it increases 23% per annum.

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Figure 1: Trends in Revenue, Capital and Total Receipts of the State Government of Uttarakhand



Source: Computed on the basis of data compiled from various issues of Uttarakhand Public Finance Statistics

The share of capital receipts in total receipts was 36.2% 2001-02. This percentage rose to 40.1% in 2003-04 and in 2006-07 it declined to 13.1%. The capital receipts of the state government increased from Rs 465 crore in 2000-01 to Rs 2445 crore in 2005-06 mainly because of larger market borrowings, state and public provident funds. It further moved up to Rs 4069 crore in 2010-11 and further declined to Rs 2638 crore in 2011-12. The capital receipts of the state government increased at the rate of 18% per annum from 2000-01 to 2007-08. From 2008-09 to 2016-17 the total receipts increased at the rate of 18% per annum and during the study period it increases 17% per annum.

Table 2: Compound Growth Rates of Receipts of the State Government of Uttarakhand (%)

Year	2000-01 to 2007-08	2008-09 to 2016-17	2000-01 to 2016-17
Total Receipts	27	16	21
Revenue Receipts	30	15	23
Capital Receipts	18	18	17

Note: As in Table 1
Source: Computed on the basis of data compiled from various issues of Uttarakhand Public Finance Statistics

Looking at capital receipts as a proportion of total receipts of the state government, the share of capital receipts showed a fluctuating trend.

Table 3: Total Expenditure of the State Government of Uttarakhand

Year	Revenue Expenditure		Capital Expenditure		Total Expenditure	
	%	(Rs. crore)	%	(Rs. crore)	%	(Rs. crore)
2000-2001	82.2	914	17.8	197	100	1111
2001-2002	85.9	2833	14.1	465	100	3298
2002-2003	75.8	3676	24.2	1173	100	4849
2003-2004	70.3	4362	29.7	1845	100	6207
2004-2005	79.1	5036	20.9	1330	100	6366
2005-2006	73.2	5611	26.8	2053	100	7664
2006-2007	76	6477	24	2039	100	8516
2007-2008	72.7	7255	27.3	2720	100	9975

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2008-2009	77.1	8395	22.9	2493	100	10888
2009-2010	80.1	10657	19.9	2640	100	13297
2010-2011	83	11621	17	2389	100	14010
2011-2012	79.9	12975	20.1	3257	100	16232
2012-2013	72.6	13960	27.4	5256	100	19216
2013-2014	75.3	16216	24.7	5307	100	21523
2014-2015	77.4	24352	22.6	7107	100	31459
2015-2016	80.7	25739	19.3	6154	100	31893
2016-2017	81.5	29918	18.5	6809	100	36727

Source: Uttarakhand_Public Finance Statistics various issues

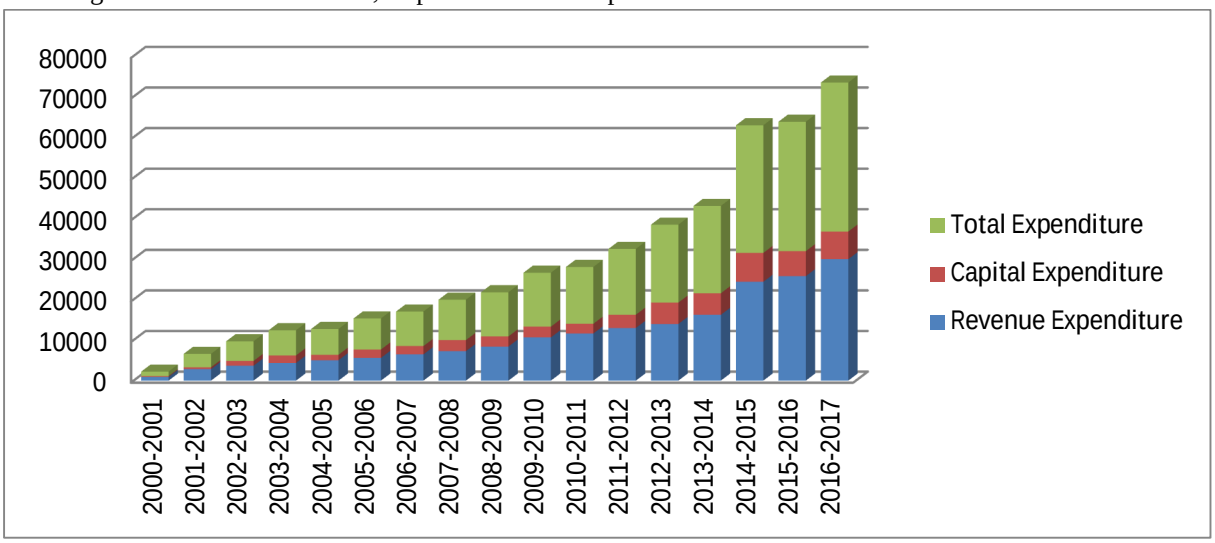
Table 3 shows the amount of total expenditure, revenue expenditure and capital expenditure of the state government of Uttarakhand. Figure 2 exhibits that total expenditure, revenue expenditure and capital expenditure of the state government of Uttarakhand are showing an increasing trend. Total expenditure of the state government of Uttarakhand has been continuously increasing since 2000-01. The total expenditure of state government in 2000-01 was Rs 1111 crore in which the share of revenue expenditure was 82.2% and share of capital expenditure was 17.8%.

The total expenditure showed an increasing trend and reached to the line of Rs 9975 crore in 2007-08 from Rs 1111crore in 2000-01. It showed further increasing trend and reached Rs 36727 crore in 2016-17. Table 4 shows that during 2000-01 to 2007-08, the total expenditure of the state government increased at the rate of 31% per annum. From 2008-09 to 2016-17 the total expenditure increased at the rate of 14% per annum and during the study period it increases 22% per annum.

Along with the increase in total expenditure of the state government of Uttarakhand, the revenue expenditure of the state government has also witnessed a rise. Such expenditure increased from Rs 914 crore in 2000-01 to Rs 7255 crore in 2007-08. It constituted 85.9% in 2001-02 of the total expenditure of the state government (as shown in Table 1). This percentage declined to 72.7% in 2007-08.

The share of revenue expenditure in total expenditure increased to 83% in 2010-11, which reached at highest level, after onwards there were shown fluctuations in revenue receipts. It has been fluctuating from 70% to 80%. The revenue expenditure of the state government increased at the rate of 31% per annum from 2000-01 to 2007-08. From 2008-09 to 2016-17 the revenue expenditure increased at the rate of 11% per annum and during the study period it increases 22% per annum (as in Table 4).

Figure 2: Trends in Revenue, Capital and Total Expenditure of the State Government of Uttarakhand



Source: Computed on the basis of data compiled from various issues of Uttarakhand Public Finance Statistics

The share of capital expenditure in total expenditure was 17.8% in 2001-02. This percentage rose to 27.3% in 2007-08 and in 2010-11 it declined to 17%. The capital expenditure of the state government increased from Rs 465 crore in 2000-01 to Rs 2445 crore in 2005-06. It further moved up to Rs 2720 crore in 2007-08 and further declined to Rs 2389 crore in 2010-11.

The capital expenditure of the state government increased at the rate of 38% per annum from 2000-01 to 2007-08. From 2008-09 to 2016-17 the capital expenditure increased at the rate of 15% per annum and during the study period it increases 23% per annum (as in Table 4).

Table 4: Compound Growth Rates of Expenditure of the State Government of Uttarakhand (%)

Year	2000-01 to 2007-08	2008-09 to 2016-17	2000-01 to 2016-17
Total Expenditure	31	14	22
Revenue Expenditure	29	11	22
Capital Expenditure	38	15	23

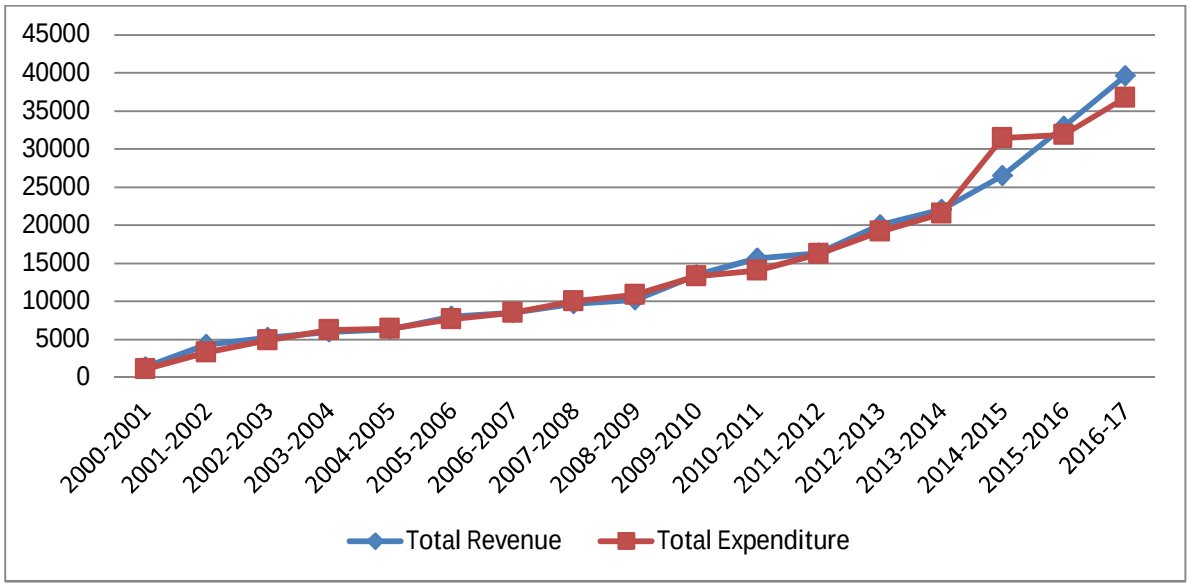
Note: As in Table 2
Source: Computed on the basis of data compiled from various issues of Uttarakhand Public Finance Statistics

Table 4 shows that during 2000-01 to 2007-08, the total expenditure of the state government increased at the rate of 31% per annum. From 2008-09 to 2016-17 the total expenditure increased at the rate of 14% per annum and during the study period it increases 22% per annum. The revenue expenditure and capital expenditure during 2000-01 to 2007-08, 2008-09 to 2016-17 and 2000-01 to 2016-17 increased at the rate of 29%, 11%, 22% and 38%, 15%, 23% respectively in the state of Uttarakhand.

Table 5: Difference in Total Revenue & Expenditure of the State Government of Uttarakhand

Year	Total Revenue	Total Expenditure	Difference
2000-2001	1389	1111	278
2001-2002	4279	3298	981
2002-2003	5201	4849	352
2003-2004	6004	6207	-207
2004-2005	6313	6366	-53
2005-2006	7982	7664	318
2006-2007	8493	8516	-23
2007-2008	9673	9975	-302
2008-2009	10203	10888	-685
2009-2010	13475	13297	178
2010-2011	15667	14010	1657
2011-2012	16329	16232	97
2012-2013	19980	19216	764
2013-2014	22012	21523	489
2014-2015	26487	31459	-4972
2015-2016	32945	31893	1052
2016-2017	39612	36727	2885

Figure 3: Trends in Total Revenue & Total Expenditure of the State Government of Uttarakhand

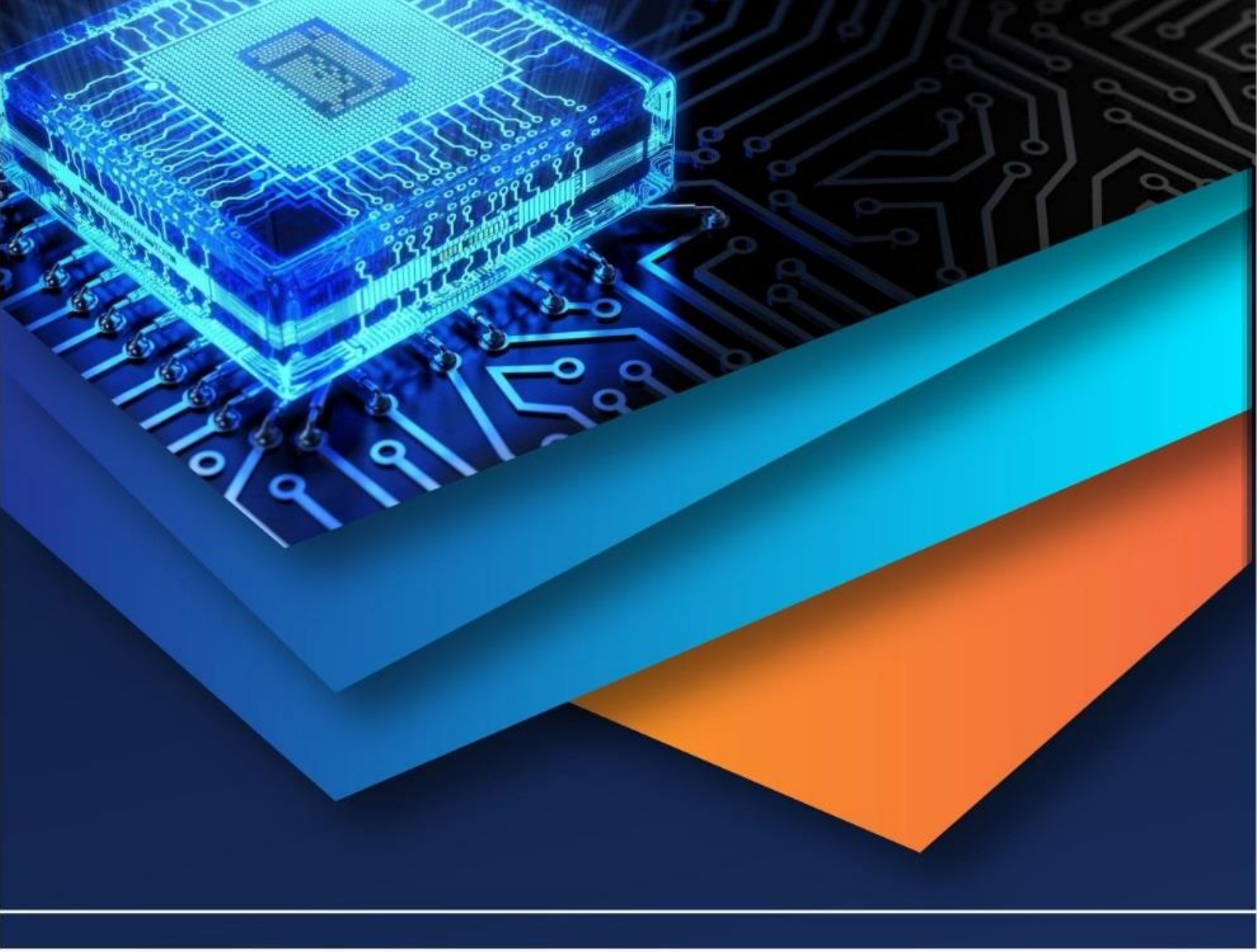


Source: Computed on the basis of data compiled from various issues of Uttarakhand Public Finance Statistics

Table 5 shows the difference in total revenue and total expenditure in the economy of Uttarakhand during study period. The trend shows that only some financial years has more expenditure than revenue. In figure 3 the trend line of total revenue and total expenditure coincide with each other, this shows that there is balance in revenue and expenditure in the state of Uttarakhand.

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