

A STUDY ON THE GROWTH AND COMPOSITION OF REVENUE EXPENDITURE OF TAMIL NADU DURING 1990-91 TO 2016-17

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Abstract

The government of developing countries undertakes the welfare and political administrative activities since it is with the socialistic and democratic in nature. The spirit of nationalism and the universal desire of economic self-sufficiency caused the expansion in public expenditure. The public expenditure is increased besides the increasing in the size of the population which also leads to increase the state activities. The government spends large sums of money on providing various facilities and amenities to economically weaker sections of the society to achieve distributive justice. Hence the role of the state governments become enhancing and the public treasuries is to bear the heavy financial strain. In this contemporary financial scenario, the present paper analyzes the growth and the composition of revenue expenditure of one of the southern states in India namely Tamil Nadu, the period between 1990-91 and 2016-17.

Key words: Revenue Expenditure, Revenue Receipts, Revenue Deficit and GSDP.

Introduction

Public expenditure has been increasing rapidly in modern days as compared to olden days; it is because of increasing activities and responsibilities of the state. The sphere of the state activities are expanding not only restrained to defense, justice, maintenance of law and order and social overheads but also, with growing conscience among the people and also on the part of the government towards its

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responsibilities to the society in the field of social welfare. Hence, the role of the state governments become enhancing and the public treasuries is to bear the heavy financial strain. In this contemporary, the present study analyses the growth and composition of revenue expenditure of the state of Tamil Nadu during 1990-91 to 2016-17.

Objective

- 1) To analyze the trend in revenue expenditure of the government of Tamil Nadu.
- 2) To study the impact of revenue expenditure in terms of revenue receipts and GSDP in the state of Tamil Nadu.

Methodology

The study relies on the secondary data available in the state government budgets documents and the Reserve Bank of India. In order to study the trends in the revenue expenditure, averages, ratios and growth rates are widely used. To study the impact of revenue expenditure in the state of Tamil Nadu in terms revenue sources during the study period.

Revenue Expenditure

Revenue Expenditure of Tamil Nadu consists of developmental expenditure, non-developmental expenditure and grants-in-aid. The developmental expenditure includes both social services and economic services. The non-developmental expenditure, which broadly covers organs of state, financial services, interest payment and servicing of debt, administrative services, pensions and miscellaneous general services.

Revenue Expenditure and GSDP (State Income)

As can be seen in table-1, revenue expenditure of government of Tamil Nadu had, on average, accounted for 14.5 percent in terms of GSDP. The share of revenue expenditure of Tamil Nadu in state income showed decreasing trend from 18.0 per cent in 1990-91 to 12.5 percent in 2010-11 and there were some fluctuation during range between 13-15 percent is available below.

Table 1: Total Revenue Expenditure and GSDP of Tamil Nadu from 1990-91 to 2016-17

Year	Gross State Domestic Product	Total Revenue Expenditure	Total Revenue Expenditure as Percentage of GSDP
1990-91	31339	5641.29	18.0

1991-92	36957	8679.52	23.5
1992-93	43010	8542.53	19.9
1993-94	57549	8758.00	15.2
1994-95	68666	9634.95	14.0
1995-96	78205	10910.57	14.0
1996-97	89237	13064.89	14.6
1997-98	103550	14950.85	14.4
1997-99	118209	17697.40	15.0
1999-00	134185	20727.83	15.4
2000-01	146796	21752.44	14.8
2001-02	148861	21556.97	14.5
2002-03	158155	25687.70	16.2
2003-04	175371	25270.94	14.4
2004-05	219003	29154.87	13.3
2005-06	257833	32008.67	12.4
2006-07	310526	38264.97	12.3
2007-08	350819	42975.01	12.2
2008-09	401336	53590.26	13.4
2009-10	479733	59375.35	12.4
2010-11	584896	72916.30	12.5
2011-12	667202	83838.04	12.6
2012-13	744859	97067.44	13.0
2013-14	854238	109824.67	12.9
2014-15	957447	128828.00	13.5
2015-16 (R.E)	1037488	147787.34	14.2
2016-17 (B.E)	1164311	164029.56	14.1
Annual Average			14.5

Source: State Finances: Study of Budgets- Reserve Bank of India- Various Issues.

Note: For 2015-16 revised estimate (R.E) and 2016-17 budget estimate (B.E) have been considered for the study, as accounts for the same years yet to be published by RBI.

Within the revenue expenditure of the state, developmental expenditure continued to be a major component constituting, on an average, 60.7 per cent during the period covered under the study and the remaining of 33.7 per cent and 5.6 percent contributed by non-developmental expenditure and Grants-in-aid and Contributions respectively during the same period as can be seen from table-2 and figure-1.

Table 2: Composition of Total revenue Expenditure of Tamil Nadu from 1990-91 to 2016-17

Year	Developmental Expenditure	Non-Developmental Expenditure	Grants-in-aid and Contributions	Revenue Expenditure
1990-91	4079.06 (72.3)	1453.81 (25.8)	108.42 (1.9)	5641.29 (100)
1991-92	6764.04 (77.9)	1717.48 (19.8)	198 (2.3)	8679.52 (100)
1992-93	6243.96 (73.1)	2006.79 (23.5)	291.78 (3.4)	8542.53 (100)
1993-94	6158.46 (70.3)	2469.56 (28.2)	129.98 (1.5)	8758 (100)
1994-95	6636.18 (68.9)	2865.53 (29.7)	133.24 (1.4)	9634.95 (100)
1995-96	7289.85 (66.8)	3408.25 (31.2)	212.47 (1.9)	10910.57 (100)
1996-97	8637.13 (66.1)	4095.52 (31.3)	332.24 (2.5)	13064.89 (100)
1997-98	9448.52 (63.2)	4672.06 (31.2)	830.27 (5.6)	14950.85 (100)
1997-99	10782.65 (60.9)	5879.77 (33.2)	1034.98 (5.8)	17697.4 (100)
1999-00	11959.64 (57.7)	7743.12 (37.4)	1025.07 (4.9)	20727.83 (100)
2000-01	12420.22 (57.1)	8353.71 (38.4)	978.51 (4.5)	21752.44 (100)

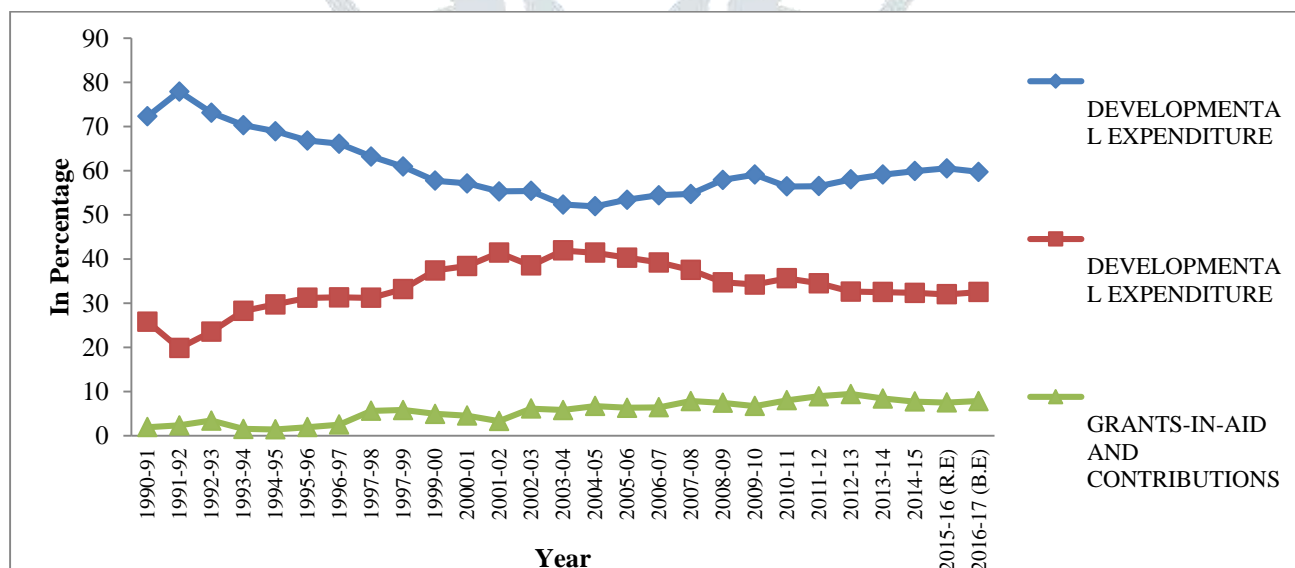
2001-02	11919.44 (55.3)	8920.96 (41.4)	716.57 (3.3)	21556.97 (100)
2002-03	14235.67 (55.4)	9894.91 (38.5)	1557.12 (6.1)	25687.7 (100)
2003-04	13205.16 (52.3)	10589.11 (41.9)	1476.67 (5.8)	25270.94 (100)
2004-05	15136.84 (51.9)	12058.26 (41.4)	1959.77 (6.7)	29154.87 (100)
2005-06	17088.91 (53.4)	12890.9 (40.3)	2028.86 (6.3)	32008.67 (100)
2006-07	20823.1 (54.4)	14994.86 (39.2)	2447.01 (6.4)	38264.97 (100)
2007-08	23496.93 (54.7)	16128.78 (37.5)	3349.3 (7.8)	42975.01 (100)
2008-09	31032.81 (57.9)	18577.7 (34.7)	3979.75 (7.4)	53590.26 (100)
2009-10	35079.4 (59.1)	20296.54 (34.2)	3999.41 (6.7)	59375.35 (100)
2010-11	41131.5 (56.4)	25923.43 (35.6)	5,861.37 (8.0)	72916.3 (100)
2011-12	47403.83 (56.5)	28941.19 (34.5)	7493.02 (8.9)	83838.04 (100)
2012-13	56251.24 (58.0)	31652.12 (32.6)	9164.08 (9.4)	97067.44 (100)
2013-14	64920.35 (59.1)	35729.24 (32.5)	9175.08 (8.4)	109824.67 (100)
2014-15	77192.45 (59.9)	41655.19 (32.3)	9980.36 (7.7)	128828 (100)
2015-16 (R.E)	89347.42 (60.5)	47319.34 (32.0)	11120.58 (7.5)	147787.34 (100)
2016-17 (B.E)	97927.86 (59.7)	53286.55 (32.5)	12815.15 (7.8)	164029.56 (100)
Annual Average	(60.7)	(33.7)	(5.6)	(100)

Source: State Finances: Study of Budgets- Reserve Bank of India- Various Issues.

Note: For 2015-16 revised estimate (R.E) and 2016-17 budget estimate (B.E) have been considered for the study, as accounts for the same years yet to be published by RBI.

In absolute term, the developmental expenditure in Tamil Nadu, which stood at ₹4079.06crore in 1990-91 increased to ₹11959.64crore in the year 1999-00 and further increased to ₹35079.4crore in 2009-10 and again to ₹77192.45crore in 2014-15. On the other hand, non-developmental expenditure of the government which increased from ₹1453.81 crore in 1990-91 to ₹7743.12 crore in 1999-2000 had further increased to ₹20296.54 crore in 2009-10 and again to ₹53286.55 crore in 2014-15 during the same period covered under study.

Figure 1: Composition of Total revenue Expenditure of Tamil Nadu from 1990-91 to 2016-17



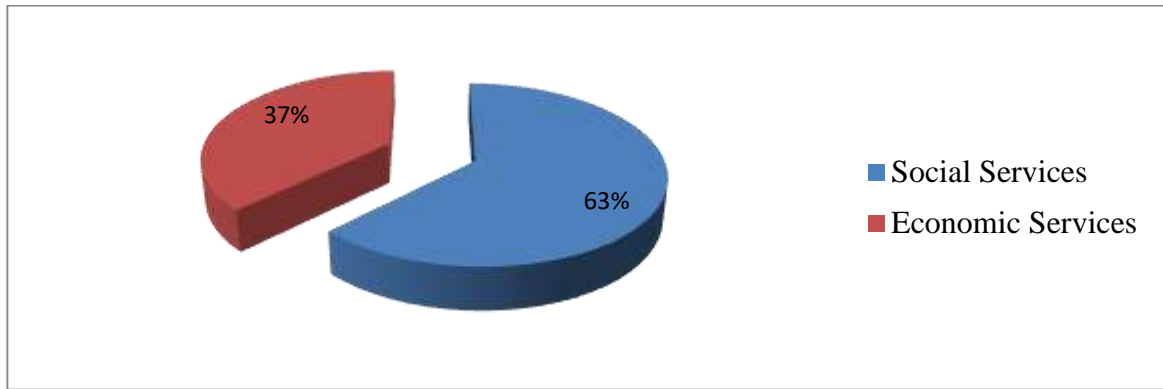
The major items of the developmental expenditure in Tamil Nadu viz., social services and economic services, constituted 62.6 percent and 37.4 per cent respectively, during the study period (Figure-2). In absolute term, the social services of developmental expenditure stood at ₹2491.91crore in 1990-91 increased to ₹7643.83crore in the year 1999-00 and further increased to ₹50349.06crore in 2014-15. The social services include education, sports, art and culture, medical and public health, water supply and sanitation, welfare of scheduled castes, scheduled tribes and other backward classes, social security and welfare, nutrition, etc. On the other hand, the economic services increased from ₹1587.15 crore in 1990-91 to ₹4315.81 crore in 1999-2000 had further increased to ₹26843.39 crore in 2014-15, witnessing during the same period covered under study.

Table 3: Composition of Total Developmental Expenditure of Tamil Nadu from 1990-91 to 2016-17

Year	Social Services	Economic Services	Developmental Expenditure
1990-91	2491.91 (61.1)	1587.15 (38.9)	4079.06 (100)
1991-92	2880.55 (42.6)	3883.49 (57.4)	6764.04 (100)
1992-93	3160.95 (50.6)	3083.01 (49.4)	6243.96 (100)
1993-94	3586.07 (58.2)	2572.39 (41.8)	6158.46 (100)
1994-95	3847.62 (58.0)	2788.56 (42.0)	6636.18 (100)
1995-96	4332.89 (59.4)	2956.96 (40.6)	7289.85 (100)
1996-97	5121.35 (59.3)	3515.78 (40.7)	8637.13 (100)
1997-98	5613.45 (59.4)	3835.07 (40.6)	9448.52 (100)
1997-99	7101.34 (65.9)	3681.31 (34.1)	10782.65 (100)
1999-00	7643.83 (63.9)	4315.81 (36.1)	11959.64 (100)
2000-01	7792.21 (62.7)	4628.01 (37.3)	12420.22 (100)
2001-02	7677.06 (64.4)	4242.38 (35.6)	11919.44 (100)
2002-03	7974.05 (56.0)	6261.62 (44.0)	14235.67 (100)
2003-04	8597.76 (65.1)	4607.4 (34.9)	13205.16 (100)
2004-05	9682.76 (64.0)	5454.08 (36.0)	15136.84 (100)
2005-06	11316.41 (66.2)	5772.5 (33.8)	17088.91 (100)
2006-07	13026.35 (62.6)	7796.75 (37.4)	20823.1 (100)
2007-08	15725.63 (66.9)	7771.3 (33.1)	23496.93 (100)
2008-09	21371.48 (68.9)	9661.33 (31.1)	31032.81 (100)
2009-10	22957.52 (65.4)	12121.88 (34.6)	35079.4 (100)
2010-11	28909.14 (70.3)	12222.36 (29.7)	41131.5 (100)
2011-12	33261.75 (70.2)	14142.09 (29.8)	47403.83 (100)
2012-13	38622.88 (68.7)	17628.36 (31.3)	56251.24 (100)
2013-14	45275.9 (69.7)	19644.45 (30.3)	64920.35 (100)
2014-15	50349.06 (65.2)	26843.39 (34.8)	77192.45 (100)
2015-16 (R.E)	58186.02 (65.1)	31161.4 (34.9)	89347.42 (100)
2016-17 (B.E)	57826.33 (59.0)	40101.52 (41.0)	97927.86 (100)
Annual Average	(62.6)	(37.4)	(100)

Source: State Finances: Study of Budgets- Reserve Bank of India- Various Issues.

Note: For 2015-16 revised estimate (R.E) and 2016-17 budget estimate (B.E) have been considered for the study, as accounts for the same years yet to be published by RBI.

Figure 2: Composition of Developmental Expenditure of Tamil Nadu from 1990-91 to 2016-17

Amongst the major components of non-developmental expenditure in Tamil Nadu, interest payments and servicing of debt and pensions continued to be the highest level of government expenditure. However, the share of pensions had gradually increased during the period covered under the study (Table-4).

Table 4: Composition of Non- Developmental Expenditure of Tamil Nadu from 1990-91 to 2016-17

Year	Organs of State	Fiscal Services	Interest Payments and Servicing of Debt	Administrative Services	Pensions	Miscellaneous General Services	Total Non-Developmental Expenditure
1990-91	3.1	6.8	33.2	31.9	24.0	1.1	100
1991-92	3.9	6.5	34.6	30.8	23.4	0.9	100
1992-93	3.1	6.6	36.1	30.2	23.5	0.5	100
1993-94	2.7	6.1	40.5	28.2	21.9	0.7	100
1994-95	2.8	6.1	40.2	27.7	22.2	1.0	100
1995-96	3.1	5.7	40.5	26.8	23.1	0.8	100
1996-97	4.1	5.3	38.8	25.2	26.1	0.5	100
1997-98	3.3	5.1	37.7	25.6	27.5	0.6	100
1997-99	2.8	5.4	36.1	26.1	28.8	0.9	100
1999-00	2.8	4.3	35.0	21.6	34.7	1.6	100
2000-01	2.3	4.1	37.4	20.0	35.0	1.2	100
2001-02	3.1	3.7	39.4	18.6	34.2	1.1	100
2002-03	1.9	3.7	41.8	17.5	33.6	1.5	100
2003-04	1.8	5.0	44.4	16.9	31.0	0.9	100
2004-05	1.9	5.3	43.2	16.7	32.4	0.6	100
2005-06	1.9	5.2	38.9	16.5	34.6	2.9	100
2006-07	2.4	4.5	39.7	16.8	36.2	0.4	100
2007-08	1.9	3.1	40.5	16.8	37.3	0.4	100
2008-09	2.1	3.0	34.5	18.2	41.6	0.4	100
2009-10	2.7	3.1	33.7	18.7	41.3	0.4	100
2010-11	2.4	3.1	31.4	17.4	45.4	0.3	100
2011-12	3.5	2.8	31.4	18.5	43.5	0.3	100
2012-13	2.2	2.8	34.7	17.9	41.6	0.7	100
2013-14	2.3	2.4	35.5	17.5	41.6	0.7	100
2014-15	2.6	2.2	35.7	16.9	41.6	0.9	100
2015-16 (R.E)	2.3	2.4	38.0	16.4	40.1	0.8	100
2016-17 (B.E)	2.9	2.2	39.1	16.0	39.0	0.9	100

Annual Average	2.7	4.3	37.5	21.2	33.5	0.9	100
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Source: State Finances: Study of Budgets- Reserve Bank of India- Various Issues.

Note: For 2015-16 revised estimate (R.E) and 2016-17 budget estimate (B.E) have been considered for the study, as accounts for the same years yet to be published by RBI.

Revenue Expenditure and Revenue Deficit

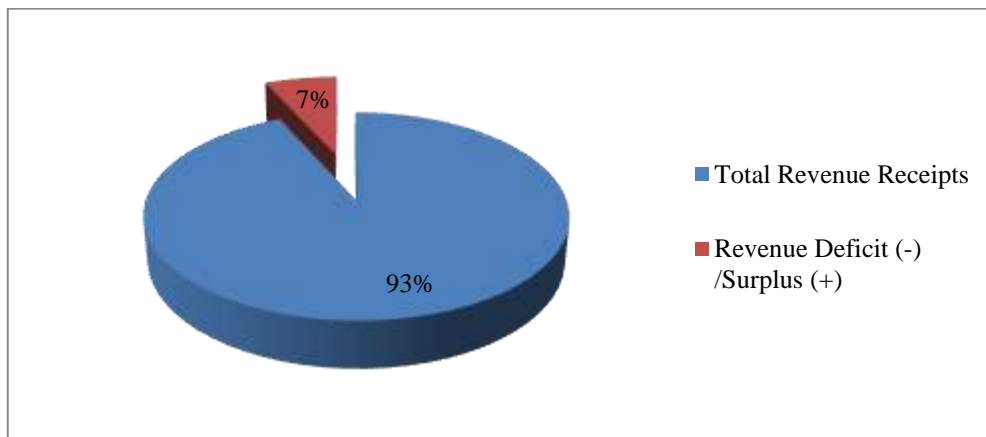
The revenue receipts contributed an average of 93.3 percent to meet revenue expenditure in Tamil Nadu during the study period (Table 5 & Figure 3). This trend only confirms the fact that a larger part of the revenue expenditure of the state had been carried out through revenue receipts. It reflects that Tamil Nadu had shown prudent fiscal management by mobilizing resources through tax policies and meeting her current public expenditure.

Table 5: The Revenue Deficit /Surplus of Tamil Nadu from 1990-91 to 2016-17

Year	Total Revenue Receipts	Total Revenue Expenditure	Revenue Deficit (-) /Surplus (+)
1990-91	5087.88 (90.2)	5641.29 (100)	-553.41 (-9.8)
1991-92	6775.66 (78.1)	8679.52 (100)	-1903.86 (-21.9)
1992-93	7016.33 (82.1)	8542.53 (100)	-1526.2 (-17.9)
1993-94	8066.15 (92.1)	8758.00 (100)	-691.85 (-7.9)
1994-95	9219.4 (95.7)	9634.95 (100)	-415.55 (-4.3)
1995-96	10599.25 (97.1)	10910.57 (100)	-311.32 (-2.9)
1996-97	11961.28 (91.6)	13064.89 (100)	-1103.61 (-8.4)
1997-98	13586.95 (90.9)	14950.85 (100)	-1363.9 (-9.1)
1997-99	14260.83 (80.6)	17697.40 (100)	-3436.57 (-19.4)
1999-00	16327.53 (78.8)	20727.83 (100)	-4400.3 (-21.2)
2000-01	18316.67 (84.2)	21752.44 (100)	-3435.77 (-15.8)
2001-02	18818.03 (87.3)	21556.97 (100)	-2738.94 (-12.7)
2002-03	20836.76 (81.1)	25687.70 (100)	-4850.94 (-18.9)
2003-04	23705.7 (93.8)	25270.94 (100)	-1565.24 (-6.2)
2004-05	28451.53 (97.6)	29154.87 (100)	-703.34 (-2.4)
2005-06	33959.98 (106.1)	32008.67 (100)	1951.31 (6.1)
2006-07	40913.23 (106.9)	38264.97 (100)	2648.26 (6.9)
2007-08	47520.52 (110.6)	42975.01 (100)	4545.51 (10.6)
2008-09	55042.52 (102.7)	53590.26 (100)	1452.26 (2.7)
2009-10	55844.14 (94.1)	59375.35 (100)	-3531.21 (-5.9)
2010-11	70187.63 (96.3)	72916.30 (100)	-2728.67 (-3.7)
2011-12	85202.14 (101.6)	83838.04 (100)	1364.1 (1.6)
2012-13	98827.7 (101.8)	97067.44 (100)	1760.26 (1.8)
2013-14	108036.4 (98.4)	109824.67 (100)	-1788.25 (-1.6)
2014-15	122420.4 (95.0)	128828.00 (100)	-6407.6 (-5.0)
2015-16 (R.E)	138306.2 (93.6)	147787.34 (100)	-9481.14 (-6.4)
2016-17 (B.E)	148175.1 (90.3)	164029.56 (100)	-15854.46 (-9.7)
Annual Average	(93.3)	(100)	(-6.7)

Source: State Finances: Study of Budgets- Reserve Bank of India- Various Issues.

Note: For 2015-16 revised estimate (R.E) and 2016-17 budget estimate (B.E) have been considered for the study, as accounts for the same years yet to be published by RBI.

Figure 3: The Revenue Deficit /Surplus of Tamil Nadu from 1990-91 to 2016-17

Conclusion

Revenue augmentation by the state governments is an essential thing to meet the growing of public expenditure in India. Since the taxation has emerged as a powerful fiscal instrument to meet growing expense in the hands both central and state governments, but the tax system of the states is regressive, particularly the government of Tamil Nadu. Hence the state government should take efforts on the progressive tax system by adopting differential rates of taxation to overcome its deficit and also bring down in the form unproductive expenditure at state level.

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