



A SWOT Analysis of Jharkhand Budget Since Its Inception

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The control over the revenue, expenditure, borrowings and account is exercised by the parliament Legislative Assembly. Legislative sanction is required for levy of new taxes or on increase of withdrawal of money which is scrutinised by Public Account committee and audited by statutory authority. It is the executive which demands and the legislative Approves. Therefore before the government can work on its budget plan it has to get it passed by the parliament. This is known as enactment of budget. The process involved in exercising legislative Control on budget involves questions before adjournment, motion, resolution, votes, Budget and Legislative committee. Present paper analyses the budget of the state of Jharkhand.

Keywords : Budget, Revenue Expenditure, Revenue Receipts, Jharkhand.

Introduction

Budget is a financial policy statement of the Government which is presented in both the houses of the parliament and is prepared by the Finance Minister. It reveals the direction of the economy as well as priorities in the coming fiscal year. According to the Westminster model on which our parliamentary system is based, the representatives elected by the constitution have the right to make decisions regarding income and expenditure. As per clause 265 of our constitution, without any legal provision tax can neither be implemented nor it can exempted.

Different persons have defined the term 'budget' differently. The Institute of Cost and Work Accountant, England defines budget as a financial statement prepared prior to a defined period of time, of the policy pursued during that period for the purpose of attaining a given objective. According to Phillip E. Taylor, the budget is the master financial plan of government which brings together estimates of anticipated Revenue and proposed expenditure implying the schedule of activities to be undertaken and the means of financing these activities.

The economic survey gives a detailed analysis of economic situation of our country. It includes statement of position of budget and transaction of central of State government which shows overall surplus/Deficit. Along the detailed analysis it contains information regarding current trends in agriculture, Industry Infrastructure, employment, money and supply, imports. Exports, prices, F.E.R and balance of payment etc.

Jharkhand Budget at a Glance

Jharkhand state was established on 15th Nov. It presents its budget every year in the month of March. The budget is presented by the Finance Minister of the state. From the analysis point of view researcher has taken last few year budget i.e. from 2004-05 to 2010-11 for its Indepth analysis covering major receipts, expenditure, deficit and borrowing of the state. Many positive as well as negative trends have been depicted by the following table no.1. The Jharkhand budget could be shown at a glance from the following table No.1 from 2004-05 to 2010-11.

1. Analysis of Revenue Receipts

The Income under the Revenue account is obtained from taxes and Non tax sources. The taxes revenue of Jharkhand Government is obtained from taxes on income and expenditure, on property and capital transaction and commodities whereas non tax revenue is obtained from Fiscal services, interest, receipts, Dividend and profits and other non tax revenue.

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Table No. 1 (A)**Yearwise & Headwise Detail of Jharkhand Budget (2004-2008)***(Rs.in Crores)*

S.No.	Particular	2004-05	2005-06	2006-07	2007-08
1	Revenue Receipts	6943.57	8202.78	10,144.47	11612.07
2	Tax Revenue	4519.08	5121.51	6946.13	8345.49
3	Non tax Revenue	1219.42	1390.73	1433.51	1599.12
4	Grant-in-Aid	1205.07	1690.54	1764.83	1667.46
5	Capital Receipts	3293.89	2013.50	4634.48	4560.14
6	Recoveries of Loan	15.47	9.92	11.93	13.54
7	Borrowing and other liabilities	3278.42	2003.58	4622.55	4546.60
8	Total receipts (1+5)	10237.46	10216.28	14778.95	16172.21
9	Non Plan expenditure	5556.42	6736.44	7580.40	8860.66
10	On Revenue Account	4727.05	6195.23	6794.39	8090.03
11	Interest payment	770.98	923.19	777.41	1801.93
12	Pension	927.80	774.64	791.14	707.63
13	On Capital account	829.37	541.21	786.01	770.63
14	Plan expenditure	5419.59	5686.89	7814.44	7539.86
15	On revenue account	3117.19	3126.30	4062.80	4028.91
16	On capital account	2302.40	2560.59	3751.64	3510.95
17	Expenditure	10976.01	12423.33	15,394.84	16400.52
18	Revenue expenditure (9+14)	7844.24	9321.53	10,857.19	21118.94
19	Capital expenditure	3131.77	3101.80	4537.65	4281.58
20	Revenue Deficit	-900.67	-1118.75	-712.72	-506.87
21	Fiscal Deficit	3016.97	4210.63	N/A	4774.91

Source : Data Compiled from Ministry of finance, Ranchi.

Table No. 2**Revenue Receipts of State Government in Revenue Account** *(Figure in lac of Rupees)*

PARTICULARS	2004-05 (B.E)	2006-07 (B.E.)	2008-09 (B.E.)	2010-11 (B.E.)
Tax Revenue	451908.01 (65.08%)	694613.00 (68.47%)	1081141.80 (68.50%)	12306.99 (61.22%)
Non tax revenue	121941.93 (17.56%)	143351.13 (14.13%)	291273.09 (18.46%)	312964.46 (15.57%)
Grant-in-Aid	120506.61 (17.36%)	176482.87 (17.40%)	205798.80 (18.04%)	466510.16 (23.21%)
Total Revenue Receipts	694356.55 (100)	101447.00 (100)	1578213.69 (100)	2010174.25 (100)

Source: Data Compiled from Ministry of Finance, Government of India, Ranchi.

Note: Comparison provided above are in budgeted figure

TABLE NO 2 depicts total Revenue Receipts of the State government. The Revenues in the current account has been rising and the main cause in this rise is attributed to more and higher rate of taxes. Though in the past few yers no new taxes have been imposed.

The Total revenue receipts of state government in the revenue account was a little more than Rs. 694356 lac in 2004-05 (6943.57 Crores) but it is expected to rise to Rs 101447 lac (1014.47 Cr.) in 2006-07 budget. In 2008-09 budget it was expected to reach around Rs 1578213.69 lac (i.e. 157882.14 Cr.) Thus between 2004-05 to 2010-11 revenue receipts has increased nearly 3 times (2.9 times)

Tax revenue was estimated to be 65% of the total revenue receipts in 2004-05 but it increased to 68% by 2006-07, and further declined to 61% of the total revenue receipts by 2010-11 (B.E.) Proportionally the

yield from non tax revenue gradually rose from 17.6% in 2004-05 to 2008-09. But it is expected to fall around 15.6% by 2010-11 budget

Table No. (B)
Yearwise & Headwise Detail of Jharkhand Budget During (2008-2011) (Rs.in Crores)

S.No.	Particular	2008-09	2009-10 (R.E)	2010-11 (B.E)
1	Revenue Receipts	15782.14	19840.76	20101.74
2	Tax Revenue	10811.42	11323.74	12307.00
3	Non tax Revenue	2912.73	8517.02	7794.74
4	Grant-in-Aid	2057.99		
5	Recoveries of loan	11.30	15.11	16.62
6	Other Receipts borrowings	--	---	---
7	Borrowing and other liabilities	21 50.00	2856.89	2179.23
8	Total receipts (1+5)	17943.44	22712.76	22297.59
9	Non Plan expenditure	9198.11	13086.50	11993.18
10	On Revenue Account	8367.41	11944.56	10993.18
11	Interest Payments	2136.94	2235.98	2135.05
12	On capital account	830.70	1141.94	1609.23
13	Plan expenditure	9642.96	9626.26	10304.41
14	Revenue Account	5214.45	5282.64	6166.94
15	Capital Account	4438.51	4343.62	4137.47
16	Total Expenditure (9+13)	18851.07	22712.76	22297.59
17	Revenue Expenditure	13581.86	17227.20	16550.89
18	Capital Expenditure	5269.21	5485.56	5746.70
19	Revenue Deficit	2200.28	-2613.56	-3350.85
20	Fiscal Deficit	3057.63	2856.89	2179.23
21	Primary Deficit	---	620.91	44.18

Source: Data compiled from ministry of finance, Government of India, Ranchi.

Table No. 3
Comparison of Revenue of State Government in Revenue Account (Figure in lac of Rupees)

PARTICULARS	2005-06 (Actual)	2007-08 (Actual)	2008-09 (Actual)	2010-11 (B.E)
Tax Revenue	593393.11 (80.1%)	858337.94 (71.4%)	912813.20 (79.2%)	1230699.63 (61.22%)
Non tax revenue	142652.34 (16.9%)	160139.52 (13.3%)	195173.85 (14.8%)	312964.46 (15.57%)
Grant-in-Aid	110342.30 (13.0%)	184177.38 (15.3%)	210921.09 (6.0%)	466510.16 (23.21%)
Total Revenue Receipts	846387.75 (100%)	1202654.84 (100%)	1318908.14 (100%)	2010174.25 (100%)

Source: Data Compiled from Ministry of Finance, Ranchi.

Comments: TABLE 3 reveals total revenue of Jharkhand state in the current account. The total revenue receipts of state government in Revenue account was approximately 846388 lac in 2005-06 (Rs 8463.88 Cr) in 2005-06 but it is expected to rise to Rs 12026 55 lac in 2007-08 and to Rs 1318908 lac in 2008-09. On 2009-10 (budget) it would be around 1793565.23 lac. The Revenue receipts had increased nearly 4.7 times between 2005-06 to 2009-10. Relatively tax Revenue was 70% of the total Revenue receipts in 2005-06 but it declined to 69% in 2008-09 and it would be around 61% of the total Revenue receipts in 2010-11 (Budget). Proportionally the yield from non tax revenue had shown a declining trend i.e. from 17% of the total revenue receipts in 2005-06 to 13% in 2007-08, 14% in 2008-09 and finally 15.6% in 2010-11 budget.

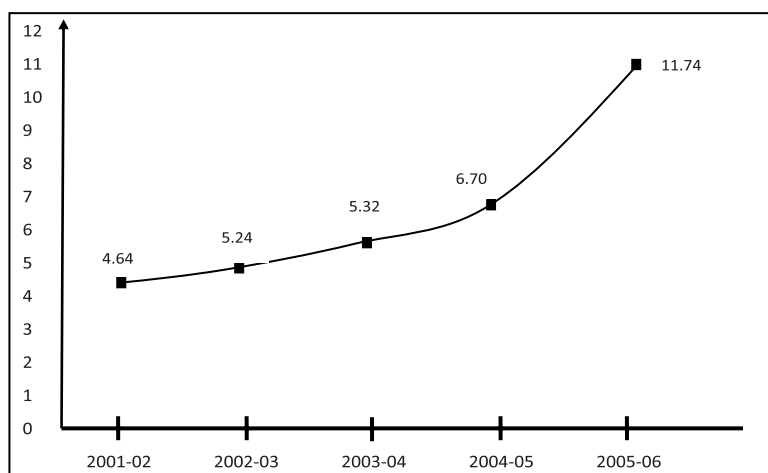
Comparison of Government Deficit of the Past years from 2004-05 to 2010-11

Deficit : Deficit in Simple words means excess of expenditure over revenue. The Deficit of the Jharkhand government for analytical purpose can be shown under followings heads: Fiscal Deficit, Revenue Deficit.

Fiscal Deficit: Fiscal deficit in simple words may be defined as budgetary deficit plus market borrowings and other liabilities of government it's the indicator of nation's economy

GRAPH 1

Trend of Fiscal Deficit of Jharkhand state (FROM 2001-05)- Actual estimate



From the above graph it becomes clear that for the 1st five years i.e. 2001-05 Fiscal deficit rose from 4.64% in 2001-02 to 11.74% in 2005-06 which is quite high and at the same time it was alarming. Fiscal deficit was Rs 1518.89 Cr. In 2001-02 and by 2005-06 it rose to Rs 5867.50 Cr. i.e. 11.74% of GSDP (gross state Domestic product).

Table No. 4

Fiscal Deficit in Jharkhand

Financial Yr.	Fiscal Deficit	F.D. in form of GSDP
2001-02	1518.89	4.64
2002-03	1955.87	5.24
2003-04	2181.42	5.32
2004-05	3019.93	6.70
2005-06	5867.50	11.74

Source: Annual Report; Jharkhand 2008.

Table No 4 summarises the position of Fiscal deficit from 2001-02 to 2005-06. In the year 2001 the Fiscal deficit of Jharkhand was Rs 1518.19 cr, Rs 1955.87cr for 2002-03, Rs 2181.42cr in 2003-04 and 3019.93cr in 2004-05. These are the actual estimate of fiscal deficit. Whereas the estimated figure for 2004-05 is 3016.97cr. Therefore the difference between the actual and estimated figure stand at increase of RS 2.98CR for 2004-05. Similarly in 2005-06 the fiscal deficit was estimated to be Rs 4210.63 cr but the actual estimate was Rs 5867.50cr i.e an increase of Rs 1656.87 cr. Thus we can observe that the fiscal deficit was growing rapidly and dangerously from 2001-02 to 2005-06 and Rs 4774.91(B.E) IN 2007-08.

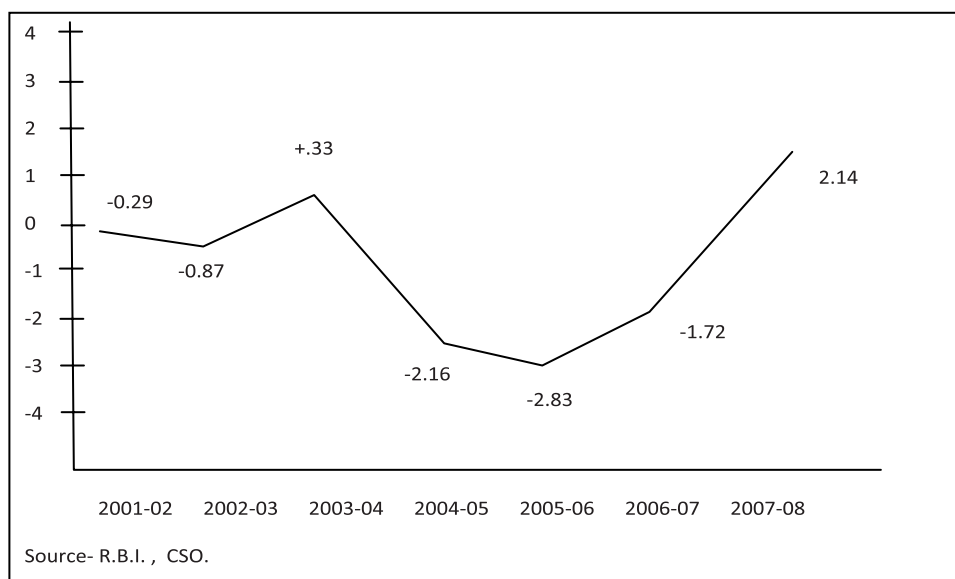
But after the implementation of F.R.B. Act 2007 the government have been able to comply with the provision of F.R.B. Act. A noticeable feature in this regard is that government have been able to reduce its fiscal deficit to Rs 2856.89cr (R.E) i.e 3.45% of G.S.D.P and by 2010-11 it is expected to be Rs 2179.23cr i.e 2.40% of G.S.D.P (Projected at RS 90661.64CR- ESTIMATED)

Revenue Deficit

Difference between Total Revenue receipt and total revenue expenditure is revenue deficit / revenue surplus.

GRAPH 2

Revenue deficit (Actual) Projection as a % of G.S.D.P.



Graphs 2 depicts the Revenue Deficit/ surplus of state during 2001-02 to 2007-08. The Revenue deficit was- .29% in 2001-02, -.87% in 2002-03. A positive change was noticed during the 2003-04 when Revenue surplus was recorded at .33% of GSDP. But from 2004-05 to 2006-07 it marked a remarkable fall from -2.16% of GSDP to -1.72% of GSDP of Jharkhand state. The basic reason for the rise in huge Revenue expenditure was mainly due to expenditure which Jharkhand state have to borne in the form of General services like fiscal, social and economic. Similarly the Revenue Income has also risen but less as compared to the Revenue expenditure of state. This huge rise in Revenue expenditure has given rise to Revenue Deficit over the years. After the year 2006-07 the government has shown marked improvement as the deficit Budget turned into surplus budget in 2007-08 at 2.14% of GSDP. Thus as per the Revised estimate the Revenue Deficit stood at 3.16% of GSDP (i.e. 2613.56 Cr.) and as per the Budget estimate for the year 2010-11 it is projected to be Rs 3550.85 Cr which is 3.92% of GSDP. The government aims to bring Revenue Deficit at Zero. Though for the 2010-11 against the goal of zero deficit surplus of Rs 3550.85 Cr is estimated.

Table No. 5
Analysis of state government expenditure (Rs. In crores)

Year	Revenue Expenditure	Capital Expenditure	Total Expenditure
2004-05 (Actual)	6610.44	6027.58	12638.02
2005-06 (Actual)	8463.88	8093.29	16557.17
2008-09 (Actual)	13189.08	12939.83	26128.91
2009-10 (R.E)	17227.20	5485.56	22712.76
2010-11 (B.E)	16550.89	5746.70	22297.59

Source : Data Compiled from Ministry of finance; Ranchi, GOJ.

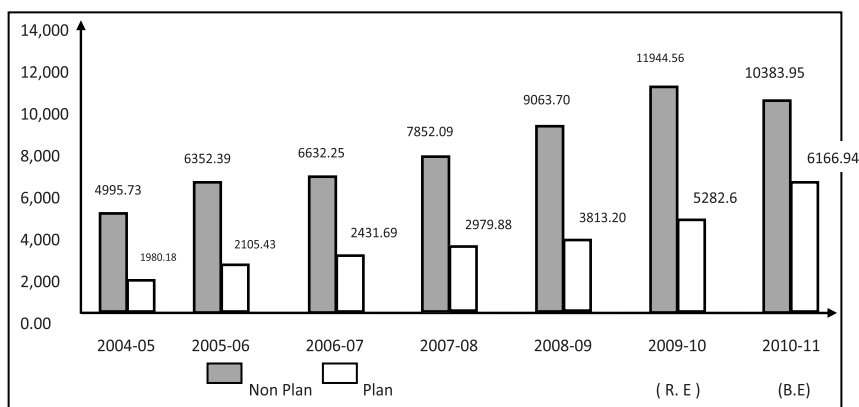
Source: Data compiled from ministry of finance ,Ranchi.

Comments

TABLE NO 5 indicates that the growth rate of Revenue expenditure has been marginally higher than capital expenditure. The percentage share of revenue expenditure out of total expenditure is almost 74% for 2010-11 (B.E) as compared to capital expenditure which is 26% .

Graph 3

Plan and non plan expenditure- Revenue Account

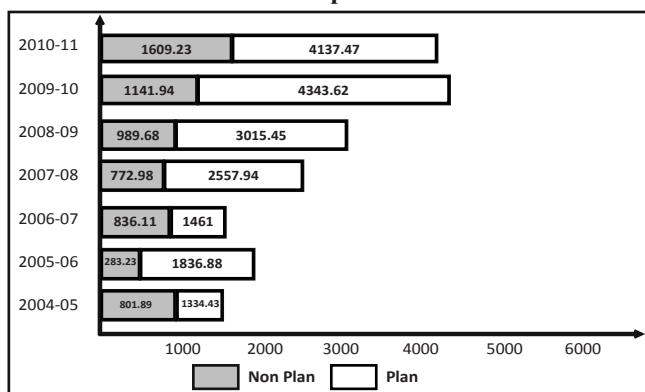


Source: jharkhand government.nic.in

The plan and non plan expenditure of Jharkhand government in revenue over the years can be analysed by the above mentioned table:

The non plan expenditure for 2004-05 was Rs 4995.73 Cr. In 2006-07 it was Rs. 6633.25 Cr. Rs 9063.70 Cr in 2008-09. The Non plan expenditure has thus increased every year but the rate of increase is marginal. As per the revised estimate the non-plan expenditure stood at Rs 11944.50 Cr for the year 2009-10. By 2010-11 the expenditure is expected to reach Rs 10383.95 Cr. Thus total non plan estimate for 2010-11 is expected to decrease by 1500.41 Cr. As compared to Revised estimate of 2009-10 (R.E).

Similarly plan expenditure in Jharkhand budget for 2004-05 was 1980.18 Crores, Rs 2431.69 Cr in 2006-07, Rs 3813.20 Cr in 2008-09. The plan expenditure is expected to increase by Rs 8843 Cr. From Rs 5282.6 Cr of 2009-10 (R.E). This plan expenditure have registered a growth of 16.7% in 2010-11 (B.F) as compared to R.E of 2009-10.

Analysis of plan and non plan expenditure- Capital Account**Graph 4**

Source: jharkhand government.nic.in

Analysis

The above data shows allocation of expenditure (plan and non plan) on capital Account from 2004-05 to 2010-11. The non plan expenditure on capital account in 2010-11 is estimated to be Rs 1609 Cr as compared to Rs 802 Cr in 2004-05. Over the years plan as well as non plan capital expenditure have shown an increasing trend but the increase in plan expenditure of capital account is higher than its non plan expenditure. The ratio between plan non plan capital expenditure for 2010-11 (B.E) is 72:28.

Expenditure of Jharkhand Government Interest Payments within Prescribed limit

The state government also borrows money for meeting development and other essential expenses from different sources. The government is required to pay Rs 2135.05 Cr for the financial year 2010-11 (budget estimate). The above testimated figene is 11/2 times more than the payment on interest by the state government as compared to financial yr 2002-03. Though this amount is within the standards prescribed by the finance commission the amount paid under the head interest should be up to 15% of the amount earned by the government on its revenue Receipt. Before the implementation of F.R.B. M Act the government had to pay up to 26 to 10% of its earnings as Interest. In the year 2002-03 the government had to pay Rs 1419 Crore as interest due to borrowings from various sources which was 26% of its earnings. The government had made sincere effort to reduce the interest under an extent have been able it after financial year 2007-08.

TABLE NO 6

Financial Year	Amount	% of Revenue
2002-03	1419	26
2003-04	1182	22
2004-05	1141	16
2005-06	1420	17
2006-07	1613	18
2007-08	1758	16
2008-09	1868.87	14.28
2009-10	2235.98	11.27
2010-11	2135.05	10.62 (Estimated)

Source: Compiled Data from Ministry of Finance; Ranchi.

The above Table shows that the interest under of state government is increasing over the years. The interest paid by the government was Rs 1419 Cr in 2002-03, Rs 1420 Cr in 2005-06, Rs 1869 Cr in 2008-09 and Rs 2135.05 Cr in 2010-11 (B.E). Thus over the decade the growth in interest payment is little more than 50%. Though this is a matter a concern the only saving grace is that the government has been able to confirm to the mandatory standards prescribed by the finance commission (i.e. upto 15% of its revenue receipts).

Trends in Revenue Receipts, Borrowings and Expenditure of the State Government

The important trend of the state may be summarised as follow:

1. Revenues of state government have shown a continuous and steadily rising tendency. This is due to the fact that with creation of a new state functions and responsibilities have also increased. New taxes are imposed and old are removed. Between 2004-05 to 2010-11 tax revenue have increased from Rs 4519 Cr to 12,307 Cr. in 2010-11 (B.E.).
2. Besides tax revenue states have other source of income like non tax revenue. Total Non-tax revenue has increased from 1219 Cr to 7794 Cr.
3. In case of revenue expenditure there has been rapid increase partly due to rise in salaries, expansion in government activities and growing interest payment. Secondly there has been change in the 'Composition of public expenditure of states. Development expenditure has grown at less much faster rate as compared to non-development expenditure. The increase in defence expenditure, subsidies and administration are responsible for tremendous increase in non developmental expenditure.
4. The state government Finance economic development partly through capital receipts
5. With liabilities of the government increasing over time interest under also bound to increase.

Swot Analysis of Jharkhand Budget

Analysis of Jharkhand budget over the past four years has highlighted the strength, weaknesses, opportunity and threats which are as follows.

Strengths

- (a) Effort has been made by state government towards developing the state involves making major allocation towards social sectors rural development, education, energy and infrastructure. These sectors have been given priority with increased funding and other supportive policy measures.
- (b) The increase outlay on education particularly on primary and secondary education is appreciable. The focus is on improving the drop-out ratio.

Weaknesses

- (a) Major drawback of state government is poor allocation made toward agriculture in the beginning few years. Presently agriculture is suffering from consistently low rates of growth hence it demands greater attention. Also because more than 80% of the rural population of Jharkhand is directly or indirectly dependent upon agriculture for their livelihood.
- (b) Health sector is not given two much importance in the Jharkhand state budget. But there is a need for significant improvement in health care particularly in the rural areas of Jharkhand state.

- (c) Jharkhand state is rich in minerals. But the attempt of the government towards development or mines and industry is not worth mentioning whereas the government should have tapped this area for revenue generation.
- (d) The revenue deficit for the year 2005-06n has increased to 1118.75 Crore which indicates that government is living beyond its means and is forced to borrowed even to meet its current expenditure.

Though a positive sign is observed as the government is able to reduce its revenue deficit for the year 2006-07 and 2007-08.

Opportunity

The main objective of inception of Jharkhand is to uplift the tribal people of Jharkhand. There are several welfare programmes which are being carried out by the central government. More then 95% of the total population are of S.T, S.C. minorities and O.B.C. The societal advantage of Jharkhand is that women are being given equal importance in the society. They have equal contribution in their earnings (especially in tribal women). Tribals constitute a substantial contribution about 26.3% of the total population. Mostly the people of Jharkhand are mainly dependent on agriculture, agro-based industry and forest products. This is a good sign for the state.

Jharkhand state is also rich in minerals. It constitutes about 40% of the total minerals found in India. If utilized properly, they can be great advantage for the state. Different industries are established in the Iron and steel sector. About 98% of the coking coal mines of India is situated in Jharkhand. It is also a rich source of tin and ranks 1st in the production of coal. The inception of industries in Jharkhand state was started when TISCO was established in 1907. Hence there is a great potential of generating revenue from this sector.

Threats

The foremost problem that the budget faces is terrorism which is increasing day by day due to lack of proper infrastructure (Road, Building, Power, Energy) and basic amenities Secondly a major part of the population still includes uneducated people especially tribals. This state is still backward from the educational point of view. The literacy rate is 54.13% and there is lack of awareness among the people. Thirdly for the development of any state political stability is a pre-requisite. But in Jharkhand, the government has been unstable over the years which effects the formulation and implementation of development policies and programmes.

Finally the red tapisim of the government as well as exploitation are few other factors which arises as threats and needs to be tackled.

Suggestions

After eight years of Inception of Jharkhand, still a complete, comprehensive, scientific and feasible budget is not yet presented in the state. Revenue expenditure are increasing in comparision of capital expenditure. It shows the slow growth rate. There is an urgent need to give special emphasis on the following areas of the budget provisions.

Researcher wants to give the following feasible suggestions.

- (a) The Jharkhand budget try to decrease the revenue expenditure which is increasing in a geometric progression. It is an alarming period if proper remedial measure is not taken in time it will hamper the economy of the state.

- (b) Revenue deficit is decreasing from the year 2005-06. It should be given more importance and attempt should be made to minimize it gradually. For this budget should concentrate on increasing the revenue income and decrease the revenue expenditure at its possible minimum level.
- (c) Non-plan expenditure is more than the plan expenditure which shows the in-efficiency of the government strategic planning of all development activities should be done in a feasible manner so that Non-plan expenditure will not accessibly utilized as compared to plan expenditure.
- (d) A detailed homework should be done by the experts and each activity should be well analysed and put before the budget estimates.
- (e) Rising prices of commodities have fuelled inflation in recent years and hence the government should try to curtail it through various taxation control method.
- (f) The borrowings and gurantees given on loans raised should be checked by third parties i.e. can effective monitoring system should be implemented which should be free from bias.
- (g) Periodic reports to the parliament on its programs toward achievement of prescribed target.
- (h) Allocation of state government towards socio-economic services and welfare measures generation of employment, strengthening agriculture and creation of employment, strengthening agriculture and creation of infratcture is distrubligly low.
- (i) Instead of increasing the complexity of tax system make it simple
- (j) Changes it accounting system to create fiscal awareness (Such as with institution of NSST)

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