An Analytical Study of Tax Revenue Receipts in Chhattisgarh: Trends, Composition, and Implications for Fiscal Policy

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Abstract

This paper aims to examine the composition, trends, and patterns of tax revenue receipts in the state of Chhattisgarh over recent years. Using a combination of quantitative and qualitative methods, the study explores the role of tax revenues in state finance, focusing on direct and indirect taxes, tax buoyancy, and the efficiency of tax collection mechanisms. The study also delves into the implications of tax revenue performance on fiscal sustainability, development programs, and public welfare initiatives. By analyzing state budget documents, official reports, and comparative data from other Indian states, this paper provides an in-depth understanding of Chhattisgarh's tax revenue structure and suggests policy recommendations for improving tax mobilization and economic development.

Keywords: *Chhattisgarh, tax revenue, state finance, direct taxes, indirect taxes, fiscal policy, tax buoyancy*

Introduction

Tax revenues are the cornerstone of any state's financial stability, forming a major component of the government's income. In India, each state operates under its unique socio-economic conditions, impacting how tax revenues are structured and mobilized. Chhattisgarh, a state carved out from Madhya Pradesh in 2000, presents an interesting case for studying tax revenues, given its unique demographic and industrial characteristics, including a large tribal population and significant natural resources.

This paper aims to examine the tax revenue receipts in Chhattisgarh, focusing on various sources such as direct taxes (income tax, property tax) and indirect taxes (GST, excise, VAT). It will analyze trends, sources, and efficiency over the last decade and explore how these revenues support state expenditure on developmental programs and social welfare.

Public finance is a field of study that focuses on the role of the government in the economy. It examines various aspects such as government revenue and expenditure, which are managed by central and state government authorities.

Prof. Dalton's definition of public finance states that it is concerned with the income and expenditure of public authorities and how they are adjusted between each other. This means that public finance deals with the impact of taxation, government spending, public borrowing, and deficit financing. These topics form the core subject matter of public finance.

According to Prof. Otto Eckstein, public finance explores the effects of government budgets on the economy, with a particular emphasis on achieving major economic objectives such as economic growth, stability, equity, and efficiency. This means that public finance analyzes how government policies and budgetary decisions can influence these economic goals.

In summary, public finance is the study of the government's role in the economy, examining topics such as government revenue and expenditure, taxation, borrowing, and budgetary effects. It aims to understand how government decisions can impact key economic objectives like growth, stability, equity, and efficiency.

Importance of Public Expenditure

Public expenditure plays a crucial role in the economic progress of a nation. It serves as a means to stimulate overall demand and revive the economy during times of recession. Additionally, public expenditure contributes to improving income distribution, directing resources towards preferred sectors, and influencing the composition of the national output. Developing countries, in particular, greatly benefit from public expenditure as it ensures economic stability, fosters economic growth, generates employment opportunities, reduces poverty, and minimizes income disparities. This article will explore different forms of public expenditure, investigate the reasons behind its expansion, and analyze its impact on production, distribution, and economic growth in both developed and developing countries. The macroeconomic theory advanced by J.M. Keynes offers insights into how public expenditure determines income levels and their distribution.

Public expenditure is an essential element in the efficient running and development of a country. The following are some of the reasons why public expenditure is critical:

1. Promoting Economic Growth: Public expenditure is crucial in encouraging economic growth. The government invests in areas like infrastructure, education, healthcare, and other essential sectors, leading to economic activity, job creation, and increased productivity.

2. Provision of Public Services: Public expenditure enables the government's provision of public services, such as education, healthcare, social welfare, and public utilities. This ensures that basic necessities are available for everyone and that quality services are accessible.

3. Social Development: Public expenditure is significant in social development by addressing inequality and promoting inclusivity. By implementing policies and programs that benefit disadvantaged groups and promoting social justice, the government can reduce poverty and enhance social welfare.

4. Infrastructure Development: Adequate public expenditure is necessary for constructing and maintaining infrastructure such as roads, bridges, airports, and utilities. This enhances connectivity and facilitates trade, and attracts private investments, leading to economic growth and development.

5. Public Goods and Externalities: Public expenditure helps the provision of public goods and addressing externalities. National defense and environmental protection are examples of public goods that require government provision. Public expenditure can also reduce negative externalities like pollution through regulation and environmental initiatives.

6. Countercyclical Measures: Public expenditure can be used as a tool for implementing countercyclical measures during economic downturns or recessions. Increased government spending during these periods can boost demand, stimulate economic activity, and mitigate the downturn's impact.

7. Investment in Human Capital: By investing in education and healthcare through public expenditure, governments improve human capital, which is crucial for long-term economic growth. Thus citizens can acquire the necessary skills and good health to contribute significantly to the economy.

Public expenditure is critical in areas such as fostering economic growth, providing essential public services, promoting social development, investing in infrastructure, addressing market failures, implementing countercyclical measures, and developing human capital. It's a pivotal component in overall nation progress and wellbeing.

Public expenditure can be categorized into two types: revenue expenditure and capital expenditure. Revenue expenditure refers to the current expenses associated with civil administration, including public health, education, police, judiciary, and defense forces. These expenditures occur on a recurring basis year after year. On the other hand, capital expenditure involves the spending on durable assets and represents one-time or non-recurring expenses. Capital expenditure includes investments in projects such as multipurpose river projects, construction of buildings, establishment of plants, bridges, steel plants, and the acquisition of machinery and equipment. These expenses are considered as capital expenditure due to their long-term nature and contribution to the development of infrastructure and productive capacity.

1. Revenue Expenditure: Revenue expenditure pertains to the funds utilized by the government for its routine operations and the maintenance of essential services. These expenditures are of a recurring nature and do not result in the creation of new assets or long-term benefits. Examples of revenue expenditures include salaries and wages of government employees, payment for goods and services, interest payments on loans, and subsidies. These expenses are financed through tax revenue, non-tax revenue, and borrowing.

2. Capital Expenditure: In contrast, capital expenditure refers to the allocation of funds for long-term investments that aim to generate assets or provide lasting benefits to the economy. Capital expenditures involve the acquisition, construction, or improvement of physical assets such as infrastructure, buildings, equipment, and technology. These investments have a durable impact on economic development. Capital expenditure is typically funded through borrowing, revenue surplus, grants, or loans from external sources.

The differentiation between revenue and capital expenditure holds significance in budgeting and financial planning. Revenue expenditure covers day-to-day operational costs, while capital expenditure aims to enhance the productive capacity of the economy and foster long-term growth. Striking a balance between these two types of expenditure is crucial for governments to ensure sustainable economic development and prudent financial management.

ii) Transfer Expenditure and Non- Expenditure

Public expenditure can be categorized into two primary types: transfer expenditure and non-transfer expenditure.

1. Transfer Expenditure:

Transfer expenditure, although lacking direct returns for the government, enhances the welfare of the population. This category of expenditure encompasses various aspects including national old age pension schemes, interest payments, subsidies, unemployment allowances, and welfare benefits targeted towards individuals from disadvantaged backgrounds.Transfer expenditure refers to government spending that involves the transfer of funds from one group or entity to another without expecting direct economic returns. The main goal of transfer expenditure is to enhance social welfare and provide financial support to specific individuals or groups. Examples of transfer expenditure include:

- Social welfare programs: This includes expenditures on schemes like national pension programs for the elderly, disability benefits, unemployment allowances, and welfare benefits for vulnerable segments of society.

- Subsidies: Government subsidies provided to industries, agriculture, and public utilities also fall under transfer expenditure. These subsidies aim to reduce costs and make certain goods or services more affordable for the general public.

- Interest payments: Expenditure on interest payments for servicing public debt is categorized as transfer expenditure.

The key characteristic of transfer expenditure is that it does not directly contribute to the production of goods or services or the creation of physical assets. Instead, its focus is on redistributing resources and promoting social welfare.

2. Non-transfer Expenditure:

Non-transfer expenditure encompasses all other forms of government spending that do not fall under transfer expenditure. It can be further classified into development and non-development expenditure.Non-transfer expenditure plays a crucial role in establishing an environment that fosters economic activities. It encompasses various activities, including:

- Development of economic infrastructure: This involves investing in power generation, transportation systems, and irrigation facilities to support economic growth and development.

- Social infrastructure: Non-transfer expenditure is directed towards sectors such as education, healthcare, and family welfare, which contribute to the well-being of society.

- Internal law and order and defense: Allocating funds to maintain internal law and order and ensuring national defense and security also fall under non-transfer expenditure.

- Public administration: Non-transfer expenditure is utilized to support public administration functions, including salaries for government employees and the efficient functioning of governmental institutions.

In essence, non-transfer expenditure undertaken by the government creates an enabling environment for economic activities by focusing on the development of economic and social infrastructure, ensuring law and order, and facilitating effective public administration.

Distinguishing between transfer and non-transfer expenditure is crucial for understanding the different objectives and purposes of government spending. While transfer expenditure focuses on promoting social welfare and redistributing income, non-transfer expenditure encompasses investments in infrastructure, human capital, and public administration to support economic growth and efficient governance.

iii) Development and Non-development Expenditure:

Development spending encompasses government spending that contributes to the overall economic growth of the nation. It is also referred to as productive expenditure as it helps to raise the nation's production and efficiency. On the other hand, non-development expenditure does not directly aid in the country's economic development. Non-development expenditure comprises the cost of tax collection, auditing, printing of currency, defence spending, etc. Development spending covers social, community and economic services.

- Development expenditure: Development expenditure involves investments in infrastructure development such as transportation networks, power generation, irrigation systems, and other projects aimed at fostering economic growth and development. It also includes spending on social infrastructure, such as education, healthcare, and housing, which contribute to the overall well-being of society.

- Non-development expenditure: Non-development expenditure includes expenditures related to the functioning of the government and public administration. This includes salaries and benefits of government employees, administrative expenses, law and order maintenance, defense, and other essential services required for effective governance.

The development costs cover social, community and economic services. Social development costs include expenditures for the improvement of education, healthcare, housing and urban development, labor welfare programs, relief for natural disasters, and other social activities. Economic service expenses consist of general economic services, expenditure for farming and related activities, industry and minerals, water and power, transportation and communication, energy, science, technology and technological advancement.

Objectives of the Study

To analyze the composition of tax revenue receipts in Chhattisgarh.

To examine the trends and growth rates of tax revenue over the past decade.

To study the contribution of direct and indirect taxes to the state's total revenue.

Literature Review

This paper reviews the relationship between finance, institutions, and development, evaluating current literature on the role of financial institutions in economic growth. It also outlines future research directions, offering insights into how finance and institutions influence economies.

This study examines the link between government spending and economic growth in India using 44 years of data. It finds no short-term causality but identifies long-term causality between GDP and revenue expenditure. A reciprocal relationship between per capita spending and GDP is also observed.

The study investigates the causal relationship between public expenditure on education and economic growth in 28 Indian states. Using panel data and cointegration tests, it examines whether education spending drives economic growth or vice versa.

Utilizing a Panel Vector Error Correction model, this study explores the long-term relationship between public expenditure on education and economic growth in Indian states, revealing that economic growth leads to increased education spending.

This analytical study examines the relationship between public expenditure and economic development in India (2000–2019). It identifies a positive impact of public expenditure on GDP, emphasizing the role of government schemes in driving economic growth.

This paper highlights the role of total public expenditure in promoting human development across various sectors in India. It emphasizes the importance of government spending in driving economic growth and development through successful implementation of public schemes.

The study reviews literature on the impact of public expenditure on economic growth, grouping findings into positive, negative, and no-impact categories. While results vary, the majority of studies lean toward a positive impact of government spending on growth.

This study explores the relationship between institutions and human development, highlighting how institutional frameworks influence social and economic outcomes. It provides insights into the dynamics between institutions and development.

This paper analyzes the combined impact of government size and institutional quality on economic growth in Indian states. The findings underscore the importance of both factors in shaping economic growth across regions.

This study examines the influence of general government expenditure on GDP growth in India (1980–2016). It finds a positive impact of expenditure, with exceptions during the 2008 financial crisis, and highlights the significance of reforms.

The study finds no serial correlation among explanatory variables and suggests increasing development expenditure on infrastructure. It advocates for fiscal reform at the state level to boost economic growth through better expenditure management.

This study examines the link between public expenditure and socio-economic development using the Human Development Index. It finds that public spending in productive sectors like education and health positively influences socio-economic development.

The paper analyzes the impact of public expenditure on India's economic growth (1981–2012). While increased expenditure supports long-term growth, it creates inflationary pressure in the short run, hindering immediate growth effects.

This study explores the relationship between public expenditure and economic growth in Jammu and Kashmir. It finds weak causality between the two but notes positive impacts from spending on social services, education, health, and industry.

Using a spatial econometric approach, this paper examines how institutional factors influence economic growth in Africa. It provides insights into the role of political, legal, and economic institutions in shaping development.

This study investigates the impact of various components of public expenditure on economic growth in India (1980–2013) using the ARDL approach. It also applies Granger causality tests to determine the direction of causality between variables.

Methodology

The study will use secondary data. Secondary data will be drawn from the state government's annual budget documents, reports from the Ministry of Finance, and tax revenue reports published by the Chhattisgarh Government. Time series data analysis will be employed to examine trends in revenue receipts, analysis of Chhattisgarh's tax structure.

Result and Discussion

Public expenditure is commonly categorized into Developmental Expenditure and Non-Developmental Expenditure. Developmental expenditures are those that directly contribute to the productive capacity of an economy, encompassing areas such as education, health, infrastructure, and fertilizer subsidies. On the other hand, Non-Developmental Expenditures are expenditures that do not directly enhance the productive capacity of the economy, including items like interest payments, expenditures on law and order, defense, public administrative costs, and certain categories of subsidies.

As per Indian Public Finance Statistics, developmental expenditure encompasses all items of expenditure that foster socio-economic development. These expenditures generally aim to expand and improve the physical resources of the country, enhance the knowledge, skills, and productivity of the people, and ensure the efficiency of the overall system. Developmental expenditure broadly covers socio-economic major heads as outlined in the budget, excluding some non-plan expenditures like pensions and social security. It also includes grants to States and Union Territories. Expenditures other than Developmental Expenditure, excluding Loans and Advances, as provided by the Government, constitute Non-Developmental Expenditure. Notably, both Developmental Expenditure and Non-Developmental Expenditure of Chhattisgarh State have exhibited accelerated growth during the study period.

Table No.4.12 provides details on the Developmental and Non-Developmental expenditure of Chhattisgarh State from 2001-02 to 2015-16. The Developmental Expenditure has seen a significant rise, escalating from Rs. 3,568.9 crores in 2001-02 to Rs. 13,005 crores in 2008-09, and further surging to Rs. 52,980 crores in 2015-16. This signifies a substantial increase of 3.64 times in 2008-09 and an impressive surge of 14.84 times in 2015-16, illustrating the growing investment in developmental initiatives over the specified period.

Table No.1.1: Developmental and Non-Developmental Expenditure of Chhattisgarh Government from 2001-02 to 2015-2016

Sr. No.	Year	Developmental Expenditure (DE)	Non- Developmental Expenditure (NDE)	Total Expenditure
1	2001-02	3568.9	1738.2	5307.1
2	2002-03	4388.9	1858.1	6247
3	2003-04	5736	2177	7913
4	2004-05	5719	2523	8242
5	2005-06	6734	2214	8948
6	2006-07	8581	2714	11295
7	2007-08	10782	3146	13928
8	2008-09	13005	3701	16706
9	2009-10	16000.1	4400.30	20400.4
10	2010-11	16800.7	5300	22100.7
11	2011-12	21300	5900	27200
12	2012-13	26150	6770	32920
13	2013-14	29750	8030	37780
14	2014-15	44960	9100	54060
15	2015-16	52980	10970	63950
Average		**17763.71**	**4702.77**	**22466.48**

The compound annual growth rate of Chhattisgarh Government's developmental expenditure stands at 21.25 percent per annum throughout the comprehensive study period from 2001-02 to 2015-16. An examination of the growth in developmental expenditure over five-year intervals reveals that it experienced a higher growth rate (25.58 percent per annum) during the period from 2011-12 to 2015-16 compared to the periods of 2001-02 to 2005-06 (17.20 percent per annum) and 2006-07 to 2010-11 (18.28 percent per annum), underscoring an accelerated pace of developmental investments in the later years.

Conversely, the Non-Developmental expenditure has seen an increase, rising from Rs. 1,738.2 crores in 2001-02 to Rs. 3,701 crores in 2008-09, and further escalating to Rs. 10,970 crores in 2015-16. This signifies a notable increase of 2.13 times in 2008-09 and an impressive surge of 6.31 times in 2015-16, illustrating a growing allocation to non-developmental initiatives over the specified period.The compound annual growth rate of Chhattisgarh Government's Non-Developmental expenditure stands at 14.06 percent per annum throughout the comprehensive study period from 2001-02 to 2015-16. Further analysis reveals that the Non-Developmental expenditure experienced a higher growth rate (18.21 percent per annum) during the period from 2006-07 to 2010-11 compared to the periods of 2001-02 to 2005-06 (6.23 percent per annum) and 2011-12 to 2015-16 (16.77 percent per annum), emphasizing an increased pace of non-developmental investments in the mid-years of the study.

Therefore, it is evident that both Developmental Expenditure and Non-Developmental Expenditure have increased during the study period. However, the growth rate of Developmental Expenditure is higher than that of Non-Developmental Expenditure.

Table No.1.2: Compound Annual Growth Rates of Developmental and Non- Developmental Expenditure of Chhattisgarh Government

Sr. No	Year	Developmental Expenditure	Non-Developmental Expenditure	Total Expenditure
(1)	**(2)**	**(3)**	**(4)**	**(5)**
1	CAGR (2001-02 to 2005-06)	17.20	6.23	13.95
2	CAGR (2006-07 to 2010-11)	18.28	18.21	18.28
3	CAGR (20011-12 to 2015-16)	25.58	16.77	23.82
4	CAGR (2001-02 to 2015-16)	21.25	14.06	19.45

The percentage share of Developmental Expenditure in Total Expenditure has shown an upward trend, increasing from 67.77 percent in the year 2001-02 to 77.84 percent in the year 2008-09, and further rising to 82.84 percent in the year 2015-16. In contrast, the percentage share of Non-Developmental expenditure in Total Expenditure has witnessed a decline, decreasing from 32.76 percent in the year 2001-02 to 22.15 percent in the year 2008-09, and further dropping to 17.15 percent in the year 2015-16.

The observation indicates that Chhattisgarh State has allocated a substantial amount to developmental expenditure. This allocation is expected to enhance the economic efficiency of the State and simultaneously contribute to the acceleration of the growth rate of the economy, infrastructure development, and the capabilities of the working-age population within the State (Mishra & Dubey, 2017a). Consequently, the progress in fiscal consolidation of the state is not occurring at the expense of developmental expenditure.

Table No.1.3: Share of Developmental and Non-Developmental Expenditure of Chhattisgarh Government in Total Expenditure

Sr. No.	Year	Share of DE in TE	Share of NDE in TE	Total Expenditure
1	2001-02	67.24	32.76	100
2	2002-03	70.25	29.74	100
3	2003-04	72.48	27.51	100
4	2004-05	69.38	30.61	100
5	2005-06	75.26	24.74	100
6	2006-07	75.97	24.03	100
7	2007-08	77.42	22.58	100
8	2008-09	77.85	22.15	100
9	2009-10	78.44	21.56	100

10	2010-11	76.02	23.98	100
11	2011-12	78.31	21.69	100
12	2012-13	79.44	20.56	100
13	2013-14	78.75	21.25	100
14	2014-15	83.17	16.83	100
15	2015-16	82.85	17.15	100
Average		**76.18**	**23.81**	**100**

Table No.4.15 provides a breakdown of Developmental and Non-Developmental expenditure as a percentage of Gross State Domestic Product (GSDP) for Chhattisgarh State from 2001-02 to 2015-16.The share of Developmental expenditure as a percentage of Gross State Domestic Product witnessed fluctuations, starting at 11.93 percent in the year 2001-02 and peaking at 14.45 percent in 2003-04. It then experienced a decline to 12.56 percent in 2004-05. Subsequently, there was a notable increase of 21.37 percent in the year 2015-16. In contrast, Non-Developmental Expenditure as a percentage of Gross State Domestic Product decreased from 5.81 percent in 2001-02 to 3.81 percent in 2008-09. Following this, it fluctuated between 3 to 4.50 percent and reached 4.42 percent in the year 2015-16. This data reflects a significant increase in the average share of Developmental expenditure as a percentage of the state's Gross State Domestic Product, while Non-Developmental expenditure has decreased over the specified period.

Table No.1.4: Developmental & Non-Developmental Expenditure from 2001-02 to 2015-2016

Sr. No.	**Year**	**Dev. Exp. (DE) as percent of GSDP**	**Non- Dev. Exp. (NDE) as percent of GSDP**	**Total Expenditure as percent ofGSDP**
1	2001-02	11.93	5.81	17.74
2	2002-03	13.35	5.65	19.00
3	2003-04	14.45	5.48	19.93
4	2004-05	12.56	5.54	18.11
5	2005-06	12.61	4.14	16.76
6	2006-07	12.83	4.05	16.88
7	2007-08	13.43	3.91	17.35
8	2008-09	13.41	3.81	17.22
9	2009-10	16.10	4.42	20.53
10	2010-11	14.06	4.43	18.50
11	2011-12	13.47	3.73	17.20
12	2012-13	14.62	3.7	18.40

13	2013-14	15.07	4.06	19.14
14	2014-15	20.16	4.08	24.24
15	2015-16	21.37	4.42	25.80
Average		**14.62**	**4.48**	**19.12**

Plan and Non-plan expenditure of Chhattisgarh government

Public expenditure in India undergoes a classification based on Plan and Non-Plan expenditure, although the constitutional categorization involves Revenue expenditure and Capital Expenditure as outlined in Article 112(2) and Article 202. The distinction between Plan and Non-Plan expenditure has evolved in tandem with the planning process. Plan Expenditure in India encompasses spending on items aligned with five-year plans, focusing on the creation of productive assets through centrally sponsored programs and flagship schemes. Notable items under Plan expenditure include investments in school buildings, hospital infrastructure, roads and bridges, textbooks, and medical supplies. On the other hand, Non-Plan expenditure comprises all spending that falls outside the purview of the planning framework. This includes expenditure on defense services, interest payments, worker wages, government staff salaries, and the operational costs of existing government institutions across various sectors.

Table No.1.5: Consolidated Plan and Non-plan Expenditure of Chhattisgarh Government from 2001-02 to 2015-2016

Sr.No.	Year	Plan Expenditure	Non-plan Expenditure	Total Expenditure
1	2001-02	1550.14	3921.11	5471.25
2	2002-03	2116.48	4292.11	6408.59
3	2003-04	3082.62	5090.98	8173.60
4	2004-05	2986.28	5508.94	8495.12
5	2005-06	3813.38	5478.14	9291.52
6	2006-07	5545.30	6228.9	11773.39
7	2007-08	7164.38	7308.53	14472.91
8	2008-09	8840.39	8385.68	17226.07
9	2009-10	10449.52	10460.92	20910.44
10	2010-11	11576.44	11299.72	22876.16
11	2011-12	15318.79	12638.43	27957.22
12	2012-13	19236.99	14542.17	33779.16

13	2013-14	19497.70	19259.89	38757.59
14	2014-15	27678.23	18529.07	46207.30
15	2015-16	28635.82	23175.46	51811.28
Average		**11166.16**	**10408.00**	**21574.11**

Table No.1.5 illustrates the Plan and Non-Plan Expenditure of Chhattisgarh State spanning the years 2001-02 to 2015-16. Plan Expenditure has exhibited growth, ascending from Rs. 1550.14 crores in the year 2001-02 to Rs. 8840.39 crores in the year 2008-09 and reaching Rs. 28635.82 crores in the year 2015-16. This represents a 5.70-fold increase in the year 2008-09 and a substantial 18.47-fold increase in the year 2015-16.Conversely, Non-Plan Expenditure has also seen an upswing, escalating from Rs. 3921.11 crores in the year 2001-02 to Rs. 8385.68 crores in the year 2008-09 and eventually reaching Rs. 23175.46 crores in the year 2015-16. This indicates a 2.13-fold increase in the year 2008-09 and a noteworthy 5.91-fold increase in the year 2015-16.

The compound annual growth rate of the Plan Expenditure of the Chhattisgarh Government stands at 23.16 percent per annum over the entire study period from 2001-02 to 2015-16. Notably, the Plan Expenditure experienced a robust growth rate of 25.23 percent per annum in the initial period from 2001-02 to 2005-06. In contrast, during the subsequent periods of 2006-07 to 2010-11 and 2011-12 to 2015-16, the growth rates were 20.20 percent per annum and 16.92 percent per annum, respectively.

The compound annual growth rate of the Non-plan Expenditure of the Chhattisgarh Government is recorded at 13.53 percent per annum across the entire study period from 2001-02 to 2015-16. Specifically, Non-plan Expenditure exhibited a higher growth rate of 16.26 percent per annum in the more recent period from 2011-12 to 2015-16, in comparison to the earlier periods of 2001-02 to 2005-06 and 2006-07 to 2010-11, where the growth rates were 8.71 percent per annum and 16.05 percent per annum, respectively. It is evident that both Plan and Non-plan Expenditure increased during the study period, with Plan Expenditure experiencing a more rapid growth compared to Non-plan Expenditure from 2001-02 to 2015-16.

Table No.1.6 Compound Annual Growth Rates of Plan and Non-plan Expenditure of Chhattisgarh Government

Sr. No	**Year**	**Plan Expenditure**	**Non-plan Expenditure**	**Total Expenditure**
1	CAGR (2001-02 to 2005-06)	25.23	8.71	14.15
2	CAGR (2006-07 to 2010-11)	20.20	16.05	18.06
3	CAGR (20011-12 to 2015-16)	16.92	16.26	13.38
4	CAGR (2001-02 to 2015-16)	23.16	13.53	17.42

Table No.1.7: Share of Plan and Non-Plan Expenditure of Chhattisgarh Government in Total Expenditure from 2001-02 to 2015-2016

Sr.No.	Year	Share of PE in TE	Share of NPE in TE	Total Expenditure
1	2001-02	28.33	71.66	100
2	2002-03	33.03	66.97	100
3	2003-04	37.71	62.28	100
4	2004-05	35.15	64.85	100
5	2005-06	41.04	58.96	100
6	2006-07	47.10	52.91	100
7	2007-08	49.50	50.49	100
8	2008-09	51.32	48.68	100
9	2009-10	49.97	50.03	100
10	2010-11	50.60	49.39	100
11	2011-12	54.79	45.21	100
12	2012-13	56.95	43.05	100
13	2013-14	50.31	49.69	100
14	2014-15	59.90	40.10	100
15	2015-16	55.27	44.73	100
Average		**46.73**	**53.27**	**100**

The percentage share of Plan Expenditure in the total expenditure of the Chhattisgarh Government exhibited a fluctuating trend during the study period. It increased from 28.33 percent in the year 2001-02 to 51.32 percent in the year 2008-09 and reached 59.90 percent in the year 2014-15. However, it then declined to 55.27 percent in 2015-16. Conversely, the percentage share of Non-plan Expenditure in the total expenditure decreased from 71.66 percent in the year 2001-02 to 48.68 percent in the year 2008-09. It further declined to 40.10 percent in the year 2014-15 but increased slightly to 44.73 percent in the year 2015-16.

Revenue and Capital Expenditure of Chhattisgarh Government

The percentage share of Plan Expenditure in the total expenditure of the Chhattisgarh Government exhibited a fluctuating trend during the study period. It increased from 28.33 percent in the year 2001-02 to 51.32 percent in the year 2008-09 and reached 59.90 percent in the year 2014-15. However, it then declined to 55.27 percent in 2015-16. Conversely, the percentage share of Non-plan Expenditure in the total expenditure decreased from 71.66

percent in the year 2001-02 to 48.68 percent in the year 2008-09. It further declined to 40.10 percent in the year 2014-15 but increased slightly to 44.73 percent in the year 2015-16.

The compound annual growth rate of the Revenue Expenditure of the Chhattisgarh Government has been determined as 16.89 percent per annum over the entire study period from 2001-02 to 2015-16. Notably, it witnessed a higher growth rate of 21.77 percent during the period from 2006-07 to 2010-11, in contrast to the periods 2001-02 to 2005-06 and 2011-12 to 2015-16, which saw growth rates of 10.99 percent per annum and 16.89 percent per annum, respectively.

On the other side, the Capital Expenditure of the Chhattisgarh Government has displayed an upward trajectory, escalating from Rs. 476.26 crores in the fiscal year 2001-02 to Rs. 2940.15 crores in 2008-09 and further to Rs. 7945.00 crores in 2015-16. This signifies a noteworthy increase of 6.17 times in 2008-09 and an impressive surge of 16.68 times in 2015-16. The compound annual growth rate of the Capital Expenditure for the entirety of the study period from 2001-02 to 2015-16 has been calculated at 22.26 percent per annum. Notably, it experienced a higher growth rate of 33.15 percent during the period from 2001-02 to 2005-06 in comparison to the periods 2006-07 to 2010-11 and 2011-12 to 2015-16, which recorded growth rates of 07.65 percent per annum and 18.30 percent per annum, respectively.

Table No.1.8: Revenue, Capital Expenditure and Loan & Advances (L&A) of Chhattisgarh Government from 2001-02 to 2015-2016

Sr. No.	Year	Revenue Expenditure (RE)	Capital Expenditure (CE)	Loan & Advances (L&A)	Total Expenditure
1	2001-02	4914.12	476.26	80.87	5471.25
2	2002-03	5530.0	819.79	58.80	6408.59
3	2003-04	6600.4	1015.49	557.69	8173.60
4	2004-05	7103.05	1279.13	113.04	8495.22
5	2005-06	7457.14	1496.90	337.48	9291.52
6	2006-07	8802.44	2198.10	772.85	11773.39
7	2007-08	10839.86	3 130.69	502.36	14472.91
8	2008-09	13793.70	2940.15	492.22	17226.07
9	2009-10	17265.44	2744.92	900.08	20910.44
10	2010-11	19355.75	2951.51	568.90	22876.16
11	2011-12	22628.05	4056.41	1272.76	27957.22
12	2012-13	26971.84	4919.33	1887.99	33779.16
13	2013-14	32859.57	4574.19	1323.83	38757.59
14	2014-15	39497.20	6620.56	89.54	46207.30

15	2015-16	43701.06	7945.00	165.22	51811.28

Table No.1.9:Compound Annual Growth Rates of Revenue Expenditure, Capital Expenditure and Loan & Advances (L&A) of Chhattisgarh Government

Sr. No	Year	Revenue Expenditure	Capital Expenditure	Loan & Advances (L&A)	Total Expenditure
1	CAGR (2001-02 to 2005-06)	10.99	33.15	42.93	14.16
2	CAGR (2006-07 to 2010-11)	21.77	07.65	-7.37	18.06
3	CAGR (2011-12 to 2015-16)	17.88	18.30	-39.97	16.68
4	CAGR (2001-02 to 2015-16)	16.89	22.26	5.24	17.42

The data in column no. 5 of table no.4.20 delineates the Loan & Advances granted by the Chhattisgarh Government, which experienced an escalation from Rs. 80.87 crores in the fiscal year 2001-02 to Rs. 492.22 crores in 2008-09 and then to Rs. 282.87 crores in 2015-16. This represents an upswing of 6.08 times in 2008-09 and a growth of 3.49 times in 2015-16, respectively. The compound annual growth rate (CAGR) of the Loan & Advances granted by the Chhattisgarh State is calculated at 5.24 percent per annum over the entire study period from 2001-02 to 2015-16. Interestingly, it exhibited a higher growth rate of 42.93 percent during the period from 2001-02 to 2005-06 compared to the periods 2006-07 to 2010-11 and 2011-12 to 2015-16, which registered growth rates of -7.37 percent per annum and -39.97 percent per annum, respectively. The negative CAGR during the recent periods (2006-07 to 2010-11 and 2011-12 to 2015-16) implies a decline in the growth of Loan & Advances, suggesting that the State has curtailed its expenditure on loans and advances in the overall expenditure.

In conclusion, the analysis indicates that both Revenue Expenditure and Capital Expenditure of the Chhattisgarh Government have experienced growth over the study period (2001-02 to 2015-16). Notably, Capital Expenditure has exhibited a higher growth rate compared to Revenue Expenditure during this timeframe. This increase in Capital Expenditure is considered a positive indicator of fiscal consolidation, suggesting that the Chhattisgarh Government has pursued a path of quality fiscal consolidation over the specified period.

The percentages share of Revenue Expenditure, Capital Expenditure, and Loan & Advances to Total Expenditure are presented in columns 3, 4, and 5 of Table No.4.21 The analysis reveals that the percentage share of Revenue Expenditure decreased from 89.81 percent in the year 2001-02 to 80.07 percent in the year 2008-09, but subsequently increased to 83.25 percent in the year 2015-16. Conversely, the percentage share of Capital Expenditure increased from 8.7 percent in the year 2001-02 to 17.06 percent in the year 2008-09, and then slightly declined to 16.31 percent in the year 2015-16. The percentage share of Loan & Advances increased from 1.47 percent in the year 2001-02 to 2.85 percent in the year 2008-09, but then declined to 0.42 percent in the year 2015-16.

Table No.1.10.Percentage Share of Revenue Expenditure, Capital Expenditure, and Loan & Advance (L&A) of Chhattisgarh Government from 2001-02 to 2015-2016

Sr. No.	Year	Share of RE in TE	Share of CE in TE	Share of (L&A) in TE	Total Expenditure
(1)	(2)	(3)	(4)	(5)	(6)
1	2001-02	89.82	8.70	1.47	100
2	2002-03	86.29	12.79	0.91	100
3	2003-04	80.75	12.42	6.82	100
4	2004-05	83.61	15.05	1.33	100
5	2005-06	80.25	16.11	3.63	100
6	2006-07	74.76	18.67	6.56	100
7	2007-08	74.89	21.63	3.47	100
8	2008-09	80.07	17.06	2.85	100
9	2009-10	82.56	13.12	4.30	100
10	2010-11	84.61	12.90	2.48	100
11	2011-12	80.93	14.50	4.55	100
12	2012-13	79.84	14.56	5.58	100
13	2013-14	84.78	11.80	3.41	100
14	2014-15	85.47	14.32	0.19	100
15	2015-16	84.34	15.33	0.32	100

The analysis of the data presented in Table No.4.21 indicates that the share of Capital Expenditure in Total Expenditure has witnessed a significant increase, rising from 8.70 percent in the year 2001-02 to 15.33 percent in the year 2015-16. In contrast, the share of Revenue Expenditure in Total Expenditure has experienced a decline, decreasing from 89.81 percent in the year 2001-02 to 84.34 percent in the year 2015-16. This shift, characterized by a decreasing share of Revenue Expenditure and an increasing share of Capital Expenditure, including Loan & Advances, reflects a positive trend toward budget consolidation for the state.

The analysis of Table No. 4.22 indicates that the percentage share of Revenue Expenditure as a proportion of Gross State Domestic Product (GSDP) has followed a fluctuating trend. It decreased from 16.42 percent in the year 2001-02 to 13.16 percent in the year 2006-07, then increased to 22.13 percent in the year 2015-16.In contrast, the percentage share of Capital Expenditure to GSDP increased from 1.59 percent in the year 2001-02 to 3.90 percent in the year 2007-08. Subsequently, it declined to 2.31 percent in the year 2013-14 and then increased again to 4.33 percent in the year 2015-16.The percentage share of Loan and Advances as a proportion of GSDP fluctuated within 2 percent throughout the entire period.

Table No.1.12 Revenue Expenditure, Capital Expenditure and Loan & Advances (L&A) of Chhattisgarh Government from 2001-02 to 2015-2016 (As Percentage of GSDP)

Sr. No.	Year	Revenue Expenditure(RE)	Capital Expenditure (CE)	Loan & Advances (L&A)	Capital Expenditure including Loan & Advances
1	2001-02	16.42	1.59	0.27	1.86
2	2002-03	16.82	2.49	0.17	2.67
3	2003-04	16.63	2.55	1.40	3.96
4	2004-05	15.61	2.81	0.24	3.05
5	2005-06	13.96	2.80	0.63	3.43
6	2006-07	13.16	3.28	1.15	4.44
7	2007-08	13.50	3.90	0.62	4.52
8	2008-09	14.22	3.03	0.50	3.53
9	2009-10	17.37	2.76	0.90	3.66
10	2010-11	16.20	2.47	0.47	2.94
11	2011-12	14.31	2.56	0.80	3.37
12	2012-13	15.08	2.75	1.05	3.80
13	2013-14	16.65	2.31	0.67	2.98
14	2014-15	17.71	2.96	0.04	3.01
15	2015-16	22.13	4.33	0.11	4.45

The analysis of Capital Expenditure, including Loan & Advances, as a percentage of Gross State Domestic Product (GSDP) indicates a fluctuating trend. It increased from 1.86 percent in the year 2001-02 to 4.52 percent in the year 2007-08, followed by a decline to 2.94 percent in the year 2010-11. Subsequently, it increased again to 4.45 percent in the year 2015-16.The expenditure on Loan & Advances is generally considered as developmental expenditure, and the increase in capital expenditure, including Loan & Advances, as a percentage of GSDP suggests the creation of capital assets in the state, contributing to the enhancement of the state's productive capacity.In summary, the trends in Revenue and Capital Expenditure as a proportion of GSDP have shown improvement during the study period (2001-02 to 2015-16), playing a significant role in the fiscal consolidation of the state.

Fiscal Consolidation: Chhattisgarh State vs. Central Government

The enactment of the Fiscal Responsibility and Budget Management (FRBM) Act had a positive impact on the fiscal consolidation scenario of both the Central Government and Chhattisgarh State. Chhattisgarh State achieved the targets set by the FRBM Act ahead of the prescribed timeline, demonstrating effective fiscal management. The Central Government was also on track to meet the FRBM objectives, but the global financial crisis in 2007-08 led to a postponement of fiscal consolidation plans. During the crisis period, there was a need for increased revenue expenditure, and the Central Government implemented relaxations in the manufacturing sector to stimulate demand in the economy. This resulted in a departure from the path of fiscal consolidation as outlined in the FRBM Act.

It is worth noting that the strict adherence to fiscal consolidation measures before the global financial crisis had created fiscal space, allowing for the implementation of counter-cyclical fiscal policies during the crisis. The ability to pursue such policies demonstrates the importance of sound fiscal management in building resilience against economic shocks.

The fiscal situation in both the state of Chhattisgarh and India as a whole demonstrated significant improvement during the study period from 2001-02 to 2015-16. Key indicators such as fiscal deficit relative to Gross State Domestic Product (GSDP) and Gross Domestic Product (GDP) for the state and Central Government showed a declining trend, reflecting positive fiscal management.The improvement in revenue deficit, particularly after the enactment of the Fiscal Responsibility and Budget Management (FRBM) Act, was noteworthy. The fiscal consolidation efforts at both the state and central levels contributed to these positive trends. Tax revenue played a crucial role in achieving the objectives of fiscal consolidation, and its increased contribution was instrumental in the fiscal adjustment. The success of fiscal consolidation efforts highlights the effectiveness of policy measures, including the implementation of the FRBM Act, and the role of prudent fiscal management in achieving economic stability and sustainability.

Table No.1.13: Compound Annual Growth Rates of Various Fiscal Indicators of the Chhattisgarh Government and Central Government

Sr. No.	Year	CAGR (2001-02 to 2005-06)	CAGR (2006-07 to 2010-11)	CAGR (2011-12 to 2015-16)	CAGR (2001-02 to 2015-16)
Chhattisgarh Government					
1	Tax Revenue	19.40	15.58	19.10	18.53
2	Non-Tax Revenue	14.23	27.49	20.74	19.37
3	Revenue Receipts	19.21	18.67	22.79	20.39
4	Capital Receipts	-57.11	-40.65	9.66	11.35
5	Total Receipts	12.2	17.16	21.38	19.09
6	Developmental Expenditure	17.20	18.28	25.58	21.25
7	Non-Developmental Expenditure	6.23	18.21	16.77	14.06
8	Revenue Expenditure	10.99	21.77	17.88	16.89
9	Capital Expenditure	33.15	07.65	18.30	22.26
10	Total Expenditure	14.16	18.06	16.68	17.42
Central Government					
11	Tax Revenue	19.24	12.86	9.94	14.77
12	Non-Tax Revenue	3.42	26.74	15.49	8.63
13	Revenue Receipts	14.62	15.91	10.90	13.14
14	Capital Receipts	2.52	28.18	1.4	9.78
15	Total Receipts	9.71	19.66	7.11	11.81
16	Developmental Expenditure	9.49	27.03	3.67	12.36
17	Non-Developmental	7.77	12.75	12.05	11.49

To assess the endeavors in fiscal consolidation, it is crucial to examine the trajectory of growth in diverse fiscal indicators of the Chhattisgarh Government, considering the context of the Central Government's initiatives for fiscal consolidation throughout the study period. Table 4.23 provides insights into the compound annual growth rates of consolidated fiscal indicators for both the Chhattisgarh Government and the Central Government.

The Compound Annual Growth Rate (CAGR) of Tax Revenue and Non-Tax Revenue for the Chhattisgarh Government surpasses that of the Central Government in the period from 2001-02 to 2015-16. Despite the substantial difference in growth rates between the Chhattisgarh Government and the Central Government, the total revenue receipts of the Chhattisgarh Government have demonstrated a higher annual growth rate of 19.09 percent compared to the Central Government's growth rate of 11.81 percent. This elevated growth in total revenue receipts has played a pivotal role in attaining the fiscal consolidation objectives of both the state and the center. Moreover, the Capital Receipts of the Chhattisgarh Government have exhibited a superior growth rate compared to the capital receipts of the Central Government over the same study period.

Conclusion

The annual growth rate of revenue receipts surpassed that of capital receipts for both the Chhattisgarh Government and the Central Government. Additionally, the growth rate of revenue expenditure outpaced that of capital receipts at both levels of government.

In the period from 2001-02 to 2015-16, the Chhattisgarh Government exhibited a higher annual growth rate in both Developmental Expenditure (21.25%) and Non-Developmental Expenditure (14.06%) compared to the Central Government, which reported growth rates of 12.36% and 11.49% annually, respectively.

The Chhattisgarh Government exhibited a greater annual growth rate in Revenue Expenditure (16.89%) compared to the Central Government, which reported a growth rate of 12.39% annually from 2001-02 to 2015-16. In contrast, the Capital Expenditure growth rate for the Central Government (10.22% annually) was only half of that of the Chhattisgarh Government (22.26% annually) over the same study period. Moreover, the total expenditure of the Chhattisgarh Government recorded a higher growth rate at 17.42% annually, surpassing the Central Government's growth rate of 12.06% annually during the period from 2001-02 to 2015-16.

In analyzing the growth rates of Revenue Expenditure and Capital Expenditure, a significant observation emerges: the Chhattisgarh Government has experienced a higher annual growth rate for capital expenditure (22.26%) compared to the growth rate of revenue expenditure (16.89%). Conversely, the Central Government has witnessed a lower annual growth rate for capital expenditure (10.22%) compared to the growth rate of revenue expenditure (12.39%) over the study period from 2001-02 to 2015-16. This indicates that the revenue expenditure of the Central Government has impeded the growth of capital expenditure. However, this trend is not applicable to the Chhattisgarh Government. Consequently, efforts should be directed towards enhancing capital expenditure by the Central Government.

Therefore, the observed pattern of a high growth rate in the Revenue receipts of the Chhattisgarh Government suggests that, during the study period, the state utilized these receipts to fund Revenue Expenditure, resulting in a lower fiscal deficit and higher Capital Expenditure. This trend in the state's fiscal management is positive. It seems that the Chhattisgarh Government's endeavors in fiscal consolidation are noteworthy, and the table indicates that this progress surpasses the fiscal consolidation efforts made by the Central Government.

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