

Money matters

The combined revenue of the Centre and the States has not grown at the same pace as expenditure in recent years, leaving a widening gap in public finances.

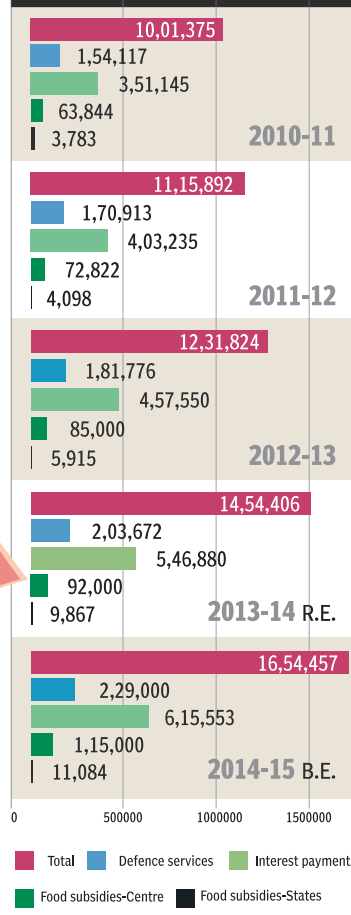
By **RAMESH CHAKRAPANI**

It is Budget season in the country, that time of the year when all eyes are on the Union Finance Minister's plan for the economy and its implications for various sectors and sections of the people. This year's Budget has led to intense discussion on the lack of imaginative ideas in it to jumpstart the economy, which is in slumber, or energise sectors like agriculture, which are in crisis. It is as good a time as any to take a look at public finances and see how the Centre and the States generate revenue, how those receipts are spent and how the gap between the revenue and expenditure is widening.

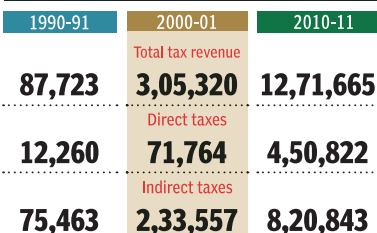
The proposal to tax Employee Provident Fund withdrawals, later withdrawn, was the most controversial one in an

otherwise lacklustre Budget. Finance Minister Arun Jaitley's plan, which was roundly condemned, put the spotlight on pensions and retirement benefits. According to statistics released for 2014-15 by the Economic Division under the Finance Ministry,

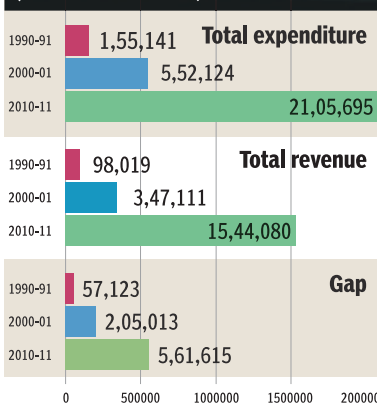
Combined non-developmental expenditure (Centre and States) Rs.crore



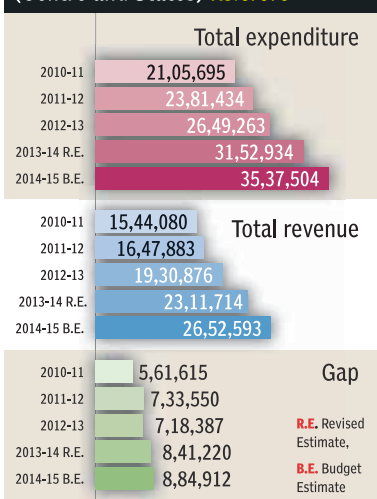
Decadal growth in combined tax revenues (Centre & States) Rs.crore



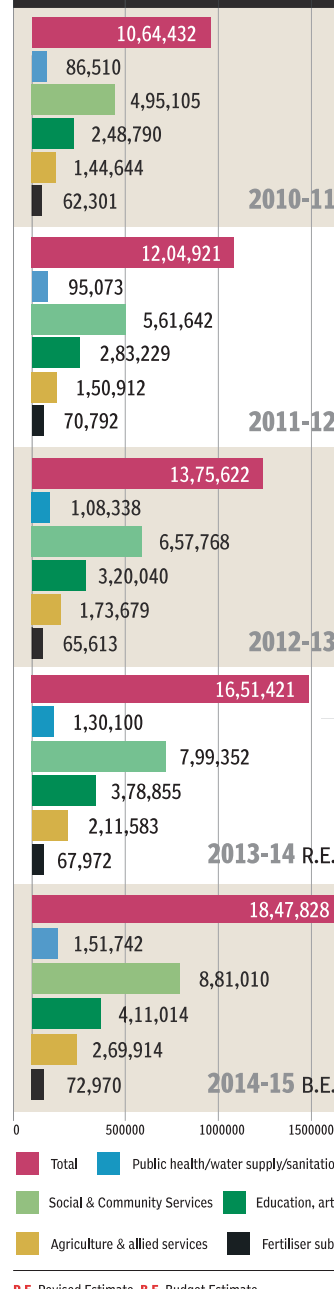
Decadal change in combined expenditure, revenue and gap (Centre and States) Rs.crore



Widening gap between revenue and expenditure (Centre and States) Rs.crore



Combined developmental expenditure (Centre and States) Rs.crore

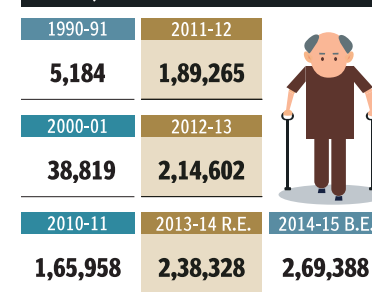


Combined tax receipts of Centre and States (top earners) Rs.crore

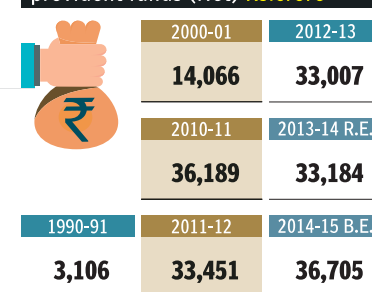
	2010-11	2011-12	2012-13	2013-14 R.E.	2014-15 B.E.
General sales tax	2,93,256	3,61,332	4,22,578	5,03,121	5,61,597
Corporation tax	2,98,688	3,22,816	3,56,326	3,93,677	4,51,005
Taxes on income	1,39,102	1,64,525	1,96,844	2,36,197	2,78,278
Union excise duties	1,37,701	1,44,901	1,75,845	1,78,787	2,06,356
Customs	1,35,813	1,49,328	1,65,346	1,75,056	2,01,819
Service tax	71,016	97,509	1,32,601	1,64,927	2,15,973
State excise duty	61,698	75,125	86,442	88,828	1,00,577

Source: Union Finance Ministry

Expenditure on pension, other retirement benefits (Centre and States) Rs.crore



Expenditure financing using State provident funds (Net) Rs.crore



the combined expenditure incurred on pension and other retirement benefits by both the Centre and the States has been leaping by tens of thousands of crores of rupees every fiscal year. The payout, which was a mere Rs.5,184 crore in 1990-91, jumped to Rs.38,819 crore in 2010-11. The Budget Estimate for 2014-15 was a humongous Rs.2,69,388 crore, compared with a

Revised Estimate of Rs.2,38,328 crore the previous year. The extent of expenditure financing using State provident funds has also been rising steadily, staying above Rs.33,000 crore since 2010-11 and peaking at an estimated Rs.36,705 crore in 2014-15.

The gap between combined revenue and expenditure has also been creeping up over the past five years. While the total expenditure galloped from Rs.21,05,695 crore in 2010-11 to an estimated Rs.35,37,504 crore in 2014-15, a rise of 68 per cent, the total revenue grew 72 per cent from Rs.15,44,080 crore to an estimated Rs.26,52,593 crore, resulting in a higher gap of Rs.8,84,912 crore compared with Rs.5,61,615 crore, a rise of 58 per cent. Under the combined non-developmental expenditure of the Centre and the States, which had risen to Rs.16,54,457 crore in 2014-15 from Rs.10,01,375 crore in 2010-11, a growth of 65 per cent, interest payments accounted for a huge chunk of Rs.6,15,553 crore (over 37 per cent), while defence services accounted for Rs.2,29,000 crore. The Centre spent an estimated Rs.1,15,000 crore in 2014-15 on food subsidies, compared with the States' expenditure of Rs.11,084 crore.

The combined developmental expenditure, which grew from Rs.10,64,432 crore in 2010-11 to Rs.18,47,828 crore in 2014-15, a rise of 74 per cent, saw social and community services get the highest allocation of an estimated Rs.8,81,010 crore in 2014-15, while Rs. 4,11,014 crore was budgeted for education, art and culture. The allocation for fertilizer subsidy grew just over 17 per cent in five years, from Rs.62,301 crore in 2010-11 to an estimated Rs.72,970 crore.