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Budgetary Analysis of Goa State during the Pre-Statehood and Post-Statehood Period

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ABSTRACT

State Government Finances is one of the areas in Macroeconomic Management of Finances in general and public finance in particular. Political philosophy of the Government is always reflected through its budgets. The study provides a self-contained overview of present problem of State finance in the state of Goa during the pre-statehood period (1980-1986) and post-statehood period(1987-2016). It begins with the overview of State finances in Goa, and consider various developments that have shaped the state's current fiscal situation. The Present paper analyses the overall budgetary position of state finances in Goa during the period of the study. It highlights the overall budgetary position of the Goa state and also analyse the trends of Tax and Non- tax revenue of Goa state finances.

INTRODUCTION

State Finances in India is an important and complex subject which carries both economic and political issues and is broadly influenced by functioning of both the Central and State Governments. The concept and the functions of the Government have changed and at present it is universally accepted that the object of the Government is to maximize the welfare of the people.

The modern Government is committed to accelerate the economic development through mobilization of additional financial resources for planned growth. Finance is the one of the powerful tools in order to correct regional disparities of growth through proper macro-

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economic management of financial resources of the State Governments. Thus in the developed as well as in the developing countries, the functions of the Government are increasing with the increase in liabilities and responsibilities and scientific resource management has become basic issue. Therefore, to discharge all these functions and responsibilities, the modern Governments have to increase their expenditure by mobilizing additional funds in the given situation of the nation.

In a federal structure, the States carry out many functions and bear responsibilities which have far reaching consequences, towards development of the economy. The Constitution of India sets forth in detail, the political and the Governmental structure of the country based on specified sphere of activities of Central and State Governments.

The Constitution provides a threefold classification regarding the division of taxation and legislative powers, which are termed as State List, Central List and Concurrent List. Both the Centre and the State Governments exercise their powers to raise revenues and determine the expenditure pattern based on the Constitutional classification. As it has been observed, the assignment of certain taxation powers to the States does not give them resources sufficient to meet the responsibilities bestowed upon them. So the Constitution mandates the transfer of resources from the Centre to the States in the form of tax shares and grants as determined by the Finance Commission. Outside the finance Commission, the Planning commission also provides for the States' plans in the form of plan grants and loans. States also receive funds in lieu of Centrally Sponsored Schemes from various ministries.

GOA STATE FINANCES

Goa is situated in the western coastal region known as Konkan surrounded by Arabian sea in the west, Maharashtra in the north and Karnataka to the east and south. Goa was liberated from the Portuguese Rule and incorporated with the Indian Union as a Union Territory with Legislative Assembly in 1962. It was granted Statehood on 30 May 1987. Goa is the smallest State in terms of geographical area (3,702 sq.km) and has a coastline of about 131 km. It has two districts, 12 talukas and 359 villages, with a population density of 394 persons compared to the all India average of 382 persons per sq.km. It has one of the highest literacy rates (88.70 *per cent*) among the States of the country. Besides, the infant mortality rate (8 per thousand) and the population below poverty line is 9.90%*per cent*which is very low as compared to the all India average of 21.90 %. During the Pre- statehood period, the

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Compound Annual Growth Rate (CAGR) of the Gross State Domestic Product (GSDP) of Goa was 9% (1987 to 1986). For the period 1987 to 2015-16, the Compound Annual Growth Rate (CAGR) of the Gross State Domestic Product (GSDP) of Goa was 16*per cent* which was higher than the growth of GSDP of other General Category States. During 2007-11, the population growth rate in Goa was 8.13*per cent* as compared to 11.09*per cent* of other general categories states.

Table 1.1: Basic Statistic of Goa

Population	15000000 (persons)
Urban population	33.95 (percent)
Rural population	66.05 (percent)
Density of population	394 (persons per sq. km.)
Literacy rate	88.70 (per person)
Males literacy rate	75.63 (percent)
Females literacy rate	63.55 (percent)

Source: Based on Census Data(2009 & 2011)

On the basis Census of India, 2011 the total population of the state was 15 lakhs which is lower than that of many other states. The population density was 394 persons per sq. k.m. major portion of population i.e., nearly 66.05 percent live in rural areas depending upon agriculture. Share of population living below poverty line in case of Goa is 9.9 percent as against an all- India average of 21.9 percent (2011 Census) which is lowest among all the states. The Literacy rate of the state is 88.70 percent as against 58.5 in 1991. The literacy rate among female is 63.55percent and the male literacy being 69.75percent. The quality of life judged from the angle of life expectancy is high at 68 years both for male and female. Infrastructural facilities are much developed in case of Goa. In terms of infrastructure development, Goa continues to enjoy a lead among Indian states. All the villages in Goa are electrified and 100 percent households have access to electricity, the highest among all the states in the country. The per capita income of Goa state is amongst the highest as compared to other smaller states.

STATEMENT OF THE PROBLEM

In India the main issue that concerns most public discussion on Government finances has been almost exclusively on Central Government Finances. Correcting the fiscal imbalances that the country faces today in the face of burgeoning public debt, rising defense expenditure, rising administrative expenditures, etc., is the single most important task of fiscal management in India. Several corrective measures towards this end have been initiated and adopted by the Centre since 1991 in terms of tax reforms and changes in the structure and pattern of financial transfers to the States.

The finances of State Government too have been deteriorating over the last several years. The main causes of the problem have been the failure to contain wasteful expenditure and reluctance to raise additional resources on the part of States. Responsible fiscal management has also become extremely difficult with frequent elections, unstable Governments, and competitive populism practiced by different political parties expiring for powers. There is a growing need for increased financial assistance from the Centre to the States

OBJECTIVES OF THE STUDY

1. To examine the overall budgetary position of the Goa State finances.
2. To study the pre statehood and post statehood revenue trends of Goa state.

DATA SOURCES

The present study spans over more than three decades from 1980-81 to 2015-16. The study is based on secondary data. Secondary data with respect to Goa state finances is being taken from Economic and Political weekly time series database. Other relevant materials for the study have been obtained from the Annual Financial Statements and Explanatory Memorandum on the Budget of Government of Goa, RBI Bulletin, Handbook of Statistics on Indian Economy, Budget Documents of the State Governments and also from the various Reports of the Comptroller and Auditor General of India.

RESEARCH METHODOLOGY

Least square linear regression method has been used for calculating Compound Growth Rate of important variables covered by the study. As the study relates to time series, it is quite possible to notice different trends. The growth of various heads of revenue and expenditure will be analyzed with the help of compound annual rate of growth.

$$\mathbf{Y = ab^t}$$

The compound annual rate of growth will be calculated by using the Semi log Model and applying the method of ordinary least square (OLS) as explained below:

Let $Y = ab^t = (I + r)^t$ ……………… (i)

$\therefore$ Log Y= log (ab^t)= log a + t (log b)

or

log Y= A+ Bt (Here A= log a , B = log b)

or

log $Y_t = A + B_t + U_t$(t=1,2,3,…….n)…………..(ii)

Where Y_t = t_{th} observation on the variable Y for which rate of growth is to be calculated.

t = Time variable taking n values 1, 2, ……….., n and in this study n takes 36 values from 1980-81 to 2015-16.

U_t = A random disturbance (or error) term at t satisfying the user assumption of OLS r = rate of growth or compound annual rate of growth a and b are parameters of original model (i) and A and B are the parameters of transformed model (ii). From (ii), a and b are calculated as follows. Log a= A, a = Antilog A Log b= B, b = Antilog B Since (1 + r)= b, Since rate of growth is calculated in percent terms r = (b-1) *100= (Antilog B-1) *100

Table 1. 2: Overall Budgetary Position of Goa State (1980-81 to 1985-1986) Rs. in Lakhs

Years	Revenue Receipts	Revenue Expenditure	Revenue Account Surplus(+) Or Deficit (-)	Capital Receipts	Capital Expenditure	Capital Account Surplus(+) Or Deficit (-)
1980-81	56766	54953	1813	76706)	78274	-1568
1981-82	68261	61998	6263	101449	102629	-1180
1982-83	78604	68356	10248	104272	14954	89318
1983-84	87913	81986	5927	141011	150979	-9968
1984-85	93199	94134	-935	162724	17525	145199
1985-86	117024	11629	105395	194173	188881	5292
CAGR	14%	-17%		20%	4%	

Source: Budget Documents of the Goa State Governments.

Table 1.2 reveals the overall budgetary position of Goa State finances during the pre-statehood period. The table shows that the State experienced revenue deficit for one year out

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of six years, whereas the capital account shows the capital deficit for three years. The overall budgetary deficit was higher in the fiscal year of 1984-85.On revenue account there was surplus in revenue account from 1982-83 and in 1985-86.In 1984-1985, Goa became a revenue deficit State from revenue surplus State for the first time. On the other hand capital account of the state witness capital deficit during 1980-1981, 1981-1982 and 1984-1985.

Table 1.3: Overall Budgetary Position of Goa State (1986-87 to 2015-2016) Rs. in Lakhs

Years	Revenue Receipts	Revenue Expenditure	Revenue Account Surplus(+) Or Deficit (-)	Capital Receipts	Capital Expenditure	Capital Account Surplus(+) Or Deficit (-)
1986 - 87	17091	17199	-108	8733	8294	-439
1987 - 88	16098	16847	-749	18161	8978	-9183
1988 - 89	21083	19879	1204	4921	8524	3603
1989 - 90	21716	22834	-1118	12100	9832	-2268
1990 - 91	28255	27540	715	14795	11983	-2812
1991 - 92	32230	33175	-945	7648	13452	5804
1992 - 93	38883	38031	852	7209	11879	4670
1993 - 94	46377	43054	3323	8625	12780	4155

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1994 - 95	53356	47733	5623	10433	12378	1945
1995 - 96	81787	78499	3288	10961	15779	4818
1996 - 97	81040	78888	2152	13437	15739	2302
1997 - 98	110787	112192	-1405	16641	14772	-1869
1998 - 99	114725	128803	-14078	36586	16973	-19613
1999 - 00	122790	143676	-20886	34301	17752	-16549
2000 - 01	148323	170925	-22602	43569	25272	-18297
2001 - 02	187253	210103	-22850	44662	25146	-19516
2002 - 03	183301	200008	-16707	53053	40099	-12954
2003 - 04	162313	176360	-14047	495675	483228	-12447
2004 - 05	182002	194320	-12318	487197	474897	-12300
2005 - 06	216887	219072	-2185	940255	940286	31

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2006 - 07	260976	246831	14145	1099804	1109799	9995
2007 - 08	294390	277776	16614	1177252	1221462	44210
2008 - 09	352827	342541	10286	1496362	1496342	-20
2009 - 10	410028	422748	-12720	1188028	1174780	-13248
2010 - 11	544194	478379	65815	1483817	1557624	73807
2011 - 12	577931	548208	29723	1746487	1767816	21329
2012 - 13	584543	606134	-21591	1475504	1454916	-20588
2013 - 14	644977	680328	-35351	1425140	1388282	-36858
2014 - 15	768868	741023	27845	1435211	1495040	59829
2015 - 16	895340	909050	-13710	2260821	2355039	94218
CAGR	15%	15%		27%	27%	

Source: Economic and Political Weekly, Time Series Database

The table 1.3 depicts that there was substantial growth in both the revenue receipts and revenue expenditure of Goa State during the post statehood period 1985-86 to 2015-16.

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Revenue expenditure increased at a much faster rate than the revenue receipts during the same period. In absolute terms revenue receipts increased from Rs. 17091 lakhs to in 1985-86to Rs. 1064196 lakhs in 2016-2017 and revenue expenditure grew from Rs.17199 lakhs to Rs. 200008lakhs during 1986-87 to 2001-2002 and after that there was a decline in revenue expenditure from 2003-2004 to 2004-2005 after that the revenge expenditure shows an increased trend. The striking feature of the revenue budget of the State government was that till 1983-84 there was revenue surplus, i.e., revenue receipts exceeded revenue expenditure but the State experienced a revenue deficit from 1984-85 when revenue expenditure crossed revenue receipts. It is cleared from the table that from 1987-88 onwards there was a continuous trend of deficit on revenue account when revenue deficit escalated from Rs.108 Lakhsin 1986-87 to Rs.945 lakhs in 1991-92. The above table shows that the critical fiscal situation of the State started from 1986-87.

From 1992-1993 the revenue account shown a surplus from Rs.852 lakhs to Rs. 2152 lakhs in 1996-1997. After 1997 there has been continuous increase in revenue deficit till 2005-06. After that there was a revenue surplus for few years and in the year 2012-13, 2013-15 there was a huge revenue deficit to the extent of Rs.35351due to the impact of mining ban in the state. The compound annual growth rates of revenue receipts and revenue expenditure were 15% respectively.

On the other hand capital receipts increased at a compound growth rate of 20 percent per annum whereas capital disbursement grew at a very slow compound growth rate of 4% percent per annum during pre-statehood period. Capital receipts in absolute terms rose from Rs. 8733 Lakhsin 1986-87 to Rs. 2333000lakh in 2015-1016. Disbursement initially, increased from Rs 17199 lakhs in 1986-87 to Rs. 188881 lakh in 1985-86 and declined to Rs. 40099 lakhs in 2002-2003. So, the capital account witnessed deficits up to 1986-87 excluding the year 1985-86. These deficits turned into surpluses after 1990-91. Table 1.4 depicts the critical financial position of the State government during the Post-statehood period. The revenue account witnessed deficits during 1993-94 to 2005-06. On the other hand there were capital deficit from 1986-1987 to1990-1991. After 2005-06 the revenue account showed some improvement, on the other hand the position of capital account got worsened. In the year 2012-2013, 2013-2014 the financial position of state again worsen both revenue and capital account showed the highest increase in fiscal deficit for two consecutive financial year.

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Table 1.4: Details of Total Revenue Receipt of State Government (1980-81to 1985-1986) in Lakhs

Year	I.State's Tax Revenue	II. State's Non-Tax Revenue	III. Revenue raised by the State Government(I+II)	IV. Share of Central Taxes and Duties	V. Grants -in-Aid from the Center	VI. Receipt from GOI(III +IV)	Total Revenue of State Government(III+VI)	% of Revenue raised by state of Total Revenue
1980-81	34885	9256	44141	822	4405	5227	49368	89.41
1981-82	43218	11486	54704	917	4333	13503	68207	80.20
1982-83	49048	14706	63754	9923	4928	14851	78605	81.11
1983-84	54412	15637	70049	11166	6698	17864	87913	79.68
1984-85	56651	16539	73190	12162	7846	20008	93198	78.53
1985-86	67023	19345	86368	11401	19875	30658	117026	73.80
CAGR	12.68%	14.83%	13.14%	82.32%	31.64%	33.87%	16.56%	

Table 1.5: Details of Total Revenue Receipt of State Government (1986-87 to 2015-2016) (in Lakhs)

Year	I. State's Tax Revenue	II. State's Non-Tax Revenue	III. Revenue raised by the State Government(I+II)	IV. Share of Central Taxes and Duties	V. Grants -in-Aid from the Center	VI. Receipt from GOI(III +IV)	Total Revenue of State Government(III+VI)	Perentage of Revenue raised by state of Total Revenue
1986 - 87	6059	11032	17091	1471	14059	28769	45860	37.27
1987 - 88	7941	8157	16098	2795	4536	7331	23429	68.71
1988 - 89	9826	11257	21083	3660	5926	9586	30669	68.74
1989 - 90	9602	12114	21716	2605	6048	8653	30369	71.51
1990 - 91	13802	14453	28255	5329	7484	12813	41068	68.80

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1991 - 92	17641	14589	32230	6293	5974	12267	44497	72.43
1992 - 93	21889	16994	38883	7536	6464	14000	52883	73.53
1993 - 94	26612	19765	46377	7840	6153	13993	60370	76.82
1994 - 95	31290	22066	53356	8690	7104	15794	69150	77.16
1995 - 96	34275	47512	81787	7105	7325	14430	96217	85.00
1996 - 97	39328	41712	81040	9055	6980	16035	97075	83.48
1997 - 98	46187	64600	110787	9657	6380	16037	126824	87.35
1998 - 99	45433	69292	114725	9712	4234	13946	128671	89.16
1999 - 00	55441	67349	122790	9592	4012	13604	136394	90.03
2000 - 01	62014	86309	148323	10534	6695	17229	165552	89.59
2001 - 02	67716	119537	187253	10782	5929	16711	203964	91.81
2002 - 03	71681	111620	183301	11462	7703	19165	202466	90.53
2003 - 04	84584	77729	162313	13559	5255	18814	181127	89.61
2004 - 05	101860	80142	182002	16207	7216	23423	205425	88.60
2005 - 06	134119	82768	216887	24470	6652	31122	248009	87.45
2006 - 07	160365	100611	260976	31211	8849	40060	301036	86.69
2007 - 08	175264	119127	294391	39372	14845	54217	348608	84.45
2008 - 09	210899	141928	352827	41544	18312	59856	412683	85.50

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2009 - 10	218976	191051	410027	42742	17931	60673	470700	87.11
2010 - 11	272378	271816	544194	58423	44957	103380	647574	84.04
2011 - 12	323161	254770	577931	68059	23558	91617	669548	86.32
2012 - 13	371687	212856	584543	77721	29566	107287	691830	84.49
2013 - 14	443101	201876	644977	84854	35721	120575	765552	84.25
2014 - 15	479650	289218	768868	90058	56656	146714	915582	83.98
2015 - 16	598001	297339	895340	194627	64428	259055	1154395	77.56
CAGR	16.11%	13.18%	14.75%	14.10%	7.01%	10.10%	13.49%	

Source: EPW Time Series Database

Table 1.4 and Table 1.5 indicates that there was continuous increase in collection of revenue from 1980-81 to 2015-2016. The revenue raised by the State Government during the pre-statehood period when it was a part of Union territory increased from Rs.44141 lakhs in 1980-81 to Rs.86368 lakhs in 1985-86.Government raised 89% of its total revenue in the form of States own taxes and Non-tax Revenues in 1980-81 and it received almost 11% from the Government of India by way of share of net proceeds of divisible Union taxes and duties and grants-in-aid. From 1982-83 to 1985-86 the share of tax revenue collected by government went down from 89% to 80% in the year 1982-1983 and from 1982-1986 state government collection of total revenue went down to was 73 % of total revenue but there was increase in the percentage share received from government of India.

During the post statehood period 1986-87 to 2015-16 the total revenue raised by Goa government increased from Rs.17091 to Rs.895340 in 2015-2016 in absolute terms however after the statehood the tax collected by government in the year 1986-87 went down to Rs. 17091 from Rs.86368 lakhs as compared to the previous year contributing only 38% of

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total tax revenue collected by state government. This indicate that after the statehood the percentage of tax collected by state government has decreased drastically during the initial year of statehood and after that the percentage share of total revenue raised by government has increased from 68% in 1987-88 % 91% in year 2002-2002.From 2003-2004 the percentage share of tax revenue collected ranges between 85 % to 80% in the year 2014-2015.However there has been significant increase in the overall contribution received in the form of share of net proceeds of divisible Union taxes and duties and grants-in-aid from Government of India in the Post statehood period. The contribution has increased from Rs.28769 Lakhs in 1986-1987 to Rs.259055 Lakhs in 2015-2016.

The compound annual growth rate of tax revenue has increased from 12.68 % to 16.11 % during the post statehood period whereas the compound annual growth of non-tax revenue has decreased from 14.83% to 13.18% during the post statehood period.

CONCLUSION

Goa has been under fiscal stress since 1984-85, when it became a revenue deficit state. During the post statehood period in the year 2012-13 when the Mining was banned the state was under severe fiscal crunch as it was the major source of contributing to the revenue of the state besides Tourism. Now three is a need for effectively managing the detoriatining fiscal condition of the state as the state is mostly dependent on the central government grants and is having a debt huge debt and interest payments outstanding. Tax and non-tax revenue being the major source of revenue are not being able to effectively collect the money from the taxpayers. There is need to robust the tax collection system in the state of Goa.

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