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## A Decade of Fiscal Reforms in India

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# **A Decade of Fiscal Reforms in India\***

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The year 1991-92 was one of the toughest years for the Indian economy. All the macroeconomic indicators became adverse. The overall economic growth slumped to a mere 1.1%. The gross fiscal deficit stood at 8 % of the GDP and the revenue deficit on the current account at 3.5 % in 1990-91.<sup>1</sup> Prices shot up to 17 percent, an all time high level. In the external sector, the balance of payment with as little as \$1.1 billion foreign reserves or barely enough to meet two weeks' import bill became precarious. The shortage of foreign exchanges apart from inducing import squeeze for industrial production led the country by June 1991 to face a hard option of defaulting on international commitments such as debt servicing or accepting IMF structural adjustment and stabilisation programme.

The new government decided to adopt in June 1991 a programme of macro-economic stabilization to restore viability to fiscal balances and the balance of payments and to contain prices. At the same time it undertook a far reaching programme of structural reforms involving bold initiatives in external trade, exchange rate, industrial policy and so on, all aiming at moving the country to a higher growth trajectory through infusing efficiency and international competitiveness. It also aimed at integrating the Indian economy with the global system and enhancing its robustness through wider access to better technology and benchmarking with the global performers.

The reform process was comprehensive. The initial reforms focused on fiscal reforms, policy paradigm shift from physical control regime to the one relying more on market forces and trade related reforms. Subsequently reforms were extended to cover financial sector and to put in place law and regulatory framework compatible with a market system.

The full impact of the reform measures edges into view over a long span of time. Nevertheless, a decade since the introduction of the reform process is a long enough period to make visible the results of the reform measures. It is in this background that this paper addresses itself to a vital area of reforms, viz. fiscal reforms. It attempts to evaluate the impact of fiscal reforms on the public finances of the Union and state governments. The paper starts with the outcome of the reform process as reflected in different measures

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<sup>1</sup> For a definition of the terms, see notes below Table 1. Revenue expenditure means the same thing as current/recurring expenditure

of balances and then proceeds to examine the performance of the process variables that determine the aggregate balances.

To form a view of the effectiveness of fiscal reforms, we have examined the performance of some of the important fiscal variables in an inter-temporal context. To be more specific, we have compared the performance of the fiscal variables in the post reform decade with that of the preceding decade.

### **Gross Fiscal Deficit: Centre and the States**

The fiscal reforms that the Union government initiated since June 1991 have had the expected effect on its fiscal balance. The gross fiscal deficit (GFD) came down to 5.6 % of GDP in 1999-00 (RE) from 7.8 % in 1990-91. The average gross fiscal deficit in the 90s fell to 5.6 % or by about 20 % from a much higher level at 7% in the 80s. Incidentally, the fiscal balance of the Union government sharply worsened since 1983-84. In fact, there was not a single year since 1984-85 that witnessed a fiscal deficit less than 7% in the entire decade of 80s and the peak of 8.4 % that it reached in 1986-87 was far higher than the level in 1990-91 that alarmed the policy makers. But then leaving aside the way the fiscal deficit was brought down which will be taken up later, its downward movement in the 90s does not suggest a stable trend. For example, it came down in the first two years of reforms but sharply rose to 7 % in 1993-94 and then continued to fluctuate in the band of 4.9 to 6.4 %. (**Table 1**).

Interestingly, though states had not initiated any major fiscal reform measures at least in the first half of the nineties, their combined fiscal deficit tended to decline up until 1997-98 in comparison with that in the 80s. The fiscal deficit rose by nearly 50 % in one single year to 4.2 % in 1998-99 from 2.9 % in 1997-98. This trend continued in subsequent years reaching 4.6 % in 1999-00 (RE). (**Table 1**).

Taking both Centre and states' fiscal deficits together, we can make two important observations. First, the fiscal balance in the 90s clearly improved in comparison with that in the 80s. But it started deteriorating from 1997-98. Second, faster deterioration in states' fiscal balances in comparison with their own past had contributed more than the Centre to the worsening of aggregate balance particularly since 1997-98. (**Table 1**)

The improvement in fiscal balances at least up to 1996-97 has hidden some important qualitative changes in budget deterioration. First, the current account deficit that essentially reflects the fiscal health of a country was contributing to the fiscal deficits at a faster pace in the 90s than in the 1980s. **(Table 2)**. Second, fiscal deficit was higher in the 80s but capital expenditure maintained a faster pace in the 80s than in the 90s. **(Table 2)**. Third, it is non-development expenditure far more than development expenditure that contributed to the growing gross fiscal deficit but at a much higher pace in the 90s than in the 80s. We will discuss this further at a later stage. In sum, the fiscal deficit, which is a measure of borrowed funds meant to create assets in a year has largely gone into meeting current expenditure needs.

### **Current/Revenue Account**

As indicated above, the revenue expenditure of both the Union and state governments almost continuously outpaced their respective revenue growth worsening with every passing year the revenue balance. **(Table 3)**. The current account deficit of the Union government shot up from a meager level of 0.2 % of GDP in 1980-81 to 2.4 % in 1989-90 and then to 3.3 % in 1990-91. In the 90s it fluctuated between 2.4 % in 1996 to 3.9 % in 1998-99. But then the annual average of revenue balance in the 80s was far less at 1.9% than in the 90s at 3.1 % of GDP. Taking the entire two decades together, the mid-80s marked the beginning of fast deterioration of current account balance of the Union government and it peaked at 3.9 % in 1998-99 when the full impact of salary revision was felt.

The revenue balance did deteriorate at the level of states as well but only after 1987-88. In fact, the combined state finances showed revenue surplus until 1986-87. Even till 1995-96 states' revenue balance never touched 1% of GDP. **(Table 3)** .Only in subsequent years it deteriorated faster. Over one single year between 1997-98 and 1998-99 it more than doubled at 2.5 % of GDP from 1.1%. Broadly speaking, both the Centre and states experienced worst period of revenue imbalance in the past three years subsequent to the fifth revision of the pay of government employees.

Apart from the adverse impact of pay revision, three other factors have contributed to current expenditure outpacing revenue at a faster pace. First, the

composition of government expenditure seems to have altered in favour of labour intensive activities leading to larger staff and salary bill. Second, the practice (till recently) of adding the maintenance and committed expenditure relating to plan projects on completion of a plan period tended to shift the intercept of current expenditure at regular intervals depending on the level and the composition of plans. Third, the method of financing an increasingly higher size of plans beyond the level of affordability has altered in favour of relying more on borrowed capital thereby raising interest liability.

### **Primary Revenue Balance**

The fiscal reform impact gets filtered through the current account. Therefore the primary revenue deficit (revenue receipts – current expenditure net of interest payments) rather than primary deficit (non-debt receipts – current and investment expenditure net of interest payments) would bring out more clearly the outcome of fiscal reforms carried out. It is because if the primary revenue deficit declines or surplus accrues as a result of reforms, it is indicative of curtailing current/wasteful expenditure other than obligatory interest liability or better revenue mobilisation or both. Also, if there is surplus in the current account after the payment of interest, the flexibility of the government to allocate public resources according to its increases.

Examining the movement of primary revenue balance in the 90s in comparison with the preceding decade, we can make the following observations. **(Table 3).**

1. There has always been some surplus in the Union government current account budget after meeting its obligatory interest liability. It was less than 1 % of GDP in three years in the decade of reforms as against six years in the 80s. The average surplus in a year increased by more than 33 % to 1.2 % of GDP in the 90s from 0.9% in the preceding decade.
2. As for the states together, just the opposite movement occurred. Each year in the 80s witnessed a surplus, though to a varying extent. But primary revenue balance in the past three years turned into deficit. The average surplus dwindled in the 90s to less than 1 %.

These observations bring out that the fiscal reforms introduced by the Union government had positive impact on its primary revenue balances. On the other hand, states' primary revenue balances continued to deteriorate in the 90s largely because of lack of any effective reform efforts. The implication of primary revenue balance turning negative is that states have to borrow to meet even their current expenditure exclusive of interest payments.

To recapitulate, the gross fiscal balance of the Union government showed a considerable improvement in the decade of reforms while it deteriorated in the case of states. But one thing is common to both: the current revenue account balances worsened in this decade. However, the Union government's fiscal reform efforts yielded some positive outcome in terms of raising surplus on its primary revenue balance. On the other hand, the surplus on states' primary revenue account not only shrunk but even turned negative in the past three years.

These observations lead to a number of important questions. First, how did the Union government bring down the fiscal deficit? Is it by containing current expenditure or by making its revenue more buoyant or a combination of both? Or is it by compressing capital expenditure? Why on the other hand, state finances continue to deteriorate? Is it because of their inability to contain revenue expenditure while at the same time their desire to maintain a higher provision of capital expenditure? Could they improve buoyancy of their taxes and non-tax resources? We would attempt to address these questions in the following sections.

## **Containing Expenditure**

The annual average total expenditure (current + capital expenditure inclusive of loans and advances) of the Union government stood at 17.9 % of GDP in the 80s. In the process of fiscal reforms it declined to 15.7 % in the 90s. (**Table 4**). Examining after decomposing the total expenditure into revenue and capital expenditure, it presents a disturbing trend. The average revenue expenditure rose to 12.3 % of GDP in the 90s from 11.7 % in the 80s while capital expenditure slumped to 3.5 % in the 90s as compared to 6.2 % in the 80s- a fall of 44 %. Interestingly, the revenue expenditure was almost

smoothly declining right from 12.6 % of GDP in 1991-92 and even earlier on from 1989-90 (13.2 %) to 11.7 % in 1996-97. And after that it recorded a sudden increasing trend pushing the annual average of the revenue expenditure in the 1990s to a higher level as noted above. **(Table 5).**

Given the fact that interest payments fluctuated around 4.4% GDP in the 90s, clearly the revenue expenditure other than interest payments was curtailed when it was sliding. If the component of fiscal transfers to states is considered, we get at least a tentative clue to what gets curtailed. The revenue expenditure net of fiscal transfers and interest payments of the Union government continued to rise in most years when the aggregate revenue expenditure as % of GDP was falling. This suggests that the decline was largely due to the compression of fiscal transfers to states in the decade of reforms. **(Table 6).** The upward shift in revenue expenditure particularly in 1997-98 was mainly because of the implementation of the Fifth Pay Commission Report. The compensation of employees as % of GDP was stable around 1.4 before 1997-98. It shot up to 1.8% in the following and further to 2.2% in 1999-00. **(Table 7)**

The growth pattern observed in the 90s vis-à-vis 80s provides support in favour of the above trend. Both revenue and capital expenditure of the Union government slowed down their respective growth in the 90s in comparison with that in 80s. But then capital expenditure came down to 8.7% in the 90s from 13.5 % in the 80s-a fall of 4.8%. On the other hand, the revenue expenditure growth dropped by 4.2 % in the same period. **(Table 5)** The relative growth differential is much sharper considering the fact that the revenue expenditure is always much larger than capital expenditure.

Wide growth differentials between these two components are more sharply reflected when we consider revenue expenditure as a ratio of capital expenditure. The revenue expenditure of the Union government on an average was twice the capital expenditure in the 80s but it became almost four times in the 90s. What is more startling is that it jumped to five times in 1999-00(RE). **(Table 8)**

If we examine the differential growth of development and non-development expenditure of the Union government, we see yet another dimension of the emerging pattern. In the 80s the development expenditure rose from 8.1 % of GDP in 1981 to 11.7 % in 1985-86. Though it declined thereafter, it was very close or above 10% in the

remaining years of the 80s. But there was not one single year in the decade of 90s that came even close to this level. On the contrary, it witnessed almost a continual fall to 5.8 % of GDP in 2000-01 from 9.1 % in 1991-92. **(Table 9)** As a result the average development expenditure came to 7.6 % of GDP in the 90s as against 10.1 % in the 80s-a fall of 25 %. This is also reflected in the falling growth of development expenditure at 10.5% in the 90s as compared to 17.2 % per annum in the 80s.

On the other hand, the non-development expenditure of the Union expenditure surged as years rolled by. The non-development expenditure as % GDP was always lower than the corresponding development expenditure in the 80s. It exceeded the latter since 1993-94 and continued to widen the gulf in the remaining years of the 90s. The important point to flag is that when the aggregate expenditure fell from 18.2 % GDP in the 80s to 16.1 % in the 90s, its non-development part rose to 8.5 % in the latter period from 8.1 % in the former period only at the cost of its development part.

In contrast to the Union government, the total expenditure of the states recorded a marginal increase in the 90s as compared with the decade of 80s. The average total expenditure constituted 15.0 % of GDP in the 90s as against 14.8 % in the 80s. **(Table 4)**

But when it is decomposed, it is found that the revenue expenditure in fact increased to 12.8 % of GDP in the 90s from 11.7 % in the 80s. It recorded a major increase during 1981-82 to 1987-88 and reached a high of 13.2 % in 1991-92 after maintaining some stability in the intervening period. Subsequently it tapered off till 1997-98 since when it started showing a rising trend. **(Table 5)** Similar to the Union government the upward trend since 1997-98 coincided with the implementation of the Fifth Pay Commission Report. The compensation of employees as % GDP was almost stable around 3.7 till 1996-97 but jumped to 4.3 in 1998-99 and further to 4.6 in the following year. **(Table 7)** However, taking the entire period of 90s, the revenue expenditure registered a slower growth at 14.9 % per annum as compared to a growth of 17.1 % in the 80s. As in the case of the Union government, the mid-80s marked an unusually high growth period for state governments' revenue expenditure as well.

On the other hand, capital expenditure declined very sharply in the 90s. It came down by 30 % from the average level at 3.1 % in the 80s to 2.2 % of GDP in the 90s. However, in contrast to the Union government, capital expenditure of the states recorded

a faster growth at 12.4 % in the 90s as compared to 10.1 % in the preceding decade. **(Table 5)**

Again, the average revenue expenditure was 3.8 times the size of capital expenditure in the 80s. It became one and a half time more in the 90s at 5.7. **(Table 8)** A larger share of revenue expenditure for states should be viewed in the context that several of state functions are highly labour intensive.

But the analysis of the behaviour of development and non-development components of state governments brings out some striking contrasts when compared with that of the Centre. **(Table 9)**

1. The proportion of states' total expenditure allocated for development purpose was more than three times that for non-development expenditure in the 80s as against Centre's 1.25 times. Both for the Centre and states the proportion declined in the 90s but much slower in the case of the latter. The fact that the Centre' average aggregate expenditure declined while states' rose to 14.9 % of GDP in the 90s from 14.7 % in the 80s suggests that the Centre's development expenditure shrunk more than states in the decade of reforms.

The non-development expenditure did rise in the 90s but never overtook development expenditure, as was the case with the Union government ever since 1993-94.

## **Composition**

One important question is: which types of services had to bear the brunt when the Centre's total expenditure fell in the decade of 90s? Examining some of the major expenditure categories-Defence, Interest, Subsidies, Economic services and Social Services- we observe the following. **(Table 10)**

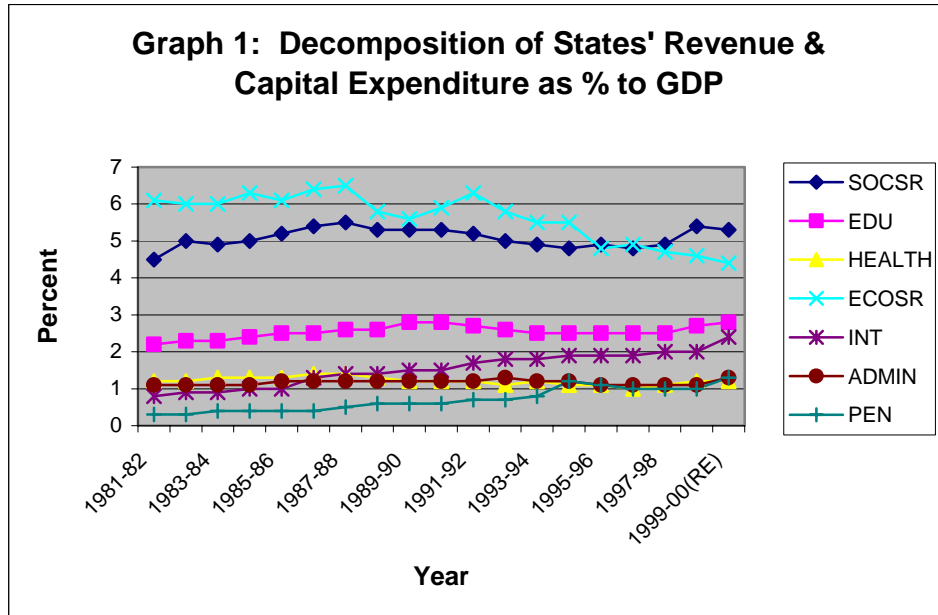
1. The only category that recorded almost a continuous rising trend from 1.9 % of GDP in 1981 to 4.7 % in 1999-00 was interest payments. The average annual expenditure increased to 4.3 % of GDP in the 90s from 2.8 % in the 80s - an increase of more than 50 %. The other four categories showed a stable or declining trend.

2. Of the remaining four categories social services exhibited a non-decreasing stable trend in the 90s as against its tendency to fall in the 80s. On an average, this category claimed 0.7 % GDP in both the decades.
3. The category that showed a marked fall was economic services. It plummeted from an average of 4.5 % of GDP in the 80s to 3.1 % in the 90s-a fall of around 30 %.
4. Similarly, defence expenditures tended to decline over the years. It fell to 2.4 % in the 90s of GDP from 2.9 % in the 80s-a fall by 17%. So did subsidies from 1.7 % of GDP to 1.4 %. The latter is significant that despite its sticky nature the Union government could bring it down though not to the desirable extent.

Similarly, we have examined the inter-temporal behavior of a few expenditure groups- administrative services, interest payment, social services and education and health under it and economic services- relating to the states' expenditures. Unlike in the case of the Centre, the question is: Are there any productive categories that contributed to rising trend of state expenditures?

A close look into **Table 11** brings out the following:

1. Interest payment as in the case of the Centre was the only category that registered a steady increase over the years raising the annual average to 2 % of GDP in the 90s from 1.2 % in the preceding decade-a rise of more than 65 %. See Graph 1.



2. Expenditure under administrative services was more or less stable at around 1.2 % of GDP in both the decades.
3. The allocation under economic services fell sharply to 5.1 % of GDP in the 90s from 6.1 % in the 80s—a fall in annual average by 15 %. In fact, the entire decade of 90s witnessed almost an unabated decline.
4. Social services too declined but marginally as far as the decadal average shows. But it showed a negative trend throughout the 90s except for 1998-99. Under this broad category, the allocation for education was more or less stable at the level of decadal average (2.5 % of GDP in the 80s and 2.6 % in the 90s). As for year to year movement, it showed a negative trend in the 90s as against a positive one in the 80s. Health expenditure also registered a negative trend as the annual average coming down to 1.1 % in 90s from 1.3 % in the 80s.

It follows, therefore, that the increase in revenue expenditure of states in the 90s was essentially driven by rising interest payments from past debts. Development components of were on the decline as aggregate state expenditure moving up in the 90s.

## Enhancing Revenue

We have noted earlier that the gap between the Union revenue and current expenditure continued to widen despite the Centre's considerable initiatives in tax reform<sup>2</sup>. The average revenue receipts as % of GDP fell to 9.2 in the 90s from 9.8 in the 80s while the current expenditure was rising in the corresponding periods. The total revenue recorded a lower growth at 13.6 % per annum in the 90s than 16.3 % in the 80s. **(Table 12)**

What is striking is that tax component of the Union government receipts net of transfer to states fell to 6.7 % of GDP in the 90s from 7.4 % in the 80s—a sharp decline of 10 %. On the other hand, non-tax component slightly rose to 2.5 % of GDP from 2.4 % in the corresponding periods. The growth of tax revenue in the 90s was far lower at 13.0 % per annum in the 90s than 16.2 % in the 80s—a fall in growth much sharper than that for total revenue. Non-tax revenue growth also declined in the 90s but not as sharp—from 16.3 % per annum in the 80s to 15.3 % in the 90s.

At the level of states as well, the gap between revenue and current expenditure widened but after a time lag. Current expenditure outpaced revenue for the first time in 1984-85 but in two subsequent years it reversed. Only from 1987-88 revenue receipts lagged current expenditure at an increasingly higher pace.

The annual average revenue receipts fell marginally by 0.1 % over 80s from 11.6 % of GDP to 11.5 % in the 90s. Revenue receipts of the states recorded a slower growth at 12.7 % in the 90s as compared to 15.4 % in the preceding decade.

Surprisingly, in contrast to Centre's, states' tax revenue inclusive of shared taxes as % GDP inched up to 7.9 in the 90s from 7.7 in the 80s. That is true even after excluding shared taxes. States' own-tax revenues increased to 5.4 % GDP on an average from 5.2 % in the 80s **(Table 13)** States' non-tax revenue followed the opposite direction. The annual average non-tax revenue fell from 3.9 % of GDP in the 80s to 3.6 % in 90s.

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<sup>2</sup> Year wise and item wise details have been processed and tabulated. They can be made available on request.

## Enlarging Tax Base and Buoyancy

The Union government's tax reforms yielded positive impact on direct taxes but negative one on indirect taxes as reflected in rising/falling proportion to GDP and growth in the 80s and 90s. Direct taxes as % of GDP was always far less than the corresponding proportion of indirect taxes. But the gap between the two became narrow in the 90s. It came down to 3.1 % of GDP in the 90s from 4.8% in 80s. **(Table 14)** This followed from the rising trend of direct taxes but falling trend of indirect taxes in the 90s. We further explore this phenomenon by examining relative growth performance and buoyancy of these two types of taxes.

Direct taxes recorded a very impressive growth in the 90s- 19.5 % per annum in the 90s as compared to 11.9 % in the preceding decade, a more than 60 % step up in growth. On the other hand, indirect taxes fared poorly: It came down to 10.6 % per annum in the 90s from 17.2 % in the 80s- a fall of more than 35 %.

Buoyancy also reflects similar relative performance. Direct taxes improved their buoyancy by way moving up from the inelastic to elastic zone (0.9 in the 80s to 1.3 in the 90s). Just the reverse happened in the case of indirect taxes, buoyancy moving down to 0.7 in the 90s from 1.3 in the 80s. **(Table 15)**

Within direct taxes both personal and corporate income taxes improved their performance in the 90s particularly from 1994-95. But in terms of growth and buoyancy, personal income tax performed a shade better. It recorded a growth of 25.3 % per annum against 19.1 % for corporation tax in the 90s. Similarly the buoyancy coefficient of the personal income tax increased to 1.6 in the 90s from unit elasticity. Corporation tax also improved its buoyancy to 1.3 from 0.8 in the same period. **(Table 14 & 15)**. Improved performance of direct taxes could be attributed to tax reforms covering tax rate rationalization, simplification, and measures toward easy compliance

As for aggregate indirect tax, its two major constituents-Union excise duty and customs duty-showed a dismal performance in the 90s. The revenue from both of them fell to 1.9 % of GDP in the 90s from 2.6 % in the 80s for union excise duty and to 2.8 % from 3.3 % for customs in the respective periods. Similarly both recorded a falling growth but customs' was steeper. Union Excise duty grew at the rate of 10.1 % per

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annum in the 90s against 14.5 % in the 80s. Customs showed a growth of 11 % as against 20.2 % in the corresponding periods. Buoyancy of the two taxes also brought out the same phenomenon. Both became inelastic (0.7) in the 90s from a better situation in 80s when union excise was unit elastic and customs was elastic at 1.3.

The obvious conclusions are two: First, tax reforms in the 90s yielded positive outcome for direct taxes but adverse one on indirect taxes. Second, what exactly has caused the negative impact on indirect taxes is something one needs to examine very closely.

At the level of states, direct taxes play a marginal role. Their tax system is almost solely dominated by indirect taxes (more than 98 % on an average). **(Table 16)** Among them sales tax alone contributed close to 60 % of their aggregate revenue on an average from own tax sources. The revenue from own taxes of states rose to 5.4 % of GDP in the 90s from 5.2 % in the 80s. **(Table 17)** This rise is solely attributable to sales tax, other components being stable. Sales tax revenue increased to 3.2 % of GDP in the 90s as against 3 % in the 80s though its growth fell to 14.8 % per annum in the 90s as compared to 15.5 % in the 80s. Even in terms of buoyancy, own-tax revenue showed a falling income responsiveness in the 90s (0.98 from 1.06 in the 80s). Sales tax also moved in the same direction but the deterioration in buoyancy was lesser. It came down to 1.01 in the 90s from 1.09 in the 80s. **(Table 18)**

There is nothing surprising about the behaviour of state taxes. As is widely known, several states have not initiated any major tax reforms. Those, which did, started after a lag. The important beginning has, however, been made when the NDC in February 1999 mandated the Union Finance Minister and a representative of state Chief Ministers and Finance Ministers to evolve a medium-term reform strategy for state finances. An empowered Committee has been put in place to bring about replacement of sales tax by a more buoyant state value added tax. The empowered committee has been able to prepare a broadly acceptable road map for sales tax reform toward introduction of the value-added tax

## **Non-Tax Revenue**

Neither the Centre nor the states paid adequate attention to non-tax sources for revenue generation. The provision of government services involved heavy implicit subsidy. In the 90s the Union government at least showed growing awareness of the magnitude of the problem and the need to take some initiatives. Such initiatives have led to a marginal increase in non-tax revenue to 2.5 % of GDP in the 90s from 2.4 % in the 80s. This is however not reflected in its growth or buoyancy. In fact, both fell in the 90s as **Table 12 & 15** show.

What is noteworthy is that one of the components of non-tax revenue, viz. dividend showed a rising trend in the 90s. Dividends rose to 0.5 % of GDP in 1999-00 from 0.2 % in 1991-92 pushing up the average to 0.3 % of GDP in the 90s from 0.2 in the 80s. Its growth performance in the 90s was also very impressive at 27.1 % per annum. Its buoyancy also improved to 1.7 in the 90s from 0.5 in the 80s. (**Table 14 & 15**)

States' non-tax revenue inclusive of Union grants, on the other hand, declined to 3.6 % of GDP in the 90s from 3.9 % in the 80s. Its growth as also buoyancy in the 90s fell. This trend is equally applicable when we examine states' own non-tax revenue. (**Table 18 & 19**).

## **Concluding Remarks**

We have attempted to broadly assess the extent to which the fiscal reforms initiated in the 90s contributed to improve the finances of the Union and that of the combined state governments. We have addressed this issue limiting ourselves only to government finances thereby excluding the reforms relating to public enterprises. The analysis has brought out a number of significant findings. We would flag only a few of them.

1. The reforms of 90s have led to a reduction of gross fiscal deficit of the Union government. But states' fiscal deficit is on the rise particularly from 1997-98. But then the revenue deficit alone came to contribute more than two thirds of the Union government's GFD and more than half of the states' in the recent years.

With rising revenue deficit, GFD containment hampers building productive capacity.

2. Rising interest payments as % GDP (**Table 11**) and primary revenue balance turning negative in the recent past (**Table 3**) strongly suggests that states have entered the vicious circle: borrowing to meet non-interest current expenditure and thus raising interest payments feeding on each other.
3. The manner in which the Union government attempted to contain its GFD is not conformable with the basic principles of public finance. Just to illustrate, it has brought down its GFD not by curbing wasteful expenditure and/or enhancing revenue productivity but largely by compressing capital expenditure and fiscal transfers. Again, non-development instead being contained was overtaking the development component of the Union government expenditure. Further, the years that witnessed falling revenue expenditure saw also shrinkage in fiscal transfers to states.
4. What is more disturbing is that while the total expenditure of the Union government came down, its revenue expenditure shot up only at the cost of capital expenditure.
5. While we are on fiscal deficit, two important observations should be made. First, the proceeds from liquidation of assets in the form of disinvestment was used to curb the Union government's GFD to the extent of 4.3 % and 0.24 % of GDP on an average in the 90s. (**Table 20**) However small, this manner of setting off against GFD is not desirable. Second, one new development largely in the 90s is the growing contingent liabilities of both the Union and state governments. (**Table 21 & 22**) This is not a healthy development in Indian public finances. While the Union government seems to have exercised some restraint, states look over indulgent in the recent past.

6. The Union government's tax reforms have not led to a rise in its revenue as proportion of GDP. The only area that has shown a marked improvement is its direct tax performance. This can be said in terms of its improved growth and buoyancy in the post reform period. But the lackluster performance of indirect taxes despite considerable reform efforts at rationalising and simplifying tax designs raises the question of effective tax enforcement and administration.
7. Surprisingly, states' own tax revenue as % of GDP has moved up in 90s even though its buoyancy and growth fell significantly. Falling growth and buoyancy raises the very question of sustainability of this upward trend.
8. Neither the Union government nor the states have yet been able to use non-tax sources for significant revenue generation.

In sum, the fiscal reform efforts in the 90s yielded positive results only in the case of direct taxes of the Union government. The states' initiatives, if at all, in this regard have not reflected on the performance of any of their fiscal aggregates. State governments, being closer to people/voters usually find it difficult to introduce the reform measures that hurt the interest of the movers of public opinion. After all, losers of many fiscal reforms are visible and actual losses are identifiable. In contrast, gains from such reforms are not as visible, nor are the gainers. The final outcome is therefore is that takers of reforms are fewer and even organize resistance.

## Tables

**Table 1**  
**Ratios of Centre and States' GFDs\* to**  
**GDP\*\***

Year	Gross Fiscal Deficit		
	Centre	States	Combined
1981-82	5.1	2.2	7.3
1982-83	5.6	2.2	7.8
1983-84	5.9	2.3	8.2
1984-85	7.1	2.6	9.6
1985-86	7.8	2.9	10.7
1986-87	8.4	2.4	10.8
1987-88	7.6	2.6	10.2
1988-89	7.3	2.7	10.0
1989-90	7.3	2.4	9.7
1990-91	7.8	2.7	10.6
1991-92	5.6	2.9	8.4
1992-93	5.4	2.8	8.2
1993-94	7.0	2.4	9.4
1994-95	5.7	2.7	8.4
1995-96	5.1	2.7	7.8
1996-97	4.9	2.7	7.6
1997-98	5.9	2.9	8.8
1998-99	6.4	4.2	10.6
1999-2000	5.6	4.6	10.2
Average (80s)	7.0	2.5	9.5
Average (90s)	5.7	3.1	8.8

\*Gross Fiscal Deficit

\*\*GDP(mp) at current prices

Notes for the tables:

Gross Fiscal Deficit: Current Account Deficit + Capital Expenditure–Recovery(Non Debt) -Disinvestment

Capital Expenditure: Capital Outlay + Loans and Advances

Current Revenue Deficit: Revenue Current Expenditure – Revenue Receipts

Primary Revenue Deficit: Current Revenue Expenditure-Revenue Receipts-Interest Payments

Rate of Growth of the variables is calculated by employing semilog growth model

Buoyancy is calculated by employing double log growth model

For calculating averages, simple average formula has been used

GDP (Market Prices) at current prices are used everywhere

Figures for 1999-2000 and 2000-2001 are revised and budget estimates respectively

Aggregate figures for the items like development expenditure are calculated by taking entries from revenue and capital accounts.

Sources for data: RBI Bulletins, TBI handbook of statistics 2000, Economic Surveys and CSO.

**Table 2**  
**Share of Capital Expenditure and Revenue Deficit**  
**in GFD**

	Capital Expenditure		Revenue Deficit	
	Centre	States	Centre	States
1981-82	113.7	150.0	4.5	-34.0
1982-83	113.4	131.2	12.3	-17.8
1983-84	101.9	115.7	19.5	-3.3
1984-85	91.5	101.3	24.3	11.3
1985-86	85.7	119.5	26.9	-8.7
1986-87	83.7	112.6	29.5	-1.8
1987-88	81.7	99.1	33.8	9.6
1988-89	80.9	95.9	34.0	15.5
1989-90	80.5	82.9	33.4	23.9
1990-91	71.2	79.7	41.6	28.3
1991-92	80.2	87.6	44.8	29.9
1992-93	74.5	84.7	46.2	24.5
1993-94	55.9	93.2	54.3	18.5
1994-95	66.9	96.6	53.8	22.2
1995-96	63.8	85.0	49.4	26.1
1996-97	63.0	72.7	48.9	43.3
1997-98	58.2	75.5	52.2	37.0
1998-99	54.7	46.4	59.9	58.8
1999-00(RE)	46.6	44.3	67.5	60.0
2000-01(BE)	51.6	53.6	69.6	50.7
Average (80s)	90.4	108.8	26.0	2.3
Average (90s)	61.5	74.0	54.7	37.1

**Table 3**  
**Revenue Deficits as % to GDP**

	Centre		States	
	Revenue Deficit	Primary Deficit	Revenue Deficit	Primary Revenue Deficit
1981-82	0.2	-1.7	-0.8	-1.7
1982-83	0.7	-1.4	-0.5	-1.4
1983-84	1.2	-1.0	-0.1	-1.0
1984-85	1.7	-0.7	0.4	-0.6
1985-86	2.1	-0.6	-0.2	-1.3
1986-87	2.5	-0.5	-0.1	-1.4
1987-88	2.6	-0.6	0.3	-1.1
1988-89	2.5	-0.9	0.4	-1.0
1989-90	2.4	-1.2	0.8	-0.7
1990-91	3.3	-0.5	0.9	-0.6
1991-92	2.5	-1.6	0.9	-0.8
1992-93	2.5	-1.7	0.7	-1.1
1993-94	3.8	-0.5	0.4	-1.4
1994-95	3.1	-1.3	0.6	-1.3
1995-96	2.5	-1.7	0.7	-1.2
1996-97	2.4	-2.0	1.2	-2.6
1997-98	3.1	-1.3	1.1	-0.9
1998-99	3.9	-0.6	2.5	0.4
1999-00(RE)	3.8	-0.9	2.7	0.6
2000-01(BE)	3.3	-1.0	2.4	-0.4
Average (80s)	1.9	-0.9	0.1	-1.1
Average (90s)	3.1	-1.2	1.3	-0.9

\*Minus sign shows surplus

**Table 4**  
**Total Expenditure as % of GDP**

Year	Total Expenditure % GDP		
	Centre	States	Combined
1981-82	14.9	13.7	28.6
1982-83	16.3	14.2	30.5
1983-84	16.2	14.2	30.4
1984-85	17.7	14.8	32.5
1985-86	18.8	14.9	33.7
1986-87	20.1	15.5	35.6
1987-88	19.2	15.8	35.1
1988-89	18.7	15.0	33.7
1989-90	19.0	15.0	34.0
1990-91	18.5	15.3	33.8
1991-92	17.1	15.7	32.8
1992-93	16.4	15.2	31.6
1993-94	16.5	15.0	31.5
1994-95	15.9	15.4	31.3
1995-96	15.1	14.5	29.6
1996-97	14.8	14.4	29.2
1997-98	15.3	14.5	29.8
1998-99	15.8	14.4	30.3
1999-00(RE)	15.7	16.2	32.0
2000-01(BE)	14.6	14.6	29.3
Average (80s)	17.9	14.8	32.8
Average (90s)	15.7	15.0	30.7
RoG(80s)%	17.1	15.6	16.4
RoG(90s)%	13.5	14.6	14.0

RoG: Rate of Growth

**Table 5**  
**Major Expenditures as % to GDP**

	Centre		States	
	Total Revenue Expenditure	Total Capital Expenditure	Total Revenue Expenditure	Total Capital Expenditure
1981-82	9.1	5.8	10.1	3.6
1982-83	9.9	6.4	10.7	3.5
1983-84	10.1	6.0	10.8	3.3
1984-85	11.2	6.5	11.5	3.4
1985-86	12.1	6.7	11.7	3.2
1986-87	13.0	7.0	12.2	3.3
1987-88	13.0	6.2	12.7	3.1
1988-89	12.8	5.9	12.3	2.6
1989-90	13.2	5.9	12.3	2.6
1990-91	12.9	5.6	12.6	2.6
1991-92	12.6	4.5	13.2	2.5
1992-93	12.4	4.0	12.9	2.4
1993-94	12.6	3.9	12.7	2.2
1994-95	12.1	3.8	12.7	2.7
1995-96	11.8	3.3	12.3	2.3
1996-97	11.7	3.1	12.4	2.0
1997-98	11.9	3.4	12.3	2.2
1998-99	12.3	3.5	12.5	2.0
1999-00(RE)	13.1	2.6	14.1	2.2
2000-01(BE)	12.1	2.5	12.6	2.1
Average (80s)	11.7	6.2	11.7	3.1
Average (90s)	12.3	3.5	12.8	2.2
RoG(80s)%	19.1	13.5	17.1	10.1
RoG(90s)%	14.9	8.7	14.9	12.4

RoG: Rate of Growth

**Table 6**  
**Variants of Central Revenue Expenditure as % of GDP**

Year	Total Revenue Expenditure	Total Revenue Expenditure net of Transfers	Total Revenue Expenditure net of Transfers and Interest Payments
1981-82	9.1	5.0	3.1
1982-83	9.9	5.7	3.6
1983-84	10.1	6.0	3.8
1984-85	11.2	6.9	4.5
1985-86	12.1	7.3	4.6
1986-87	13.0	8.1	5.2
1987-88	13.0	7.9	4.8
1988-89	12.8	8.0	4.6
1989-90	13.2	8.7	5.1
1990-91	12.9	8.2	4.4
1991-92	12.6	7.7	3.6
1992-93	12.4	7.3	3.1
1993-94	12.6	7.5	3.2
1994-95	12.1	7.6	3.3
1995-96	11.8	7.6	3.4
1996-97	11.7	7.4	3.0
1997-98	11.9	7.6	3.3
1998-99	12.3	8.7	4.3
1999-00(RE)	13.1	9.0	4.3
2000-01(BE)	12.1	8.4	4.0
Average (80s)	11.7	7.2	4.4
Average (90s)	12.3	7.9	3.6
RoG(80s)%	19.1	21.0	19.2
RoG(90s)%	14.9	17.0	18.0

RoG: Rate of Growth

**Table 7**  
**Compensation of**  
**Employees\* as % to GDP**

Year	Centre	States
1991-92	1.7	N.A.
1992-93	1.7	3.9
1993-94	1.6	3.9
1994-95	1.4	3.7
1995-96	1.4	3.8
1996-97	1.4	3.8
1997-98	1.8	4.0
1998-99	2.1	4.3
1999-00	2.2	4.6
Average	1.7	4.0

\*inclusive of pensions

**Table 8**  
**Ratio of Revenue Expenditure**  
**to Capital Expenditure**

Year	Centre	States
1981-82	1.6	2.8
1982-83	1.6	3.1
1983-84	1.7	3.2
1984-85	1.7	3.4
1985-86	1.8	3.6
1986-87	1.9	3.7
1987-88	2.1	4.0
1988-89	2.2	4.7
1989-90	2.2	4.7
1990-91	2.3	4.8
1991-92	2.8	5.2
1992-93	3.1	5.4
1993-94	3.2	5.7
1994-95	3.2	4.8
1995-96	3.6	5.4
1996-97	3.8	6.2
1997-98	3.5	5.6
1998-99	3.5	6.4
1999-00(RE)	5.0	6.5
2000-01(BE)	4.9	6.0
Average(80s)	1.9	3.8
Average(90s)	3.7	5.7

**Table 9**  
**Development and Non-Development Expenditure as % of GDP**

	Centre		States	
	Total Development Expenditure	Total Non-Development Expenditure	Total Development Expenditure	Total Non-Development Expenditure
1981-82	8.1	7.5	10.6	2.9
1982-83	8.6	8.4	10.9	3.1
1983-84	8.8	8.4	10.9	3.1
1984-85	11.1	7.5	11.3	3.4
1985-86	11.7	7.5	11.3	3.4
1986-87	11.3	8.3	11.7	3.6
1987-88	10.3	8.5	12.0	3.7
1988-89	9.8	8.4	11.1	3.7
1989-90	11.1	8.4	10.9	3.9
1990-91	10.3	8.7	11.1	4.0
1991-92	9.1	8.4	11.4	4.2
1992-93	8.8	8.1	10.8	4.3
1993-94	8.4	8.6	10.4	4.4
1994-95	8.2	8.2	10.3	4.9
1995-96	7.1	8.3	9.7	4.7
1996-97	6.9	8.2	9.7	4.6
1997-98	7.3	8.4	9.6	4.7
1998-99	7.8	8.5	9.3	4.9
1999-00(RE)	6.9	9.3	10.3	5.7
2000-01(BE)	5.8	9.2	9.0	5.4
Average (80s)	10.1	8.1	11.2	3.5
Average (90s)	7.6	8.5	10.1	4.8
RoG(80s)%	17.2	15.6	14.8	18.1
RoG(90s)%	10.5	16.2	12.8	18.3

RoG: Rate of Growth

**Table 10**  
**Decomposition of Centre's Total Expenditure as % to GDP**

Year	Defense	Interest	Subsidies	Economic Services	Social Services
1981-82	2.6	1.9	1.1	4.0	0.7
1982-83	2.7	2.1	1.2	4.1	0.8
1983-84	2.7	2.2	1.3	4.1	0.8
1984-85	2.9	2.4	1.6	4.9	0.9
1985-86	2.9	2.7	1.7	5.0	0.5
1986-87	3.3	2.9	1.7	5.2	0.7
1987-88	3.4	3.2	1.7	4.4	0.7
1988-89	3.2	3.4	1.8	4.3	0.7
1989-90	3.0	3.6	2.1	5.2	0.6
1990-91	2.7	3.8	2.1	4.3	0.6
1991-92	2.5	4.1	1.9	3.6	0.5
1992-93	2.4	4.2	1.6	3.5	0.5
1993-94	2.5	4.3	1.5	3.2	0.6
1994-95	2.3	4.4	1.3	3.4	0.6
1995-96	2.3	4.2	1.1	3.0	0.6
1996-97	2.2	4.4	1.2	2.7	0.7
1997-98	2.3	4.3	1.3	2.9	0.8
1998-99	2.3	4.4	1.4	3.1	0.8
1999-00(RE)	2.5	4.7	1.3	3.2	0.9
2000-01(BE)	2.5	4.4	1.0	2.8	0.8
Average (80s)	2.9	2.8	1.7	4.5	0.7
Average (90s)	2.4	4.3	1.4	3.1	0.7

**Table 11**  
**Decomposition of States' Revenue & Capital Expenditure as % to GDP\***

	SOCSR <sup>1</sup>	EDU <sup>2</sup>	HEALTH <sup>3</sup>	ECOSR <sup>4</sup>	INT <sup>5</sup>	ADMIN <sup>6</sup>	PEN <sup>7</sup>
1981-82	4.5	2.2	1.2	6.1	0.8	1.1	0.3
1982-83	5.0	2.3	1.2	6.0	0.9	1.1	0.3
1983-84	4.9	2.3	1.3	6.0	0.9	1.1	0.4
1984-85	5.0	2.4	1.3	6.3	1.0	1.1	0.4
1985-86	5.2	2.5	1.3	6.1	1.0	1.2	0.4
1986-87	5.4	2.5	1.4	6.4	1.3	1.2	0.4
1987-88	5.5	2.6	1.4	6.5	1.4	1.2	0.5
1988-89	5.3	2.6	1.3	5.8	1.4	1.2	0.6
1989-90	5.3	2.8	1.2	5.6	1.5	1.2	0.6
1990-91	5.3	2.8	1.2	5.9	1.5	1.2	0.6
1991-92	5.2	2.7	1.2	6.3	1.7	1.2	0.7
1992-93	5.0	2.6	1.1	5.8	1.8	1.3	0.7
1993-94	4.9	2.5	1.2	5.5	1.8	1.2	0.8
1994-95	4.8	2.5	1.1	5.5	1.9	1.2	1.2
1995-96	4.9	2.5	1.1	4.8	1.9	1.1	1.1
1996-97	4.8	2.5	1.0	4.9	1.9	1.1	1.0
1997-98	4.9	2.5	1.1	4.7	2.0	1.1	1.0
1998-99	5.4	2.7	1.2	4.6	2.0	1.1	1.0
1999-00(RE)	5.3	2.8	1.2	4.4	2.4	1.3	1.3
2000-01(BE)	4.9	-	-	4.1	2.3	1.3	1.2
Average (80s)	5.1			6.1	1.2	1.2	0.5
Average (90s)	5.0			5.1	2.0	1.2	1.0

<sup>1</sup> Revenue Social Services + Capital Social Services + Loans for Social Services

<sup>2</sup> Revenue + Capital Expenditures on Education, Sports, Arts, and Culture

<sup>3</sup> Revenue + Capital Expenditures on Medical and Public Health, Water Supply & Sanitation, and Family Welfare

<sup>4</sup> Revenue Economic Services + Capital Economic Services + Loans for Economic Services

<sup>5</sup> Interest Payments

<sup>6</sup> Administrative Services

<sup>7</sup> Pensions

**Table 12**  
**Major Receipts as % of GDP**

Year	Centre			States		
	Total Revenue Receipts	Total Tax Revenue	Total Non-Tax Revenue	Total Revenue Receipts	Total Tax Revenue	Total Non-Tax Revenue
1981-82	8.9	6.8	2.0	10.9	7.4	3.5
1982-83	9.2	6.9	2.3	11.2	7.5	3.7
1983-84	9.0	7.0	1.9	10.9	7.2	3.8
1984-85	9.5	7.1	2.4	11.1	7.3	3.8
1985-86	10.0	7.5	2.5	11.9	7.8	4.1
1986-87	10.6	7.8	2.8	12.2	8.0	4.2
1987-88	10.4	7.9	2.5	12.4	8.2	4.2
1988-89	10.3	8.0	2.3	11.9	7.8	4.1
1989-90	10.7	7.9	2.9	11.6	8.0	3.6
1990-91	9.7	7.6	2.1	11.7	7.8	3.8
1991-92	10.1	7.7	2.4	12.3	8.1	4.3
1992-93	9.9	7.2	2.7	12.2	8.1	4.1
1993-94	8.8	6.2	2.6	12.3	8.0	4.3
1994-95	9.0	6.7	2.3	12.1	8.0	4.1
1995-96	9.3	6.9	2.4	11.6	7.9	3.7
1996-97	9.3	6.9	2.4	11.2	7.8	3.4
1997-98	8.8	6.3	2.5	11.2	8.0	3.2
1998-99	8.5	5.9	2.5	10.0	7.3	2.7
1999-00(RE)	9.3	6.6	2.7	11.1	7.7	3.3
2000-01(BE)	8.8	6.3	2.5	11.2	8.1	3.1
Average (80s)	9.8	7.4	2.4	11.6	7.7	3.9
Average (90s)	9.2	6.7	2.5	11.5	7.9	3.6
RoG(80s)%	16.3	16.2	16.3	15.4	15.5	15.2
RoG(90s)%	13.6	13.0	15.3	12.7	14.1	9.6

RoG: Rate of Growth

**Table 13**  
**Decomposition of States Tax Revenues as % of**  
**GDP**

Year	Tax Revenue	Own-Tax Revenue	Share in Central Taxes
1981-82	7.4	4.9	2.5
1982-83	7.5	5.0	2.5
1983-84	7.2	4.9	2.3
1984-85	7.3	5.0	2.4
1985-86	7.8	5.2	2.6
1986-87	8.0	5.3	2.7
1987-88	8.2	5.4	2.7
1988-89	7.8	5.3	2.5
1989-90	8.0	5.3	2.7
1990-91	7.8	5.3	2.5
1991-92	8.1	5.5	2.6
1992-93	8.1	5.3	2.8
1993-94	8.0	5.4	2.6
1994-95	8.0	5.5	2.5
1995-96	7.9	5.4	2.5
1996-97	7.8	5.2	2.6
1997-98	8.0	5.4	2.7
1998-99	7.6	5.3	2.3
1999-00	8.0	5.6	2.4
Average (80s)	7.7	5.2	2.5
Average (90s)	7.9	5.4	2.5
RoG(80s)%	15.5	15.6	15.4
RoG(90s)%	14.5	14.9	13.5

RoG: Rate of Growth

**Table 14**  
**Centre's Major Tax and Non-Tax heads % to GDP**

Year	Direct Taxes	Income Tax	Corporation Tax	Indirect Taxes	Excise Taxes	Customs Duties	Interest Receipts	Dividends
1981-82	1.5	0.3	1.2	5.3	2.5	2.5	1.3	0.2
1982-83	1.4	0.2	1.2	5.5	2.4	2.7	1.5	0.2
1983-84	1.4	0.2	1.1	5.6	2.8	2.5	1.2	0.2
1984-85	1.4	0.3	1.0	5.8	2.7	2.9	1.6	0.2
1985-86	1.3	0.2	1.0	6.2	2.6	3.4	1.6	0.2
1986-87	1.3	0.2	1.0	6.5	2.6	3.7	1.7	0.2
1987-88	1.2	0.2	1.0	6.7	2.7	3.9	1.6	0.2
1988-89	1.4	0.4	1.0	6.5	2.6	3.7	1.6	0.1
1989-90	1.2	0.2	1.0	6.6	2.7	3.7	1.7	0.1
1990-91	1.2	0.2	0.9	6.3	2.5	3.6	1.5	0.1
1991-92	1.5	0.2	1.2	6.1	2.5	3.4	1.7	0.2
1992-93	1.6	0.2	1.2	5.6	2.2	3.2	1.7	0.3
1993-94	1.5	0.2	1.2	4.8	2.0	2.6	1.8	0.3
1994-95	1.8	0.3	1.4	4.9	2.1	2.7	1.6	0.3
1995-96	1.9	0.4	1.4	5.0	1.9	3.0	1.6	0.3
1996-97	1.9	0.3	1.4	5.0	1.7	3.1	1.6	0.3
1997-98	1.8	0.2	1.3	4.5	1.7	2.7	1.7	0.3
1998-99	1.8	0.3	1.4	4.1	1.6	2.3	1.7	0.5
1999-00(RE)	2.2	0.5	1.5	4.4	1.8	2.5	1.8	0.5
2000-01(BE)	2.3	0.5	1.7	4.1	1.6	2.3	1.6	0.5
Average (80s)	1.3	0.2	1.0	6.1	2.6	3.3	1.6	0.2
Average (90s)	1.8	0.3	1.4	4.9	1.9	2.8	1.7	0.3
RoG(80s)%	11.9	13.0	11.7	17.2	14.5	20.2	17.1	8.3
RoG(90s)%	19.5	25.3	19.1	10.6	10.1	11.0	15.0	27.1

RoG: Rate of Growth

**Table 15**  
**Centre Buoyancies for Select**  
**Variables**

Variables	80s	90s
Tax Revenue	1.1	0.9
Non-Tax Revenue	1.1	1.0
Direct Taxes	0.9	1.3
Indirect Taxes	1.3	0.7
Income Tax	1.0	1.6
Corporation Tax	0.8	1.3
Excise Duty	1.0	0.7
Customs Duty	1.3	0.7
Interest Receipts	1.2	1.0
Dividends	0.5	1.7

**Table 16**  
**Share of Taxes in State's**  
**Own-Tax Revenues**

Year	Direct	Indirect
1981-82	1.4	98.6
1982-83	1.3	98.7
1983-84	1.3	98.7
1984-85	1.7	98.3
1985-86	1.9	98.1
1986-87	1.6	98.4
1987-88	1.4	98.6
1988-89	1.4	98.6
1989-90	1.7	98.3
1990-91	2.1	97.9
1991-92	1.8	98.2
1992-93	1.5	98.5
1993-94	1.4	98.6
1994-95	1.3	98.7
1995-96	1.3	98.7
1996-97	1.4	98.6
1997-98	1.3	98.7
1998-99	1.5	98.5
1999-00	1.4	98.5
Average(80s)	1.6	98.4
Average(90s)	1.4	98.6

**Table 17**  
**State's Major Tax Revenues as % of GDP**

	OWNTX <sup>1</sup>	YT <sup>2</sup>	P&C <sup>3</sup>	COMDTY <sup>4</sup>	SALES <sup>5</sup>	EXCISE <sup>6</sup>	SHARECT <sup>7</sup>
1981-82	4.9	0.1	0.4	4.4	2.9	0.7	2.5
1982-83	5.0	0.1	0.4	4.5	2.9	0.7	2.5
1983-84	4.9	0.1	0.4	4.4	2.8	0.7	2.3
1984-85	5.0	0.1	0.4	4.5	2.9	0.7	2.4
1985-86	5.2	0.1	0.4	4.7	3.0	0.7	2.6
1986-87	5.3	0.1	0.4	4.8	3.1	0.8	2.7
1987-88	5.4	0.1	0.5	4.9	3.1	0.8	2.7
1988-89	5.3	0.1	0.5	4.7	3.1	0.7	2.5
1989-90	5.3	0.1	0.5	4.7	3.1	0.8	2.7
1990-91	5.3	0.1	0.5	4.7	3.1	0.8	2.5
1991-92	5.5	0.1	0.5	4.9	3.2	0.8	2.6
1992-93	5.3	0.1	0.5	4.8	3.1	0.8	2.8
1993-94	5.4	0.1	0.5	4.8	3.2	0.8	2.6
1994-95	5.5	0.1	0.6	4.8	3.3	0.8	2.5
1995-96	5.4	0.1	0.6	4.7	3.0	0.7	2.5
1996-97	5.2	0.1	0.5	4.6	3.2	0.6	2.6
1997-98	5.4	0.1	0.5	4.7	3.2	0.7	2.7
1998-99	5.3	0.1	0.5	4.7	3.2	0.8	2.3
1999-00	5.6	0.1	0.6	4.9	3.2	0.8	2.4
Average (80s)	5.2	0.1	0.5	4.6	3.0	0.8	2.5
Average (90s)	5.4	0.1	0.5	4.8	3.2	0.8	2.5
RoG(80s)%	15.6	19.5	17.3	15.4	15.5	16.6	15.4
RoG(90s)%	14.9	12.9	16.5	14.8	15.3	13.7	13.5

<sup>1</sup> States' Own Tax Revenue

<sup>2</sup> Taxes on Income

<sup>3</sup> Taxes on Property and Capital Transactions

<sup>4</sup> Taxes on Commodities and Services

<sup>5</sup> Sales Tax

<sup>6</sup> Excise Collections

<sup>7</sup> Share in Central Taxes

RoG: Rate of Growth

**Table 18**  
**States' Buoyancies for the Select**  
**Variables**

Variables	80s	90s
Tax Revenue	1.07	0.95
Non-Tax Revenue	0.95	0.66
Own Tax Revenue	1.06	0.98
Sales Tax	1.09	1.01
Own Non-Tax Revenue	0.85	0.67
Share in Central Taxes	1.09	0.86
Grants from the Centre	1.10	0.60

**Table 19**  
**States' Non-Tax Revenues as % of GDP**

Year	Non-Tax Revenue	Own-Tax Revenue	Grants
1981-82	3.5	1.9	1.6
1982-83	3.7	1.9	1.8
1983-84	3.8	1.9	1.9
1984-85	3.8	1.8	1.9
1985-86	4.1	1.9	2.3
1986-87	4.2	2.0	2.2
1987-88	4.2	1.9	2.3
1988-89	4.1	1.8	2.3
1989-90	3.6	1.8	1.7
1990-91	3.8	1.6	2.2
1991-92	4.3	1.9	2.3
1992-93	4.1	1.7	2.4
1993-94	4.3	1.8	2.5
1994-95	4.1	2.1	2.0
1995-96	3.7	1.9	1.8
1996-97	3.4	1.7	1.7
1997-98	3.2	1.6	0.8
1998-99	3.1	1.4	0.9
1999-00	3.2	1.4	0.9
Average (80s)	3.9	1.9	2.0
Average (90s)	3.7	1.7	1.7
RoG(80s)%	15.2	13.0	17.3
RoG(90s)%	9.6	10.6	8.9

RoG: Rate of Growth

**Table 20**  
**Disinvestment as % of GFD**  
**and GDP**

Year	GFD	GDP
1991-92	8.36	0.47
1992-93	4.88	0.26
1993-94	-0.08	-0.01
1994-95	9.72	0.56
1995-96	2.32	0.12
1996-97	0.68	0.03
1997-98	1.03	0.06
1998-99	5.18	0.33
1999-00(RE)	2.39	0.13
2000-01(BE)	8.99	0.43
Average	4.35	0.24

**Table 21**  
**Contingent Liabilities of Centre and States as % to GDP**

	Contingent Liabilities			Gross Fiscal Deficit			Combined		
	Centre	States	Total	Centre	States	Total	Centre	States	Total
1991-92	7.7	6.1	13.9	5.6	2.9	8.4	13.3	9.0	22.3
1992-93	7.8	5.7	13.5	5.4	2.5	7.9	13.1	8.2	21.4
1993-94	7.3	5.7	13.0	7.0	2.4	9.4	14.3	8.1	22.4
1994-95	6.2	4.8	11.0	5.7	2.0	7.8	11.9	6.8	18.7
1995-96	5.5	4.5	10.0	5.1	2.3	7.4	10.6	6.8	17.4
1996-97	5.1	4.7	9.8	4.9	2.3	7.2	10.0	7.0	17.0
1997-98	4.9	4.9	9.7	5.9	2.5	8.3	10.7	7.3	18.1
1998-99	4.2	5.5	9.8	6.4	2.5	8.9	10.7	8.0	18.7
1999-00	4.3	6.5	10.8	5.6	3.8	9.5	10.0	10.3	20.3
Average	5.9	5.4	11.3	5.7	2.6	8.3	11.6	8.0	19.6

Source: RBI