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## INCOME-EXPENDITURE ANALYSIS IN THE STATE OF JAMMU AND KASHMIR

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### *Abstract*

Since the beginning of the planning in India 1951-52 the state governments budgets are prepared on the basis of revenue and capital accounts. The expenditure is divided into plan and non-plan categories. In addition, Reserve Bank of India has classified budget head into functional heads like development expenditure (it includes expenditures on economic services and social services) and non-development expenditure (it includes expenditures on general services including organs of state, physical services, interest payments and servicing of debt, administrative services, pensions and miscellaneous-general services) heads. All the expenditures under revenue and capital accounts are divided into three categories viz. expenditure on :

i) economic services

ii) social services

iii) general services

The expenditures on agriculture and rural development, industry, physical infrastructures are included under economic services while expenditure on education, health, housing, labour welfare are included under social services. Both of these (i) and (ii) expenditures are included under development expenditures. On the other hand, expenditures on administrative services i.e. secretaria-general services, district administrations, police, public works, others including pensions as well as interest payments are covered under the non-development expenditures. Further, revenue and capital accounts as well as development and non-development expenditures heads are bifurcated into plan and non-plan expenditures.

Plan expenditure includes all expenditures related to annual plan projects, programmes and schemes approved by the planning commission and phased under each year of states five year plan. These expenditures are on all those schemes which are centrally sponsored schemes or central sector plan schemes routed through state budgets with or without matching state expenditures. While non-plan expenditures covered all the expenditures which are not included in annual plan programmes of government. These non-plan expenditures include both revenue account expenditures and capital account expenditures and developmental and non-developmental expenditures. **Keywords:** Income, Analysis, J&K, Expenditure.

## INTRODUCTION

The state of jammu and Kashmir enjoys special status in many sphere of its development. The state is grouped under special category states. In 1990-91 the state of jammu and Kashmir was accorded a special status. Due to low capacity to generate the local resources for economic development, the state is excessively relying on central resources. As a special category state, jammu and Kashmir is provided with 90 percent grants and 10 percent loans by the central government for all centrally and state sponsored schemes while the non-special category states receive plan assistance in the ratio of 70 percent loans and 30 percent grants.

The central government has signed a memorandum of understanding with jammu and Kashmir state to implement economic reforms where additional incentives were made to bail out the state from fiscal mess such as accelerated power development programme and accelerated irrigation programme. The tenth five year plan has set higher targets of growth which may not be possible without state level fiscal reforms where agriculture development, poverty alleviation, human development and infrastructure developed remained under the responsibilities of state. This is true for the states like jammu and Kashmir where the central government has to make significant investments for improving physical and social infrastructure in the state.

Therefore, in order to study the economic performance of jammu and Kashmir the following parameters have been identified like:

- a) growth of net state domestic product (NSDP)
- b) income expenditure analysis
  - i) trends in states revenues or expenditures
  - ii) trends in states debts and outstanding liabilities
  - iii) trends in the net loans or interest burden
  - iv) trends in gross physical deficit
- c) planning in the state

## METHODOLOGY

The study work is based on both primary and secondary data. Small portion of the present data is based on the data collected from primary survey. For collecting primary data in the area sample was selected for the information regarded to the study work. However more study will be based on secondary data. Different statistical tools were used in this analysis.

## DISCUSSION AND FINDINGS

The higher fiscal and revenue deficits during the last decade have shown the extend of physical stress through which the state of jammu and kashmir has been passing through. The increased proportion of revenue expenditure in the state implies that a significant proportion of the borrowed funds has been utilized for meeting revenue expenditure. The consequential accumulation of debt and debt service obligations has put constraints on the states ability to undertake developmental activities ,viz.,provision of economic and social infrastructure .in order to address this problem,the state has to undertake a number of policy measures relating to the revenue augmentation,containment of expenditure and public sector reforms.This may be done by reducing the non-plan revenue expenditure.Along with economic measures such as freeze on non-essential recruitments,review of manpower requirements and cut in establishment expenses,reduction in non-merit subsidies through better targeting zero based budgeting and efforts should be made to review the organizational structure of major departments to achieve rationalization,efficiency and economy in their functioning.The state has to focus on expenditure management by setting up expenditure reforms/review committees and identifying performance indicators to access the quality expenditure restructuring.In 2001-02 the state of jammu and Kashmir took some policy initiatives to increase the revenue viz.,rationalization of sales tax,ban on purchase of new vehicles in governments,revision of tool tax on goods.Golden handshake for public sector units employees and setting up of standing Audit Committee to curtail non-productive spending.

The power sector is the most critical to the growth of the state economy but this sector is faced with some serious problems.The power in the state is produced by government undertakings and distributed by them at much below cost to agriculture and household sectors,which partly compensated by prohibited prices charged on industry and commercial sectors.According to the Annual Report on the Working of State Electricity Boards-2001-02,during the last five years (1992-02) the total power growth capacity was 122 MW.The Hydel-thermal mix was 95.6 percent and 4.4 percent in 1992-93 which was 100 percent for for Hydel production in 2001-02.The cost of power supply was 286 paise per Kwh in 1996-97,which increased to 412 paise per Kwh in 2001-02 according to the plan estimates.except Delhi,this was highest among the northern states of the country.In 1990-00 the per capita power consumption was 268 Kwh.the sector wise consumption pattern shows that during 1996-97 the domestic consumption was 25.80 percent,which increased to 41.70 percent in 2001-02(the figures for 2001-02 are based on plan estimate).The industrial consumption increased from 13 percent to 17.3 percent during the same period .While agriculture and commercial power consumption had shown a decrease during the same period.The power consumption in agriculture sector decreased from 16.9 percent in 1996-97 to 5 percent in 2001-02 whereas the decrease in power consumption in commercial sector was from 15.4 percent to 8 percent during the same period.The power consumption in domestic sector was highest in jammu and Kashmir among the Northern states of india including hill state of Himachal Pradesh.

The average power tariff was found to be lowest in the state of jammu and Kashmir.On overall basis,it was 138 paise per Kwh in 2001-02(according to plan estimates).An important factor can be noted here that unlike other states of Northern India the average power tariff in domestic sector was lowest and it was highest in agriculture sector in jammu and Kashmir.In domestic sector it was 85 paise per Kwh,(it was 281 paise per Kwh in Haryana,217 paise per Kwh in Punjab,181 paise per Kwh in Uttar Pradesh and 109 paise per Kwh in Himachal Pradesh) in commercial sector it was 160 paise per Kwh (it was 467 paise per Kwh in Uttar Pradesh,451 paise per

Kwh in Haryana,375 paise per Kwh in Punjab,and 270 paise per Kwh in Himachal Pradesh),in agriculture sector it was 220 paise per Kwh (it was zero in Punjab,48 paise per Kwh in Haryana,50 paise per Kwh in Himachal Pradesh and 119 paise per Kwh in Uttar Pradesh).While in industry sector it was 135 paise per Kwh during the year 2001-02.(It was 482 paise per Kwh in Uttar Pradesh,478 paise per Kwh in Haryana,306 paise per Kwh in Punjab and 275 paise per Kwh in Himachal Pradesh).The state of jammu and Kashmir is also suffering huge losses in this sector due to high level of pilferage,transmission and distribution losses,low level of metering and low collection.The transmission and distribution losses were found to highest in jammu and Kashmir among the Northern states of the country.It was 46.80 percent in 2001-02.( It was 17 percent in Himachal Pradesh,17.5 percent in Punjab,33 percent in Haryana,38.7 percent in Uttar Pradesh and 45 percent in Delhi during2001-02).Upto 2001-02 only 40 percent consumer metering was done in the state of jammu and Kashmir ,which was the lowest percentage among the Northern states of the India.The highest negative returns on capital investment in power were found in India.It was (-ve) 75.5 percent.This adds to the state exchequer very heavily.The state of jammu and Kashmir is among the 21 state of India,which have signed the Memorandum of Understanding(MOU) with the Ministry of Power,Government of India to undertake reforms in a time bound manner.But still power reform law (in 2001-02,the state drafted its own Electricity Regulatory Commission Bill in consultation with Administrative staff College of India(ASCI).Only recently in 2002-03 power reform bill has been passed by the state assembly but Regulatory Commission,Utility Unbundling,Anti-Theft Law and Distribution Privatisation are absent in the state,which are considered to be primary for any effort to initiate the power sector reforms.

## REVENUE RECEIPTS

Table 1.0 shows the trends in Tax Revenue(states own tax revenue<sup>29</sup>+share in central taxes) and non-tax revenue(states own non-tax revenue<sup>30</sup>+ grants from the centre <sup>31</sup>) receipt in J&K during 1989-90 to 2002-03.The total revenue receipts have increased from Rs. 957.97 crores in 1989-90 to Rs. 6497.30 crores in 2002-03,showing an increase of over 6.73 times. Similar trend was found in tax revenue and non-tax revenues.The tax revenue was Rs.389.93 crores in 1989-90 which increased to Rs. 1752.10 crores in 2002-03,showing an increase of over 4.49 times.The non-tax revenue also increased from Rs.568.04 crores in 1989-90 to Rs, 4745.20 crores in 2002-03,showing an increase over 8.35 times.It can be observed from the table 1.0 that the percentage of tax revenue receipts in total revenue receipts has decreased whereas the percentage in non-tax revenue in total revenue has increased over the years.In the year 1989-90,the tax revenue as percent of total revenue receipt was 40.70 percent.After 1990-91,te tax revenues as percent of total revenue receipts showed a declining trend (except for the years 1996-97 to 1999-2000).It was 26.97 percent in 2002-03( A little better than the previous year).On the contrary,the percentage of non-tax revenue to the total revenue receipt has shown an increasing trend.It has increased from 59.30 percent in 1989-90 to 73.03 percent in 2002-03.However the years between 1996-97 and 1999-2000 showed a decline in its growth.On the whole it can be observed from the data that the non-tax revenues accounted for a greater share in the total revenue receipts than the tax revenues.

Table 1.0

**Trends In Tax And Non Tax Revenue(J & K)**

year	Total revenue receipts	Total revenue (Rs. Crore)	Non tax revenue (Rs.crore)	Tax revenue % of total revenue receipts	Non tax revenue % of total revenue receipts
1989-90	957.97	389.93	568.04	40.70	59.30
1990-91	1157.81	487.74	670.07	42.13	57.87
1991-92	1625.42	577.52	1047.90	35.53	64.47
1992-93	2048.94	702.47	1346.47	34.28	65.72
1993-94	2227.3	733.122	1494.21	32.91	67.09
1994-95	3026.87	812.71	2214.16	26.05	73.95
1995-96	3256.41	9271.46	2328.95	28.48	71.52
1996-97	3690.18	1110.73	2579.45	30.09	69.91
1997-98	4287.68	1502.29	2785.39	35.04	64.96
1998-99	4509.14	1648.65	2860.49	36.56	63.44
1999-00	5237.30	1958.19	3279.11	37.39	62.61
2000-01	5426.70	1392.80	4033.90	25.66	74.34
2001-02	6858.10	1586.30	5271.80	23.13	76.87
2002-03	6497.30	1752.10	4745.20	26.97	73.03

Note: figures upto 2001-02 are revised estimates and 2002-03 figures are budget estimates.

Source: RBI Bulletin :Finances of state government of respective years/budget document.

**STATES OWN TAX REVENUE AND CENTRAL TAXES**

The extent to which the states and the own tax and non tax revenues meet the expenditure needs, provides an indicator of the degree of flexibility to a state in the conduct of its budgetary operations. Table 1.01 shows trends in the states on tax revenue and central taxes during 1989-90 to 2002-03. This shows the states efforts in raising taxes. The trend in on tax revenue of jammu and Kashmir state shows that it has increased from Rs.132.90 crores in 1989-90 to Rs.935.50 crores in 2002-03, showing an increasing of over 7 times. The share in central taxes which accrued to the state accounted for Rs.257.03 crore in 1989-90 while it increased to Rs.816.60 crores in 2002-03 showing an increase of over 3.17 times. The data in table 1.01 also show that the states on tax revenue as percent of the total tax revenue was 34 percent in 1989-90 which declined upto 1999-00 (though with some upward shifts during 1993-94, 1994-95 and 1995-96). It was only after 2000-01 that the states on tax revenue as percentage of total tax revenue receipts crossed the level of 50 percent i.e 53.71 percent (2000-01), 54.06 percent (2001-02) and 53.39 percent (2002-03). On the other hand the share in central taxes as percent of total tax revenue has initially increased from 66 percent in 1989-90 to 73.52 percent in 1989-99 (though with some downward shifts in 1993-94 and 1995-96). Since 1999-00, the states share in central taxes as percent of total taxes

started declined from 67.98 percent in 1999-00 to 46.61 percent in 2002-03. It can be observed from the below data that the share in central taxes has declined in j and k over the period as compared with state own tax revenue.

**Table 1.01**

**Trends in states own tax revenue and central taxes(J&K)**

Year	States own tax revenue(Rs. Crore)	Share in central taxes(Rs.crore)	States own tax revenue percent of total tax revenue	Share in central taxes percent of total tax revenue
1989-90	132.90	257.03	34.08	65.92
1990-91	163.12	324.62	33.44	66.56
1991-92	164.40	413.12	28.47	71.53
1992-93	206.74	59.73	29.43	70.57
1993-94	224.65	508.47	30.64	69.36
1994-95	243.69	569.02	29.98	70.02
1995-96	284.79	642.67	30.71	69.29
1996-97	289.27	821.46	26.04	73.96
1997-98	367.41	1134.88	24.46	75.54
1998-99	436.60	1212.05	26.48	73.52
1999-00	627.01	1331.18	32.02	67.98
2000-01	748.10	644.70	53.71	46.29
2001-02	857.50	728.70	54.06	45.94
2002-03	935.50	816.60	53.39	46.61

Note: figures upto 2001-02 are revised estimates and 2002-03 figures are budget estimates.

Source: RBI Bulletin :Finances of state government of respective years/budget document.

**TRENDS IN STATES OWN NON TAX REVENUE AND CENTRAL GRANTS**

Table 1.02 shows the trends in states in own non tax revenue and central grants in jammu and Kashmir state during 1989-90 to 2002-03. These trends would indicate the efforts of the state in tapping non sources. The states own non tax revenue was Rs.86.64 crores in 1989-90 which increased to Rs. 322.80 crores in 2002-03 showing an increase of over 3.72 times. The grants from centre were Rs 481.40 crores in 1989-90 which increased to Rs. 4422.40 crores in 2002-03, showing an increase of over 9 times. The states own non tax revenues as percent of the total non tax revenue were 15.25 percent in 1989-90 which in subsequently years has shown a steep decline. It declined to 6.80 percent in 2002-03. The grants from centre as percent of the total non tax revenues were 84.75 percent in 1989-90, which in subsequent years increased to 93.20 percent in 2002-03.

It can be observed from the data above that the jammu and Kashmir had not been able to raise adequate revenue from non tax sources and there is a greater dependence of the state on the central government for grants.



Table 1.02

## Trends in the state on non tax revenue and central grants (j&amp;k)

year	States own non tax revenue(Rs. Crore)	Grants from the centre(Rs.crores non tax)	States own non tax revenue percent of total revenue	Grants from the centre percent of total non tax revenue
1989-90	86.64	481.40	15.25	84.75
1990-91	69.53	600.54	10.38	89.62
1991-92	115.97	931.13	11.07	88.93
1992-93	113.67	1232.80	8.44	91.06
1993-94	135.05	1359.16	9.03	90.97
1994-95	155.77	2058.39	7.04	92.96
1995-96	157.98	2170.97	6.78	93.22
1996-97	154.98	2424.47	6.00	94.00
1997-98	272.61	2512.78	9.79	90.21
1998-99	283.26	2577.23	9.90	90.10
1999-00	231.45	3047.66	7.06	92.94
2000-01	239.40	3794.50	5.93	94.07
2001-02	301.00	4970.80	5.70	94.29
2002-03	322.80	4422.40	6.80	93.20

Note: figures upto 2001-02 are revised estimates and 2002-03 figures are budget estimates.

Source: RBI Bulletin :Finances of state government of respective years/budget document.

## EXPENDITURE

Table 1.03 shows the trends in jammu and kashmir state during 1989-90 to 2000-01. The trend in expenditure shows the worsening of financial position of the state. The total expenditure in the state was Rs.1611.37 crores in 1989-90 which increased to Rs. 7748.08 crores in 2000-01, showing an increase of over 4.8 times. The revenue expenditure has also increased from Rs.1081.22 crores in 1989-90 to Rs.5833.66 crores, showing an increase of over 5.4 times. On the other hand, the capital expenditure has also increased from Rs.530.15 crores in 1989-90 to Rs.1914.42 crores in 2000-01, showing an increase of over 3.6 times. It can be observed that the revenue expenditure had a steep rise than the capital expenditure over the years.

The data in the table 1.03 also shows that the revenue expenditure as percent of total expenditure has increased from 67.11 percent in 1989-90 to 80.06 percent in 1999-00 (it was 62 percent in 1990-91). In the year 2000-01, it has decreased to 75.29 percent. On the other hand, the capital expenditure as percent of total expenditure was 32.89 percent in 1989-90, which increased to 38 percent in 1990-91 and then declined to 16.06 percent in 1998-99. It has again shown an increasing trend during 1999-00 (19.94 percent) and 2000-01 (24.71 percent).

percent).It can be observed from the below data that the revenue expenditure had much higher share in total expenditure as compared with capital expenditure.

**Table 1.03**

**Trends in expenditures in jammu and Kashmir**

year	Total expenditure(Rs. Crore 3+4)	Revenue expenditure(Rs.crore)	Capital expenditure(Rs.crore)	Revenue expenditure percent of total expenditure	Capital expenditure percent of total expenditure
1989-90	1611.37	1081.22	530.15	67.11	32.89
1990-91	2020.95	1249.05	771.90	61.81	38.19
1991-92	2285.71	1521.40	764.31	66.56	33.44
1992-93	2320.54	1781.92	538.62	76.79	23.21
1993-94	2593.29	1768.35	824.94	68.19	31.81
1994-95	3339.29	2324.40	1014.89	69.91	30.39
1995-96	3572.59	2515.71	1056.88	70.42	29.58
1996-97	4021.14	2898.56	1122.58	72.08	27.92
1997-98	4893.38	3479.64	1413.74	71.12	28.88
1998-99	5848.91	4909.35	939.56	83.94	16.06
1999-00	6689.66	5355.68	1333.98	80.06	19.94
2000-01	7748.08	5833.66	1914.42	75.29	24.71

Note: figures upto 1999-00 are revised estimates and 2002-03 figures are budget estimates.

Source: RBI Bulletin :Finances of state government of respective years.

## STATE DEBTS

The tenth finance commission has devised a promotional scheme for the state, which shows better fiscal management. Under this scheme debt relief is given to the states according to their fiscal performance. The improvement in fiscal performance is by comparing the ratio of revenue receipts to total revenue receipts in a given year with the average of corresponding ratio in the three immediate preceding years. Thus, each state was to be considered against its performance in the past. The tenth financial commission recommended that generalized debt relief could take the form of certain percentage of repayment falling due in each of the period of its recommendations being written off. Only those repayments, which pertain to fresh central loans to the states during 1989-95 and outstanding on March 31, 1995, would be covered. However, the eleventh finance commission made an assessment of debt position of the states as on March 31, 1999 and suggested corrective measures as deemed necessary, keeping in view the long-term sustainability for both centre and the state. A higher relief was considered to act as an incentive for encouraging better performance for determining the quantum of relief. Instead of two levels of five and ten percent as suggested by the tenth finance commission, the eleventh finance commission recommended five levels i.e. below 10 percent, 10-15 percent, 15-20 percent, 20-25 percent and above 25 percent. The state of Jammu and Kashmir is blessed in the level of 10-15 percent.

Table 1.04 shows the trends in composition of outstanding debt in Jammu and Kashmir state during 1990-2003. The state's debt has three components viz., internal debt, loans and advances from the central government and the provident funds. Components of state debt comprise of market loans, loans from banks and financial institutions and ways and means advances from the Reserve Bank of India. The data shows the internal debt components of outstanding debt increased from Rs. 350 crores in 1990 to Rs. 2858 crores in 2003, showing an increase of over 8 times. The central loans were Rs. 2506 crore in 1990 which increased to Rs. 4577 crores in 2003, showing an increase of 1.82 times. The provident funds which stood at Rs. 304 crores in 1990 rose to Rs. 3155 crores in 2003, showing an increase of over 10 times. The total debt outstanding was Rs. 3160 Crores in 1990, which increased to Rs. 10590 crores in 2003, showing an increase of over 3.35 times. It can be observed from the data below that the share of internal debt in total debt has increased from 11.08 percent in 1990 to 26.99 percent in 2003. Likewise, the percentage share of provident funds on total debt has increased from 9.62 percent to 29.79 percent during the same period. On the other hand, the percentage share of the central loan in total debt decreased from 79.30 percent in 1990 to 43.22 percent in 2003. It can be observed from the above data that the components of the state debt, the central loans still holds highest percentage share of 43.22 percent against 26.99 percent (internal debt) and 29.79 percent (provident funds) in 2003. While as, the provident funds registered a highest increase among the above mentioned three components of the state debt, second to it is an internal debt.

Table 1.04

## Composition of outstanding debt in the state (J&amp;K)

Year(ending march)	Internal debt	Loan and advances from the central government	Provident funds etc	Total debt
1990	350(11.08)	2506(79.30)	304(9.62)	3160(100)
1991	370(10.35)	2836(79.33)	369(10.32)	3575(100)
1992	417(11.28)	2839(76.81)	440(11.91)	3696(100)
1993	471(11.90)	2942(74.33)	545(13.77)	3958(100)
1994	518(12.75)	2879(70.88)	665(16.37)	4062(100)
1995	595(14.03)	2865(67.52)	783(18.45)	4243(100)
1996	689(15.07)	2991(65.41)	893(19.52)	4573(100)
1997	793(15.62)	3262(64.30)	1019(20.08)	5074(100)
1998	1035(17.68)	3631(61.99)	1191(20.33)	5857(100)
1999	1288(19.30)	4004(60.03)	1379(20.67)	6671(100)
2000	1312(16.94)	4558(58.87)	1873(24.19)	7743(100)
2001	1603(18.30)	4787(54.65)	2370(27.05)	8760(100)
2002	2303(23.72)	4660(48.00)	2745(28.28)	9708(100)
2003	2858(26.99)	4577(43.22)	3155(29.79)	10590(100)

Note: figures in parenthesis are present in the total debt

Sources: RBI, Report on currency and finance of respective years.

In order to meet the deficiency in the economic activities and to carry forward the burden of debts the state is heavily depending on provident funds and borrowing from centre. The ratio of interest burden to revenue receipts, which was 23.72 percent in 1991-92, came down to 13.83 percent in 1998-99, once again increased to 20 percent in 2003. The non development expenditures has also increased from 32 percent in 1992-93 to 41 percent in 1999-2000 and again to about 50 percent in 2001-02. The salary wage bill of the state is very high. According to the available data for 2003-04, salary bill were Rs.2500 crores (it was Rs.2800 crores in 1988-89) when pensions and interest payments amounting to Rs.20000 crores are added to the salary bills, it amounts to Rs.4500 crores out of Rs.6500 crores kept for the non plan development in 2003-04. This amount to 69.23 percent of the non plan development allocations leaving only 300.77 percent resources available for the general public.

## Net central loans and interest burden

The states are required to obtain the centre approval for borrowing if they are indebted to the centre. The states can not borrow externally and the entire debt of the states is purely internal. Thus the states can not spend more than their estimate revenue plus borrowing limits approved by the centre. However, the states can resort to additional borrowed resources. These include small savings, ways and means advances from the reserve bank of India, public accounts and public sector enterprises. Being a state (j&k) faced with the counter insurgency operations additional burden of security related expenditure is incurred by the state. Such expenditures have increased from Rs 15 crores in 1992-93 to Rs.600 crores in 2002-03. In 2003-04 the expenditure on state police personnel had been Rs 37 crore in general administration department, Rs 932 crores for house department, Rs 45 crores for public health and engineering departments and Rs 62 crores for revenue department.

Trends in gross central loans do not reflect the extent to actual availability of funds, as states are required to repay the previously borrowed loans annually. It is, therefore, necessary to refer to net central loans i.e. gross loans minus repayments. It may be seen from table 1.05 that net central loans in some years either have been minimum or negative. The net central loans were as low as Rs 2.57 crores in 1991-92. During 1993-94 and 1994-95, the net central loans turned out to be negative, which resulted in reserve flow of funds from the state to the centre. From a state like j&k, which is heavily dependent on centre for its finances, a situation of reserve flow of funds or central loans turning negative has serious implications. It can be observed that the percentage of net loan to total expenditure has increased from 0.1 percent in 1991-92 to 1.7 percent in 2002-03. The gross loan amount has also increased from Rs 142.90 crores in 1991-92 to Rs.501.40 crores in 2002-03. The percentage of the gross loan amount to total expenditure has marginally decreased from 6.3 percent in 1991-92 to 5.9 percent in 2002-03.

Table 1.05 also shows that the states interest burden, which is the ratio of the total interest payments to the revenue receipts used for interest payments. There was marginal decrease in the gross interest payments during 1991-92 to 2002-03 where as the net interest payments as a percentage to revenue receipts have shown a marginal increase during the same period. The amount of gross interest payments was Rs 385.70 crores in 1991-92 which was Rs 1181.50 crores in 2002-03. On the other hand the amount of the net interest payments was Rs 309.70 crores in 1992-93 which increased to Rs 1047.8 crores in 2002-03.

Table 1.05

## Loans and interest payments

years	Loans from centre(gross)	Loans from centre(net)	Interest payments(gross)	Interest payments(net)
1991-92 (A)	142.9(6.3)	2.57(0.1)	385.7(23.7)	N.A
1992-93 (A)	123.5(5.3)	121.9(5.3)	359.4(17.5)	309.7(15.1)
1993-94 (A)	147.9(5.7)	-62.9(-2.4)	275.6(12.4)	193.8(8.7)
1994-95 (A)	255.0(7.6)	-13.9(-0.4)	576.7(19.1)	480.9(15.9)
1995-96 (A)	277.9(7.8)	125.5(3.5)	440.4(13.5)	347.4(10.7)
1996-97 (A)	425.2(10.6)	271.3(6.7)	489.3(13.3)	389.3(10.5)
1997-98 (A)	522.1(10.7)	368.6(7.5)	592.7(13.8)	492.6(10.5)
1998-99 (A)	446.4(7.6)	189.1(3.2)	664.7(14.7)	576.6(12.8)
1999-00 (A)	935.2(13.2)	738.1(10.4)	844.5(15.3)	742.0(13.5)
2000-01 (A)	435.1(5.6)	229.3(2.9)	844.5(15.6)	739.5(13.6)
2001-02 (RE)	480.7(6.0)	79.6(1.0)	1086.3(15.8)	962.2(14.0)
2002-03 (BE)	501.4(5.9)	144.4(1.7)	1181.5(18.2)	1047.8(16.1)

Note: 1) A=amount,RE=revised estimates,BE= budget estimates

2) for loan from central figures in paranthesis are percentage of total expenditure

3) for interest payments figures in paranthesis are the percentage of revenue receipts of the state

4) figures for 1992-93(loans) relate to revised estimates.

Sources: special statistics-37(2004) finances of the state government.

### Gross Fiscal Deficit

The concept of the fiscal deficit refers to the excess of the total government expenditures over the current or revenue receipts of the government. In other words fiscal deficit indicated the net borrowing requirements of the government, which is the net addition to the public debt. It may be necessary in this context to know the distinction between gross fiscal deficit and net fiscal deficit. Gross fiscal deficit is defined as the difference between aggregate disbursements of net debt repayments and recovery of loans and revenue receipts. Whereas net fiscal deficit is the difference between the gross fiscal deficit and net lending. In nutshell gross fiscal deficit reflects overall borrowing requirements of the government.

Table 1.06

## Gross fiscal deficit jammu and Kashmir( Rs in crore)

year	receipts	expenditure	Deficit(-)/ Surplus (+)	% of GSDP
1990-91	1157.80	1819.00	-661.20	N.A
1991-92	1625.42	2074.10	-448.68	10.9
1992-93	2048.94	2252.40	-203.46	4.50
1993-94	2227.33	2315.00	-87.67	-1.40
1994-95	3026.87	3003.50	+23.37	-0.30
1995-96	3256.41	3353.00	-96.59	1.20
1996-97	3690.18	3856.30	-166.12	1.80
1997-98	4287.68	4731.30	-443.62	4.30
1998-99	4509.14	5563.50	+1054.40	8.40
1999-00	5513.60	6852.10	-1338.50	9.80
2000-01	5426.70	7593.00	-2166.30	14.30
2001-02	6858.10	7606.20	-748.10	4.40
2002-03	6497.20	8110.00	-1612.80	8.60

**Note :** 1) receipts refer to the revenue receipts

2) expenditures include the revenue expenditure, capital outlay and net lending

3) figures upto 2000-01 are accounts, 2001-02 are revised estimates and 2002-03 figures are budget estimates

4) N.A = not available.

**Sources:** RBI bulletin, finances of state government of respective years.

RBI state finances: a study of budget deficit 2000-01

## CONCLUSION

On the basis of conclusion it has been observed that the jammu and Kashmir state had not been able to raise adequate revenues from tax and non -tax sources and there is a greater dependence of state on the centre.

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