International Research Journal of Management and Commerce
ISSN: (2348-9766)
Impact Factor- 5.564, Volume 5, Issue 2, February 2018
Website- www.aarf.asia, **Email** : editor@aarf.asia , editoraarf@gmail.com

INTER-REGIONAL FISCAL ANALYSIS IN INDIA DURING POST LIBERALISATION ERA–AN EMPIRICAL STUDY.

Mr. Karthik Reddy
Department of MBA, Sri Venkateshawara College of Engineering, Bengaluru-562157, India.

ABSTRACT

Fiscal policy refers to the policy of the government either at central or state which indicates its revenue, expenditure and debt pattern during a particular period of time generally one year. Fiscal analysis is an important technique to know the future revenue and expenditure trend and development attitude of the government in advance.When size of the economic system is growing it brings more revenue to the government to meet its socio-economic objectives. However, whether fruitfulness of reforms is equally tasted by the all regions in the country is the need of the study. If the reforms are not equally tasted by the states that leads to problem of inter – regional economic disparities which is a major concern in India even today. Therefore, the present study is an empirical study which analysis the inter –regional fiscal status of the India. The study concluded that, the total revenue of all regions has increased during the study period, within this the proportion of tax revenue has increased substantially, on the contrary the non-tax revenue decreased due to increase in income levels and economic levels and fall on the government collection through imposing taxes on common man and administrative activities in their respective regions. Among the entire regions south region is most prominent region both in terms of revenue, expenditure and deficit followed by north and west. On the other hand remaining central, east and north east regions are lagged behind in the development process *than other regions. Therefore, finally the study identified the need of more concentration on the development of central, east and north east regions through giving support in enhancing its earning capacity and more allocation of central government funds, Otherwise it may increase the problem of regional economic disparities*

Keywords: Economic Disparities, Fiscal Policy, Inter-Regional, Income Levels, Socio-Economic Objectives.

1. INTRODUCTION:

Fiscal policy refers to the policy of the government like budget which also indicates how rupee comes in and how rupee goes out. Budget or fiscal analysis is an important technique to know the future revenue and expenditure trend and development attitude of the government in advance. Based on this various decisions can be taken by various stakeholders consists from common man to billionaire. In general, government generates revenue from two sources such as tax revenue and non-tax revenue, increase in which indicates progress of the state through either development of economic activities and income levels of people or by imposing more tax burden on common man. On the other hand, this revenue is used mainly to meet the capital expenditure and revenue expenditure which is subject to further segmentation. However, sometimes due to inadequate funds government may prefer to borrow funds from outside, this leads to fiscal deficit. Various studies provedcontinuous increase in fiscal deficit leads to inflationary pressure on the economy; therefore the main aim of fiscal policy should be optimum utilization of funds for the development of State.

The year 1991 gains significance in Indian economy due to initiation of various measures which paved Indian economy to shift from mixed economy to capitalistic economy. These measures are popularly known as liberalization, privatization and globalization. After initiation of economic reforms government recognized the need of fiscal reforms and appointed a committee under the head of Prof. Challaia in 1993, this committee has submitted it's reported in 1996, as result government has approved and implemented his major recommendation. The committee suggested need to encourage corporate growth by reducing tax burden, consequently the tax rates fallen significantly, this attracted many private people to involve more in economic activities in the country. When size of economic system is growing it brings more revenue to the government to meet its socio-economic objectives. However, whether fruitfulness of reforms are equally tasted by the all regions in the country is a need of the study. If the reforms are not equally tasted by the states that leads to problem of inter –regional economic disparities which is a major concern in India even today. Therefore, the present study is an empirical study which analysis the inter –regional fiscal status of the India.

2. REVIEW OF LITERATURE:

Ismail (2017) opined that changes in taxation and government spending significantly and directly affects the aggregate demand and level of economic activities in the country, generally more in developing countries due to need of more funds for development projects. Rabia (2016) has found the long run relationship between fiscal policy and Indian economy and observed the exogenous shocks among the economics variables. Krishna (2015)has made an empirical study to assess the response of private sector to the fiscal sustainability which is analyzed through four prospective such as backward looking, forward looking, balance sheet and Ricardian approaches. The studies revealed that fiscal policy significantly affect the private sector response towards deficit, debt, expenditure and taxes. Ashok (2014) has found that the proportion of internal debt in total internal liabilities is two third, which is much higher than the other liabilities.However this moved to down-trend during the study period in India. Pandya (2013) has done an empirical analysis to examine the impact of fiscal reforms on the corporate sector in Gujarat. The findings of the study revealed that, the incentive offered by central government has shown positive impact on competitiveness, capacity, technology, quality and financial performance during the study period. Neet (2013) identifies that the instruments of monetary policy have more impact than instruments of fiscal policy in influencing the economic stability of the country. Neha (2013) has found that deficit financing in the form of cash result in expansion of current account deficit and recourse of deficit financing led to loss of control on inflation. Ashima Goyal (2010) points out that effective exchange rate management, huge foreign reserves, policy restrictions on capital account restrictions, standard financial markets, effective tax administration and Fiscal Responsibility and Budget Management (FRBM) introduction helped India to stand out of crisis and report sustainable economic growth even in financial meltdown period. Naseem(2010) has revealed that, fiscal reforms have shown significant positive impact on fiscal imbalance and economic growth of the India, but recommended need of more fiscal reforms to achieve the aims of growth with economic stability.

3. SIGNIFICANCE OF THE STUDY:

After review of above literature, it is observed that many research works are done on fiscal policy at central or state levels, some are on impact of financial or economic reforms on fiscal sustainability, impact of fiscal reforms on corporate sector and various selected economic variables. But no studies have done on fiscal policy at regional levels. Present study is an empirical study to examine the growth of fiscal sustainability of various regions in the country. Present study is an inter-regional analysis of twenty five years of fiscal policy (1991-2015) during post liberalization era.

4. OBJECTIVES OF THE STUDY:

- To analyze the inter-regional revenue pattern during post liberalization period.
- To analyze the inter-regional expenditure pattern during post liberalization period.
- To analyze the inter-regional fiscal deficit/surplus pattern during post liberalization period.

5. RESEARCH METHODOLOGY:

The present study is purely based on secondary data collected from RBI annual reports and hand book on Indian economy. In the present study we observed the revenue, expenditure and deficit/surplus pattern of all States in the country i.e. 29 (excluding union territory) by covering twenty five years during post liberalization period i.e from 1991-2015. For the purpose of study total Indian states are segmented to six regions such as North, South, East, West, Central and North- East regions as per their geographical location. North regions included Haryana, Himachal Pradesh, Jammu &Kashmir, Punjab, Uttar Pradesh, and Uttarkhand.West regions included Goa, Gujarat and Maharashtra, and South region included Andhra Pradesh, Karnataka, Kerala, Tamilnadu and Telangana. East region included Bihar, Jharkhand, Orissa, and West Bengal. Central regions refer to Chhattisgarhand Madhya Pradesh and finally North-East regions consist of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. In the study data collected and analyzed through appropriates statistical tools such as averages, growth, proportionate and CAGR.

6. ANALYSIS AND INTERPRETATION

Table 1: REGIONAL WISE REVENUE PATTERN DURING 1991-2015

(Rs.Billions)

		1991-95	1996-2000	2001-05	2006-10	2011-15	CAGR (%)
North India	1	94(1)	174(0.9)	336(2.6)	677(6.2)	1491(14.8)	12.20
	*	66	68	76	75	80	
	2	48(1)	80(0.7)	108(1.3)	226 (3.7)	376 (6.8)	8.95
	*	34	31	24	25	20	
	3	142(1)	255(0.8)	445(2.1)	903(5.3)	1867(12.1)	11.33
West India	1	106(1)	207(0.9)	345(2.3)	692(5.5)	1514(13.3)	11.72
	*	76	77	80	82	89	
	2	33(1)	63(0.9)	89(1.66)	155(3.7)	187(4.6)	7.44
	*	24	23	20	18	11	
	3	140(1)	269(0.9)	438(2.1)	847(5.1)	1701(11.2)	10.97
South India	1	130	262(1.0)	470(2.6)	973(6.4)	2083(15.1)	12.23
	*	82	84	85	86	88	
	2	28(1)	49(0.7)	82(1.9)	160(4.6)	295(9.4)	10.23
	*	18	16	15	14	12	
	3	159(1)	311(0.9)	552(2.5)	1133(6.1)	2378(14.1)	11.93
East India	1	51(1)	86(0.7)	154(2.0)	297(4.9)	701(12.9)	11.57
	*	78	80	83	80	84	
	2	14(1)	20(0.4)	32(1.2)	77(4.3)	138(8.6)	9.86
	*	22	20	17	20	16	
	3	65(1)	106(0.6)	186(1.9)	374(4.7)	839(11.9)	11.24
Central India	1	23(1)	46(0.9)	84(2.6)	182(6.7)	424(17.0)	12.81
	*	65	70	73	77	78	
	2	13(1)	20(0.6)	30(1.4)	55(3.3)	121(8.6)	9.88
	*	35	30	27	23	22	
	3	36(1)	66(0.8)	114(2.2)	236(5.5)	545(14)	11.97
North East India	1	6(1)	12(0.7)	26(2.8)	52(6.7)	115(16)	12.54
	*	51	43	55	53	69	
	2	6(1)	16(1.4)	21(2.2)	45(5.9)	51(6.9)	8.99
	*	49	57	45	47	31	
	3	13(1)	27(1.1)	47(2.5)	98(6.4)	166(11.5)	11.11

Note: 1.Tax Revenue2. Non- Tax revenue and 3.Total Revenue. Values in the brackets indicates growth over base year in times and * values in this rowindicates proportion in total revenue. [Source: RBI Annual Reports]

INTER- REGIONAL REVENUE PATTERN ANALYSIS:

Public revenue refers to the money generated by the government to discharge the primary objectives of maximizing social and economic welfare.State government public revenue generally consist in four forms such as tax revenue , non- tax revenue, grant in aid of central government and proportion of state governments in union taxes and duties. In the present study out of four forms first two have taken as major source of state governments which indicates its own earning capacity.State tax revenue is in the forms of sales tax, excise, tax on goods, tax on vehicles, stamp duty, electricity duty, tax on passengers and land revenue and miscellaneous taxes in the form of tax on professions, trade, selling and employment, entertainment duty and advertisement, road tax and tourist taxes. The non-tax revenue is largely dependent on collection of fee from the consumers on account of supply of goods and services like electric energy, drinking water, irrigation facilities, exploitation of forest wealth, charges of health services, mining, etc. Out of four forms the last two sources namely the grant-in-aid from the central government and the state's proportion of union taxes and duties are excluded due to variation in need, allocation and objective of the study. Increase in tax revenue and non- tax revenue indicates growth on the sources of tax such as increase in income and spending levels of individual, growth ineconomic activities in the State and vice versa. In the present study an observation is done on the growth of both tax and non- tax revenue and proportion of each in total revenue.

It is noticed from the analysis that the total revenue of all regions has grown with CAGR in the rage of 10.50 percent to 12 percent during twenty five years of study period. It is revealed that among all regions south regional states total revenue has increased substantially by 14.1 times during the study period i.e. from an average of Rs 159 billion in 1991-95 to Rs 2378 billion 2011-15. This amount is highest among all other regions total revenue in the country. This indicates potential earning capacity of the south regions than other regions. Next to south north region total revenue occupied second position with an average of Rs 1867 billion during 2011-15 which 12.1 times higher to beginning revenue i.e. Rs 142 billion. Similarly, west region total revenue increased from an average of Rs 140 billion to Rs 1701 billion during the study period. Similar up trend is observed in other regions namely east, central and north, but the value of total revenue is very low compared to south, north and west regions in the country which indicates its low earning capacity and low financial sustainability in India.

The proportion of tax revenue has reported up trend which implies down trend of non-tax revenue proportion in total revenue in case of all regions of the country. This indicates substantial increase in economic activities and income levels of individuals of all regions of the country. The total tax revenue of north India has increased by 20 percent (51-69 %) even though relatively it is very so lower than other regions of the country. The north and central India states tax revenue proportion in total revenue has increased by 14 percent, similarly, west India proportion increased by 13 percent, followed by south and east India by 6 percent each. This indicates substantial decrease in dependency of fees from public services offered to the nations.

TABLE2: INTER- REGIONAL EXPENDITURE PATTERN ANALYSIS DURING 1991-2015 (Rs.Billions)

North India		1991-95	1996-2000	2001-05	2006-10	2011-15	CAGR(%)
	1	79(1)	120(0.5)	269(2.4)	499(5.3)	825(9.4)	
	*	28	22	26	24	21	10.24
	2	33(1)	62(0.9)	121(2.7)	366(10.1)	584(16.7)	12.71
	*	12	12	12	18	15	
	3	44(1)	107(1.4)	213(3.9)	280(5.4)	444(9.1)	10.12
	*	16	20	21	14	11	
	4	10(1)	34(2.4)	77(6.8)	162(15.4)	417(41.0)	16.85
	*	4	6	7	8	11	
	5	113(1)	211(0.9)	349(2.1)	747(5.6)	1593(13.1)	11.67
	*	40	40	34	36	41	
	6	279	534(0.9)	1028(2.7)	2055(6.4)	3862(12.9)	11.54
West India	1	47(1)	84(0.8)	186(3.0)	299(5.4)	530(10.3)	10.63
	*	25	23	26	23	21	
	2	27(1)	52(0.9)	86(2.2)	223(7.4)	380(13.2)	11.71
	*	14	14	12	17	15	
	3	23(1)	53(1.3)	123(4.4)	198(7.7)	325(13.3)	11.72
	*	12	14	17	15	13	
	4	7(1)	19(1.9)	43(5.4)	77(10.5)	194(28.1)	15.09
	*	4	5	6	6	8	
	5	81(1)	162(1.0)	270(2.3)	505(5.2)	1101(12.5)	11.46
	*	44	43.8	38.1	38.8	43.5	
	6	184	370 (1.0)	708 (2.8)	1303 (6.1)	2530(12.7)	11.53
South India	1	54(1)	92(0.7)	237(3.4)	448(7.3)	793(13.7)	11.86
	*	22	19	25	24	21	
	2	26(1)	44(0.7)	100(2.8)	283(9.7)	509(18.3)	13.12
	*	11	9	11	15	14	
	3	28(1)	69(1.4)	158(4.6)	224(6.9)	374(12.2)	11.35
	*	12	14	17	12	10	
	4	16(1)	45(1.7)	93(4.6)	187(10.4)	455(26.7)	14.85
	*	7	9	10	10	12	
	5	119(1)	235(1.0)	367(2.1)	726(5.1)	1617(12.6)	11.50

	*	49	48	38	39	43	
	6	244(1)	486(1.0)	956(2.9)	1868(6.7)	3749(14.4)	12.06

Note: 1. Capital Expenditure 2. Capital Outlay 3. Interest payments 4. Pension 5. Social Sector expenditure 6. Total expenditure. Value in brackets indicates growth over base year in times. Values in row * indicates proportion in total expenditure [Source: RBI Annual Reports]

TABLE2 (Continued): INTER- REGIONAL EXPENDITURE PATTERN ANALYSIS DURING 1991-2015 (Rs. Billion)

East India		1991-95	1996-2000	2001-05	2006-10	2011-15	CAGR(%)
	1	31(1)	56(0.8)	152(3.9)	255(7.2)	461(13.7)	11.87
	*	20	19	24	22	20	
	2	15(1)	25(0.7)	48(2.3)	139(8.4)	283(18.1)	13.09
	*	9	8	8	12	12	
	3	27(1)	57(1.1)	142(4.2)	199(6.3)	282(9.3)	10.20
	*	17	19	22	17	12	
	4	6(1)	22(2.4)	62(8.6)	106(15.4)	273(41.4)	16.90
	*	4	7	10	9	12	
	5	77(1)	143(0.9)	237(2.1)	481(5.2)	1064(12.8)	11.54
	*	49	47	37	41	45	
	6	157(1)	303(0.9)	641(3.1)	1180(6.5)	2362(14.0)	11.95
Central India	1	14(1)	18(0.4)	65(3.8)	137(9.1)	290(20.5)	13.64
	*	21	16	27	27	27	
	2	8(1)	11(0.4)	33(3.1)	92(10.4)	150(17.8)	13.01
	*	13	10	13	18	14	
	3	8(1)	16(1.1)	36(3.7)	51(5.7)	72(8.4)	9.79
	*	12	14	15	10	7	
	4	3(1)	9(2.2)	15(4.5)	29(9.8)	76(26.9)	14.88
	*	4	8	6	6	7	
	5	31(1)	59(0.9)	95(2.1)	205(5.6)	505(15.3)	12.33
	*	49	52	39	40	46	
	6	63(1)	114(0.8)	244(2.9)	514(7.2)	1093(16.4)	12.64
North- East India	1	18(1)	26(0.5)	56(2.1)	89(4.0)	144(7.0)	9.07
	*	29	24	27	25	21	
	2	10(1)	17(0.7)	30(2.0)	69(5.8)	112(10.0)	10.52
	*	16	16	15	19	17	
	3	6(1)	12(0.9)	24(2.9)	33(4.3)	47(6.5)	8.78
	*	10	11	12	9	7	
	4	2(1)	5(1.8)	15(7.0)	26(12.7)	72(36.8)	16.34
	*	3	5	7	7	11	
	5	26(1)	47(0.8)	78(2.0)	140(4.4)	295(10.3)	10.64
	*	42	44	38	39	44	
	6	62(1)	107(0.7)	204(2.3)	357(4.7)	669(9.8)	10.41

Note: 1. Capital Expenditure 2. Capital Outlay 3. Interest payments 4. Pension 5. Social Sector expenditure 6. Total expenditure. Value in brackets indicates growth over base year in times. Values in row * indicates proportion in total expenditure[Source: RBI Annual Reports]

INTER-REGIONAL EXPENDITURE PATTERN ANALYSIS:Every government spends its revenue for different social and economic activates as per its necessary and objectives. In the present study government total expenditure is categorized into five categories suchas capital expenditure, capital outlay,Interest payment, pension and social sector expenditure. First two components indicates capital expenditure spends by governments for the purpose of development and latter three indicates revenue expenditure in different forms such as payment of interest on debts, pension to old age people under social security, and finally spending on social sector. In the present study growth of each component and its proportion in total expenditure is analyzed.

The study revealed that the north Indian regional expenditure has increased from an average of Rs 279 billion to 3869 billion which is 12.9 times higher value than beginning value with CAGR of 11.54 percent. This is highest expenditure among all regions of the country. This expenditure is nearly 90 percent to total expenditure of three other regions of the county such as east, central and north east regions (Rs 4124 billion) It is observed from individual expenditure component that pension amount has grown by 41 times which is very faster than other variables as result the proportion has increased from meager of 4 percent in 1991-95 to 11 percent in 2011-15, on the contrary, the capital expenditure has decreased from 40 percent in 1991-95 to 36 percent 2011-2015. However, social sector expenditure occupied highest proportion during entire study period. There by it is indicated that this region spending major revenue on unproductive activities and less on productive.

After north India, south India spent more expenditure than other regions of the country. The total expenditure has increased from an average of Rs 244 billion to Rs 3749 billion which is 14.4 times higher than beginning value with CAGR of 12.06 percent during the study period. The proportion of total capital expenditure in total expenditure has increased slightly during the study i.e. from 33 percent in 1991-95 to 35 percent in 2011-15 which is just two percent hike. This region could reduce its social sector expenditure substantially during the study period i.e. from 49 percent in 1991-95 to 43 percent in 2011-15, similarly, its interest burden also decreased from 12 to 10 percent. However, the expenditure on pension has increased gradually from 7 percent to 12 percent during the same study period.

The west India regional total expenditure has increased from an average of Rs 184 billion to Rs 2530 billion which is 12.7 times higher than beginning value with CAGR of 11.53 percent. The total expenditure of regions has slightly increased from 12 percent proportion to 13 percent, but the proportion of pension to total expenditure has doubled during the study period i.e. from four percent to eight percent. On the other hand the proportion of social sector expenditure has constant in first ten years, then decreased, thereafter again raised to the proportion of initial years in total expenditure. The pension amount has grown with CAGR of 15.9 percent during the entire study period.

East India total expenditure has increased from an average of Rs 157 billion in 1991-95 to Rs 2362 billion in 2011-15 which is 14 times higher to beginning value with CAGR of 11.95 percent. During the study period the pension amount has increased by three fold with a CAGR of 16.90 percent this indicates increasing pension burden on the region. Similarly, the capital expenditure in the state has increased slightly from the 29 percent in 1991-95 to 32 percent in 2011-15. On the contrary, the regions succeeded in removing it burden of interest payment and social sector expenditure i.e. from 17 percent to 12 percent and 49 percent to 45 percent respectively.

Central India total expenditure has increased from an average of Rs 63 billion in 1991-95 to Rs 1093 billion which is 16.4 times higher to the beginning value with CAGR with 12.64 percent during the study period. It is observed that central India has increased a substantial proportion in capital expenditure during the study period i.e. from 34 percent in 1991-95 to 41 percent in 2011-2015. On the contrary, the proportion of expenditure on social sector and interest payments has decreased during the study period. The proportion of expenditure on pension has decreased from four percent in 1991-95 to seven percent in 2011-15.

Among all regions north east India lagged behind in the country both in term of revenue and expenditure which indicates its poor development and weak earning capacity. The total expenditure of the region has increased from an average of Rs 62 billion in 1991-95 to Rs 669 billion in 2011-15 with CAGR of 10.41 which least growth rate among all regions in the country. The proportion of total capital expenditure to total expenditure has decreased substantially from 45 percent in 1991-95 to 38 percent in 2011-15 during the study period which indicates a less gradual decrease in development expenditure. The proportion of expenditure on pension and social sector has increased from 3 to 11 percent and 42 to 44 percent during the study period.

Table 4: INTER-REGIONAL DEFICIT/SULPLUS ANALYSIS(Rs. Billions)						
		1991-95	**1996-2000**	**2001-05**	**2006-10**	**2011-15**
North India	1	27(1)	65(1.4)	71(1.6)	61(1.3)	152(4.6)
	2	18(1)	97(4.3)	168(8.1)	-19(-2.0)	-5(-1.3)
	3	71(1)	172(1.4)	284(3.0)	341(3.8)	595(7.4)
West India	1	13(1)	58(3.3)	99(6.4)	27(1.0)	64(3.8)
	2	4(1)	43(9.6)	138(33.0)	-12(-4.0)	3(-0.3)
	3	36(1)	111(2.1)	223(5.2)	225(5.2)	389(9.8)
South India	1	21(1)	50(1.3)	63(1.9)	58(1.7)	321(13.9)
	2	17(1)	63(2.7)	105(5.1)	-15(-1.9)	118(5.9)
	3	50(1)	119(1.4)	221(3.4)	282(4.7)	695(13.0)
East India	1	11(1)	32(1.9)	19(0.7)	-69(-7.2)	29(1.6)
	2	17(1)	67(2.9)	119(5.9)	70(3.0)	47(1.7)
	3	38(1)	105(1.8)	200(4.3)	220(4.8)	348(8.2)
Central India	1	3(1)	11(2.6)	23(7.0)	-3(-2.1)	44(14.1)
	2	1(1)	16(12.9)	19(14.7)	-56(-48.1)	-86(74.2)
	3	11(1)	27(1.5)	59(4.6)	48(3.6)	116(10.0)
North - East India	1	1(1)	4(2.5)	9(7.5)	-16(16.3)	10(8.7)
	2	-4.7(1)	-3(-0.4)	3(-1.6)	-53(10.3)	-59(11.6)
	3	7(1)	16(1.1)	34(3.6)	17(1.3)	57(6.8)
Note: 1.Primary Deficit 2.Revenue Deficit 3.Fiscal Deficit (-) indicates surplus value. Value in brackets indicates growth over base year in times. [Source: RBI Annual Reports]						

INTER- REGIONAL DEFICIT/SUPLUS ANALYSIS:

Fiscal efficiency of any government can be analyzed in three forms such as fiscal deficit, revenue deficit and primary deficit. Fiscal deficit is the result of excessof total expenditure over total revenue which is an indication of the total borrowings needed by the government. In general fiscal deficit is result due to either hike in capital expenditure or revenue deficit. To meet this increased capital expenditure or revenue expenditure government borrows money either in the form central government aid or central banks in the form of deficit financing.On the other hand, Primary deficit is part of fiscal deficit which is arrived by deducting interest payment from fiscal deficit. Interest payment is the payment that a government makes on its borrowings to the creditors. Another deficit is revenue deficit which is result of mismatch between revenue expenditure and revenue receipts, if revenue receipts are higher than revenue expenditure it is termed as revenue surplus. A revenue deficit does not mean actual loss of revenue. On fiscal deficit economists view are not unanimous one school of thought opined that deficit prevents economic system from falling economic crisis, on the contrary, another school of thought says that having fiscal deficit in not good for economic status of the country and put it in high indebted country. In the present study the growth of deficit/surplus is analyzed during the study period.

It is noticeable from the study that the south regional states reported highest deficit among all other regions in the country due to increase in development expenditure and interest payment. Its fiscal deficit is alsoincreased from an average of Rs 50 billion in 1991-95 to Rs 695 billion in 2011-15 which is13 times higher to beginning value this is mainly due to significant increase in capital expenditure, revenue deficit and substantial increase in borrowings. Similar trend is observed even in case of primary deficit also. After south Indian region north India has reported highest fiscal deficit i.e. from an average of Rs 71 billion in 1991-95 to Rs 595 billion in 2011-15, similar trend is also observed in primary deficit. It is interesting fact that the revenue deficit turned into revenue surplus during the study period i.e. from Rs 18 billion to Rs 5 billion. The west India has reported fiscal deficit of an average of Rs 389 billion in 2011-15 which is 9.8 times higher to the beginning deficit of Rs 36 billion in 1991-95. The primary deficit of the regions also increased by 3.8 times since its beginning of the study period. This region has reported revenue deficit in first fifteen years but thereafter reported surplus in last ten years of the study period.

East India has reported an increase trend in its fiscal deficit by 8.2 times i.e. from an average of Rs 38 billion to Rs 348 billion during the study period. This region has reported continuous revenue deficit during entire study period. The regions also reported primary deficit during the entire study period except in 2006-2010. Central India has reported an increase of 10 times (an average of Rs116 billion) at the end of the study period compared to deficit at beginning of study period. Similar uptrend in fiscal deficit is also observed in case of north east regions of the county i.e. by 6.8 times higher to beginning deficit value. But, interesting fact found that north east region has reported revenue surplus during entire period of the study. It can be said all the regions has reported fiscal deficit during the entire study period.

7. FINDINGS AND SUGGESTIONS:

It is found that the total revenue of three other regions of the country namely East India, Central India and North East India (Rs 1550 billion in 2011-15) is only two third of south Indian states total revenue and on the other hand south Indian states revenue is nearly two thirdproportion of total revenue of two other regions of India i.e. north and west India i.e Rs 3568 billion. This indicates compared to other regions of the country south Indian states are financially very stronger, have more self-earning capacity and low dependency on central government funds. This clearly speaks that south Indian states could effectively tasted the fruitfulness of economic reforms than other regions in India. Therefore, it is suggested the need of more concentration on the reduction of regional disparities in development process of the country particularly, north east region which stood last in a line with poor in revenue generation during study period. One interesting fact need to observe that compared to other regions in the country in south India state level parties in ruling more year during the study period. It is observed that the proportionate of tax revenue in total revenue is higher in all regions.

Total three out of six regions namely central, east and south regions enhanced its capital expenditure and on the contrary, remaining three namely north east, west and north regions have reduced its capital expenditure during the study period. Payment of interest has shown up trend in the case of north and west, on other side shown down trend in case of east, south, central and north state Indian regions which indicated decrease in burden of debt and its cost on the States by improving its repayment capacity. It is common fact regarding all regions of the country that expenditure on pension has increased nearly by two times in case of central, south and west regions and nearly three times in case of east, north and north east regions due to its highest growth during the study period. This shows unfavorable impact of future expenditure for development purpose, therefore, it is suggested to take policy measures to control the pension expenditure in the country. The study revealed that the expenditure on social sector has occupied major proportion in total expenditure of all regions nearly 35-40 percent; however, this is a common phenomenon in developing countries in the world. In India the reason for high proportionate of social sector expenditure can be attributed to three reason like to tackle the market forces to reduced its dominance in the market, the proportion of poor households utilizing Government services is higher as compared to the richer households and to ensure clearly articulated outcomes in social sectors such as the Sustainable Development Goals (SDGs).

It is revealed that fiscal deficit of all regions has uptrend during the study period. South region fiscal deficit is highest among all regions; this is more than the fiscal deficit of three regions of the country namely east, central and north East Indian regions i.e. is an average of Rs 521 billion. On the other hand these deficits occupy more than two third proportionate of the fiscal deficit of two regions namely east and west. It is interesting fact that north east region has reported revenue surplus during the entire stud period except in 2001-2005. North and central India regions reported revenue surplus in last ten years, west and south regions reported revenue surplus in 2006-2010. East, Central and North East Indian regions have reported primary surplus during 2006-10 years. Increase in fiscal deficit indicates spending of more amount for social sector and capital expenditure.

8. CONCLUSION:

The study concluded that, the total revenue of all regions has increased during the study period, within this the proportion of tax revenue has increased substantially, on the contrary the non-tax revenue decreased due to increase in income levels and economic levels and fall on the government collection through imposing taxes on common man and administrative activities in their respective regions. Among the entire regions south region is most prominent region both in terms of revenue, expenditure and deficit followed by north and west. On the other hand remaining central, east and north east regions are lagged behind in the development process than other regions. Therefore, finally the study identified the need of more concentration on the development of central, east and north east regions through giving support in enhancing its earning capacity andmore allocation of central government funds, Otherwise it may increase the problem of regional economic disparities.

REFERENCES:

[1.] B Ismail Zabiullah, B.Chowdeswary, S.Chand Bee, G.Darani, The Role of Fiscal Policy in developing of Indian Economy: A Conceptual Observation,*9th International Conference on Recent Innovations in Science, Engineering and Management, 2017, Page 169-178.*

[2.] Najaf R, Impact of Fiscal Policy Shocks on the Indian Economy,*Journal of Hotel & Business Management, Volume 5, Issue 2, Page 1-6, doi: 10.4172/2169-0286.1000150*

[3.] Dr. Neha Tomar Singh, Fiscal Reforms in India, *IOSR Journal Of Humanities And Social Science (IOSR-JHSS), Volume 7, Issue 2 (Jan. - Feb. 2013), PP 52-63.*

[4.] Ashima Goyal, India's fiscal and monetary framework: growth in an opening economy, *Indira Gandhi Institute of Development Research (IGIDR), WP-2010-025.*

[5.] Krishanu Pradhan, *Sustainability of India s fiscal policy an empirical study, doctoral dissertation,* Department of Economics and Cooperation,University of Mysore, 2015.

[6.] Bansal, Ashok Kumar, *An evaluation of fiscal reforms in India since 1991, doctoral dissertation,*Department of Economics, Kurukshetra University, 2014.

[7.] Pandya, Falguni H, *A study of fiscal policy in India and its impact on corporate performance with special reference to Gujarat, doctoral dissertation,*Department of Business Management, Sardar Patel University, 2013.

[8.] Maan, Neetu, *Relative Effectiveness of Monetary and fiscal policies in India since 1965, doctoral dissertation,*Department of Economics,Banasthali University, 2013.

[9.] Naseem, *Fiscal reforms in Indian policy measures and performance, doctoral dissertation,* Department of Economics, Aligarh Muslim University, 2010