CHAPTER I

INTRODUCTION

Budget is the annual financial statement of the estimate receipts and expenditure of the government for a given period. The Budget can be classified as (i) Surplus Budget (ii) Deficit Budget (iii) Balanced Budget. The governments both union and states, prepare their budget every year. The Budget indicates not merely the probable income and expenditure of the government, but also the financial policies, taxation measures, investment opportunities, extended of savings, Utilization of resources, mobilization of capital, etc., of the economy. There are three stages of budget, the accounts or the actual for the preceding year; the revised estimates of the current year, and the budget estimates for the following year, the budget in India is divided into two parts. The revenue budget and the capital budget, the revenue budget deals with the receipts from taxation, public enterprises, etc., and the expenditure incurred from them.

The capital budget is the statement of all capital expenditure and the borrowing to meet it. In short, the budget reveals the basic character of the fiscal policy of the government. Capital budget consist of capital receipts and payments. Capital receipts are: loans raised by government from public which are called Market loans; borrowing by government from the reserve bank of India and other parties through sale of Treasury Bills, loans received from foreign government and bodies and repayment of loans granted by central and state government and other parties. Capital payment consist of Capital expenditure on acquisition of assets like land, building, machinery, equipment, investment, loans advanced to state governments, corporations and government companies.

Capital account or capital budget consist of capital receipts and capital expenditure. The capital receipts of the central government are; net recoveries of loans and advances made previously to state governments, union territories and public sector undertaking. Net market borrowings, net small savings collections and other special receipts such as provident funds, special deposits, etc.
Functions of Capital Budget

Capital budget comprises capital receipts and capital expenditures of the government. It shows capital requirements of the government and their financing patterns. Among the principal sources of meeting these requirements are: revenue surplus, regular floatation of loans in the domestic market, small savings, and external borrowings. To the extent that these receipts fall short of capital requirements, the deficit is made by borrowings from the Reserve Bank of India and drawing down of cash balances. Capital account signifies that the economic role of the government extends for beyond collecting and spending tax revenue. It reflects government influence over the economy through its acquisitions and deposition of a significant portion of the annual savings of the people. The amount of savings available to the private sector for investment is reduced by the amount capital raised by public authorities.

Provident funds Receipts under this head relate to state provident funds and public provident funds, credit assumed is net of the deposits into the fund including interest on balances and withdrawals including temporary advances and also taken into account are net accretions under the public provident fund scheme launched in 1968. Other receipts This head shows the net effect of transactions occurring under other funds and accounts some of which are as follows Railway reserve fund like railway pension funds, Railway depreciation reserve fund, Railway revenue reserve fund, railway development fund, Railway accident compensation, safety, and passenger amenities fund. Telecommunication reserve funds like Telecommunication revenue reserve fund. International financial institutions. This head represents liabilities assumed in respect of special securities issued in payment of India’s subscription/contribution to (a) International monetary fund, (b) International Development Association (c) International Fund for Agricultural Development (d) Asian Development Bank, (e) International Bank for reconstruction and development. It also represents certain transactions involving use of special Drawing Rights with International monetary fund.
Social and community services included capital expenditure on buildings for schools, technical institutions scientific research organizations, hospitals, dispensaries, medical stores and research laboratories. This sector also accommodates capital outlays and loans granted under various schemes for the resettlement of displaced persons as well as other social security, and welfare programmes. Economic services this sector included capital outlays and loan granted for various schemes of economic development in the field of agriculture and allied services, Industry and minerals, petroleum, chemical and fertilizer industries, aircraft and ship building industries, telecommunications and electronics’ industries, mining and metallurgical industries, water and power development, roads and bridges and other economic services.

Contingency Fund: There may be occasions when the government will be meeting with unforeseen expenditures during the time of floods, cyclone and other natural disasters requiring urgent relief. Parliamentary sanction cannot be obtained immediately. For this purpose, a separate fund called contingency fund is kept. The contingency fund is strictly speaking an important place at the disposal of the president of India to incur such expenditure. Parliamentary approval for such expenditure and for withdrawal of an equivalent amount from the consolidated fund is subsequently obtained, and the amount spent from the contingency fund is reimbursed.

Scope of the study

The research is found out the points of capital receipts; capital expenditure and capital disbursement and variations of development expenditure and Non-development expenditure, Social Services Expenditure and Economic Services Expenditures of financial statement, on “Trends of capital budget of government of Tamil Nadu - An Economic Analysis”

Statement of the problem

(i) Such general services such as general administration including police, judiciary, defence based on the problems. (ii) Social and community services such as education,
medical and public health, eradication of poverty and employment generation, water facilities, and irrigations problems. (iii) Economical services like agriculture and allied activities, agro base industries, domestic industries, transportation, metro rail project scheme various road improvement works based on the problems.

Objectives

The followings are the objectives of study

- To study the social services, and economic services from the capital budgets
- To study the development expenditure and non- development expenditure of capital budgets of government of Tamil Nadu
- To study the trends of capital receipts from the budget of government of Tamil Nadu
- To study the trends of capital expenditure from the budget of government of Tamil Nadu
- To study the trends of capital disbursement from the budget of government of Tamil Nadu

Hypothesis

The Followings are the hypothesis of the study

- There is a significant relationship between development expenditure and non development expenditure on the capital budget
- There is a significant relationship between social services and economical services of capital budget
- There is a significant relationship between the borrowing of loan and advances, and repayment of loan in the capital budget

Period of Study

The study covers a period of twenty three years from 1991-92 to 2013-14.
Research gap

A number of research articles have been published on budget of government of Tamilnadu. The previous Ph.D., research on the particular topic in various universities in Tamil Nadu is very rare and it is socially relevant hence the researcher felt that there is a need to fill the gap found in the present study.

Research questions raised

1. What is Capital Budget?
2. What is Social Services Expenditure?
3. What is Economic Services Expenditure?

Methodology and Data base

The present study mainly depends on secondary data. Data relating to trends of capital budget over the period, both capital receipt and expenditure have been taken for analysis. Such statistics tools like percentage, simple growth rate, mean average, and correlation have been used in this study. For data illustration, trend lines, and bar diagrams have also been used. Data have been collected on various aspects of social and economic development and non-development services. The collected data have been classified, tabulated and analyzed.

Limitation of the Study

The present study attempts to analyse the overall functions of the capital budget. The data have been collected only for the Trends of capital budget of the government of Tamil Nadu. The finding of the study may be relevant only to those areas of capital receipts, capital expenditure, and capital disbursement. Therefore the generalization of the research findings on the budget should be made with greatest care.
Chapter schemes

The thesis has six Chapters

Chapter I Introductory, presenting the objectives hypotheses and methodology of the study.

Chapter II Reviews the existing literature on capital budget.

Chapter III Presents the economic theory of capital budget

Chapters IV Presents the data analysis relating to the trends of capital budget, capital expenditure.

Chapters V Presents the data analysis on capital receipt, and capital disbursement

Chapters VI Present the leading findings, conclusion, and suggestions of the study.