CHAPTER - 8
SUMMARY, CONCLUSIONS AND SUGGESTIONS
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SUMMERY, CONCLUSIONS AND SUGGESTIONS

Finance is regarded as the life-blood of a business enterprise because it is one of the basic foundations of all kinds of economic activities. Hence, financial management plays a key role in business enterprise. The success of a business firm is depend on the advances of finance & its efficient uses. Financial management is considered a vital an integrated part of overall management. The financial manager plays a significant role in modern business. He is a responsible person for shaping the fortunes of the enterprise and is also involved in the most vital decision of the allocation of Capital. Now, the financial manager's role has been shifted from raising of funds to efficient and effective use of funds.

In the context of the State Government, financial management is used in a different meaning because the State is not a producing unit the firm. The basic objective of the State Government is to establish "Welfare State" in a democratic setup not the profit maximization as it is fixed by the business firm.

To achieve the goal the State Government spends huge amount on economic activities, social and welfare activities. These activities require house development and non-development expenditure in the State. Hence, Finance Minister has to manage revenue for them through taxes and non-taxes respectively. The State also receives share in the Central Taxes and Grants-in-Aid from the Central Government as per recommendations of Finance Commission constituted by the President of India. It is observed that the public expenditure exceeds the revenue-receipts of the State hence; it uses public & private debt to fulfill the requirements of Public
Expenditure. The State Government may use fiscal-deficit taking loans & advances from the Reserve Bank of India. Thus, the Finance Minister plays a very significant role in managing the finances for the State. The financial management of Chhattisgarh State is defined in the above context. Hence, financial management of the State is concerned with planning and controlling the State's financial resources.

The State's finance has four components namely:-

1. The Revenue-Management of the State.
2. The Expenditure Management of the State.
3. The Debt Management of the State.
4. The Fiscal-Deficit Management of the State.

The Revenue-Management may be sub-divided into four groups:-

(a) State's own Tax Revenue.
(b) State's own Non-Tax Revenue.

I. Receipts from Central Government

(c) State's share in Central's Divisible Taxes.
(d) Grants-in-Aid.

II. The Expenditure-Management.

The Expenditure of the State may be divided into four groups-

[a] (i) Revenue-Expenditure, (ii) Capital Expenditure
[b] (i) Development-Expenditure
    (ii) Non-Development Expenditure
[c] (i) Plan Expenditure (ii) Non-Plan Expenditure
[d] (i) General Administrative Services
(ii) Social Sector Development Expenditure

(iii) Economic Activities.

III. The Debt-Management

The State Government manages loans from the following sources-

(a) Market Borrowing
(b) Loan from NABARD
(c) Loan from NCDC (National Council of Development Corporation)
(d) Loan from National Small Saving Fund
(e) Loan from Provident-Fund
(f) Loan & Advances from the Central Government.

Objectives of the study

The objectives of the study are given below-

1. To analyze the Revenue Management of the Chhattisgarh State during the period 2001-02 to 2005-06.
2. To analyze the Expenditure Management of the Chhattisgarh State during the study period 2001-02 to 2005-06.
3. To analyze the Debt-Management of the Chhattisgarh State during the study period.
4. To analyze the Fiscal Management of the Chhattisgarh State during the study period.
5. To analyze the comparative position of Chhattisgarh State with the neighboring State.
6. To find out the draw back of financial management of Chhattisgarh State and also to suggest the effective measures to make the State financially sound.

**Hypothesis to be tested**

1. The Financial Position of Chhattisgarh State has improved significantly during the study period.

2. Under the Expenditure Management more finance is allocated to development expenditure & Non-Development Expenditure is restricted.

3. The fiscal-deficit has been minimized in Chhattisgarh State as compared to the neighbouring States during the study period.

**Research Methodology**

The Study is based on secondary date. The financial data of the Chhattisgarh State is collected from various Budget issues of the State and Memorandum of the Finance Secretary of Chhattisgarh State for the period 2001-02 to 2009-10. Other relevant data are collected from Reserve Bank of India bulletin Economic survey of Chhattisgarh State and Census of 2001.

The data are analyzed through the percentage method. The average annual growth rate is calculated by using the Expenditure Growth Model -

\[
\text{Expenditure Growth Model} = AB^T
\]

Where,

- \( A = \text{Constant} \)
- \( B = \text{Coefficient} \)
- \( T = \text{Time} \)
Logarithmic growth model -

\[ \text{CGR} = \text{Antilog} \left( \log \text{of the Figure of current year} - \log \text{of the basic year} \right) - 1 \times 100 \]

\[ \text{Number of years} \]

**Limitation of the study** - The period is confined for the period 2001-02 to 2005-06 but the financial data of the State have been available for the year 2009-10. Hence, we have extended the study period from the year 2005-06 to 2009-10.

**Chhattisgarh State's Profile** - Chhattisgarh State was formed on 1st November, 2000 as 26th State of India Republic. The State has 137898 square km. geographical area which constitute 4.19 percent of total area of country. It has 2.08 crores population as per census 2001 which represents 2.02 percent of the total population of India. Nearly 31.76 percent people belong to scheduled tributes and 11.61 percent to scheduled castes. Thus, 43.37 percent population of the State belong to these two categories which are living in acute poverty. It has 79.9 percent rural population. It indicates that Chhattisgarh is rural people dominated State. The State has abundance of natural resources specially the mineral, forest and water resources. If these resources are properly and rationally utilized, the State can achieve higher rate of economic growth and will become develop state. The tribal and hilly people of the State will be benefited directly from the development and they may be linked with the main stream of development of the nation.

Chhattisgarh State is a "Agro-based Economy". The State is known as "Bowl of Rice" because it covers nearly 67 percent of the total sown area of the State hence, it is also called "Mono Crop State" but the "Bowl of Rice" is cracked. The yield of paddy is very low 12.5 to 15 quintals per hectare within last 5 years as compared to 35 quintals in Punjab, 30 quintals in Tamilnadu, 28 quintals in Haryana and 20.5 quintals at National average.
respectively. The basic cause of the low yielding of paddy in Chhattisgarh is lack of irrigation facility and its vast regional imbalances. The cropping intensity of the State is 119. The irrigation potential of the State can be increased up to 33 percent of the total cropped area in the year 2010. The Government of Chhattisgarh has given incentives to formers for crop-diversification.

The State has immense of forest resources. 44.84 percent of the total geographical area of the State is covered by the forest. It is prosperous in minor forest produces and vast bio-diversity. The State is richly entered with vast reserve of various minerals specially coal, iron are lime-stone, tin, bauxite, dolomite, granite, gold, diamond etc. The infrastructural facilities like road, communication, telephone, banking & insurance companies schools & health centers have been developed, however the lack of infrastructural facilities is the bottleneck of rapid economic development. It requires huge amount/Capital for investment to develop the infrastructural facilities in the State. The Chhattisgarh Government has declared the year 2003-04 as "Road-Year" and rural roads are constructed under the Prime Minister Rural Road Scheme. The State Government has prepared the schemes of construction of rural roads rural electrification, providing Safe drinking water, sanitation having to the villagers under "Bharat Nirman Yojana". The Chhattisgarh Government has established "State Investment Promotion Board" and "Chhattisgarh Infrastructure Development Corporation" in the State and "Single-Window" system are also introduced for investors. These infrastructure facilities have stimulated the industrialists to invest Rs.50,000 crores in the State.

Chhattisgarh State has also enacted the "Fiscal Responsibility Legislation" in 25th September, 2005 to augment of Revenue-Receipts of the State and invest more fund on development purposes so that the State may be transformed as the Developed State.
Revenue-Management of Chhattisgarh Government

Revenue-Management is an important function of Finance Minister of the State Government.

The following conclusions are drawn from Revenue-Management of the State-

1. The Revenue-Receipts of the Chhattisgarh State has increased from Rs.4375.70 crores in the year 2001-02 to Rs.8839.49 crores in the year 2005-06 and Rs.18897.22 crores in the year 2009-10 respectively. It reveals an increase of 102 percentage in the year 2005-06 and 331.87 percent in the year 2009-10 respectively.

2. The average annual growth rate of the total Revenue-Receipts is 20.7 percent during the period 2001-02 to 2009-10.

3. The Own Revenue-Receipts of the Chhattisgarh State has increased from Rs.2715.52 crores in the year 2001-02 to Rs.5281.56 crores in the year 2005-06 and Rs.9774.70 crores in the year 2009-10 respectively.

4. The average annual growth rate is 18.09 percent during the period 2001-02 to 2005-06 and 17.36 percent during the period 2001-02 to 2009-10 respectively.

5. The own tax revenue has increased from Rs.1993.14 crores in the year 2005-06 and Rs.7029.56 crores in the year 2009-10 respectively. It represents 103.30 percent increase in the year 2005-06 and 252.70 percent in the year 2009-10 respectively.

6. The average annual growth rate of own tax revenue of the State is 19.4 percent during the period 2001-02 to 2005-06 and 17.06 percent during the period 2001-02 to 2009-10 respectively.
7. The Non-Tax Revenue has increased from Rs.722.38 crores in the year 2001-02 to Rs.1229.53 crores in the year 2005-06 and Rs.2745.34 crores in the year 2009-10 respectively. It witnesses 70.21 percent increase in the year 2005-06 & 280.04 percent increase in the year 2009-10 respectively. The average annual growth rate is 18.16 percent during the period 2001-02 to 2009-10.

8. The Receipts from centre has increased from Rs.1660.18 crores in the year 2001-02 to Rs.9122.32 crores in the year 2009-10 respectively. It shows 443.48 percent increase in the year 2009-10 respectively. The average annual growth rate is 23.74 percent during the period 2001-02 to 2009-10.

9. The State's share in Central Taxes has increased from Rs.1175.79 crores in the year 2001-02 to Rs.5463.79 crores in the year 2009-10. It witnesses 21.17 percent annual growth during the study period.

10. The Grants-in-Aid has increased from Rs.484.39 crores in the year 2001-02 to Rs.3658.53 crores in the year 2009-10. The average annual growth rate is 28.75 percent during the period 2001-02 to 2009-10. The annual growth rate of Revenue-receipts of the State is 20.07 percent during the period 2001-02 to 2009-10.

11. The percentage share of State's Revenue has declined from 62.06 percent in the year 2001-2 to 51.73 percent in the year 2009-10. On the contrary, the percentage share of Centre has increased from 38.0 percent in the year 2001-02 to 48.27 percent in the year 2009-10.

12. The Revenue-Receipts as percentage of Gross Domestic Product of Chhattisgarh State has increased from 14.81 percent in the year 2001-02 to 20.40 percent in the year 2007-08. It represents 5.59 percent increase during the period 2001-02 to 2007-08. Although the
increase in own Tax Revenue is 1.51 percent during 6 years while the Receipts from Centre has risen 3.53 percent within 3 years.

13. The percentage share of Direct Tax has increased from 22.02 percent in the year 2001-02 to 29.15 percent in the year 2009-10. On the contrary, the percentage share of Indirect tax has declined from 78 percent in the year 2001-02 to 70.85 percent in the year 2009-10 respectively.

14. The percentage of Taxes to Gross State Domestic Product has increased by 3.44 percent in the study period as it has increased from 10.73 percent in the year 2001-02 to 14.17 percent in the year 2007-08.

It witnesses that the Revenue-Management of Chhattisgarh State is good and appreciable to augment its revenue-receipts.

**Expenditure Management of the Chhattisgarh Government**

1. The total expenditure of Chhattisgarh State has increased from Rs.5471.25 crores in the year 2001-02 to 22211.10 crores in the year 2009-10. It shows an increase of 3.06 folds during the period 2001-02 to 2009-10. The average annual growth is 19.14 percent during the study period.

2. The Plan Expenditure has increased from Rs.1550.14 crores in the year 2001-02 to Rs.12172.13 crores in the year 2009-10. It reveals 6.85 folds increase during the study period. The average annual growth rate is 29.38 percent during the study period.

3. The Non-plan expenditure has increased from Rs.3921.11 crores in the year 2001-02 to 10078.97 crores in the year 2009-10. It represents 1.57 folds increase during the study period. The average annual growth is 12.47 percent during the study period.
4. The percentage share of Plan Expenditure has increased from 28.33 percent in the year 2001-02 to 54.8 percent in the year 2009-10 while the share of Non-Plan Expenditure has declined from 71.67 percent in the year 2001-02 to 45.2 percent in the year 2009-10 respectively.

5. The percentage of Plan Expenditure to GSDP has increased from 5.24 percent in the year 2001-02 to 10.53 percent in year 2007-08. On the contrary, the percentage of Non-Plan Expenditure to GSDP has declined from 13.27 percent in the year 2001-02 to 10.74 percent in the year 2007-08 respectively.

6. The percentage share of Revenue Expenditure has increased from 89.82 percent in the year 2001-02 to 81.45 percent in the year 2009-10. On the contrary, the percentage share of Capital Expenditure has increased from 8.7 percent in the year 2001-02 to 16.07 percent in the year 2009-10 respectively.

7. The percentage share of Revenue Expenditure to GSDP has declined from 16.63 percent in the year 2001-02 to 15.93 percent in the year 2009-10. On the contrary, the percentage of Capital Expenditure to GSDP has increased from 1.61 percent in the year 2001-02 to 4.60 percent in the year 2009-10 respectively.

8. The percentage share of Development Expenditure has increased from 67.77 percent in the year 2001-02 to 79.12 percent in the year 2009-10. As percentage to GSDP, the Development Expenditure's percentage has increased from 12.17 percent in the year 2001-02 to 15.91 percent in the year 2007-08. On the contrary, the percentage of Non-Development Expenditure has declined from 5.88 percent of GSDP in the year 2001-02 to 4.62 percent in the year 2007-08 respectively.
9. The percentage share of General services total expenditure has declined from 32.22 percent in the year 2001-02 to 20.88 percent in the year 2009-10. On the contrary, the percentage share of Social services & Economic services have increased from 37.48 & 27.83 percent in the year 2001-02 to 45.6 and 31.4 percent in the year 2009-10 respectively. The expenditure on Social services & Economic services are productive, hence, the expenditure management of the Chhattisgarh Government is appreciable.

10. The percentage of General services to GSDP has declined from 5.88 percent in the year 2001-02 to 4.62 percent in the year 2007-08. On the contrary, the percentages of Social & Economic services to GSDP have increased from 6.84 & 5.08 percentage in the year 2001-02 to 8.0 & 8.93 percent in the year 2007-08 respectively.

11. Under General Services, the Government has controlled the percentage expenditure of Interest Payments, Pension & Administrative services which are known as unproductive expenditure.

12. Under Social Services, the Education, Health, Drinking Water & Sanitation have been given proper weightage in expenditure of the State.

13. Under Economic Services, Agriculture & Allied Sectors, Irrigation, Transportation & Rural Development have been given proper weightage in the expenditure of the State.

In short, we find that more weightage have been given to Plan Expenditure, Capital Expenditure, Development Expenditure, Social & Economic Services and on the other side, it has controlled the Non-Plan Expenditure, Revenue Expenditure, Non-Development Expenditure and
General Services Expenditure. Hence, the Expenditure Management of the Chhattisgarh is good, justified and appreciable.

Debt-Management of the Chhattisgarh Government

"Public Debt is comparatively modern phenomenon and has become into existence with the development of democratic form of Government of the world".

- J.K. Mehta.

1. The Capital receipts of the Chhattisgarh has increased from Rs.1176.89 crores in the year 2001-02 to 3027.21 crores in the year 2009-10. It represents 1.57 folds increase in Capital-receipts during the study period.

2. The percentage share of Net Public Debt as declined from 68.7 percent in the year 2001-02 to 6.70 percent in the year 2009-10. It represents a decline of 1.67 percent during the study period.

3. Chhattisgarh Government receives nearly one-fourth Capital from Recovery of Loan & Advances and two-third Capital from Net Public Debt. It has received only 8.26 percent from Net Receipt from Public Account.

4. The Plan Capital Expenditure's percentage share has increased from 95.61 percent in the year 2001-02 to 99.97 percent in the year 2009-10. It reveals that most of the Capital Expenditure is used for Plan Expenditure. Plan Expenditure is productive in nature; hence, Capital is used for productive purposes by the Government during the study period.

5. The percentage share of Internal Loan of State Government has increased from 65.73 percent in the year 2001-02 to 95.44 percent in the year 2005-06 and after that it has declined to 64.33 percent in the
year 2007-08, it again increased to 89.81 percent in the year 2009-10 respectively. It witnesses an increase of 24.08 percent during the study period. On the contrary, the share of Loan & Advance from Centre has declined from 34.27 percent in the year 2001-02 to 10.19 percent in the year 2009-10 respectively.

6. Under the Internal Loan, Market Borrowing has maximum 53.25 percent share while National Small Saving Fund has 10.65 percent share respectively.

7. The percentage of Gross Debt to GSDP has declined from 3.6 percent in the year 2001-02 to 0.38 percent in the year 2007-08.

8. The State has managed 97.38 percent resources for Plan Expenditure itself and through Central Assistance in the State. State's resources share is 77.19 percent and Central Assistance 18.58 percent respectively.

9. The Debt Amount was 21.45 percent of GSDP in the year 2003. It has declined to 17.80 percent of GSDP in the year 2008. It indicates that the debt position of the State has been improved.

**Fiscal Management of Chhattisgarh Government**

The Government of India has enacted the "Fiscal Responsibility and Management Act" on July 2, 2004 which has come into force on July 5, 2004. The FRBM Act has fixed the responsibility on the Government to strengthen the frame work for adopting a prudent fiscal policy and paves the way of accomplishing macro-economic stability. The targets are fixed for the Central & State Governments to fulfill them by 2008-09. The targets are given below:

i. Fiscal Deficit to GDP targets for the Centre and States to be fixed at 3 percent.
ii. Revenue-Deficit of the Centre and States to be brought down to zero by 2008-09.

iii. Interest Payments relative to Revenue-Receipts to be brought down to 28 percent.

iv. Each State to enact a Fiscal Responsibility Legislation for elimination of revenue-deficit and reducing fiscal-deficit to 3 percent of State Domestic Product by 2008-09.

v. "Debt-swap" - If a State pass "Fiscal Responsibility Legislation Act" in the State it will be entitled for "Debt-swap" under which the consolidated debt of the State will be rescheduled for 20 years and the rate of interest will be 7.5 percent instead of 10.5 percent annually.

vi. "Debt-write-off" - The State will also be entitled for "Debt-write-off" as per norms of fiscal deficit and revenue deficit reduction recommended by the Twelfth Finance Commission.


1. Revenue-Deficit

The Revenue-Deficit of the Chhattisgarh State has declined from 1.82 percent of its Gross State Domestic Product in the year 2001-02 to 1.65 percent in the year 2003-04 and after that the State has revenue-surplus from the year 2005-06 to 2009-10 respectively. The revenue-surplus of the State has increased from 0.33 percent of GSDP in the year 2005-06 to 4.58 percent in the year 2006-07 and 0.45 percent in the year 2007-08 respectively. It witnesses that the Chhattisgarh State has already fulfilled the first target of eliminating Revenue Deficit to zero.
2. Fiscal-Deficit

The Fiscal-Deficit/GDSP Ratio has declined from 3.68 percent in the year 2001-02 to 0.85 percent in the year 2005-06 and 0.19 percent in the year 2007-08 respectively. It is too low as compared the target of 3 percent of GSDP. Thus, the Chhattisgarh State has achieved the target of reducing the fiscal-deficit less than 3 percent of GSDP of the Chhattisgarh State up to the year 2008-09 as per FRBM Act. Thus, the Chhattisgarh State is entitled for Debt-write off also.

3. Primary Deficit

The primary deficit has also declined from 1.32 percent of GSDP in the year 2001-02 to 0.18 percent in the year 2004-05 and after that the primary deficit has become positive or surplus and it is 1.49 percent GSDP in the year 2007-08 respectively. The main cause of surplus in Primary deficit is the decline of Interest Payments amount and its burden on the economy. The percentage of Interest Payment to GSDP has declined from 2.68 percent in the year 2001-02 to 1.68 in the year 2007-08.

4. Interest Payments/ Revenue-Receipts

The percent of Interest Payments to own Revenue Receipts has declined from 16.04 percent in the year 2001-02 to 8.22 percent in the year 2007-08. It is also far below the target of 28 percent of Revenue-Receipts as fixed by the Central Government under FRBM Act.

5. Contribution of Revenue Deficit, Capital outlay & Loan & Advances

The percentage contribution of Revenue-Deficit to Fiscal deficit is 49.56 percent in the year 2003-04 after that Revenue-deficit has been
changed into Revenue-surplus and it is used for enhancing capital outlay of the State.

The Capital outlay has increased from 43.84 percent of Fiscal-Deficit in the year 2001-02 to 46.08 percent in the year 2003-04 after that the capital outlay has been financed by Revenue surplus of the economy. The capital outlay is spent for creating capital assets and for increasing infrastructural facilities, hence, it is treated as productive expenditure.

6. Fiscal Performance Measurements of Chhattisgarh State

(a) Own Revenue Effort Index (OREI)

To measure OREI, we have used four indicators/criterion namely -

i. Revenue-Receipts/ Gross State Domestic Product (RR/GSDP)

ii. OTR/ GSDP - Own Tax Revenue as Ratio of Gross State Domestic Product.

iii. NTR/ GSDP - Non Tax Revenue as Ratio of GSDP

iv. R.C./ GSDP - Receipts from Centre/ Gross State Domestic.

(b) The Revenue Receipts/ GSDP

Revenue-Receipts as Ratio of Gross State Domestic Product has increased from 14.81 percent in the year 2001-02 to 20.4 percent in the year 2007-08. It witnesses a rise of 5.59%.

(c) Own Tax Revenue as Ratio of GSDP

It has increased from 6.75 percent in the year 2001-02 to 8.26 percent of GSDP in the year 2007-08. It represents a rise of 1.51 percent during the study period.
(d) The Non-Tax Revenue as Ratio of GSDP

It has increased from 2.45 percent of GSDP in the year 2001-02 to 2.97 percent in the year 2007-08. It shows a rise of 0.52 percent in the year 2007-08.

(f) Receipts of Centre/ GSDP

The Receipts from Centre as a Ratio of Gross State Domestic Product has also increased from 5.62 percent of GSDP in the year 2001-02 to 9.17 percent in the year 2007-08. It represent an increase of 3.55 percent during the study period.

Expenditure Use Index

(i) The Plan Expenditure Ratio of GSDP (PE/ GSDP) has increased from 5.25 percent in the year 2001-02 to 10.53 percent in the year 2007-08. It represents a rise of 5.26 percent in the year 2007-08. On the Contrary, Non-Plan Expenditure has declined 2.53 percent during the study period.

(ii) The Capital Expenditure Ratio to GSDP (CE/ GSDP) has increased from 1.61 percent in the year 2001-02 to 4.60 percent in the year 2007-08. It witnesses an increase of nearly 3 percent during the study period.

(iii) Interest Payment Ratio to Own Revenue Receipts (IP/ ORR) has declined from 16.04 percent in the year 2001-02 to 8.22 percent in the year 2007-08. It represents 7.82 percent decline in the interest payment.

(iv) The Development Expenditure Ratio to GSDP (DE/GSDP) has increased from 12.37 percent in the year 2001-02 to 17.79 percent in the year 2007-08. It represents a rise of 5.42 during the study period. On the other side, the Non-Development Expenditure Ratio to GSDP (NDE/ GSDP) has declined from 5.88 percent in the year 2001-02 to 4.62 percent in the year 2007-08 respectively.
Deficit-Measurements

1. Chhattisgarh State has enacted the "Fiscal Responsibility Legislation" in 25th September 2005. Under this Act the Government has not only controlled the Revenue-Deficit but it has become Revenue-Surplus State.

2. The fiscal-deficit has been reduced from 3.68 percent of GSDP to only 0.19 percent in the year 2007-08. Thus, the State is entitled for "Debt-Swap" and "Debt-Write Off" both.

Hypothesis to be tested

(i) The Financial position of Chhatisgarh State has improved significantly during the study period.

(ii) Under the Expenditure Management more fund is allocated to Development Expenditure and Non-Development Expenditure is restricted and controlled.

(iii) The fiscal-deficit has been minimized in Chhattisgarh State as compared to the Neighbouring States during the study period.

First Hypothesis

The first hypothesis is tested on the basis of four indicators. The performance of the Financial Position is give below:

<table>
<thead>
<tr>
<th>Indicators/ Criterion</th>
<th>2001-02</th>
<th>2007-08</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Revenue-Receipts/ GSDP</td>
<td>14.81</td>
<td>20.4</td>
<td>+5.29</td>
</tr>
<tr>
<td>2. Own Tax Revenue/ GSDP</td>
<td>6.75</td>
<td>8.26</td>
<td>+1.51</td>
</tr>
<tr>
<td>3. Non-Tax Revenue/ GSDP</td>
<td>2.45</td>
<td>2.97</td>
<td>+0.52</td>
</tr>
<tr>
<td>4. Receipts from Centre/ GSDP</td>
<td>5.62</td>
<td>9.17</td>
<td>+5.55</td>
</tr>
<tr>
<td>(a) State's Share in Central Taxes/ GSDP</td>
<td>3.98</td>
<td>5.93</td>
<td>+1.95</td>
</tr>
<tr>
<td>(b) Grants-in-Aid/ GSDP</td>
<td>1.64</td>
<td>3.24</td>
<td>+1.60</td>
</tr>
</tbody>
</table>
From the above performance we can say that the financial position of the State has improved significantly during the study period.

**Second Hypothesis**

For testing the hypothesis, we have used 11 indicators to measure the performance of the State.

Indicators to measure the Expenditure Management of the State

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2001-02</th>
<th>2007-08</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Plan Exp./ GSDP</td>
<td>5.25</td>
<td>10.53</td>
<td>+5.26</td>
</tr>
<tr>
<td>2. Non-Plan Exp./ GSDP</td>
<td>13.27</td>
<td>10.74</td>
<td>-2.53</td>
</tr>
<tr>
<td>3. Plan Exp./ Total Exp.</td>
<td>28.33</td>
<td>49.50</td>
<td>-21.17</td>
</tr>
<tr>
<td>4. Non-Plan Exp./ Total Exp.</td>
<td>71.67</td>
<td>50.50</td>
<td>-21.17</td>
</tr>
<tr>
<td>5. Capital Exp./ GSDP</td>
<td>1.61</td>
<td>4.60</td>
<td>+2.99</td>
</tr>
<tr>
<td>6. Revenue Exp./ GSDP</td>
<td>16.64</td>
<td>15.93</td>
<td>-0.51</td>
</tr>
<tr>
<td>7. Develop. Exp./ GSDP</td>
<td>12.37</td>
<td>17.79</td>
<td>+5.42</td>
</tr>
<tr>
<td>8. Non-Develop. Exp. / GSDP</td>
<td>5.88</td>
<td>4.62</td>
<td>-1.26</td>
</tr>
<tr>
<td>9. Interest payments/ Revenue Exp.</td>
<td>14.29</td>
<td>8.95</td>
<td>-5.34</td>
</tr>
<tr>
<td>10. Interest Payments/ Own Revenue Receipts</td>
<td>16.04</td>
<td>8.22</td>
<td>-7.82</td>
</tr>
<tr>
<td>11. Interest Payments/ GSDP</td>
<td>2.38</td>
<td>1.68</td>
<td>-0.70</td>
</tr>
</tbody>
</table>

From the above performance we can conclude that the Chhattisgarh Govt. has invested/ Shifted more fund on Development Expenditure and Non-development Expenditure has been controlled & restricted during the study period. The second hypothesis is also found correct.
Third Hypothesis

Under the Fiscal Management, the Chhattisgarh State has achieved the targets as laid own by the Twelfth Finance Commission & Central Government.

To test the above hypothesis we have used 6 indicators for measuring the Fiscal Management Performance of the State.

Fiscal Performance of the State:

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2001-02</th>
<th>2007-08</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. R.D./GSDP</td>
<td>-1.82</td>
<td>+0.45</td>
<td>Revenue-Surplus since 2004-05</td>
</tr>
<tr>
<td>2. F.D./GSDP</td>
<td>-3.68</td>
<td>-0.19</td>
<td>too low from 3% target</td>
</tr>
<tr>
<td>3. P.D./GSDP</td>
<td>-1.32</td>
<td>+1.49</td>
<td>* Surplus in the year 2006-07</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Positive Effect since the year 2005-06</td>
</tr>
<tr>
<td>4. R.D./F.D.</td>
<td>49.56</td>
<td></td>
<td>Surplus Revenue Receipts from the year 2004-05</td>
</tr>
<tr>
<td>5. C.O./Fiscal Deficit</td>
<td>13.84</td>
<td></td>
<td>Capital outlay is managed by Revenue Surplus</td>
</tr>
<tr>
<td>6. P.D./F.D.</td>
<td>35.39</td>
<td></td>
<td>Interest Payments fully paid by Revenue Surplus</td>
</tr>
</tbody>
</table>

From above data we can conclude that the Fiscal performance of the State is excellence during the study period and the State has fulfilled the targets laid down by 12th Finance Commission. Hence, it is entitled for "Debt-Swap" and Debt-write off.

Fourth Hypothesis

The Fiscal-Deficit has been minimized in Chhattisgarh State as compared to Neighbouring States.
The Fiscal deficit has been minimized in Chhattisgarh State as compared to the Neighbouring States during the study period.

To test the above hypothesis, we have taken 3 indicators for the states.

<table>
<thead>
<tr>
<th>State</th>
<th>2000-03</th>
<th>2005-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Andhra Pradesh</td>
<td>-2.1</td>
<td>-4.8</td>
</tr>
<tr>
<td>2. Jharkhand</td>
<td>-0.2</td>
<td>-4.0</td>
</tr>
<tr>
<td>3. Madhya Pradesh</td>
<td>-2.3</td>
<td>-4.3</td>
</tr>
<tr>
<td>4. Maharashtra</td>
<td>-3.2</td>
<td>-4.2</td>
</tr>
<tr>
<td>5. Orissa</td>
<td>-5.0</td>
<td>-8.0</td>
</tr>
<tr>
<td>6. U.P.</td>
<td>-3.2</td>
<td>-5.4</td>
</tr>
<tr>
<td>7. Chhattisgarh</td>
<td>-1.9</td>
<td>-2.1</td>
</tr>
<tr>
<td>Average of the Neighbouring States</td>
<td>2.6</td>
<td>5.12</td>
</tr>
<tr>
<td>Chhattisgarh</td>
<td>1.9</td>
<td>2.1</td>
</tr>
</tbody>
</table>

The performance of the Chhattisgarh is better because R.D. and F.D. both have low as compared to the average R.D. and F.D. as ratio of GSDP of the Neighbouring States during the study period. The Interest Payments as Ratio of Revenue-Receipts has been also low 11.53 percent as compared to 18.46 of the Neighbouring States. Hence, we can conclude that the hypothesis is correct.
CONCLUSIONS

On the basis of above analysis we can draw the following conclusions-

1. The Revenue-Receipts as ratio & GSDP has increased by 5.59 percent during the period 2001-02 to 2007-08. However, increase in own Revenue-Receipts of the Chhattisgarh State is low 2.04 percent as compared to 3.55 percent an increase in Receipts from Centre during the study period.

2. The increase in Own Tax Revenue is 1.51 percent during the study period whereas the increase in Tax-share in central taxes & Grants in aid are 1.95 and 1.60 percent respectively. It witnesses that the increase in receipts by centre is more than State.

3. The Development Expenditure has increased by 5.42 percent during the study period while Non-Development Expenditure has been controlled a restricted from 5.88 percent of GSDP in the year 2001-02 to 4.62 percent in the year 2007-08. It witnesses a decline of 1.26 percent during the study period.

4. The General Service Expenditure as Ratio of GSDP has been reduced from 5.88 percent in the year 2001-02 to 4.62 percent in the year 2007-08. On the Contrary the Expenditure on Social & Economic Services has increased from 13.92 percent of GSDP to 16.9 percent in the year 2007-08. However, the percentage Expenditure on Education, Health Services in GSDP are very low 2.70 and 0.62 percent of GSDP in the year 2007-08. It affects the quality improvement of the human Resources of the State.
5. Capital outlay as ratio of GSDP has increased from 1.61 percent in the year 2001-02 to 4.60 percent in the year 2007-08. Increase in Capital outlay is a good sign because it is known as productive expenditure to create capital assets in the State.

6. The public debt of the Chhattisgarh Government is under control. The percentage of Gross Debt to GSDP has declined from 3.36 percent in the year 2001-02 to 0.38 percent in the year 2007-08.

7. The Cumulative debt was 21.45 percent of GSDP in the year 2003 which has declined to 17.8 percent in the year 2008. Hence, the debt position of the State has been improved.

8. The State has managed 97.38 percent fund for plan through Market borrowing & Institutional loans and Central assistance.

9. The Interest Payments is under control. It has come down from 16.07 percent of Revenue-Receipts of the State of 8.22 percent in the year 2007-08.

10. The Chhattisgarh State has enacted "The Fiscal Responsibility Legislation in the year 2005 and it has not only eliminated the revenue-deficit but at present the State is called Revenue-Surplus State. Fiscal deficit is also very low 0.19 percent in the year 2007-08. Thus, the financial position of the State is good and appreciable.
SUGGESTIONS

To strengthen the financial position of the State following suggestions are given:

1. Though the percentage of Revenue-Receipts to GSDP has increased in the State however, the percentage increase of Own tax to GSDP is very low 1.51 percent during the study period. Hence, the Government should increase its tax-base and collection-efficiency in the State. The State has great potential but it is not fully used under tax receipts.

2. Contribution of Non-Tax Revenue is also low. The State is rich in mineral and forest resources. They are utilized by the Central Government but the royalties of Coal, Iron-ore and other mineral resources are very low. It may be increased and the percentage contribution of Non-Tax Revenue may be increased in the State.

3. Although the Development Expenditure and Plan Expenditure have increased in the State, however, the Non-Development and Non-plan Expenditure are still very high. Most of the State's own Revenue-Receipts are spent on Salary, allowances and pension payments. A little amount is left for development expenditure of the State. Most of the Development & Plan expenditure are fulfilled through Central's share in taxes and Grants in aid in the State. Hence, expenditure on Salary, Allowances & Pension should be controlled.

4. The Capital outlay has increased by 2.99 percent during the study period however 4.60 percent capital outlay GSDP is very low to achieve higher rate of economic growth in the State. The State is revenue-surplus State and Fiscal deficit is very low only 0.19 percent of GSDP, the Capital outlay may be increased by using 3 percent
fiscal deficit of GSDP for accelerating the economic growth of the State.

5. The Plan Expenditure on Social Sector has been fixed 45 to 47 percent of the total plan expenditure of the State but the Expenditure on Social Services to GSDP Ratio has declined in the State during the study period. Specially Expenditure on Education and health services are very low as per norms fixed by the Government & world Health Organization. More fund should be allocated in these two sectors.

6. The State has achieved the targets of Revenue and Fiscal Deficit fixed by the Finance Commission, but these targets are achieved through cutting the expenditure on Social Services & Economic Services which can not be treated rational.

7. The public debt ratio to GSDP is very low in the State, hence, public debt, fiscal deficit and own tax revenue may be used as instruments to raise the revenue of the State and through increasing plan & development expenditure the Government may achieve higher rate of growth in the State. Thus, the fiscal components may be used as important instruments for shaping the development programme of the State.