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India's Financial Pattern

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ABSTRACT
Public finance is the study of the role of the government in the Economy. It is the branch of Economic which deals the government revenue and government expenditure of the public authorities.

India is a developing country. So Indian Financial Pattern have been assuming greater importance in India, particularly after the decentralization movements started with the 73rd and 74th constitutional amendments in 1992. The structure and trend of the finances of Indian government is very wide. This paper is an attempt to provide an outline of financial pattern in India. It discuss both income and expenditure during the year 2008-09 to 2012-13. It is clear from the income and expenditure data that there is a deficit in India's budget because of the excess expenditure over income. Thus this paper present a weak base of Indian Economy and therefore, point to the need for bringing about reforms in that direction among these institutions.

KEYWORDS : Grants, Public Finance, Public Revenue, Public Expenditure.

Introduction :
India is a mixed economy. Many early post independence leaders, such as Nehru were influenced by socialist ideas and advocated govt. intervention to guide the Economy, including state ownership of key industries. The objective was to achieve high and balanced examine development.

India is a developing country and it has to spend money on various Economic and non-Economic activity. So India's government expenditure is increasing day by day. But there is no change in India's Income. This results deficit in India's budget.

Collection of sufficient resources from the Economy in an appropriate manner along with allocating and use of these resources efficiently and efficiently contribute good financial management. Resources generation, resource allocation and expenditure management (resources utilization) are the essential components of a public financial management system. The following subdivision from the subject matter of public finance:

1. Public Expenditure
2. Public Revenue
3. Public Defect
4. Financial Administration
5. Federal Finance

Unique Features of Public Finance :
- Private economic unit has to live within its means. The state, on the other hand, can resort to the policy of permanent deficit budgeting.
- A private economic unit cannot raise non repayable loans. State has the power to raise non-repayable loans from central bank.
- State has power to create money which is a legal tender.
- Private finance follows 'the market principal', or the principle of economic rationality but the public finance flows the budget principle. The essence of the budget principle is that the services in this sphere are determined not by profit maximization but on the basis of maximization of social welfare.
- Decision to allocate resources is made through political and administrative procedures.
- Private finance takes short term view but public finance takes long term view.
- While a private economic unit would be proceeding by first ascertaining its income and then determining its expenditure, the Government first decides about expenditure and then goes round to seek revenue for it.
- The budget is a financial statement showing the expected receipts and expenditure of the government in the coming financial year. An estimation of the revenue and expenses over a specified future period of time is the part of public finance or public economies. So public finance deals with revenue and expenditure activities of the government either at central, state or local levels.

Government Income: There are various sources of government income such as taxation, public debt and defiet financing are studies. Government need to perform various functions in the field of political, social and economic activities to maximize social and economic welfare, in order to perform these duties and function Government require large amount of resources, these resources are called public revenue. Public revenue consists of taxes, revenue from administrative activities like fines, fees, gifts, and grants, public revenue can be classified into two types.

Tax Revenue
Non-Tax Revenue
1. Tax Revenue : Taxes are the first and foremost sources of public revenue. Taxes are compulsory payments to Government without expecting direct benefit or return by the tax payer. Taxes collected by Government are used to provide common benefits to all mostly in form of public welfare services, Taxes do not guarantee any direct benefit for person who pays the tax. It is not faced on direct quid pro quo principle.

Characteristics of Taxes:
The following are the features of taxes :
- A tax is a compulsory payment. Made to the Government. People on whom a tax is imposed must pay the tax. Refused to pay the tax is a punishable affence.
- There is no quid pro quo between a tax payer and public authorities. This means that the tax payer cannot claim any specific benefit in return for the payment of a tax.
- Every tax involves some sacrifice on the part of the tax payer.
- A tax is no levels as a fine or penalty for bricking law.

The Government collect tax revenue by way of direct and indirect taxes. Direct taxes in cludes ; Corporate tax, personal income tax, capital gain and wealth tax, indirect taxes in cludes custom duty, central excise duty, VAT and service tax.

In 2006-07 (Indian Related) the tax revenue contributed about 81% of the total revenue receipts of the central Government where as non-tax revenue receipts contributed the remaining 19%.

Non-Tax Revenue : The revenue obtained by Government from sources other than tax is called non-tax revenue. The sources of non-tax revenue are :

Fees : Fees are another important source of revenue for the Government. The Government provides certain services and charges certain fees for them. For example : fees are charged for issuing of passport, deriving license etc.

Fines of Penalties : Fines or Penalties are imposed as a form of punishment for breach of law or non fulfillment or certain conditions or for failure to observe some regulations like taxes, fines are compulsory payments.

Grants and Gifts : Gifts and voluntary contribution by Public expenditure can be defined as, "The Expenditure incurred by public authorities like central, state and local Government to satisfy the collective social wants of the people is known as public authorities." Individual or institutions to the Government. Gifts are significant source of revenue during war and emergency.

Special Assessment of betterment : It is a kind of special charge levied on certain members of the community who are beneficiaries of certain Government activities or public projects. For example due to a public park in a locality or due to the construction of road.

Surplus from Public Enterprise : The Government also gets revenue by way of surplus from public enterprise in India the profits or dividends when the Government gets can be utilized for public expenditure.

Deficit Financing : Deficit means an excess of public expenditure over public revenue. This excess may be net by borrowing from the market, borrowing from abroad, by the central bank currency.

Government Revenue
Tax Revenue

1. Income Tax, Share in Income tax,	1. Grants in Aid
Professional Tax, Cooperation Tax.	2. Electericity Bills
2. Sales Tax, Property Tax, Land	3. Water Supply Bills
Revenue, Estate Duty, Urban Property,	4. Fees
Stom and Registration	5. Fives
3. Commodity Tax, State Excise General	6. Penelty
Sale tax, Share of Union tax	7. International resources of railways,
(Excise duty), Entertainment tax and	communication and non departmental
other taxes.	commercial plans.

Government Expenditure:-
Government can distribute the country's resources, through its expenditure for the attainment of the objectives like administration, defence, economic development full employment, economic welfare, price stability etc.

Public Expenditure

Development public expenditure	Non Developmental public expenditure
1. Agricultural	1. Civil administration
2. Animal Husbandry	2. Internal and external securities
3. Electercity	3. Natural calamities
4. Irrigation	4. Industrial dispute, Railway Accident
5. Industrial developments	and communal disturbances
6. Education Primary, Secondary, College, University	
7. Health- Dispensary, Medical and Hospital etc.	

Economists classify Government expenditure into three main types – Gvernment purchases of goods and services for current use are classed as Government consumtion. Government purchases of goods and services intended to create future benefits – such as infrastructure investment or research spending – are classed as Government investment. Government expenditure that are not purchases of goods and services and instead just represent transfers of money – such as social security payments – are called transfer payments. This classification also known as development and non-development expenditures.

Table for combined Revenue Receipt of the Central and the states (in crore)

Year	Tax Revenue	Non Tax Revenue	Other	Total
2008-09	915449.99	136911.95	4841.36	1052670.32
2009-10	1000843.73	163173.90	2633.44	1175444.16
2010-11	1271665.35	266926.13	1670.85	1548423.93
2011-12	1475032.29	178693.09	2753.64	1704851.77
2012-13	1751123.51	22689.21	2726.04	2030378.25

Table for revenue and capital expenditure:
(in crore)

Year	Non Developmental	Developmental	Others	Total
2008-09	721408.04	770608.94	27064.20	1519081.18
2009-10	895920.53	887629.98	31059.98	1814610.49
2010-11	1001375.44	1064432.13	39887.73	2105695.30
2011-12	1126444.76	1085379.41	51669.20	2463493.37
2012-13	1326457.95	1456064.32	40227.70	2822749.97

Table for Financing Pattern
(in crore)

Year	Total Expenditure	Total Revenue	Gap (A-B)
2008-09	1519081.18	1040534.8	477046.35
2009-10	1814610.49	1169669.27	644941.22
2010-11	2105695.30	1544080.39	561614.91
2011-12	2463493.37	1698621.54	764871.83
2012-13	2822749.97	2024765.01	797984.96

Source 1. Budget documents, Budgetdivision, Ministry of Finance (ForCentral Government data) 2. Budget documents of the states (For state Govt. data)

Conclusion
It is dear from the table that India's Financial portion is adverse because of Excess Expenditure over income. This can be balanced by using Public debt, increasing the rate of taxes, deficint financing

Firstly, the government can borrow funds from the other sectors of the economy. This is the preferred government method of raising funds. as, it does not add to net foreign debt.

The second possible method of financing a defiat is the form of borrowing from the R.B.basically means that the government prints money to finance the difiat. But the government used this method very rare became it is highly inflationary.

Third possible method for removing defiat in budget is to income in the tax rates like income tax rate, sales tax rates, TDS rates etc. In this way govt. income can be raised and defiat can be recovered.

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