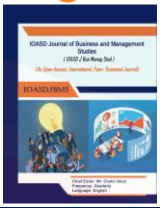
OPEN ACCESS

IOASD Journal of Business and Management Studies

IOASD J Bus Manag Stud, Vol-1, Iss-4, Oct-Dec., 2024
Frequency: Quarterly
ISSN: 3048-7595 (Online)
ISSN: 3049-0510 (Print)
Homepage: https://ioasdjbms.com



Tax Revenue and Financial Deficit of Central and State Governments in India: A Study on Pre and Post Corona Pandemic Period

Dr. Sukanta Sarkar[1*]
[1]Associate Professor, Department of Economics, Gambella University, Ethiopia.

Corresponding Author: Dr. Sukanta Sarkar
Associate Professor, Department of Economics, Gambella University, Ethiopia.

DOI: 10.67224/ioasdjbms.2024.v01i04.003

ABSTRACT

The objective of this paper is to study the tax revenue and financial deficit of the central and state governments in India. It has found that direct and indirect tax revenues have increased since 1994-95, but direct tax has declined due to the corona pandemic. Indirect tax revenue and total tax revenue of the central government did not decline during or after the corona pandemic. The Corona pandemic negatively affected tax revenue of the state governments. Total tax revenue of state governments has increased more than 33 times in the last 28 years. Indirect tax revenue of the state government is higher than the direct tax revenue. The Corona pandemic did not affect the total receipts of the central government. Revenue receipts declined during the corona pandemic period, but recovered in post-corona pandemic period. Revenue receipts are higher than the capital receipts. Total capital receipts of the central government were increased due to the corona pandemic. Market borrowings had the highest contribution in total capital receipts, which was followed by small savings receipt, and disinvestment receipts. Gross fiscal deficit of states receipts and expenditures are increasing continuously, but gross fiscal deficit of states receipts decreased during the corona pandemic. Gross fiscal deficit, and financing of gross fiscal deficit are increased during the post-pandemic period. Gross fiscal deficit of the central government has been increasing since 1995-96. Gross fiscal deficit expenditure of the central government is higher than the gross fiscal deficit receipts. Central government collects funds from internal and external sources for financing the gross fiscal deficit. Gross fiscal deficit, gross primary deficit and revenue deficit of central and state governments were increased due to the corona pandemic. They increased during the post-pandemic period. Therefore, the central government and state government should implement policies for increasing tax revenue and reducing financial deficits.

Keywords: Central government, financial deficit, State government, and Tax revenue.

Original Research Article

Article History
Received: 25-09-2024
Accepted: 30-10-2024
Published: 07-11-2024

INTRODUCTION

Revenue management is the process of optimising revenues to maximise profits while minimising costs. With inadequate resources and growing demand for public services, governments must manage revenues in a way that benefits the country and the economy in the long run (Nayak,2017). Revenue management can help governments to improve fiscal stability. Another benefit of government revenue management is that it can prioritise government spending and investments (Jalan, 2019). Governments can use data analytics and modelling to forecast revenues and identify areas of growth or risk. Government revenue management requires a strong culture of accountability and transparency (Gupta & Singh, 2016). This can be achieved through financial reporting and review processes, as well as open communication and engagement with the general public and stakeholders. Governments collect revenues to provide goods and services to the general public and businesses, and to fulfil revenues (Arjuna & Dolli, 2018).

A deficit is the amount of money that is spent in the budget exceeding the amount of money that is received. Government budget deficit is the amount of money that the government spends more than it receives (Devasia & Karunakaran, 2020). To reduce the deficit, the government will increase its income while cutting some of its spending. Budget deficit is the amount of money that the government spends more than it receives. The government can raise revenue by raising income taxes. Investing in assets and selling them is another way to reduce income (Deshwal, 2022). The budget deficit is the difference between the government's total spending and total revenue. The first deficit is the money the government has to borrow to pay interest on previous loans. We should not forget that government borrowing includes written promissory notes (Beena & Ritika, 2023). The purpose of critical deficit analysis is to focus on the current budget deficit. In order to roughly understand the amount of borrowing based on the current income surplus, we need to calculate the primary deficit. budget deficit and interest rates (Awasthi & Nagarajan, 2020).

OBJECTIVES

The general objective of this paper is to study the tax revenue and financial deficit of the central and state governmenta in India. The specific objectives of this paper are:

1. To study the direct and indirect tax revenues of the central government of India.
2. To scrutinize the direct and indirect tax revenues of state governments of India.
3. To evaluate the major components of central government receipts of India.
4. To observe the major components of state governments receipts of India.
5. To examine the major heads of capital receipts of the central government of India.
6. To study the market borrowings of the central and state governments of India.
7. To evaluate the state's gross fiscal deficit and way of financing in India.
8. To study the gross fiscal deficit of the central government and its financing in India.
9. To examine the combined deficits of central and state governments in India, and
10. To study the relation between annual growth rates of gross national income and gross fiscal deficit of the central government.

METHODS AND MATERIALS

(a) **Design and approach:** The present study is based on the secondary data. The data have been collected from reports of the Economic Survey 2023-24, Government of India and Handbook of Statistics on Indian Economy published by Reserve bank of India, Government of India.

(b) **Method of analysis:** To reveal the growth of tax revenue and financial deficit of central government and state governments in India, different methods of quantitative and qualitative analysis consisting of tabulation, regression analysis and text analysis have been performed.

(c) **Hypothesis:**

H_{01}: There is no relationship between annual growth rates of gross national income and gross fiscal deficit of the central government.

H_{1a}: There is a relationship between annual growth rates of gross national income and gross fiscal deficit of the central government.

RESULTS AND DISCUSSION

Tax revenue affects a country's budget deficit, which is when the government spends more money than it spends in a fiscal year. Revenue deficit occurs when the income statement exceeds the revenue statement (Ramamurthy, 2018). Fiscal deficit represents the total amount the government has borrowed. The income statement shows the amount of credit expected in the upcoming period (Sarkar, 2010). The main cause of a trade deficit is capital expenditure. Revenue deficit occurs when actual revenue and expenditure do not match actual revenue and expenditure (Sarkar, 2017). A budget deficit is when government expenditure exceeds revenue (excluding borrowing) for a year. This indicates that the government is spending more money than it is spending. Now deficit financing is one way to control the budget deficit (Samantara. 2020). Financial deficits can be viewed as both positive and negative. It is good that unsustainable money is not a priority that the government can use to stimulate economic growth and long-term investment in the country. On the other hand, it is bad if it is too high, which can make the debt useless (Parihar & Parihar, 2024).

Table 1: Direct and Indirect Tax Revenues of Central Government

Year	Direct	Indirect	Total	Year	Direct	Indirect	Total
1994-95	26966	65328	92294	2010-11	445994	343178	789172
1996-97	38891	89871	128762	2011-12	493947	391232	885178
1997-98	48274	90946	139220	2012-13	558658	474767	1033425
1999-00	57958	113794	171752	2013-14	638542	495541	1134083
2001-02	69197	117177	186374	2014-15	695744	545680	1241424
2002-03	83085	131581	214666	2015-16	741945	708013	1449958
2003-04	105090	147658	252748	2016-17	849713	866109	1715822
2004-05	132847	170546	303393	2017-18	1002037	913456	1915494
2005-06	165249	199398	364647	2018-19	1136615	942050	2078665
2006-07	230249	241263	471512	2019-20	1049549	958030	2007579
2007-08	312243	279104	591347	2020-21	944875	1076407	2021282
2008-09	333854	269645	603499	2021-22	1250000	1259929	2509929

Year	Direct	Indirect	Total	Year	Direct	Indirect	Total
2009-10	377487	243881	621368	2022-23	1420000	1331420	2751420

Source: https://www.rbi.org.in/scripts/PublicationsView.aspx?id=21912, Note: in crores INR.

Table 1 discussed the direct and indirect tax revenues of the central government of India. Direct and indirect tax revenues have been increasing since 1994-95, but direct tax revenue was declined in 2020-21 due to the corona pandemic. Indirect tax revenue and total tax revenue of the central government did not decline during or after the corona pandemic. Direct tax revenue was 26966 crores in 1994-95, and 11.36 lakhs crores in 2018-19. It declined during the corona pandemic. Direct tax revenue was 10.49 lakhs crores in 2019-20 and 9.44 lakhs crores in 2020-21, but was increased in 2021-22, and reached 12.50 lakhs crores in 2021-22. Indirect tax revenue was 65328 crores in 1994-95 and was 8.42 lakhs in 2018-19., and finally reached 13.31 lakhs in 2022-23. Total tax revenue of the central Government was 92294 crores in 1994-95, and 20.78 lakhs in 2018-19 and finally 27.51 lakhs in 2022-23. Therefore, it has found that total tax revenue of central government was increase continue during pre and post corona pandemic period. Total revenue of the central government has increased more than 29 times in the last 28 years. Direct tax revenue of the central government is generally higher than the indirect tax revenue. There is decent growth of tax revenues of the Central Government in the post-corona pandemic period.

Direct taxes are taxes levied on the income or wealth of individuals and organisations. Taxes such as income and business taxes fall under the category of direct taxes. Direct taxes ensure that taxation is fair and that people earn more income (Singh *et. al*., 2017). Direct taxes are also useful in controlling inflation because changes in prices help control supply and demand in the economy. Indirect taxes are taxes levied on the consumption of goods and services. Indirect taxes are taxes paid on goods for which a service fee is paid by consumers. They do not charge fees to individuals or companies. Government officials find it easy to pay taxes directly as it is paid directly and saves a lot of time and effort (Sarkar et. al., 2024).

Table 2: Direct and Indirect Tax Revenues of State Governments

Year	Direct	Indirect	Total	Year	Direct	Indirect	Total
1994-95	6902	47090	53992	2010-11	62725	398170	460895
1996-97	8288	60255	68543	2011-12	77299	480274	557573
1997-98	6352	68800	75152	2012-13	92568	561966	654534
1999-00	12979	86813	99792	2013-14	88231	624231	712462
2001-02	15679	106894	122573	2014-15	107696	671609	779305
2002-03	17217	120135	137352	2015-16	88176	758967	847143
2003-04	20213	135138	155351	2016-17	109914	796409	906325
2004-05	23981	158001	181982	2017-18	119152	943488	1062640
2005-06	30179	181768	211947	2018-19	109468	1090814	1200282
2006-07	38829	213682	252511	2019-20	166654	1057348	1224002
2007-08	43446	242703	286149	2020-21	169931	1002177	1172108
2008-09	44132	278673	322805	2021-22	164088	1352469	1516557
2009-10	47387	315856	363243	2022-23	222678	1577173	1799851

Source: https://www.rbi.org.in/scripts/PublicationsView.aspx?id=21912, Note: in crores INR.

Table 2 discussed the direct and indirect tax revenues of State Governments in India. It has found that total tax revenue of state governments was declined 2020-21 due to the corona pandemic. Direct tax revenue of state governments was 6902 crores in 1994-95and was 1.09 lakhs crores in 2018-19 and finally 2.22 lakhs crores in 2022-23. Indirect tax revenue of state governments was 47090 crores in 1994-95 and was1.09 lakhs crores in 2018-19. It was declined to 1.05 crores in 2019-20 and further declined in 2020-21 and reached 1.002 lakhs crores. Finally, it was 15.77 lakhs crores in 2022-23. Total tax revenues of State Governments were 53.99 thousand crores in 1994-95 and were 12.24 lakhs crores in 2019-20. It declined in 2020-21and reached 11.72 lakhs crores due to the corona pandemic. Finally, it reached 17.99 lakhs in 2022-23. Therefore, the corona pandemic negatively affected tax revenue of the state governments. Total tax revenue of state governments has increased more than 33 times in the last 28 years. Indirect tax revenue of the state government is higher than the direct tax revenue. There is fast recovery of tax revenues of the Central Government in the post-corona pandemic period.

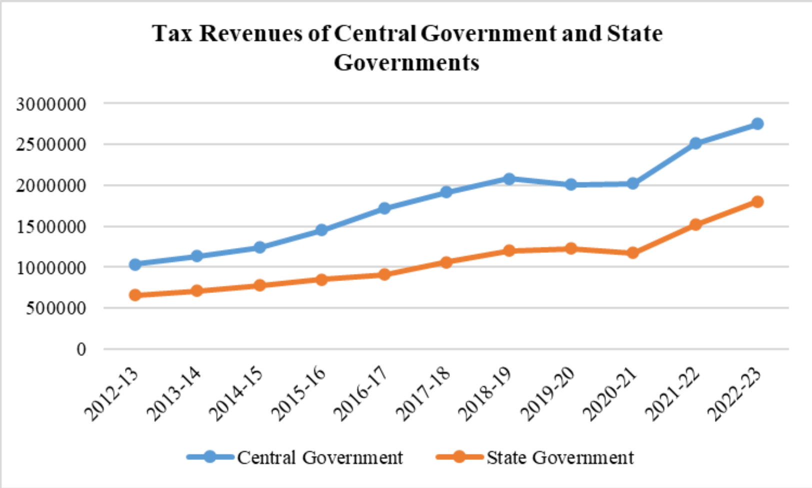


Figure 1: Trend of tax revenue of Central Government and State Governments

The above figure 1 shows that tax revenue of central government and state governments have increased since 2012-13, but declined during 2019-21 due to the corona pandemic. There is steady growth of tax revenues during the post-pandemic period. Tax receipts of the central government are higher than the tax receipts of state governments.

Table 3: Major Components of Central Government Receipts

Year	Revenue Receipts	Capital Receipts	Total Receipts	Year	Revenue Receipts	Capital Receipts	Total Receipts
1994-95	91083	68695	159778	2010-11	788471	402428	1190899
1996-97	126279	61544	187823	2011-12	751437	568918	1320355
1997-98	133886	99077	232963	2012-13	879232	582152	1461383
1999-00	181482	115707	297189	2013-14	1014724	563894	1578618
2001-02	201306	162500	363806	2014-15	1101381	484448	1585829
2002-03	230834	180531	411365	2015-16	1195025	582579	1777604
2003-04	263813	211333	475146	2016-17	1374203	609886	1984089
2004-05	305991	200391	506382	2017-18	1435233	702650	2137883
2005-06	347077	179549	526626	2018-19	1552916	763518	2316434
2006-07	434387	144482	578869	2019-20	1684059	997301	2681360
2007-08	541864	197978	739842	2020-21	1633920	1883105	3517024
2008-09	540259	299863	840122	2021-22	2169905	1621353	3791258
2009-10	572811	453063	1025874	2023-24	2632281	1882603	4514884

Source: https://www.rbi.org.in/scripts/PublicationsView.aspx?id=21899, Note: in crores INR.

Table 3 represented the major components of central government receipts. It has found that revenue and capital receipts have increased since 1996-97. Revenue receipts of the central government was 91083 crores in 1994-95 and was 16.84 lakhs crores in 2019-20. It declined in 2020-21 due to the corona pandemic and reached 16.33 lakhs crores. Finally, it was 26.32 lakhs in 2023-24. Capital receipts of the central government was 61.54 thousand crores in 1996-97 and 99.73 thousand crores in 2019-20 and finally reached 18.82 lakhs crores in 2023-24. Total receipts of the central government were 1.59 lakhs crores in 1994-95 and 23.16 lakhs crores in 2018-19 and finally reached 45.14 lakhs crores in 2023-24. Therefore, the corona pandemic did not affect the total receipts of the central government. Revenue receipts declined during the corona pandemic period, but recovered in post-corona pandemic period is noticeable. Revenue receipts are higher than the capital receipts. Total receipts of the central government were increased more than 28 times during 1994-95 to 2023-24.

Revenue is the amount of money a business earns from its daily operations. These are recurring in nature and directly affect the profit and loss of the business. Therefore, revenue needs to be disclosed in the profit and loss of a company or organisation. Capital gains are profits that create liabilities or reduce financial assets (Tagat, 2019). They are also referred to as income. Capital gains can be debt-free or debt-enhancing. Loans from the public, foreign governments and the Reserve Bank of India constitute a significant portion of capital gains (Srinivasulu & Kumar, 2022).

Table 4: Major Components of State Governments Receipts

Year	Revenue Receipts	Tax Receipts	Share in Central Taxes	Non-tax Receipts	Capital Receipts	Total Receipts
1994-95	120303	78832	24885	41472	43190	163493
2000-01	232509	164314	50734	68195	109705	342214
2003-04	309187	221117	67080	88074	205641	514828
2006-07	530556	372841	120293	157714	143049	673605
2010-11	935347	680198	219489	255149	238228	1173575
2014-15	1591583	1117113	337835	474471	416482	2008065
2015-16	1832885	1353336	506191	479549	557960	2390845
2016-17	2046401	1520773	607861	525628	675383	2721784
2017-18	2321241	1735646	605186	585596	619924	2941166
2018-19	2620353	1961739	746894	658614	698644	3318998
2019-20	2670138	1874679	650687	795458	1153115	3823252
2020-21	2586622	1767105	595227	819517	1147488	3734110
2021-22	3352863	2261342	740118	1091521	1157599	4510462
2022-23	3856878	2616501	829312	1240378	1213269	5070147

Source: https://www.rbi.org.in/scripts/PublicationsView.aspx?id=21906, Note: in crores INR.

Table 4 discussed the major components of State Governments receipts. It has found that major components of state governments receipts were affected due to the corona pandemic. Revenue receipts of state governments was 1.20 lakhs crores in 1994-95 and 2.67 lakhs crores in 2019-20, It was declined in 2020-21 due to corona pandemic and reached 2.58 lakhs crores. Finally, it reached 3.85 lakhs crores in 2022-23. Revenue receipts increased more than 32 times during 1994-95 to 2022-23. Tax receipts of state governments was 78832 crores in 1994-95 and 18.74 lakhs crores in 2019-20, It was declined in 2020-21 due to corona pandemic and reached 17.67 lakhs crores. Finally, it reached 26.16 lakhs crores in 2022-23. Tax receipts increased more than 33 times during 1994-95 to 2022-23. Share in central taxes of state governments was 24885 crores in 1994-95 and 7.46 lakhs crores in 2018-19. It declined in 2020-21 due to the corona pandemic and reached 5.95 lakhs crores. Finally, it reached 8.29 lakhs crores in 2022-23. State share in central taxes was increased more than 33 times during 1994-95 to 2022-23.

Non-tax receipts of state governments were 41472 crores in 1994-95 and 6.58 lakhs crores in 2018-19, and reached 12.4 lakhs crores in 2022-23. Non-tax receipts were increased more than 29 times during 1994-95 to 2022-23. Capital receipts of state governments was 43190 crores in 1994-95 and 11.53 lakhs crores in 2019-20. It declined in 2020-21 due to the corona pandemic and reached 11.47 lakhs crores. Finally, it reached 12.13 lakhs crores in 2022-23. Capital receipts increased more than 33 times during 1994-95 to 2022-23. Total receipts of state governments were 1.63 crores in 1994-95 and 38.23 lakhs crores in 2019-20. It declined in 2020-21 due to the corona pandemic and reached 37.34 lakhs crores. Finally, it reached 50.7 lakhs crores in 2022-23. Total receipts were increased more than 31 times during 1994-95 to 2022-23. Therefore, there are negative effects of the corona pandemic on total receipts of state governments.

Taxes are amounts that must be paid to the government by individuals or businesses without any direct benefit in return. The total of the revenues from taxes and all other government duties is called tax revenue. They come from direct taxes or direct taxes. Tax revenue is the amount of money the government collects from taxes. Taxation is a major source of government revenue. Revenue can come from individuals, the public sector, businesses, resource use, and/or foreign aid. Non-tax revenue refers to revenue that the government receives from non-tax sources. These are not revenues from public taxes. Examples of non-taxable revenue include revenues from government projects. These costs may range from administrative fees, licensing fees, and charges for the use of commercial products and public services. Central sales tax is a tax imposed on sales that occur during interstate trade and commerce within a country. Basically, it is a tax that people have to pay on goods sold by a state enterprise. The central government levies income tax (excluding agricultural income tax that may be levied by the state government), customs duty, central excise duty, and special excise duty (Thayyib *et. al.,* 2024).

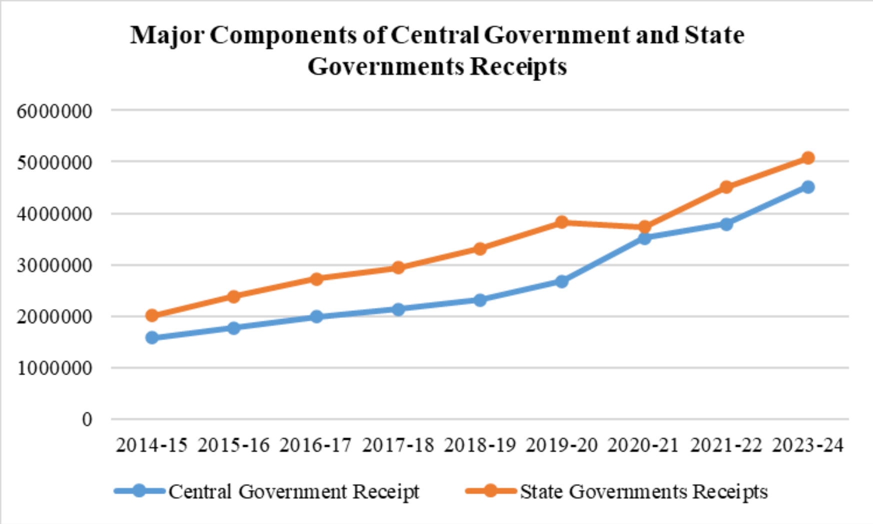


Figure 2: Major components of central government and state governments receipts.

Figure 2 shows that total receipts of central and state governments are increasing constantly, but declined during 2020-21 due to the corona pandemic. Total receipts of state governments are higher than the total receipt of the central government.

Table 5: Major Heads of Capital Receipts of the Central Government

Year	Market borrowings (net)	Small savings	Provident funds	Recovery of loans	Disinvestment receipts	External loans (net)	Total capital receipts
2012-13	507445	8626	10920	15060	25890	7201	582152
2013-14	475626	12357	9753	12497	29368	7292	563894
2014-15	457617	32226	11920	13738	37737	12933	484448
2015-16	414931	52465	11858	20835	42132	12748	582579
2016-17	338149	67435	17745	17630	47743	17997	609886
2017-18	450728	102628	15799	15633	100045	7931	702650
2018-19	422735	125000	16059	18052	94727	5519	763518
2019-20	473968	240000	11635	18316	50304	8682	997301
2020-21	1032907	483733	18514	19729	37897	70180	1883105
2021-22	704097	551269	10317	24737	13627	36147	1621353
2022-23	1108183	438919	20000	23500	50000	23874	1842061
2023-24	1180911	471317	20000	23000	51000	22118	1882603

Source: https://www.rbi.org.in/scripts/PublicationsView.aspx?id=21900, Note: in crores INR.

Table 5 depicted major heads of capital receipts of the Central Government. It has found that total capital receipts were suddenly increased in 2020-21 due to the corona pandemic. Net market borrowings was 5.07 lakhs crores in 2012-13 and 4.73 lakhs crores in 2019-20, but was reached 10.32 lakhs crores in 2020-21 due to the corona pandemic, and finally was 11.8 lakhs crores in 2023-24. Small savings receipt was 8626 crores in 2012-13 and 1.25 lakhs crores in 2018-19. It unexpectedly reached 4.83 lakhs crores in 2020-21 due to the corona pandemic. Provident funds receipt was 9753 crores in 2013-14 and was 11635 in 2019-20. It was increased in 2020-21 and reached 18514 crores in 2021-22. It was finally 20000 in 2023-24. Recovery of loans by the central government was 12497 crores in 2013-14 and 23000 crores in 2023-24. Disinvestment receipts were 25890 crores in 2012-13 and 51000 crores in 2023-24. Net external loans was 7201 crores in 2012-13 and was 8682 crores in 2019-20. It was unexpectedly increased to 70180 crores in 2020-21 due to the corona pandemic. Total capital receipts of the central government were 5.82 lakhs crores in 2012-13 and 9.97 lakhs crores in 2019-20. It was raised 18.83 lakhs crores in 2020-21 due to the corona pandemic. Therefore, total capital receipts of the central government were increased due to the corona pandemic. Market borrowings had the highest contribution in total capital receipts, which was followed by small savings receipt, and disinvestment receipts.

Small Savings Schemes are financial instruments administered by the central government to encourage households to increase their savings. This small savings scheme is similar to a savings bank account. Through this savings scheme, a person can earn income from his savings once a month by investing for more than five years. Provident fund is an investment fund provided by employers and employees as a long-term savings fund to support the retirement of employees. Income: Volunteers. A health insurance fund is a retirement savings plan to which employees contribute a portion of their salary. Credit recovery refers to measures taken by banks or financial institutions to recover bad loans. This process is initiated when the borrower fails to make payments as per the terms agreed in the loan agreement. The credit recovery process usually begins when the borrower fails to make repayments for a long period of time, which results in the lender declaring the borrower as non-compliant/non-compliant. When the loan is not legal, the lender evaluates the situation to determine the appropriate course of action. Disinvestment refers to the sale or disposal of assets, usually central and state-owned public institutions, projects or other assets by the government. Investment income is the income that the government receives from the sale of assets in the public sector. They are considered capital gains because they reduce the government's assets. External debt is money that a country borrows from non-resident lenders such as the government, financial institutions or international financial institutions. This loan is the country's obligation to repay in the future and can be a combination of short-term and long-term liabilities.

Table 6: Market Borrowings of the Central and State Governments

Year	Centre		State		Year	Centre		State	
	Gross	Net	Gross	Net		Gross	Net	Gross	Net
1993-94	50388	28526	4145	3638	2012-13	688471	507473	177279	146651
1995-96	40509	26790	6274	5931	2013-14	700456	474976	196663	164585
1997-98	59637	40494	7749	7193	2014-15	741201	465449	240842	207458
1999-00	99630	73077	13706	12405	2015-16	739033	445466	294560	259369
2001-02	133801	92302	18707	17261	2016-17	724526	396690	381979	342651
2003-04	147636	88816	50521	46376	2017-18	747685	465569	419100	340281
2007-08	188205	109504	67779	56224	2018-19	779896	471948	478323	348643
2008-09	318550	242317	118138	103766	2019-20	927670	482746	634521	487454
2009-10	492497	394358	131122	114883	2020-21	1828564	1383683	798816	651777
2010-11	479482	326399	104039	88398	2021-22	1535178	812659	701626	492483
2011-12	600382	484319	158632	136643	2022-23	1866284	1145748	758392	518829

Source: https://www.rbi.org.in/scripts/PublicationsView.aspx?id=21914, Note: in crores INR.

Table 6 discussed the market borrowings of the Central and State Governments. It has found that gross and net market borrowings of the Central and State Governments increased in the post-pandemic period. Gross and net market borrowings of the Central government were respectively 50388 crores and 28526 crores in 1993-94 and 9.27 lakhs crores and 4.82 lakhs crores in 2019-20. It was increased respectively 18.28 lakhs crores and 13.83 lakhs crores in 2020-21. Therefore, gross and net market borrowings of the central government were increased more than two and three times between 2019-20 to 2020-21. Gross and net market borrowings of the Central government were respectively 4145 crores and 3638 crores in 1993-94 and 6.34 lakhs crores and 4.87 lakhs crores in 2019-20. It was increased respectively 7.98 lakhs crores and 6.51 lakhs crores in 2020-21. Therefore, gross and net market borrowings of centre and state governments increased between 2019-20 to 2020-21 due to the corona pandemic.

Business loans are a way for the government to raise money from businesses. The government plans to use the credit market to close the income gap and for other purposes. The federal government sets a budget for loans to the states at the beginning of the fiscal year. The government then agrees that the states will increase open market lending and seek credit approval from central financial institutions. The business credit facility includes dated certificates and 364-day Treasury bills. Net borrowing is the amount of money the government borrows in a year. These accounts represent the amount of money the government has available for revenue or capital expenditure. All loans for a year, plus loans that are repaid on previous loans.

Table 7: States Gross Fiscal Deficit and Way of Financing

Year	GFD Receipts	GFD Expenditure	Gross Fiscal Deficit	Financing of Gross Fiscal Deficit			
				Loans from Central Government	Market Borrowings	Special security	Others
1999-00	202927	293026	90098	12178	12664	26416	38840
2003-04	309187	429816	120631	13940	47286	18003	41402
2010-11	936588	1098050	161461	710	88776	38626	33349
2012-13	1252125	1447595	195470	1730	146249	-173	47665
2014-15	1592729	1919920	327191	963	206441	24000	95768

Year	GFD Receipts	GFD Expenditure	Gross Fiscal Deficit	Financing of Gross Fiscal Deficit			
				Loans from Central Government	Market Borrowings	Special security	Others
2015-16	1834019	2254690	420670	1039	258367	27097	134167
2016-17	2046780	2581112	534332	5229	351672	-31985	209416
2017-18	2321416	2731910	410494	4634	344616	-32444	93688
2018-19	2621247	3084017	462770	8604	373111	-33574	114630
2019-20	2670412	3195122	524710	10939	497410	-32260	48621
2020-21	2596769	3401343	804574	135578	663105	-31177	37068
2021-22	3359611	4242946	883335	143923	601289	-30003	168126
2022-23	3862868	4745678	882811	75218	689788	-31392	149196

Source: https://www.rbi.org.in/scripts/PublicationsView.aspx?id=21909, Note- in crores INR.

Table 7 discussed the status of the state's gross fiscal deficit and its financing. It has found that gross fiscal deficit of states receipts and expenditure are increasing continuously, but gross fiscal deficit of states receipts decreased during 2020-21 due to the corona pandemic. Gross fiscal deficit of the state government has increased since 1999-2000. Market borrowings and loans from the central government contributed more in financing of gross fiscal deficit. Gross fiscal deficit of state governments was 90.09 thousand crores in 1999-2000, 4.62 lakhs crores in 2018-19, and finally 8.82 lakhs crores in 2022-23. Gross fiscal deficit of receipts of states was 2.02 lakhs crores in 1999-2000, and 26.70 lakhs crores in 2019-20. It declined in 2020-21 due to the corona pandemic and reached 25.96 lakhs crores and finally 38.62 lakhs crores in 2022-23. Gross fiscal deficit of expenditure of state governments was 2.93 lakhs crores in 1999-2000, and was 30.84 lakhs crores in 2018-19 and finally reached 47.45 lakhs crores. State governments collected the highest amount of loans from the central government and market during the corona pandemic for managing financial deficit. Therefore, we have concluded from the above analysis that gross fiscal deficit, and financing of Gross Fiscal Deficit are increased during the post-pandemic period.

Table 8: Gross fiscal deficit of Central Government and its financing

Year	GFD Expenditure	GFD receipt	Gross fiscal deficit	Financing of GFD				
				External	Internal Finance			
					Market Borrowings	Other Borrowings	Draw down of cash balances	Total
1995-96	171770	111527	60243	318	34001	16117	9807	59925
1997-98	223735	134798	88937	1091	32499	56257	-910	87846
1999-00	287922	183206	104716	1180	62076	40597	864	103537
2001-02	345907	204952	140955	5601	90812	46038	-1496	135354
2003-04	404038	280765	123273	-13488	88870	51833	-3942	136761
2005-06	495093	348658	146435	7472	106241	53610	-20888	138963
2007-08	707571	580659	126912	9315	130600	14168	-27171	117597
2009-10	1015874	597392	418482	11038	394371	14460	-1386	407444
2011-12	1285515	769525	515990	12448	484111	35421	-15990	503542
2013-14	1546950	1044092	502858	7292	475626	39111	-19171	495566
2015-16	1769948	1237157	532791	12748	414931	91942	13170	520043
2017-18	2126340	1535278	591062	7931	450728	128312	4091	583131
2019-20	2668014	1734363	933651	8682	473968	446030	4971	924969
2020-21	3490108	1671817	1818291	70180	1032907	722392	-7188	1748111
2021-22	3769064	2184544	1584521	36147	704097	841734	2543	1548374
2022-23	4166996	2429241	1737755	37124	1108260	593994	-1622	1700631
2023-24	4464485	2729713	1734773	24832	1180456	556136	-26651	1709941

Source: https://rbidocs.rbi.org.in/, Note- in crores INR.

Table 8 discussed the gross fiscal deficit of the central government and its financing. It has found that the gross fiscal deficit of the central government is increasing since 1995-96. Gross fiscal deficit expenditure of the central government is higher than the gross fiscal deficit receipts. Gross fiscal deficit of the central government was 60.24 thousand crores in 1995-96 and was 9.33 lakhs crores in 2019-20. It was suddenly increased in 2020-21due to the corona pandemic and reached 18.18 lakhs crores. GFD expenditure of the central government was 1.71 lakh crores in 1995-96 and was 26.80 lakhs crores in 2019-20. It was unexpectedly increased in 2020-21 and reached 34.9 lakhs crores. GFD receipts of central government was 1.11 lakh crores in

1995-96 and was 17.34 lakhs crores in 2019-20. It declined in 2020-21 due to the corona pandemic and reached 16.71 lakhs crores. Central government collects funds from internal and external sources for financing the gross fiscal deficit.

Fund collected from internal finance is higher than the external source of finance. External source of finance was 318 crores in 1995-96 and was 8682 crores in 2019-20. External fund amount was unexpectedly increased in 2020-21 due to the corona pandemic and was 70.18 thousand crores. Total funds collected from internal sources was 59.92 thousand crores in 1995-96 and was 9.24 lakh crores in 2019-20. It was suddenly increased in 2020-21 due to the corona pandemic and reached 17.48 lakh crores. Share of market borrowings is higher than the other sources in internal finance. From the above analysis we can conclude that the Gross fiscal deficit of the central government increased rapidly during the post-corona pandemic period.

Table 9: Combined Deficits of Central and State Governments

Year	GFD	GPD	RD	Year	GFD	GPD	RD
1994-95	71639	19313	37185	2011-12	684966	284963	370388
1996-97	87244	17156	48768	2012-13	684395	230090	343960
1997-98	110743	32466	62782	2013-14	749711	215480	367611
1999-00	184826	74375	121393	2014-15	836563	252020	411224
2001-02	226425	84039	159350	2015-16	952410	304320	348118
2002-03	234987	75927	162990	2016-17	1064704	340256	356872
2003-04	234501	56928	159408	2017-18	997097	182341	462440
2005-06	239560	35583	99312	2018-19	1102729	208209	472256
2006-07	219128	-11703	55366	2019-20	1449230	493430	788040
2007-08	199110	-59675	9626	2020-21	2600335	1539733	1820823
2009-10	604668	290098	370015	2021-22	2441333	1197229	1304199
2010-11	534032	185471	249200	2022-23	2420614	1011685	1074228

Source: https://www.rbi.org.in/scripts/PublicationsView.aspx?id=21910, Note: in crores INR., GDF= Gross fiscal deficit, GPD = Gross primary deficit, and RD = Revenue deficit.

Table 9 depicted the combined deficits of central and state governments in India. It has found that gross fiscal deficit, gross primary deficit and revenue deficit of central and state governments were increased due to the corona pandemic. Gross fiscal deficit was 71.63 thousand crores in 1994-95 and was 14.49 lakhs crores in 2019-20. It was suddenly increased in 2020-21 due to the corona pandemic and was 26 lakhs crores. Gross primary deficit was 19.31 thousand crores in 1994-95 and was 4.93 lakhs crores in 2019-20. It was unexpectedly increased in 2020-21 due to the corona pandemic and was 15.39 lakhs crores. So, gross primary deposit was increased more than three times during the period. Revenue deficit was 37.18 thousand crores in 1994-95 and was 7.88 lakhs crores in 2019-20. It was unexpectedly increased in 2020-21 due to the corona pandemic and was 18.20 lakhs crores. So, the revenue deficit increased more than two times during the period. Therefore, from the above analysis we can conclude that gross fiscal deficit, gross primary deficit and revenue deficit of central and state governments were increased during the post-pandemic period.

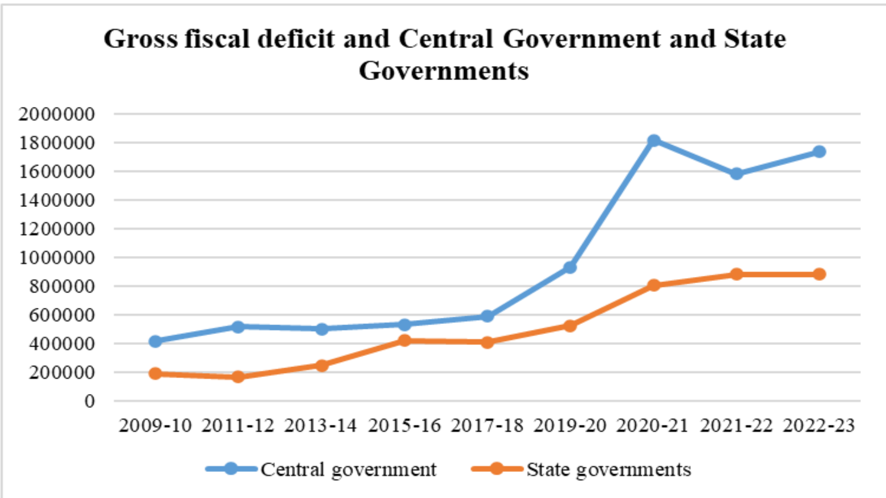


Figure-3: Compere between gross fiscal deficit of central and state governments

Figure-3 discussed the pre and post corona pandemic period gross fiscal deficit of central and state governments in India. It has found that the gross fiscal deficit of central and state governments suddenly increased due to the corona pandemic. Gross fiscal deficit of central and state governments has increased in the post-corona pandemic period.

Table 10: Relationship between Annual Growth Rates of Gross National Income and Gross fiscal deficit of central government

Year	Annual Growth Rates of GNI	Gross fiscal deficit
2001-02	8.4	140955
2003-04	12.0	123273
2005-06	14.0	146435
2007-08	15.6	126912
2009-10	15.5	418482
2011-12	14.7	515990
2013-14	12.9	502858
2015-16	10.5	532791
2017-18	11.1	591062
2019-20	6.5	933651
2020-21	-1.6	1818291
2021-22	19.1	1584521
2022-23	14.0	1737755
2023-24	9.5	1734773

Source: Source: Economic Survey 2023-24 Statistical Appendix, pp.4-6. Note: Annual Growth Rates of GNI in percentage and Gross fiscal deficit in INR crores.

Table 10 (a): Summary Output

Regression Statistics	
Multiple R	0.297168232
R Square	0.088308958
Adjusted R Square	0.012334705
Standard Error	4.98278727
Observations	14

Source: calculated by author.

Table 10 (b): ANOVA Analysis

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	28.85911517	28.85911517	1.162353744	0.302173395
Residual	12	297.9380277	24.82816897		
Total	13	326.7971429			

Source: calculated by author.

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	13.35136063	2.110806605	6.325241069	3.80184E-05
Gross fiscal deficit	-2.26619E-06	2.10197E-06	-1.078125106	0.302173395

Source: calculated by author.

The table 10-a shows that R square is found to be 0.088308958, showing, that the degree of relation between the independent variable X, i.e. Gross fiscal deficit, and the dependent variable Y, i.e. Annual Growth Rates of GNI are weak. Table 10-b shows that p value (0.3021) is higher than critical value at 5% level of significance ($p > 0.05$), therefore we will accept the null hypothesis-1. So, it is concluded that there is no relation between annual growth rates of gross national income and gross fiscal deficit of the central government.

CONCLUSION

Total tax revenue of the central government continued to increase during pre and post corona pandemic periods. Total revenue of the central government has increased more than 29 times in the last 28 years. Direct tax revenue of the central government is generally higher than the indirect tax revenue. There is decent growth of tax revenues of the Central Government in the post-corona pandemic period. The Corona pandemic negatively affected tax revenue of the state governments. Total tax revenue of state governments has increased more than 33 times in the last 28 years. Indirect tax revenue of the state government is higher than the direct tax revenue. There is fast recovery of tax revenues of the Central Government in the post-corona pandemic period. The Corona pandemic did not affect the total receipts of the central government. Revenue receipts declined during the corona pandemic period, but recovered in post-corona pandemic period is noticeable.

Revenue receipts are higher than the capital receipts. Total receipts of the central government were increased more than 28 times during 1994-95 to 2023-24. There are negative effects of the corona pandemic on total receipts of state governments.

Total capital receipts of the central government were increased due to the corona pandemic. Market borrowings had the highest contribution in total capital receipts, which was followed by small savings receipt, and disinvestment receipts. Gross fiscal deficit, and financing of gross fiscal deficit are increased during the post-pandemic period. Gross fiscal deficit of the central government has been increasing since 1995-96. Gross fiscal deficit expenditure of the central government is higher than the gross fiscal deficit receipts. Central government collects funds from internal and external sources for financing the gross fiscal deficit. Gross fiscal deficit, gross primary deficit and revenue deficit of central and state governments were increased during the post-pandemic period. There is no relation between annual growth rates of gross national income and gross fiscal deficit of the central government. There is no relation between annual growth rates of gross national income and gross fiscal deficit of the central government.

REFERENCES

- Arjuna E. and Dolli, M. (2018). Trends and patterns of Karnataka indirect tax before GST. *International Journal of Marketing and Technology. 8* (7). 12-14.
- Arjuna E. and Dolli, M. (2019). Tends and Pattern of Tax and Non-Tax Revenue Analysis in Karnataka. *Journal of Emerging Technologies and Innovative Research. 6* (1). 2098-2099.
- Awasthi, R. and Nagarajan, M. (2020). Property Taxation in India: Issues Impacting Revenue. Performance and Suggestions for Reform. Discussion paper, 5, 2-3.
- Beena P L, and Ritika J. (2023). Composition of non-tax revenue in Kerala- Identifying potential sources of resource mobilization. *Kerala Economy. 4* (4), 11-12.
- Deshwal, K. (2022). Taxation and economic growth in India. *Journal of Emerging Technologies and Innovative Research. 9* (11). 157-158.
- Devasia M D. and Karunakaran, N. (2020). Public revenue in India: Trend and effect. *Journal of Management Research and Analysis, 7* (4). 171-172.
- Gupta, S., and Singh, K. (2016). Fiscal Deficit and its Trends in India. *International Journal of Business and Management Invention. 5* (11). 63-64.
- Jalan, G. K. (2019). Impact of income tax on the revenue of government of India. *International Journal of Creative Research Thoughts. 7* (1). 843-844.
- Nayak, A. (2017). A Study of Trends and Patterns of Foreign Direct Investment in India. *International Journal of Innovative Science and Research Technology. 2* (7). 487-488.
- Parihar, B. S. and Parihar, A. S. (2024). Trends and Implications: Analysis of Collection of Direct Tax from Financial Year 2017-18 to 2022-23. *International Journal of Multidisciplinary Research and Explorer. 4* (1). 38-39.
- Ramamurthy, S. (2018). Indian Tax Revenue - An Analysis. *International Journal of Economics. 6* (4). 28-29.
- Samantara. R. (2020). Tax system in India: origin, structure and issues. *International Journal in Management and Social Science. 8* (12). 48-49.
- Sarkar, S. (2010). The Parallel Economy in India: Causes, Impacts and Government Initiatives, *In Economic Journal of Development Issues 11 & 12* (1-2).124-125.
- Sarkar, S. (2017). Foreign Aid in Nepal: Importance, Trends and Government Initiatives. *Economic Journal of Nepal, 40* (1-4). 44-52.
- Sarkar, S., Chaudhury, S. K., Rath, S., and Pattnaik, L. P. (2024). Contemporary Issues and Challenges of Institutional Finance in Bihar: An In-depth Study, *International Journal of Innovative Science and Research Technology. 9* (9). 355-356.
- Singh, A.K., Shrivastav, R. K., and Gupta, L. (2017). An Analysis of Trends and Patterns of Income Tax in India. *VISION Journal of Indian Taxation, 4* (1), 40-41.
- Srinivasulu, V. and Kumar, P. (2022). Study on collection of revenue from income tax in India. *Anveshana's International Journal of Research in Regional Studies, Law, Social Sciences, Journalism and Management Practices. 7* (12). 93-94.
- Tagat, A. (2019). The Taxman Cometh: Behavioural Approaches to Improving Tax Compliance in India. *Journal of Behavioural Economics for Policy, 3* (1). 12-13.
- Thayyib, P. V., Thorakkattle, M. N., Usmani, F., Yahya, A., and Najib H.S. (2023). Forecasting Indian Goods and Services Tax revenue using TBATS, ETS, Neural Networks, and hybrid time series models. *Cogent Economics & Finance. 11* (2). 12-13.