

AN UNREALISTIC BUDGET

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Finance Minister T. Harish Rao and Finance Department officials meet Chief Minister K. Chandrasekhar Rao in the Assembly before proceeding to the House to present the budget. | Photo Credit: The Hindu

The Telangana government has presented [an ambitious budget with a total outlay of 2.9 lakh crore](#) for the new financial year. The Budget has projected revenue to the tune of 2.16 lakh crore, which is close to 40,000 crore higher than the 1.76 lakh crore in the revised estimates. There is no clarity on how the government proposes to enhance resources by almost 20%, especially as it can ill-afford to increase taxes or duties during an election year. The State is set to go full throttle into election mode in the next few months.

Until February end, there was a huge shortfall in grants-in-aid as well as open market borrowings. The Union Finance Ministry cut the eligibility of the State to raise open market borrowings by more than 15,000 crore in the just-concluded fiscal citing prudence in finance-related issues as the reason. Grants-in-aid were projected at 41,001 crore in the Budget estimates of 2022-23, but the actual estimates till February end stood at 9,324 crore, which is less than one-fourth of the projections. The State is unlikely to receive any substantial amount under the head during April too. Market borrowings were pegged at 52,167 crore, but actual borrowings ended up at 39,859 crore — a gap of close to 13,000 crore. With the deficit under the two heads hovering around 40,000 crore, doubts persist over the achievement of targets for the new fiscal, especially since the Centre is unlikely to relax the restrictions imposed.

Grants-in-aid and contributions during the 2021-22 fiscal too were low at 8,619 crore of the projected 38,669 crore, according to the provisional figures submitted to the Comptroller and Auditor General of India. Revenue through grants-in-aid and contributions was higher than what was projected in 2020-21, at 15,471 crore as against 10,525 crore, but this was largely on account of the [COVID-19](#) pandemic, to enable the State to meet the shortfall in revenues. It is surprising that the government therefore went ahead with higher estimates for the subsequent two years. The projection for grants-in-aid and contributions for the new fiscal too is high at 41,259 crore. "We have staked a claim for our due. We cannot downsize the estimates just because the Centre had not released our due," said a senior Finance Department official on being asked about the projection.

Coupled with this, the government has added a new head — Inter State Settlements — in the next year's Budget with an estimated revenue of 17,828 crore. The State believes that this is

possible with neighbouring Andhra Pradesh's contribution towards power dues.

The total revenue receipts at the end of February stood at 1.33 lakh crore, much lower than the 1.93 lakh crore projected in the Budget estimates and 1.75 lakh crore in the revised estimates for FY 2022-23.

With no respite from the restrictions imposed by the Union Finance Ministry in raising resources and with little scope for raising taxes or duties, the government is focused on raising resources through other means including the sale of land in prime areas. The Cabinet sub-committee on resource mobilisation aims to raise resources through means other than loans and open market borrowings. Instructions have reportedly been issued to district-level authorities to come up with plans for raising resources in their respective jurisdictions, including the sale of prime land, so as to raise finances to meet commitments such as Rythu Bandhu and Dalit Bandhu for which an estimated 16,000 crore and 17,700 crore have been allocated, respectively, in the Budget. The State government also needs to constitute the next Pay Revision Commission as the tenure of the previous Commission, headed by retired bureaucrat C.R. Biswal, comes to an end this year. The government has to constitute the Commission at least during the next fiscal, and consider implementing some of the Commission's recommendations in the coming months. All this means a further burden on the exchequer.

Officials claim that there will be a significant increase in accrued expenses as the focus is on improving internal efficiency, but whether this alone will be able to bridge the huge gap amounting to a few thousand crores is the moot question. It would have been better for the State government to focus on presenting a more realistic picture rather than opting for inflated estimates.

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