

16. STATE FINANCE

The fact that the State had brought out White Paper on Finances of the State spotlighting the areas of concern on the fiscal front is first of its kind in the fiscal history of the State. It has been a recurring phenomenon that the State budget has ended up in revenue deficit since 1987-88. The Budget Estimate for 2002-03 showed that the total revenue expenditure was in excess of the revenue receipts to the tune of Rs.6233.22 crores. The overall deficit in 2002-03 was estimated at Rs.1330.24 crores.

The Budget for 2002-03 set sectoral and sub-sectoral priorities to which the State Government had to address. The Chief Minister's 15 Point Programme was high on the development agenda of the Budget for 2002-03. The 15 - Point Programmes unveiled by the Government are delineated in Box -I

Box - 1
Chief Minister's 15 Point Programme - Salient Features

➤ Ever green revolution;	➤ Energy security;
➤ Food security;	➤ Infrastructure for development;
➤ Livestock security;	➤ Literacy and technocracy;
➤ Water security;	➤ Gender equity;
➤ Health security;	➤ New deal for the oppressed classes;
➤ Livelihood security;	➤ Technological leap frogging;
➤ Shelter security;	➤ Arts and culture;
➤ Ecological security;	

The 15 - points listed above show that the development strategy conceived a wide spectrum of development issues and are tailored to attaining superb improvements in growth with social justice, equitable distribution of income and provision of Social Safety Net for the marginalised section of the population.

Budget Estimate 2002-03 contemplated Mid-term Fiscal Reform Programme, Administrative Reform, Zero Base Budgeting and Rationalisation of Subsidies, Block Grants and Aids to the Institutions, Reforms in the Public Distribution System, Government guarantees, Debt Management, Reforms in the public sector and co-operative institutions, reforms in the transport and power sector , Budgetary reforms and strengthening of local self-Government through decentralised democratic process.

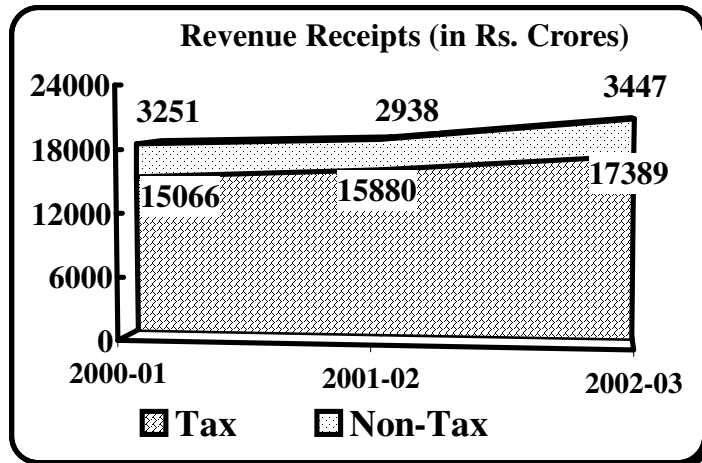
In order to make good the deficit in the revenue receipts the Government had proposed various measures. The State is contemplating implementation of Value-Added Tax with respect to commercial taxes. In addition to this, the Budget took a number of tax rationalisation measures. The Entry Tax was levied in respect of few items - motor spirit; lubricating oil; bituman; aluminium; asbestos cement sheets; marbles; granites; ceramic tiles, sanitary wares, etc.

One notable feature is that the Government proposed to introduce a "Samadhan scheme" 2002 for a period of three months, set up of "settlement commission" to deal with the specific categories of arrears. The Samadhan scheme enjoins upon the dealers to withdraw the appeal on Samadhan and all pre-deposits against the deposited amount. The present modality for self assessment was also reviewed.

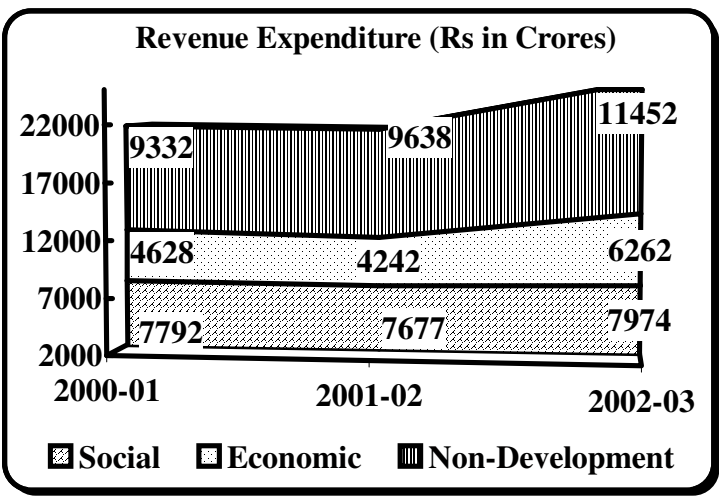
**1. Budget 2002-2003 Accounts-
A Snap Shot View:**

1.1.Revenue Receipts:

The Budget for 2002-03 would be considered a growth simulating one. The total revenue receipts consist of devolution of resources from the Central Pool, States Own Tax revenue, States Own Non-Tax Revenue. The total revenue receipts amounted to Rs.20836.7 crores in 2002-03 against Rs.18818.0 crores in 2001-02 and Rs.18316.7 crores in 2000-01. A decomposition of revenue receipts into tax and non-tax components indicated that they are in the ratio 83.5 : 16.5 - during 2002-03. State's own tax revenue accounted for 68.83 per cent - and devolution of resources from centre 14.62 per cent.



Within State's Own Tax Revenue, General Sales Tax accounted for nearly 60 per cent, followed by State Excise Duties (14.6%), Central Sales Tax (6.4%), Taxes on Vehicles (5.2%) and Stamps and Registration Fees (14.6%).



The buoyancy and elasticity of the State Taxes is predicated by the acceleration in the growth of industry and agriculture and service sector. To the share of Central Taxes, the Union Excise accounted for 36.4 per cent and Income Tax 17.4 per cent. It may be noted that the recommendations of XI Union Finance Commission acted against the interests of the State in which the State's relative share had come down from 5.89 per cent to 4.77 per cent. The State

stood to lose resources to a whopping Rs.4036.16 crores.

It may be mentioned that stagnation in State's Non-Tax Revenue is noticed because of non-collection of user charges for most of the economic activities. With respect to Grants -in -Aid there appears to be a stagnancy in the flow during recent past. This is perhaps due to the criteria adopted for deciding quantum of Grants -in -Aid from the Centre to the State are iniquitous.

Table - 1
Receipts on Revenue Account by Principal Heads (Rs. lakhs)

Sl. No.	Details	2000 - 01 (A)	2001 - 02 (A)	2002-03 (A)
I	Tax revenue (A+B)	1506600	1587976	1738928
	A. Share of Central taxes	278375	287007	304757
1	Income Tax		53484	51399
2	Union Excise	278375	100272	107279
3	Corporation Tax	0	60603	66122
4	Other taxes on Income & Expenditure	0	476	442
5	Taxes on Wealth	0	150	106
6	Customs	0	64757	69759
7	Share of net proceeds assigned to States	0	1472	2183
8	Service Tax	0	5793	7467
	B. States own tax revenue	1228225	1300969	1434171
1	Agricultural Income Tax	523	202	163
2	Land Revenue	5572	5047	840
3	Urban Land Tax	1165	1411	1269
4	Stamps & Registration Fee	91020	113789	107912
5	State Excise Duties	186868	205822	211361
6	General Sales Tax	601329	683888	866093
7	Central Sales Tax	218386	154671	92867
8	Taxes on Vehicles	59044	64843	74562
9	Electricity Duties	22701	25975	13518
10	Entertainment Tax	8556	8800	8158
11	Betting Tax	396	749	437
12	Luxury Tax	7585	6498	7397
13	Sugarcane Cess	929	1009	642
14	Taxes on Goods & Passengers	24151	28265	48952
15	Deduct – Refunds	0	0	0
II	Non tax revenue (A+B)	325067	293827	344746
	A. State's own Non -tax Revenue	171078	155673	186062
1	Interest receipts & dividends and profits	44017	53543	59470
2	General Services	31711	32609	38796
3	Social Services	22759	23600	26158
4	Economic Services	72591	45921	61638
	B. Grant -in -Aid from Centre	153989	138154	158684
	Total revenue receipts (I&II)	1831667	1881803	2083674

Source: Budget Documents of various years.

1.2. Revenue Expenditure:

Total Revenue Expenditure was at Rs.25687.70 crores in 2002-03 (Accounts) compared to Rs.21556.97 crores in 2001-02 and Rs.21752.44 crores in 2000-01.

Table - 2 : Expenditure on Revenue Account (Rs. lakhs)

SI.No	Details	2000 - 01 (A)	2001 - 02 (A)	2002-03 (A)
I	Development expenditure (A+B)	1242022	1191944	1423567
	A. Social services	779220	767706	797404
1	Education, sports, art and culture	439600	429287	414533
2	Medical and public health	97168	96663	94997
3	Family welfare	18882	21776	23791
4	Water supply and sanitation	18070	16293	21630
5	Housing	2639	2845	6173
6	Urban development	13164	13294	16550
7	Labour and Employment	10773	10492	11462
8	Welfare of SC,ST and OBC	49535	47485	50513
9	Social security and welfare	66481	68960	62660
10	Nutrition	54803	46305	52763
11	Relief on account of natural calamities	1077	12607	37732
12	Others	7028	1699	4600
	B. Economic services	462802	424238	626163
1	General economic services	166132	162470	133411
2	Agriculture and Allied services	133437	123885	114351
3	Rural development	65611	47112	60894
4	Special area programme	1528	1588	1574
5	Irrigation and Flood control	42891	41635	48610
6	Energy	293	3463	200227
7	Industry and minerals	24710	17049	30030
8	Transport	26579	26441	36759
9	Science, Technology & environment	1621	595	307
II	Non-development expenditure (A+B)	933222	963753	1145203
	A. General services	835371	892096	989491
1	Organs of state	18874	27293	19094
2	Fiscal services	34039	32729	36735
3	Debt services	312379	351337	413341
4	Administrative services	167358	165491	173009
5	Pension and Miscellaneous general services	302721	315246	347312
	B. Compensation and Assignments to			
	Local Bodies and Panchayat Raj	97851	71657	155712
	Total revenue expenditure (I+II)	2175244	2155697	2568770

Source: Budget Documents of various years.

As of 2002-03 development expenditure shared 55.42 per cent in total revenue expenditure of Rs.25687.70 crores. It consists of two components viz., Social Services and Economic services. The share of Social Services stood at 56 per cent whereas it was 44 per cent for Economic Services. The share of non-development expenditure was put at 44.58 per cent in 2002-03. Within Social sector, Education, Sports and Culture formed a lion's share of 52 per cent of the total Budgetary provision of Rs.7974.04 crores earmarked for Social Services.

There is imbalance between revenue expenditure and revenue receipts with the result that the total resources available for undertaking developmental works are limited to a great extent. An ideal situation is that the growth of revenue receipts should surpass the growth of revenue expenditure so that a sizeable quantum of resources may be earmarked for undertaking capital formation which is indispensable for improving the productive capacity of the economy.

1.3. Revenue Receipts and Expenditure:

In order to compare the rate of growth of revenue expenditure and receipts, a 10-year period starting 1993-94 was taken in the trend analysis. The trend growth shows that total revenue receipts was increasing at the rate of 11.02 per cent per annum. Component-wise, tax revenue increased by 13.77 per cent followed by Non-tax revenue (11.8%) and Grants-in-Aid (- 3.81%).

Table - 3 : Revenue Receipts (Rs. lakhs)

	Tax Revenue	Non-Tax Revenue	Grants- in -Aid	Revenue Receipts
1993-94	541510	70389	194716	806615
1994-95	651264	77266	193410	921940
1995-96	790459	85845	183621	1059925
1996-97	888098	88545	219485	1196128
1997-98	1008742	112187	237766	1358695
1998-99	1058753	115670	251660	1426083
1999-00	1358593	135685	138475	1632753
2000-01	1506600	171078	153989	1831667
2001-02	1587977	155673	138154	1881804
2002-03	1738928	186062	158684	2083674
Growth	13.77	11.8	-3.81	11.02

Source: Budget Documents of various years.

In the case of revenue expenditure it recorded a growth rate of 13.11 per cent during the 10-year period of analysis. Compensation to Local Bodies shared 31.64 per cent followed by General services (17.82%), Social services (10.45%); and Economic services (8.70%); It shows that the State's financial position is exacerbated due to growth of non-development expenditure

Table - 4 : Revenue Expenditure (Rs. lakhs)

	General Services	Social Services	Economic Services	Compen. to Local Bodies	Revenue Expenditure
1993-94	246956	358608	257239	12998	875801
1994-95	286553	384762	278856	13324	963495
1995-96	340825	433289	295696	21247	1091057
1996-97	409552	512135	351578	33223	1306488
1997-98	467206	561345	383507	83027	1495085
1998-99	587977	710134	368131	103498	1769740
1999-00	774312	764383	431581	102507	2072783
2000-01	835371	779221	462801	97851	2175244
2001-02	892096	767706	424238	71657	2155697
2002-03	989491	797405	626162	155712	2568770
Growth	17.82	10.45	8.70	31.64	13.11

Source: Budget Documents of various years.

If the 10 - year period is broken down into two 5-year periods the following findings have emerged. The growth of revenue receipts had slowed down in the later half compared to the first half. The contributory factors to swelling deficits are frequent failure of monsoons and its adverse impact on agricultural, recessionary trend in the industrial sector and a somewhat inelastic situation for widening the tax base and lack of constitutional authority to bring service taxes within the jurisdiction of the State Government.

1.4. Economic cum Functional Classification of the Budget Estimate 2002-03:

A cursory glance at the Demand for each sector cannot reveal the economic significance of the Budget such as saving, investment, capital formation and transfer of resources to the rest of the economy. In order to understand the significance of Budgetary transactions in a meaningful perspective, the Budgetary figures are being reclassified, following the standard guidelines and methodology adopted by the Government of India.

The table has been designed in a matrix form. Seen vertically, the total Budgetary resources for 2002 are split into various functions viz., Social Services, Economic Services and Other Services. In 2002-03 the education accounted for a larger share of 22.38 paise, followed by others (237.8 paise) and Economic services (21.76 paise) out of one rupee earmarked. This piece of information shows the State's development priorities.

Seen horizontally, total resources of the Budget Estimate 2002-03 are divided into economic magnitudes. In 2002-03 out of one Rupee budgeted by the Government as high as three-fourths of the resources had gone as current expenditure and the remaining as capital expenditure. The bottom line is that the growth strategy needs reorientation towards tangible capital formation by pruning unproductive expenditure under non-

developmental expenditure and promoting quality and productiveness of public expenditure. With this end in view the Government appointed Tax Reforms and Revenue Augmentation Committee, 2002 and passed Fiscal Responsibilities Act, 2002. These two measures are geared to increase mobilisation of substantial additional resources on one hand and compression in the unproductive non-development expenditure on the other.

2. Anatomy of Gross Fiscal Deficits:

State finances have been under stress for a variety of reason. That the State Finance is persistently deteriorating is indicative of the fact that the State is in serious financial straits. The deteriorating fiscal health of the State Finance has got mirrored in rising Gross Fiscal Deficit¹ reflecting the difference between aggregate disbursements of net debt repayments and recovery of loans and revenue receipts and non-debt capital receipts. The Gross Fiscal Deficit (GFD) is a broad measure of financial stringency faced by the Government and is the key parameter of macro economic policy. The underlying reasons for the current affairs are many and varied, as catalogued below:

- Inadequate increase in tax receipts;
- Negative or negligible returns from public investment due to anaemic performance of Public Sector Undertakings;
- Lack of rationalisation of user charges relating to power, water, transport, etc.;
- Large scale subsidy payments to non-merit activities;
- Mounting expenditure on salaries due to pay revision, higher pension outgo, etc.;
- Soaring interest payments and
- Slow down in the devolution of funds from the Central pool.

The ultimate outcome of rising GFD is the State's compulsion to resort to market borrowing which is bound to raise interest rates and eventually '*crowd out*' private investments. Revenue account deficits and Capital account surplus means that we are borrowing to meet even our current consumption requirements. An ideal situation is to have revenue account surplus balancing a capital account deficit which implies that we are saving funds from current expenditure to invest in capital works.

Important grey areas noticed in the State Finance are The GFD as per cent of Gross State Domestic Product stood at 4.22 per cent in 1999-2000 compared to 3.59 per cent in 1990-91. The year 1987-88 is a turning point in the fiscal history in that the growth in Revenue expenditure started surpassing the growth of Revenue receipts. Revenue receipts alone accounted for 81.775 per cent of GFD in 1999-2000 against 49.3 per cent in 1990-91, implying that significant portion of the borrowed funds is being diverted for meeting revenue expenditure. The resultant accumulation of debt and debt service commitments strain the State's capability to undertake developmental projects, mainly, furnishing of economic and social infrastructure in tune with the developmental requirements.. Revenue deficits over total Revenue receipts increased from 10.88 per cent to 26.95 per cent during the same period. This is a trigger for mounting fiscal deficit. The table below spotlights the dismal fiscal performance of the State in the recent past.

¹ Gross Fiscal Deficit indicates the excess of total disbursement from the Consolidated Fund of the State (excluding repayment of debt) over total receipts into the Consolidated Fund excluding the debt receipts during a financial year.

Table - 5
Fiscal Performance in the Past Decade

Accounting Year	90-91	91-92	92-93	95-96	96-97	97-98	98-99	1999-2000
(Rs. in Crores)								
Revenue Deficit	553	1904	1526	311	1104	1364	3436	4400
Fiscal Deficit	1126	1375*	1824	1255	2445	2122	4777	5382
Percentage								
Revenue Deficit over Total Revenue Receipts	10.88	28.1	21.75	2.93	9.23	10.04	24.09	26.95
Revenue Deficit over Fiscal Deficit	49.13	138.47*	83.67	24.78	45.15	64.28	71.93	81.75
Fiscal Deficit Gross over State Domestic Product	3.59	3.72	4.24	1.60	2.73	2.05	4.01	4.22
Interest Payments over total Revenue Receipts	8.95	8.22	9.81	12.20	12.34	12.98	14.88	16.60
Capital Expenditure	222.49	279.09	322.37	590.94	919.65	1467.79	1153.32	644.93

Budget Speech, 2004-05.

2.1. Major Fiscal Indicators:

All the fiscal ratios have ended up in down-trend in revenue collection and up-trend in public expenditure. The question arises as to how the State is going to wriggle

out of this bad fiscal situation. Scanning of data on the following fiscal indicators reveals that the State finances are looking grim.

Table - 6 Major Fiscal Indicators

Parameters	1999-2000 (RE)	2000-01 (RE)	2001-02 (BE)	2002-03 (BE)
Revenue Deficits / Gross Fiscal Deficit	81.8	67.7	59.8	67.6
Capital Outlay / Gross Fiscal Deficit	12.0	30.5	35.1	26.9
Net lending / Gross Fiscal Deficit	6.3	1.8	6.1	5.5
Non-development Expenditure/ Aggregate Disbursement	35.2	35.0	35.9	32.0
Non-development Revenue Expenditure / Revenue Receipts	47.4	45.6	48.0	46.5
Interest Payment / Revenue Expenditure	13.1	14.4	15.9	14.8
State's Tax Revenue / Revenue Expenditure	52.7	56.5	57.9	7.9
State non-tax Revenue / Revenue Expenditure	6.5	7.9	7.0	5.4
Gross Transfers/Aggregate Disbursement	22.3	22.1	21.1	20.1
Debt Servicing / Gross Transfers	36.3	36.2	35.7	31.8

Source: State Finance, A study of Budgets of 2002-03, RBI, 2003.

The findings that stand out are: the State Finances are not bright because of fast - growing non-developmental expenditure such as payment of subsidy, compensation to the employees, pension and interest payments as mentioned elsewhere. It highlights the serious financial problem of State Finances. The scarce resources preempted to meet current consumption requirements mean that scope for undertaking capital formation such as buildings, roads, irrigation projects, machinery and equipments, share capital requirements, etc. is very remote.

2.2. Facets of Gross Fiscal Deficit:

An in-depth analysis shows that the size of the GFD has been increasing steadily in the past. The table below presents data on GFD for the last four-year period.

Table - 7 : Magnitude of Gross Fiscal Deficits (Rs.in Crs.)

Year	Receipts	Expenditure	(-) Deficit
2000-01	18371	23393	5076
2001-02	18982	24718	5736
2002-03	21318	29524	8205

Source: State Finance, A study of Budgets of 2002-03, RBI, 2003.

The Gross Fiscal Deficit is decomposed into revenue deficit, capital outlay and net lending. Of the three categories revenue deficits alone accounted for a larger chunk of 67.6 per cent, followed by capital outlay (26.9%) and net lending (5.5%) in 2002-03. It underlines that the revenue deficits need to be reduced to a considerable extent.

Table - 8: Decomposition of Gross Fiscal Deficit (Rs. in crores)

Year	Revenue Deficit	Capital Outlay	Net lending	Gross Fiscal Deficit
2000-01	3436 (67.7)	1550 (30.5)	93 (1.8)	5076
2001-02 RE	3432 (58.9)	1957 (34.1)	347 (6.1)	5736
2002-03 BE	5543 (67.6)	2207 (26.9)	455 (5.5)	8205

(Figures in brackets represent percentage to GFD)

Source: State Finance, A study of Budgets of 2002-03, RBI, 2003.

2.3. Meeting of GFD:

The Government have to find out the sources from which the funds required are to be mobilised so that the deficit gaps could be bridged. Sources from which the Gross Fiscal Deficit is financed are indicated below:

Table - 9: Financing of Gross Fiscal Deficits (Rs.in Crores)

Year	GFD	Loans from Centre (net)	Market borrowing (net)	Financial Institutions
2000-01	5076	558 (11.0)	1053.2 (20.7)	3465 (81.4)
2001-02 (RE)	5736	458 (8.0)	1048 (18.2)	4236 (73.9)
2002-03 (BE)	8205	629 (7.7)	900 (11.0)	6676 (81.4)

Source: State Finance, A study of Budgets of 2002-03, RBI, 2003

A glance through the above table shows that the Gross Fiscal Deficit is principally met out of other sources viz., financial institutions and share in small saving collections (81.4%). Loans from the Centre (net) and the market borrowings (net) accounted for 8 per cent and 11 per cent respectively in 2002-03.

2.4. Current Fiscal Situation:

The churning of data on the deficits of various kinds reveals that despite an alarming proportion of the GFD the State's fiscal scenario has been gradually improving in the recent past through tightening of belt, as indicated below:

Table - 10: Recent Fiscal Situation (Rs. in crores)

Accounting year	2001-02 Actuals	2002-03 RE	2002-03	2003-04 BE	2003-04 RE	2004-05 BE
Revenue Deficit	2739	5917	4851	3933	3700	3336
Fiscal Deficit	4739	8105	6742	6944	7696	6922
(Percentage)						
% Revenue Deficit to Revenue Receipts	14.56	28.60	23.28	17.35	16.19	13.46
% Revenue Deficit to Fiscal Deficit	57.80	73.00	71.95	56.64	48.07	48.20
% Fiscal Deficit to GSDP	3.24	5.14	4.39	4.07	4.64	3.86
Interest payments over total Revenue Receipts	18.67	20.30	19.84	20.06	20.46	21.09
Capital expenditure	1777.91	1727.18	1627.54	2556.59	3782.33@	3335.01

Budget Documents, Various Issues.

Box -2
Tamil Nadu Fiscal Responsibility Act, 2003

The Tamil Nadu Government has enacted the Tamil Nadu Fiscal Responsibility Act, 2003. This Act enjoins upon the State Government to place before the Legislative Assembly a Medium Terms Fiscal Plan (MTFP) along with the Annual Budget. The MTFP lays out a multi-year rolling target for the prescribed fiscal indicators. The objectives of the MTFP, are set out below:

- *Strive to reduce the revenue deficit as a % of the total revenue receipts to a level below 5% by 2007-08 and to make the State revenue surplus by 2008-09. This is to be achieved by controlling non-productive revenue expenditure and enhanced receipts through various reform measures;*
- *The fiscal deficit as a per cent of Gross State Domestic Product (GSDP) is to be brought down to a level of 3 per cent by 2007-08;*
- *Revenue deficit as a percent of fiscal deficit will be progressively reduced to below 35% by 2006-07 to enable use of borrowings for generating useful assets with a positive impact on growth;*
- *The outstanding guarantees for each year will be capped to be at a level below 100% of the total revenue receipts in the preceding year or at 10% of GSDP, whichever is lower. The outstanding risk weighted guarantees for each year will be capped at a level below 75% of the total revenue receipts in the preceding year or at 7.5% of GSDP whichever is lower;*
- *The Medium Terms Fiscal Plan seeks to ensure that resource allocations in the State Budget are re-prioritized towards development and growth-oriented sectors while ensuring real improvements in the comprehensive social safety net for the poor;*
- *The Plan seeks to ensure greater fiscal transparency better accountability and clear reporting; and*

Reforms in public utilities such as Tamil Nadu Electricity Board, State Transport Undertakings and other Public Sector/Cooperative Sector undertakings to ensure that they are self sufficient and do not affect public finances.

Source: Act No.16 of 2003,, Tamil Nadu Govt. Gazette dated May 19, 2003.

2.5. Issues And Perspectives:

2.5.1. Growing Fiscal and Revenue Deficits:

Despite the fact that there is a scarcity of resources available at command of the Government, there is an increasing responsibility and obligation to undertake furnishing of social and economic infrastructure. It emphasises the need for augmenting resources on one side and on the other bridling the non productive and non-developmental expenditure such as administrative expenditure, interest payments and pensions. This will go towards improving the quality of public expenditure and expenditure compression. In order to augment the revenue receipts of both tax and non tax and improve the tax GDP ratio of the State, a holistic strategy is to be focussed on rationalisation of tax rates, better tax compliance, improved efficiency in tax administration, review of tax exemptions, revision of tax rates, broadening of tax base and improved tax compliance. In view of growing tertiarisation of the State economy, there is vast scope for siphoning of resources through spreading tax net i.e., bringing out many service activities under the tax net The advent of Value Added Tax will be a shot in the arm for the Public Exchequer. Recovery of user charges for the services rendered by the Government would go a long way in improving the higher non-tax receipts.

2.5.2. Increasing Interest Burden:

Interest burden is rising because of rising Gross Fiscal Deficit and consequential fall back on market borrowings and borrowing loan from the Government of India. When the GFD is met through revenue augmentation, the fiscal burden will automatically be mitigated. The Government of India has put in place a 'Debt Swap Scheme' to facilitate liquidating high cost loans given by the Central Government to the States as part of medium term fiscal requirement programme.

2.5.2.1. Increase in Pension Payments:

It is obligatory to introduce a new contributory pension scheme for the newly recruited employees, taking into account the enormity of financial burden on the State.

2.5.4. Streamlining Public Sector Enterprises:

Some of the public sector undertakings continue to incur losses because of meeting social function obligations. The imperative of improving the efficiency of the public sector undertakings has been recognized. Hence, the Government has already initiated a number of measures towards this end. These include are: Streamlining of Management, de-bottle-necking, Tariff and price polices, unbundling / corporatisation of State Electricity Board, setting up of Regulatory Commission, etc. and promotion of private investment in crucial sectors.

2.6. Wrap-up:

Containment and Management of fiscal deficit is a priority. With a view to ensuring fiscal consolidation and correction, fiscal stability and sustainability and minimising the incidence of GFDs, proactive measures are being taken both for the short run as well as the long run. To begin with, the performance of commodity- producing sectors is to be geared, coupled with improved tax administration, rationalisation measures, introduction of E-governance at all levels of public administration, enhancement in productivity and quality of public expenditure besides implementation of institutional reforms. It may be mentioned that introduction of VAT is likely to increase buoyancy since the coverage expands to value addition at all levels of production and distribution chains. This tax is more appealing in the sense that this will avoid "*cascading effect*" in the tax system.