

Socio Economic Impact of Public Finances in India

Prof. B. Ramesh
*Head of the Department
& Dean*
Faculty of Commerce
Goa University

Dr. Suresh Shanbhogue
Joint Director
Directorate of Planning,
Statistics & Evaluation
Government of Goa



Prateeksha Publications
Jaipur (INDIA)

Published by:

Mrs. Pushpa Sharma

Prateeksha Publications

704, (Basement) Baraf Khana, Near Sindhi Colony
Raja Park, Jaipur-302004. (Rajasthan) INDIA.

Phone: 0141- 6501617, 2669093, 2669280

Email: prateekshapublications@gmail.com

Website: www.prateekshapublications.com

All rights reserved. No part of this work may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, microfilming, recording or otherwise, without the prior written permission of the copyright owner & the publisher.

First Published : 2012

© Authors

ISBN: 978-93-80626-50-5

Price: Rs. 995.00

PRINTED IN INDIA

Typeset by Prateeksha Computers . Jaipur

Printed at Tarun Offset Printers. Delhi.

Preface

Goa, tiny and the most beautiful state joined the Indian Union on the 19th December 1961 upon its liberation from Portuguese regime along with Daman and Diu. It remained as Union Territory along with Daman and Diu till it became a full fledged state on the 30th May, 1987. Although a late entrant to the planning process, Goa has witnessed faster social and economic growth and has thus emerged as the most progressive states in the country today. It has the highest per capita income, very high economic growth, highest per capita banking deposits, better infrastructure facilities, modest basic minimum services etc. It has almost 100 per cent coverage of all weather roads, electricity, piped water supply, communication network, educational and health institutions, social security network etc. Its human development indicators like birth rate, death rate, infant mortality rate, total fertility rate, maternal mortality rate etc are not only the best in the country but are comparable with the indicators of developed nations in the world.

Goa is endowed with natural beauty encompassing a coastal length of 105 kms, inland water ways of 256 kilometers and beautiful ranges of serene Western Ghats. It has 38% forest cover, most of which is designated as protected forests. Goa is a renowned tourist destination on the world tourism map attracting lakhs of tourists from both India and abroad. Goa has rich mineral reserves specially iron ore, which gets exported to various countries through the Mormugao Port Trust. Both, tourism and mining have generated multiplier effect in the economy of the state contributing significantly in terms of employment, revenue generation, and value addition to the state income as well as earning valuable foreign exchange to the nation.

Goa has to remain grateful to its first Chief Minister, Late Shri Dayanand Bandodkar, whose vision and policy direction laid strong foundation in its pursuit for development. Goa's high level of literacy and impressive health indicators are mainly on account of educational and health institutions setup by Shri Bandodkar at every nook and corner of the state. The development model of Goa was given a new dimension towards economic development giving priority for tourism and industrial sectors by Shri Pratapsingh Raoji Rane; a visionary leader, an able administrator and a highly respected statesman, who served the state as Chief Minister for more than one and half decade and currently the Speaker of Goa Legislative Assembly.

Goa has all ingredients to aspire for a higher level of development at par with the standards of a developed nation. However, in spite of its spectacular performance, the state is on crossroads on a number of policy matters due to diverse public perception, absence of effective policy directions and vision, myopic mindset and lack of long term planning. Although, the 73rd and 74th constitutional amendments of giving functions, functionaries and finances to the grass root institutions of governance is yet to become a reality in its true sense, people are expressing their opinion and anguish on all the issues of public interest. The mining activity, an important economic driver, is under severe threat from the public opposition due to its adverse impact on environment and public health. People are reluctant to part with their lands for Government projects and plans due to highly inadequate compensation and misplaced priorities. All mega projects are being opposed by the people due to fear of in-migration exerting pressure on already stressed infrastructure like water, electricity, roads, etc. Thus, Governance has become complex as striking a balance between environment, development and perception of the people is not an easy task. Ultimately, the bottom up approach in the planning process allowing people to decide their needs, aspirations and development priorities as envisaged in the 73rd and 74th constitutional amendments may become inevitable in the years to come.

It is in this context that this book has critically analyzed the socio-economic impact of public finances throwing light on strengths and weakness of the state. An attempt is made to evolve a Goa Model of Development in the context of its faster progress achieved

in comparison with rest of the country. The book covers an analysis of receipts and expenditure, subsidies in the state's budget, debt sustainability, policies and practices of the state government, inter period and inter state comparison of fiscal indicators. This book has attempted an impartial analysis of current situation in the state of Goa, which will help the policy makers, academicians, researchers, students, and people in trade, commerce and industry and general public in understanding the issues relevant to the state in taking Goa to the next stage of development.

We are extremely thankful to Shri Digambar Kamat, Hon'ble Chief Minister of Goa, who kindly agreed to write a foreword for this book. We are obliged to Mr. Eric Clifton, Senior Advisor, IMF Institute, Ms. Marjorie Rose, Consultant, IMF Institute and Ms. Sarah Zhou, Economist, Asian Division, IMF Institute, who helped us in analyzing debt sustainability using IMF methodology. We are grateful to Shri Digambar Kamat, Chief Minister, Shri J.P. Singh, IAS, ex-Chief Secretary and Shri Ramesh Negi, IAS, ex-Finance Secretary for permitting to undertake research work on this important subject relevant to the future of the state. We are also grateful to various Heads of Departments, Officers and Officials from different Departments of Government of Goa for providing lots of data, information and intellectual interactions as and when required. While it is difficult to mention all the names, we are thankful and indebted to each and everyone who extended their support directly or indirectly in this endeavor. .

We express our sincere thanks to Mrs. Pushpa Sharma, M/s Prateeksha Publications, Jaipur for bringing out the book in a very short period of time.

**Prof. B. Ramesh
Dr. Suresh Shanbhogue**

Contents

<i>Foreword</i>	v
<i>Preface</i>	vii
1. Introduction and Literature Review	1
2. Methodology	18
3. Goa Model of Development	24
4. Revenue Receipts and Expenditure	46
5. Debt Sustainability	87
6. Budgetary Subsidies	100
7. Policies and Practices	121
8. Inter State and Inter Period Comparison	178
9. Summary and Conclusion	220
<i>Bibliography</i>	229