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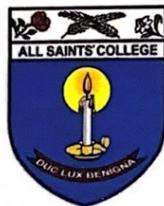
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Sl.No	NAME OF THE PAPER	PAGE NO
1	An Analytical Study of Union Budget 2019 On Different Sectors of Economy Resmi Gopalakrishnan J & S.Lt.Dr. S. Priya	1-12
2	Budgets and its Linkage with Cooperatives Ms. Lakshmi A. J	13-21
3	Government Budget for Women and Youth Empowerment Anoukh N	22-23
4	Mean Variance Analysis of Bank Index during Budgetary Period Siva prasad R. & Dr. Gabriel Simon Thattil	24-28
5	Government Expenditure on Agriculture Sector-An Evaluative Study Aparna Merin Mathew	29-33
6	The relationship between budgetary control and micro insurance companies in Kerala Archa. S. Nair & J.S.Sudhir	34-37
7	Public Expenditure Management and Economic development Aarcha.S.S	38-44
8	The Role of Budgetary Control in Budgeting Mrs Archana H	45-49
9	Position of State Governments Dr. T.S. Archana	50-54
10	A Study on Factors Influencing Budget Preparation of Universities in Kerala Dr. Sangeetha Vincent	55-62
11	Two Years Of GST – Hits, Misses And Future Akhil M P &Dr. Gabriel Simon Thattil	63-70
12	Innovations In Telecom Industry And Budgetary Practices In India S. Jyothi Sankar & K. S. Chandrasekar	71-78
13	Gender Responsive Budgeting in India: An Overview Aswathy R V & Vishnu R Nair	79-85
14	Implications Of Gender Responsive Budgeting Practices In India Athena Prince & Dr.Reshmi. R. Prasad	86-93
15	Kerala Flood Cess-A Tax Instrument for Kerala Rebuild Initiative Bency S	94-98

Budgets and its Linkage with Cooperatives

Ms. Lakshmi A. J.

Assistant Professor,
Department of Commerce,
Sree Narayana College, Chempazhanchy.
Thiruvananthapuram, Kerala
Email Id: lakshmi.aj@gmail.com
Mobile No: +91 9846222423

ABSTRACT

In any given political system the functionality of the state is governance. The element of governance can be efficient provided the same is supported with proper means for accomplishing it. Practically the concept of means yields to generation and distribution of money which becomes the lifeline of the entirety of the system. There may be a vision and planning for a given political system that may be long term and running for multiple years or even for decades. However present times the proper finalisation with respect to generation and distribution of funds are structured in an yearly manner by budgeting the same in advance before the start of the year. In budgets the policies gets reflected with proper prioritisation and planning by way of fund management. The areas that are of priorities get infused with more funds, whereas the lessor priority areas are provided with miniscule or nill fund. A proper appreciation of priorities of a given government get reflected in black and white in the budget proposal. As very well understood the main source of revenue of given government is taxes. The extent to which an entity or a transaction is taxed is a direct indicator of the priority ascribed to the same. Similarly the extent of funds allocated for a sector is also the identifier of the priority for the same. Cooperatives as an institution are having much social and economic significance. Cooperatives irrespective of the polity of a political system are considered to be an altruist concept capable of satisfying social and economic interest without contradicting state interest. This paper is an attempt to analyse the budgetary considerations given to cooperatives by the government. Budgets of multiple years will be analysed together with other governmental supports indirectly accomplished through budgets to verify how far cooperative sectors are reckoned will be thus the theme of the paper.

Key words: Budgets, Funding, Cooperatives, Kerala

INTRODUCTION

The growth and development of every country around the globe are completely dependent on the type of economic activities they are engaged in. In order to attain the economic development a country has to utilise its resources effectively. For this purpose proper planning and controlling has to be done. Which means, implementation of management tools in the process of developing the economic activities of the country. Finance is the life blood of every

economic activity, so financial management aspects are to be given much priority. For doing proper financial planning and analysis a detailed idea about the concept of the management tool called budgets are to be developed. A budget is prepared to have an effective utilisation of funds and for the realisation of objectives as effectively as possible because the analysis of the revenue and expenditure has to be made before implementing a new plan.

Budget and its Evolution in India

A budget is a written plan covering projected activities for a definite future period of time. It is a quantitative expression of business plans and policies to be pursued in future period of time. According to George R. Terry, budgets are defined as “an estimate of future needs arranged according to an orderly basis, covering some or all the activities of an enterprise for a definite period of time” (<https://www.playaccounting.com/>). So for a proper financial planning in the interest of the development of a country, the government will prepare government budget every year, to analyse and fix revenue and expenditure of the country. The concept of developing a budget in India was first done during the time of British rule.

In India the first budget was prepared by James Wilson, the founder of what is today the global behemoth Standard Chartered Bank. Wilson first arrived in India in 1859, at a time when the British government here was hard beset by financial stress in the wake of what the British called the sepoy mutiny and Indians their first war of independence. Increased military expenditure had drained the government's resources, leaving with huge debts. Wilson, with his deep knowledge of how the market worked, was seen as the man who could salvage the situation. “Mr. Wilson has introduced for the first time in India a financial budget framed upon the English model and inspired the public mind with fresh confidence brought together the threads of finance which had been broken and scattered by a military and political convulsion stimulated the operations of the Military Finance Commission to review the numerous branches of civil expenditure reviewed the existing system of audit and account besides discharging the multifarious duties devolving on a finance minister and a member of the general government”, thus quotes Sabyashachi Bhattacharya. (Bhattacharya, 2005)

Government Accounts, Budgets and it's Types

The evolution of the Indian Government Accounts can be traced from the year 1937. Before there used to be only one single account for whole of India including the erstwhile provincial governments. When The Government of India Act, 1935 was passed the accounts of erstwhile provincial governments was physically separated from that of the central government and only one public account was formed for every government. All receipts and disbursements irrespective of their nature were recorded on it. Subsequently, after formation of the constitution, the single public account was divided into three parts.

- Consolidated fund - There will be one consolidated fund of the central and another one for each state. This fund includes income such as tax or non tax, all short term loans

like treasury bills and money received by the government in repayment of loans it has advanced previously.

- Public Accounts - This account is maintained for the receipt of any amount of fund which does not go to the consolidated account. Which means money raised through loans, advances and deposits for which government undertakes the liability of refunding at some further date.
- Contingency fund - This fund is formed for meeting contingencies like earthquake, flood, foreign aggressions etcetera.

For maintaining these accounts properly, meticulous planning is necessary because the resources of the country are scarce, and an effective utilisation of the same has to be done. Thus preparation of budget is very much essential.

A government budget is an annual financial statement showing item wise estimates of expected revenue and anticipated expenditure during a fiscal year. According to Article 112 of the Constitution of India the President of the country has to see that the statement of estimated receipt and expenditure for every financial year is presented in the parliament by the government. Such annual financial statement is known as Government Budget. Budgets are same as a household budget or a business budget, in which an analysis of the pattern of earnings and spendings are assessed. In the beginning of every year, government presents before the Lok Sabha an estimate of its receipts and expenditure for the coming financial year. The main element of a budget is that an estimate of the receipt and expenditure and it is estimated specifically for every one year.

Objectives of a Budget

Budgets are the base for the government's financial business. The major objectives of budgets are as follows:

- Allocation of resources as per the analysis of the socio economic needs of the concerned country.
- If the distribution of fund is done by the government then they can see that minimum inequality in income and wealth is exercised.
- The budget helps to maintain the financial stability by balancing of the economy. When the government prepares a budget it can see to it that a deficit budget is prepared at the time of deflation and a surplus budget can be prepared at the time of inflation.
- The public sector enterprises which are formed for the social welfare need proper assistance which can be diverted through the budgets.
- To increase the investment and savings in the public sector so that it can lead to the economic development of the country.
- To reduce the regional inequality by implementing taxation and expenditure policy and promoting the installation of production units in the untapped areas.

Types of Budgets: There are three types of government budgets which are explained as follows:

- **Balanced Budget** – In case of a balanced budget the estimated revenue and expenditure by the government will be same
- **Surplus Budget** – In case of a surplus budget the revenue estimated by the government will be more than the expenditure.
- **Deficit Budget** – In case of a deficit budget the revenue estimated by the government will be less than the expenditure. (Singh, J , n.d)

In these days the democratic government mostly prepare a deficit budget. The gap between revenue and expenditure can be compensated by borrowings or withdrawal from the reserves if any. In the state of Kerala also the system of deficit budget is followed. From the table given below it is clearly understood that in Kerala, the type of budget to which is followed is the deficit budget.

Table 1

As mentioned earlier, budgets are having basically two purposes that are how to generate revenue and how to spend the same. Both these purposes are self explanatory regarding the priorities of the government, the inclination to tax an activity or an entity for the purpose of generation of revenue is directly coinciding with whether the government has prioritise the same. Similarly to what extend government pumps in money is indicative of the importance government attributes to that sector. One who is looking at the general expenditure heads can find that majority of the country is year marking a good percentage of revenue for defence, health, education etcetera. The trend to impose heavy taxes on items like liquor, cigarettes, is also showing the priority of governments. A perusal of budgets of different time frames is also bringing out certain important facets. For example the spending for defence took a substantial jump after the loss of war to China. Similarly information technology proliferation showed budgets being included with funding for information technology infrastructure. Even in priority sectors like health, education etcetera emergence of new threats or requirements are also met with budget expenditure; for example funding for cancer centres, starting of new courses in newly developed subject areas etcetera.

Cooperatives and Budgets

In this fast growing economy all economic systems do have organisations like proprietorship, partnership, companies and cooperatives. Among them cooperation is considered to be a golden mean that is adaptable for all systems equally. According to Hubert Culvert, "Cooperation is a form of organization wherein persons voluntarily associate together as human beings on a basis of equality for the promotion of economic interest of themselves". The first three, that is proprietorship, partnership, companies are generally profit oriented. However coming to cooperatives there are certain marked differences. Co-operatives are associations of

persons for a strong social purpose at the same time intended at entrepreneurial aspirations. Cooperatives exist in nearly every sector and are organized in a variety of ways based on the nature of operation (Allred, 2013). Co-operative enterprise possesses certain unique basic values which are ethical and social. They have entered almost all spheres of economic activity such as production, processing, marketing, distribution, transportation, irrigation etcetera. The sustained growth and development of co-operative organisations require management in an effective and efficient manner (Mayank, n.d.). Two features that are present in cooperatives are the importance of service element than that of non profit considerate approach above and over profit motive and the presence concept of beneficiaries as stake holders.

Cooperatives put people at the heart of all their business. It follows a broader set of values than those associated purely with making a profit because they are owned and democratically managed by their members (Vaidyanathan, 2013). The decisions taken by cooperatives balance the need for profitability with the needs of their members and the wider interests of the society. It is a voluntary association of persons who work together to promote their economic interest at the same time it works on the principle of self-help as well as mutual help. The main objective is betterment of the members. No one joins a cooperative to earn profit, people come forward as a group, pool their individual resources, utilise them in the best possible manner, and derive some common benefit out of it (Shakeel, 2017).

The role of cooperatives in the development and empowerment of the rural sector is evident in almost all countries. In India cooperatives are playing a vital role in filling the defects pointed from public and private sector. The cooperatives have trended the path, where no public and private sector could reach and worked in empowering the rural masses at the grass root level to help themselves and contribute indirectly towards the development of the nation. People consider cooperatives as a provider of solutions that are reliable and reasonably priced. In short cooperatives plays a significant role in effectively managing the resources of the country, and bringing together the common people for a particular cause. It can aptly be said that they are like 'islands of prosperity' in 'the ocean of poverty' (Ramkishen, 2009).

As mentioned earlier cooperatives are not merely economic institutions but are social ones too. Further due to the thrust given to social commitment it lacks the quicker break even time like the other economic institutions. So a cooperative venture always requires a supportive means unlike the other economic institutions (Hajela, 2010). The same should be either Governmental or from a philanthropist mind set. In a matured system governments cannot wait for some other entity to do their job. Thus governments need to take the initiative for bringing in institutions of cooperative nature that can contribute to the economy at the same time render the social cause. This means government has to have a cogent policy with respect to cooperatives and the same needs to be reflected in the funding allocation in budgets. Similarly, budgets should also be considerate with respect to taxing of cooperatives.

Thus cooperatives as a form of organisation is the best way possible and considering the nature of it there is every need for government budgets to be considerate for the same. An analysis of

the same based on recent budgets of State of Kerala is attempted here. For the said purpose a tabulation of the contribution of the state budget (Budget Speeches) towards the cooperative sector attempted below.

A Comparison of Budgets of the Last Three Year

Year	Sector	Amount	Means of Fund Disburse	Purpose
2017-18	Coir Cooperatives	Rs.12 crore and Rs. 3 crore. Total outlay is Rs.128 crore. Additional Rs. 100 crore for restructuring of coir production	NCDC	Revival of the sector by providing with working capital and managerial subsidy.
	Handloom and Powerloom	Rs.0.72 crore to Handloom and Rs.9 crores to powerloom sectors. Rs.11 crores for procurement of raw materials and other items. Rs.12 crores for modernisation of handloom, diversification of handloom products and for the incubation centres.	Handloom Co-operative Societies, HANTEX and HANVEEV	Government intends to extend the scope of this scheme. By supplying Looms to those who desire to enter into the industry and the arrears are disbursed on rebate.
	Cashew Cooperatives	Rs.30 crores for procurement of raw cashew. Fund will be made available as loan from financial institutions. To settle Outstanding dues of the banks worth Rs.80 crores. For modernisation of factories and partial mechanization Rs.42 crores. Promotion of cashew cultivation Rs.6.5 crores	Cashew Development Corporation and CAPEX	To make these institutions fully functional for maintaining the work and the service and wage conditions by procuring raw cashew either from the state or from outside the state.
	Beedi Industry	Rs.8 crores will be refunded to Dinesh Beedi from the tax collected from beedi industry. Rs.20 crores from the balance tax realized from the sector will be given to the Beedi Workers Welfare Fund as grant.	Beedi Workers Welfare Fund and Dinesh Beedi	To revive this sector so that they can formulate suitable schemes and projects for the welfare of the workers
	General Cooperatives	The total outlay of cooperative sector is Rs.124 crores. Of this, Rs.50 crores is for primary cooperative societies and Rs.25 crores is for providing share capital for Processing, Consumer, Housing, Marketing, Women and SC/ST cooperative societies. An	Directly to these cooperatives	For the further development of these sectors

		amount of Rs.10 crores is earmarked for CAPE.		
2018-19	Cooperative sector	The outlay for cooperative sector is Rs.155 crores. Rs.57 crores to Credit Co-operative Societies. Rs.15 crores for SC/ST Cooperative Societies. Rs.6 crores for special encouragement for model cooperative societies. Rs.1 crore for the International Book Fair and Literary Knowledge Fest conducted under the aegis of Literary Cooperative Society.	By the government through concerned apex organisations	For the development of each sector. The most significant development in the cooperative sector in 2018-19 will be the formation of Kerala Co-operative Bank
2016-17	Reconstruction of cooperative structure	The change from three tier structure to a two-tier structure. The district and state cooperative banks will be merged into a single bank. An amount of Rs.10 lakhs is set apart for this.	Government to the concerned committee	This banking system, which has maximum number of branches, can play a pivotal role in the development of the State
	Handicrafts Industries	Rs. 8 crores		
	Palmyra Weaving Industry	Rs. 10 crore	Palmyra Weaving Industry	
	Dinesh Beedi Cooperative Society	Rs. 8 crore will be refunded towards tax collected from it	Dinesh Beedi Cooperative Society	An amount of is set apart as grant to compensate Dinesh Beedi Cooperative for the tax collected from it.
	Small Scale Producers of Coir	The Coir Corporation will procure the entire products of small scale producers using this coir at the approved sale price. Such products will be sold at a rebate. For this price stabilisation fund is formed from Rs.17 crores to Rs.100 crores. An	Government to concerned sector	Government will ensure that this new policy will not affect the employment or income of traditional employees in this field. For this, COIRFED will procure the entire coir

Budgets and its Linkage with Cooperatives

		amount of Rs.15 crores is set apart for the reorganization of the cooperative societies and managerial subsidies. The additional amount required for reorganisation will be made available from NCDC		produced by cooperative societies ensuring minimum wages. To compensate the rebate, the price stabilisation fund will be enhanced
	Agriculture Cooperative Banks.	An amount of Rs.385 crores has been earmarked for paddy procurement		Government will give the amount with interest to the Banks to help the farmers.

Thus, a perusal of the budget of various years indicating a considerate approach towards cooperatives. The budget is not much indicating references to any concrete studies with respect to cooperatives for the approach encapsulated. This may be an indication of absence of a cogent and coherent long-term plan with respect to roadmap for cooperatives. Such a manifest needs to be the basis for laying down of fiscal policy that needs to be reflecting in the yearly budget. It may be noted that cooperatives are considered as an ideal answer to multiplicity of challenges poised from different quarters. Government needs to appreciate the benefits of cooperatives in withstanding any sort of challenges that are raised in different time frames. This unique feature of cooperatives is ensuring existences of an economic institution irrespective of the challenges which is a virtue even during these times of disruptive technologies. There is a need for identifying the avenues that can be possibly utilised by the cooperatives and the same needs to be promoted by the government through appropriate policies. India being a federal structure a contribution is possibility both by union and state government. It may be noted that the legal structure of multi state cooperatives is only within the control of union government and those cooperatives confined to a specific state alone is controlled by the state government.

Majority of the economic presence is shown by state level cooperatives and thus there is a need for prioritising the same. The policy with respect to such cooperatives and a clear roadmap needs to be thus the concern of state government. Then only such a policy can be relied for the purpose of canvassing fiscal policy considerations at the level of union government in its budget. It may be noted that even a taxing provision that is detrimental may cause irreparable financial strain and even death knell to cooperatives. As mentioned earlier a taxing issue is also relevant in the context of budget. A budget which is at policy level highly considerate to cooperatives will necessarily be soft even on taxing of the same.

The cumulative economic contribution of cooperatives within the state of Kerala may not be a very substantial portion of gross domestic product of the state. However this contribution should not be considered merely in economic terms because the social benefits of cooperatives are never getting reflected in economic figures. The author is having an apprehension that many a times the economic or financial studies that is becoming the basis of budgetary considerations is not giving complete justice to the societal implications of cooperatives. The study about cooperatives, that was referred earlier, needs to be included with a proper methodology to

identify the societal/ social implications of cooperatives so that a concrete emphasis is laid on for proper budgetary considerations which is not confining itself to economic criteria.

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