



International Journal of Financial Management and Economics

P-ISSN: 2617-9210
E-ISSN: 2617-9229
IJFME 2023; 6(2): 77-80
www.theeconomicsjournal.com
Received: 16-06-2023
Accepted: 19-07-2023

Aditi Kumar Tripathi
Former Director Finance and
CFO MP Central Zone
Electricity Board Bhopal,
Chief Accounts Officer PEB,
Financial Advisor PWD,
Madhya Pradesh, India

Dr. Vivek Sharma
Professor, Dean and Director,
Chakravarti Rajgopalachari in
Institute of Management
(CRIM), Bhopal, Madhya
Pradesh, India

Corresponding Author:
Aditi Kumar Tripathi
Former Director Finance and
CFO MP Central Zone
Electricity Board Bhopal,
Chief Accounts Officer PEB,
Financial Advisor PWD,
Madhya Pradesh, India

Analysis of government budget need of social cost benefit analysis with reference to Madhya Pradesh State Government

Aditi Kumar Tripathi and Vivek Sharma

DOI: <https://doi.org/10.33545/26179210.2023.v6.i2.226>

Abstract

This paper works on the analysis of government budget, especially in relation to India. The government budgets are an exhaustive exercise which makes the entire process of its preparation a huge and toiled task. The paper looks at the budget from the point of view of its four accounts, which includes Revenue receipts, revenue expenditure, capital receipts and capital expenditure. The Government indulges in deficit financing to create projects which in turn would generate more employment, more income and more consumption. During the course of the study it was observed that many of the important features or departments are not given its due importance. This is due to the restrictions imposed through Fiscal Reforms Budgetary Management Act, incorporated in India. It is a proposal through this paper that along with the normal accounting of budget accounts formulation, a social cost benefit analysis should be computed, with more understanding and accountability, to understand the reality behind the accounts.

Keywords: Social cost benefit analysis revenue receipts account, revenue expenditure accounts, capital receipts accounts, capital expenditure account, deficit financing

Introduction

Budget is a word derived from French word Bougette, it means, leather bag wallet Earlier when the world was generally ruled by monarchical system the budget of the kingdoms was prepared and was used as an analysis of normal accounting tools to understand the position of expenses and revenue. Policies were made as to how revenue is to be generated more and expenses to be done in the form of expense only and not in asset creation, which the accounting concept terms it as 'expenditure', which evolves the amortization or depreciation account creation so that the asset may be replenished at the end of its economic life. This phase continued till the First World War.

With the advent of industrialization and the countries of great importance in terms of its economic conditions, went on war with each other. The history in the twentieth century witnessed the two world wars, the atom bomb drop at Hiroshima, Japan and the century is laid down with such horrific incidents. The end of colonization created its own impact on the countries and the general public. The world in this century experienced vast public depression and economic depression. The public was just not interested in working and creating a well-earned life for itself. It is at this time the Keynesian fundamental came forward and it shook the then governments. John Maynard Keynes emphasized that the work of the government is not to look into the defence of the country but to generate assets, which in turn will enhance the consumptions process, shall generate life in increasing the assets of the country and removes the vast public depression, writ large on the entire world in some sort or the other, caused due to economic or circumstantial causes.

The countries of the world eventually went on this concept and indulged in expenditures to create assets involving huge benefits to the society. The expenditures has been recoup through Deficit Financing.

Comprehending social cost benefit analysis

Social cost benefit analysis is the method of understanding the economic and social cost of the projects undertaken ^[1]. This research work presents the projects undertaken by Kerala government, and underscores the value of social cost benefit analysis in terms of positive and negative output of this project.

Working on Navigating through hydrogen, need to displace carbon intensive projects ^[2]. The research topic in the reference works on a green capital market, where the emission of carbon is less. There are many such vast projects where the world is working on higher cost and much higher benefits. The working on India Bangladesh Border report to work on social cost benefit is illustrated in the working paper on Immigration Check Post in India ^[3]. There has been studies on growth in trade between India and its neighbours, Increase in dependency on India's Port, National Trade facilitation plan expresses and makes social cost analysis for such big events ^[4].

The researcher here puts down the point that the growth of social cost benefit analysis and the working papers of huge events and projects are published and care and monitoring of these projects is done through these working papers which are put forward for in depth analysis. The same kind of analysis is to be done for the annual budgets of the state and centre in a more precise and published way. Like budgets it need to be talked more and the critical analysis should be there in the public domain.

Meaning of cost benefit analysis

It is an accounting process of comparing the future benefits with cost. It is a Process of identifying and quantifying benefits received from different beneficiaries. The objectives of the project should be clearly defined along with the alternatives of project, the future cost and benefits have to be compared with the present value of the projects. Calculation of the Net Present value of the project is done. Calculation of the net present value and benefit cost ratio is done. The choice for the highest Benefit cost ratio and net Present value is made.

The Cost Benefit Analysis are of two types ex ante and Ex Post. Ex ante analysis is done before the project is executed and ex post analysis is done after the execution of project. It is the ex-ante studies which contribute a lot to the optimization of resource allocation, however involving a high degree of uncertainty. On the other hand the ex post analysis is based on less speculation, and they have the strength to reallocate the resources based on the present performance.

Literature Review

It was a French person Jules Dupit, an Economist and an engineer, who has put forward the tool of social cost benefit analysis in the year 1848. After that Alfred Marshall in 1890 in his book 'Principles of Economics' used this concept in his book. Since then the United States Army Corps of Engineers have been using since the 1930s sing Cost Benefit Analysis since the 1930s for many projects such as federal waterway infrastructure ^[5].

Most of the cities anywhere in the world and specially so in India has a great demand for efficient public transport. It is essential for it to be efficient as it handles serious side effects imposed on urban ecosystems. The effects increase exponentially due to atmospheric pollution and very land

use patterns. therefore and ecologically sustainable transport system is required which is an appropriate makes of different types of transport resulting in the enhancement of environment, which in terms require friendly fuse and good land use patterns It is on this basis Murthy MN, Meenakshi, Rashmi (2006) ^[6] have made a social cause benefit analysis of Delhi Metro. In this paper it has been emphasized that SCBA analysis has to be performed and should be available on public domain to understand the need and requirement of an efficient transport system for an efficient Urban Development planning ^[6].

In the discipline of medicine too, the development of social infrastructure projects is very much required for the general and healthcare in particular. A comprehensive quantitative and qualitative analysis has to be undertaken to evaluate the projects in the most comprehensive manner. It requires a lot of diligence and intelligence to work on such projects which are basically based on the combination of two approaches cost Benefit Analysis approach and the relationship between financial and economic efficiency. The second most important thing is to understand the public private partnership which shall underscore the efficiency of the project. In the research article Novikona T, Maria Kanema and Zafarjonova M (2023) ^[10] have put forward the research on clinical patients and have the models financial block to understand the return on investment on the working capital considering the terminal value of the project and understanding the social and cascading tax effects on the general public.

In an article 'Exploring Cost Benefit Analysis of Research Development And Innovation Infrastructure: An Evaluation Framework' written by Floria M, (2016) ^[11], state that government funds and policy makers have very high Expectations on research and innovation techniques in the context of Science and innovation policy which are basically meant for sustaining economic growth for longer terms or maybe for secular terms. It is but natural that the states associated with this selection and evaluation of factors is very high. Cost benefit analysis for Research Development and innovation infrastructure is comparatively a new field. It will comes more complex and uncertain because of the intangible nature of the benefits and the drawbacks associated with different projects. There have been attempts to develop cost benefit analysis on theoretical framework or such kind of heavy projects, where huge capital investment is required, this has been made more prominent on structural funds by the Czech government and other such related agencies. It is essential to understand cost benefit analysis and the exposed cost benefit analysis to analyse and to control the research projects revenue generation and if it is going at a right direction or not. Such an analysis has also been done on physics projects to understand the benefits held by different stakeholders of the project such as scientist students forms general public visitors and so on. It has been put forward by the authors that the social value can be estimated with contingent valuation techniques, which are not difficult to quantify and to make it more precise to understand the outcome of the project, and putting it through capital budgeting processes involving present value techniques ^[7].

In another article by Dehnhardt A, Grothmann T, & Wagner J (2022) ^[12], in their article on 'Cost Benefit Analysis: What Limits Its Use in Policy Making and How to make it more usable? A Case Study on Climate Change Adaptation in

Germany', the article works on many for the comparison of monetary cost and benefits of taking different actions required during the climate change adaptation projects. It famous the cause benefit analysis for the education of suitable methods of analysing environmental policy making as well as to make sound Decision Process. The cost benefit analysis works on suicide till welfare. The paper for the states that this accounting analysis has valuable use in principle but has certain limitations in voicing the intangible factors involved during the process of the project. The paper put forward and empirical case study in the city of Germany on the use of CBA in policy making related to climate adaptation. various people were in interviewed and participatory workshop series work conducted with supported the use of cost benefit analysis the municipal officers were asked about their perception and the benefits of Cos benefit analysis and they put forward that that CBA is above all perceived as a useful tool increasing Awareness of environmental benefits and increasing the transparency of policy making process. The CBA analysis put forth a systematic discussion of the advantages and disadvantages of different policy. The municipal officers were however restraint in answering that CBA should be decision criteria for prioritising measures. However a parallel CBA analysis has to be done with all the projects so that they will come the confirming ground for the project to be executed without any breaks and for that the knowledge of the accounts must be known to all the beneficiaries And therefore it is highly perceived that CBA analysis is required in policy making and all the beneficiaries should know about the positive and negative outcomes of the project. When the project is already in the execution phase, the accounting data would state that it has more of positive flows than of negative flows and hands its execution has been made^[8].

Research Methodology

The paper is descriptive in nature and is a thought provoking analysis where the new projects are mentioned and the capital expenditure spent on them or will be spent, the social cost benefit analysis should be done and made public.

Objective of Study: To make social cost benefit analysis of the mega projects more public.

Capital expenditure projects in Madhya Pradesh India

Upcoming Mega Projects in Madhya Pradesh, Madhya Pradesh is going high in terms of Urban Development and proposes twelve mega projects^[9].

Narmada Expressway: It is an eight lane Narmada Freeway planned expressway involving a capital investment of Rs. 13000 Crore. The total expressway will be 1,300 kilometre long which shall involve states of Chhattisgarh, Madhya Pradesh and Gujarat. The total expressways in Madhya Pradesh are around Nine Hundred kilometres.

Chambal Expressway: This Expressway is Also proposed along the river Chambal and shall connect Sheopar, Morena districts of Madhya Pradesh and districts of Uttar Pradesh Etawah and district of Rajasthan Kota. The total cost of the expressway will be around Rs. 8250 crores.

World's largest Floating Solar plant is being built in Khandwa, producing 600 megawatts of electricity. It is

anticipated more than Rs. 3000 Cores will be invested in it.

Gwalior International Sports Stadium: another mega project to be built in Shankarpur village in Gwalior West. The capacity of the stadium is going to be 50,000 seats with thirty corporate Boxes, a swimming pool, sauna, modern gym and the facility of having day and night facility.

Bhopal Metro, Jabalpur Airport New terminal, Indore Metro, Jabalpur Metro, Gwalior Metro

It is indeed heartening to know about these projects and their very existence will make commutation and transport infrastructure versatile.

However, mere appreciation is not everything. A detailed analysis in terms of social cost benefit analysis, has to be made public and its incorporation in the budget must be there. The public domain must understand what cost they are paying for this facility. It is a known fact the fruits of investments of the present are to be, reaped by the future generation. The cost entailed by the present generation should be explicitly known to them.

The annual budget when announced does not have a place for reporting these capital investments in an explicit manner. Most of such Investments are funded by the central government or any other international financial institutions or agencies. The public at large realises that such an investment shall take place but what shall be the public cost or social cost and benefits are not explained in a detailed manner. This results in the ambiguity of the project and the citizens are not aware of it.

This work is already done, when the project is envisioned and it is in its pre natal stage, the government departments are aware of this. The proposal is to make it public. Budget is the only accounting figure of the government machinery which makes its account public through revenue receipts accounts, revenue Expenditure accounts, Capital Receipts and Capital expenditure accounts. Other accounting measures if gone deeply into the financial web pages and look-in at the state finance reports of the central bank of the country the reserve Bank of India, will entail analysis based on historical cost. They are limited by the RBI Act and the different ordinances which come forward as the time flows. India however, does not float the Social cost analysis publicly, which is very much required. The literature viewed above is just in a nutshell, there have been huge studies on this particular accounting technique. It is proposed through this paper that the proper analysis and importance has to be given to this versatile tool. The benefits are going to be enormous and to some extent it may curtail corruption writ large on the canvas of Indian economy. The cause may be numerous but all the academicians and policy makers must emphasise on this part of the capital intensive projects.

Conclusion

The conclusion of the pear put forward is that due importance has to be given to social cost benefit analysis of huge capital intensive projects in different fields. They have to be known to the stakeholders of the country and should not be put into a discussion room.

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