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A Study on Impact of Strategic Planning in Fiscal Management in India

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Abstract: **Developing a sound organizational fiscal policy is the collective responsibility of decision-makers of an organization and those who implement it each day. In a small business, one person might be called upon to develop and implement the policies. In a mid-sized to large corporation, the board of directors, management staff and frontline financial managers often are involved in developing organizational fiscal policy. The role of management personnel is key in developing fiscal policy, as they are well versed in day-to-day procedural steps. Ultimately, decision-makers, business owners, or boards of directors approve the fiscal policy, and management staff ensures that organizational activities comply with it.**

Key words: **Fiscal Management, Strategic Planning, Fiscal Policy, Indian society**

I. INTRODUCTION

Fiscal management is essential to the long-term success of any business. No matter how well your business performs in providing services or exceeding sales expectations, poor financial management can wipe out all of your hard work and drive your business straight into the ground. The simple math is that if a company spends more than it takes in, it will not turn a profit. Understanding the role that proper fiscal management plays in a company's success is an invaluable skill that is in demand no matter the size of the company or industry.

So, what exactly is fiscal management in business? Simply put, fiscal management is all about the money. It involves analyzing how the business will handle its funds to be able to continue operating on a daily basis and achieve its objectives. The same is true for private companies as well as the public sector. Typically, employees with MBA degrees are involved in the fiscal management of a private company, while employees with a public administration master's degree handle fiscal management in the public sector.

More specifically, on a daily basis, fiscal management involves overseeing and coordinating the following tasks:

- Monitoring capital expenditures to make sure that the company is investing its funds in assets that will help it generate more profit
- Managing the company's cash flow to make sure that expenses are covered and that the company has enough funds available to continue operating
- Planning to minimize tax burdens and meet tax obligations so that the company avoids costly and embarrassing fines
- Reducing operating expenses and finding ways that the company can continue to be productive and meet its expectations without spending more money than necessary

Increasing the overall efficiency of the company by taking a comprehensive view of the company's operating status and the benchmarks it needs to meet to continue to be profitable or meet its demands The basic components of a fiscal management system include:

- Financial planning: the process of identifying the resources that are needed to implement the strategic plan. A financial plan is similar to the organization's budget because it identifies revenues and expenses. However, the financial plan usually covers a time period of two to five years while the budget is usually a one-year plan.
- Budget management: the system for developing, approving and managing the budget. Each organizational unit or program area is responsible for working with the chief executive officer (CEO) and/or the chief financial officer (CFO) to develop or request its budget for the coming year. The budget is approved by the board of directors (the board) or the governing body. The CFO is responsible for monitoring revenues and expenses and for identifying variances from the budget.
- Cash management: the system for ensuring that the organization has sufficient cash to meet its needs. Employees reconcile and review bank statements and account balances regularly to ensure accuracy.
- The accounting system: a system that conforms to fiscal policies and procedures approved by the board or the governing body. The accounting system operates with a chart of accounts that matches revenue and expenses to funding sources, organizational units and/or multiple sites.
- Payroll: the operation of compensation of employees. It includes controls on hiring, firing and salary adjustments. Payroll requires documentation of time and effort. Payroll accounts for time off, advances or

loans to employees, employees' withholding taxes and employer taxes.

- Accounts receivable: the system used to manage the amounts owed to the organization by its customers. Most providers of human services meet with customers to determine customers' fees based on a sliding scale. The accounts receivable system usually includes billing to third party payers such as Medicaid or Medicare.
- Accounts payable: the system for managing the amounts paid out to the organization's vendors. Accounts payable usually requires approval of purchase orders for large items or employee travel reimbursement and the co-signing of checks. ✓ Purchasing and fixed assets: the systems that control the buying of and accounting for assets or equipment. A periodic inventory of assets is performed. Depreciation, which is the decline in the value of an asset over time, may be tracked in a system of accounting for fixed assets.
- Grants management: the system for ensuring compliance with requirements of grants or contracts. Usually, the grant or contract specifies expenditure or line item controls, performance measures, deliverables and reporting requirements.
- Cost allocation plan: the method for allocating revenue and expenses to the organizational divisions or functional areas. The cost allocation plan ensures that each organizational program area bears a proportionate share of administrative costs of the organization. The cost allocation plan tracks employee time and effort to ensure that labor costs are charged to the appropriate organizational unit.
- Reporting: the system that presents all fiscal information in formats that are useful for decision making. Reporting includes internal reports, reports to the board or governing body and reports to grantors or other funding sources.

II. EXAMPLES

The two major examples of expansionary fiscal policy are tax cuts and increased government spending. Both of these policies are intended to increase aggregate demand while contributing to deficits or drawing down of budget surpluses. They are typically employed during recessions or amid fears of one to spur a recover or head off a recession.

Classical macroeconomics considers fiscal policy to be an effective strategy for use by the government to counterbalance the natural depression in spending and economic activity that takes place during a recession. As business conditions deteriorate, consumers and businesses cut back on spending and investments. This cutback causes business to further deteriorate, setting off a cycle form which it can be difficult to escape.

Individual Response to Recession Can Make It Worse

This rational response on an individual level to a recession can exacerbate the situation for the broader economy. The reduction in spending and economic activity leads to less revenue for businesses, which leads to greater unemployment and even less spending and economic activity. During the Great Depression, John Maynard Keynes was the first to identify this self-reinforcing negative cycle in his "General Theory of Employment, Interest, and Money" and identified fiscal policy as a way to smooth out and prevent these tendencies of the business cycle.

How the Government Stimulates Spending

The government attempts to bridge the reduction in demand by giving a windfall to citizens via a tax cut or an increase in government spending, which creates jobs and alleviates unemployment. An example of such an effort is the Economic Stimulus Act of 2008, in which the government attempted to boost the economy by sending taxpayers $600 or $1,200 depending on their marital status and number of dependents. The total cost was $152 billion. Tax cuts are favored by conservatives for effective expansionary fiscal policy, as they have less faith in the government and more faith in markets.
Liberals tend to be more confident in the ability of the government to spend judiciously and are more inclined towards government spending as a means of expansionary fiscal policy. An example of government spending as expansionary fiscal policy is the American Recovery and Reinvestment Act of 2009. This effort was taken on in the midst of the Great Recession and totaled $831 billion. Most of this spending targeted infrastructure, education and extension of unemployment benefits.

III. FISCAL POLICY

Fiscal policy is what the government employs to influence and balance the economy, using taxes and spending to accomplish this. Fiscal policy tries to nudge the economy in different ways through either expansionary or contractionary policy, which try to either increase economic growth through taxes or spending or slow economic growth to cutback inflation, respectively. Basically, fiscal policy intercedes in the business cycle by counteracting issues in an attempt to establish a healthier economy, and uses two tools - taxes and spending - to accomplish this.

Fiscal policy is often utilized alongside monetary policy, which involves the banking system, the management of interest rates and the supply of money in circulation.

The main goals of fiscal policy are to achieve and maintain full employment, reach a high rate of economic growth, and to keep prices and wages stable. But, fiscal policy is also used to curtail inflation, increase aggregate demand and other macroeconomic issues.

In expansionary fiscal policy (which is the most common method employed), the government implements policies that can increase or decrease taxes, spend money on projects to stimulate the economy and increase employment, or increase productivity levels in the economy.

Fiscal policy developed out of the Great Depression, which ended the laissez-faire approach to economic management, and began a means of monitoring and influencing macroeconomics through government intervention.

To this extent, fiscal policy is designed to try to keep gross domestic product growth at an ideal 2% to 3%, natural unemployment at around 4% to 5%, and inflation at a target rate of around 2%.

But how does fiscal policy operate, and what methods does it employ?

How Does Fiscal Policy Work?

The central idea behind fiscal policy is that, by manipulating spending and taxation, the government can either stimulate consumption and investment or slow it down (depending on the market signals). In this manner, the government uses fiscal policy to lower personal or corporate taxes to encourage consumer spending or investment, and, vice versa, raises taxes and cuts spending to slow it.

But there are several other ways fiscal policy is put to work in the economy.

One way the government uses fiscal policy is to stimulate the economy if it ascertains that business activity is lagging - and spends more to stir up the economy (called "stimulus" spending). However, if the government doesn't have enough cash to fund its own spending, it will often borrow money in the form of issuing government bonds (or treasury bonds) - debt securities - and, thus, spends the funds under this debt. This is often referred to as "deficit" spending, and is one of the major ways the government uses fiscal policy.

While the motivations for using fiscal policy may vary, it is often employed after a depression, recession, or during times of economic stagnation (or heightened inflation).

Types of Fiscal Policy

Separate from monetary policy, fiscal policy mainly focuses on increasing or cutting taxes and increasing or decreasing spending on various projects or areas. But, depending on the signals from the current state of the economy, fiscal policy may focus more on restricting economic growth (often done to mediate inflation), or attempt to expand economic growth by reducing taxes, encouraging borrowing and spending, or spending on projects to stimulate the economy or increase employment.

Expansionary Fiscal Policy

Expansionary fiscal policy is used by the government when attempting to balance out the contraction phase of the business cycle (especially when in or on the brink of a recession), and uses methods like cutting taxes or increasing government spending on things like public works in an attempt to stimulate economic growth. Expansionary fiscal policy, therefore, attempts to fix a decrease in demand by giving consumers tax cuts and other incentives to increase their purchasing power (and, how much they spend).

The goal behind expansionary fiscal policy is to lower tax rates and increase consumer aggregate demand, which will increase demand for products, requiring businesses to hire more employees to support the higher demand - and thus, increase employment. For example, the Economic Stimulus Act of 2008 gave taxpayers between $600 to $1,200 depending on various factors in hopes of stimulating spending and market participation - the whole package of which cost the government $152 billion.

Or, the government may try to stimulate the economy and increase employment by spending on some public works or benefit programs, like building roads, schools, parks, or the like. Just after the 2008 financial crisis, the government shelled out some serious cash (to the tune of around $831 billion) for the American Recovery and Reinvestment Act of 2009, which, among many objectives, sought to boost infrastructure projects, provide tax cuts, and increase healthcare and education spending to stimulate the economy.

But expansionary fiscal policy treads a thin line, needing to balance economic stimulation while keeping inflation as low as possible. For this reason, expansionary is sometimes detrimental to the economy. For example, if the government decides to lower tax rates to foster more spending, an influx of cash and demand may increase inflation, which will decrease the value of the money.

Contractionary Fiscal Policy

On the other hand, contractionary fiscal policy entails increasing tax rates and decreasing government spending in hopes of slowing economic growth for various reasons. In this way, the government may deem it necessary to halt or deter economic growth if inflation caused by increased supply and demand of cash gets out of hand. In this manner, contractionary fiscal policy reduces the amount of money in circulation, and, therefore - the amount available for consumers to spend. If an economy is booming and growing too rapidly (as may be caused by expansionary fiscal policy) - which, according to normal rates, should be no more than 3% per year - contractionary fiscal policy may be required to right it. So, contractionary fiscal policy is often employed when the growth of the economy is unsustainable and is causing inflation, high investment prices, unemployment below healthy levels and recession.

However, because the point of contractionary fiscal policy is to reduce the amount of money in circulation and allow the economy to grow at a healthier rate, it is often very unpopular due to how it generally increases taxes, cuts or reduces subsidy and welfare programs, or cuts government jobs. And, this unpopularity often leads to an increase in the budget deficit via the government issuing more treasury bonds - which, given the imbalance of GDP to debt, will cause interest rates to increase due to how holders of the treasury bonds become anxious over not being repaid by the indebted government.

Still, increased interest rates simply perpetuate many of the problems.
Among a few others, President Bill Clinton employed contractionary monetary policy during his presidency by enacting the Omnibus Budget Reconciliation Act of 1993, also known as the Deficit Reduction Act, that raised the top income tax rate to 36% from 28% for those earning over $115,000 per year, as well as increased corporate income tax and taxed some Social Security benefits. Still, both contractionary and expansionary fiscal policies have never been fully effective, as the United States continues to operate under a huge budget deficit.

Fiscal Policy vs. Monetary Policy

While fiscal policy deals mostly with government legislation regarding taxes and spending, monetary policy attempts to control economic growth (whether to stimulate or slow down) by managing interest rates and the supply of money in the economy. Similar to fiscal policy, it operates to either stimulate or curtail the economy.
Monetary policy largely uses central banks or the Federal Reserve to restrict or increase money supply in circulation - using various strategies. The Federal Reserve uses either open market operations (selling or buying government bonds to affect the amount of money in circulation), setting a discount rate (by which it intends to affect interest rates by setting new ones for lending to financial institutions), or changing the reserve ratio for banks (in order to increase or reduce the amount of money banks can create when making loans).
In a similar fashion to fiscal policy, monetary policy can either be lose or tight (in other words, expansionary or contractionary) by either decreasing interest rates and making credit cheaper or increasing them and making credit more expensive.

What Is the Impact of Fiscal Policy?

Due to the nature of the beast, fiscal policy doesn't always impact everyone the same way - and will often hurt or help a certain demographic more than others. For example, tax cuts to the middle class will certainly help them have a little more cash in their pockets, while increases in taxes for certain tax brackets can sting those in the higher tiers of income (as Clinton's Deficit Reduction Act did).
And, while government spending may seem more stratified in its impact, those like laborers and workers may benefit from certain projects, given the employment opportunity it provides. The market also feels the effects of fiscal policy, as the stock market certainly felt the impact of President Trump's election - notably after the 2017 $1.5 trillion U.S. tax bill passed (deemed "The Tax Cuts and Jobs Act"). After its passage, the markets rose, with the Dow Jones Industrial Average (**DOW**) rising 0.4% and the S&P 500 rising 0.3%, according to CNBC.

While there are obviously many economic impacts of fiscal policy, there have also been many political and controversial effects.
As one of many examples, in 2015, Republicans who dominated Congress and the House proposed a new bill that would "dynamically score" tax and budget bills through fiscal analysis, according to The Huffington Post. But, this raised concerns on the other side.
"In the guise of dynamic scoring, Republicans are trying to rig the system in ways that can be very destructive," said Michigan Democrat Sander Levin in a statement in 2015. "The proposed change would undermine fiscal responsibility and further embrace Republican trickle-down economics."
And while debates like these go on both sides of the political spectrum, fiscal policy has always been a polarizing issue.
History of Fiscal Policy
Fiscal policy grew out of the ideas of John Maynard Keynes - a British economist in the late 1800s to 1900s - who asserted that the government should be able to use its influence on the economy to balance out the expansion and contraction phases of the business cycle.
Keynes asserted that, when there was low activity in the economy, the government should have a budget deficit, while, during times of high activity in the economy, the budget should be a surplus. Essentially, Keynes laid out the basis for fiscal policy by asserting the government could manipulate consumer and investor spending by either expanding or contracting to counteract times of low or high activity.
Prior to the 20th century, American economics were largely laissez-faire, meaning little government intervention in the natural flow of the economy. However, Keynes' ideas became a central part of economic theory following one of the largest catastrophes in the American economy - the Great Depression.
Through then-President Franklin D. Roosevelt's proposal of the New Deal, government intervention in attempting to end the depression marked a change in economic theory in the United States. In an attempt to stabilize the economy, FDR planned to increase consumer spending and employment by spending money on public works like roads, bridges, dams and other projects - using expansionary fiscal policy. And while the economy recovered a bit, it soon required contractionary fiscal policy to right it again.
But, by the start of World War II, FDR once again stimulated the economy through spending in 1943 and secured America's deliverance from the Depression.
Since the early-to-mid 1900s, fiscal policy has been used by various administrations - sometimes successfully, sometimes not - to stabilize the economy.
Fiscal Policy Today
While the Trump administration continues to pass and propose new budgets and tax bills, the U.S. is currently running a deficit of $960 billion, with public debt sitting at $16.7 trillion, according to budget projections for the 2019 fiscal year from the Congressional Budget Office.

As has been evidenced throughout the use of fiscal policy in America, both the legislative and executive branches of government have control over and are able to implement fiscal policy. And while President Trump's recent tax and budget bill seeks to boost the economy, some economists at the San Francisco Federal Reserve Bank are skeptical it will even have any affect whatsoever, according to the Wall Street Journal. S.F. Fed economists say the plan would go into effect during a time when the economy was already performing well, and would, therefore, not have the impact advertised by the administration.

Furthermore, The Washington Post speculates the fiscal policy may benefit the wealthy more so than the middle class, according to reports this year.

But while the benefits or effects on the economy of the newest "Tax Cuts and Jobs Act" of 2017 largely remain to be seen, fiscal policy continues to be a major management strategy for Congress to guide the economy through the ups-and-downs of the business cycle.

IV. BEST PRACTICES FOR IMPROVING FISCAL MANAGEMENT

It studies the budget and economic challenges facing states and helps them design targeted, evidence-based solutions. The project addresses four policy areas: strengthening economic development tax incentives; building effective budget reserves; ensuring that debt is affordable; and evaluating municipal finances.

- Strengthening economic development tax incentives: Tax incentives are one of the primary tools states use to try to strengthen their economies. They also collectively cost states billions of dollars a year, so lawmakers need good information on their results. We help states design processes to regularly study these programs. Then we assist the staff members who produce these evaluations to ensure that their analyses are high-quality and draw clear, well-supported conclusions. Finally, we help lawmakers understand and use the evaluations' findings as they consider changing tax incentives.
- Building effective budget reserves: Whether policymakers want to cut taxes, provide high-quality infrastructure and services, pay down liabilities, or spur economic growth, wide swings in a state's resources from year to year can undermine these goals. Savings strategies can mitigate the impact of economic ups and downs on a state's finances. We help states conduct the analyses to examine trends in revenue volatility over time. We also help policymakers to craft effective savings policies, ensuring reserves are available when they are needed most.
- Ensuring that debt is affordable: While state officials frequently borrow to fund long-lasting infrastructure projects to spread the cost over generations and enable states to finance multiple pressing needs simultaneously, they often lack the data needed to make informed decisions about their debt. To address these difficulties, we conduct research to help states better understand how to manage long-term debt and work with policymakers to conduct regular debt affordability studies.
- Evaluating municipal finances: State and local policymakers have a critical stake in strengthening cities' long-term fiscal well-being and generating opportunities for economic development. To inform these critical conversations, we study the fiscal landscape of cities, best practices for proactively assessing local governments' financial conditions, and policy options that can improve localities' fiscal outcomes.

Guiding Principles of Sound F Guiding Principles of Sound Fiscal Manag iscal Management Systems ement Systems S chool districts spend and account for millions of dollars (about $480 billion per year nationally) in public funds for education. As such, their practices should be guided by principles ensuring that systems, policies, and processes are designed, coordinated, and directed toward student learning and the wise investment of public dollars for education. Sound fiscal management practices are characterized by the following eight guiding principles. 1. Integrity. Fiscal management practices must be implemented in ways that promote and sustain the integrity of the school district and the community: school institutions earn the trust of citizens, and citizens practice civic responsibility. Avoiding conflicts of interest, or even the appearance of such conflicts is vital. 2. Efficiency Efficiency. A school district's fiscal management system must use available resources in ways that most directly and effectively meet the educational needs of students. Resource allocations and expenditures should be justifiable in terms of their expected impact on teaching and learning. 3. Educational Excellence for All Children. Educational Excellence for All Children. Fiscal management practices must support the provision of high quality learning environments, opportunities, and experiences that recognize the needs of individual students, and work toward the attainment of high levels of achievement for all students. 4. Funding Adequacy and Equity Funding Adequacy and Equity. Fiscal management practices must ensure that all schools and programs are provided with sufficient resources to provide a quality education to all students. Policies and practices must also ensure the fair distribution of resources to students, taking into account their individual needs and the diverse and unique circumstances of schools and school districts. Significantly, funding equity is both an inter-district and intra-district concern—i.e., the distribution of state funds to districts should reflect fairness in meeting the needs of individual districts; likewise, the distribution of those funds by the district should reflect fairness in meeting the needs of individual schools. 5. Public Involvement. Public Involvement. Parents and community members have a major stake in how schools and districts use public resources to educate their children and support their communities. Accordingly, fiscal management systems must offer and encourage opportunities for significant and broad public involvement in the process of creating, implementing, and monitoring budgets. 6. Transpar ransparency. Transparency in this context refers to the need for openness by school officials to share information about school finance matters with everyone. Schools and districts must develop and implement a fiscal management system that provides parents and community members with clear and easy-to-understand financial and accountability system information. 7. Accountability Accountability. Fiscal management systems must guarantee that the processes involved in the administration of public funds are conducted openly, and that those involved are held accountable to the highest standards of professional ethics and competence. External and unbiased professional audits should be an integral part of any fiscal accountability system. 8. Competence/Professionalism. Competence/Professionalism. The individuals who are responsible for handling and spending public dollars for education must demonstrate a professional level of competence in fiscal management. Local and/or state organizations should require and provide training that will enable individuals to reach a high professional level of competence.

V. FISCAL MANAGEMENT IN THE INDIAN ECONOMY

The present economic crisis faced by Indian Economy in the foreign trade sector and fiscal sector is mainly due to its developing nature. When we implemented planning for development in 1950-51 the fiscal as well as foreign trade sectors were in a comfortable positions. But as the process of development began it started putting increasing pressure both on fiscal and foreign trade sector. The process of development initiated in 1950-51 called for increased imports of capital goods, raw materials, intermediate goods and some consumer goods. Whereas the exports did not increase at the same rate thus causing increased deficit in our external trade. Similarly, the process of development also called upon the Govt. to spend large amount of money on various activities. The expenditure of the Govt. was always more than the revenue causing great deficits in the budgets. The deficits in both the sectors went on growing and now it has almost reached a danger mark threatening the basic fabric of Indian democracy and the very foundation of Indian economy. The continued increased deficits in the foreign trade sector is mainly due to the changing composition of our imports and exports during last 40 years. The trend in the fiscal deficit is accounted for heavy capital investment undertaken by the Govt. and also increasing deficit in the revenue account since 1970-71. The basic purpose of this paper is to make an attempt to understand the link between growing deficit in BOPs i.e. foreign trade sector. An attempt is also made at the end as to the policy options before the Government in the light of the recent policy initiatives.

THE FISCAL SECTOR

In India fiscal policy is used as a means to achieve economic develop-ment. Since the second Five Year Plan, the volume of public investment surpassed the private investment. This was mainly incurred on the development of basic and key industries which were lacking in India. Apart from the Government entered in a big way in the field of agriculture, transport and communication, education, medical and health etc. In order to encourage private investment in different activities various incentive measures were undertaken. All these lead to larger public expander many times more than its revenue, causing deficits in the budgets. It is mainly because the levels of expenditure laid down cannot be met only by taxation and borrowings. The gap is made good through external assistance. When the external assistance is not sufficient to fill the gap, deficit financing has to be adopted. Thus, in India, deficit financing is mainly resorted to mobilise resources for financing plans. The amount of deficit financing went on increasing plan after plan. This is evident from the Table 1. It is clear from the Table 1 that, the average annual deficit which was only Rs. 66.6 crore in the I Plan rose to more than Rs.5,800 crore in the VII Plan. Whatever may be the objective of deficit financing it will result in immediate increase in the volume of total money supply with the public and raise aggregate demand for goods and services. This is further aggravated by increased credit creation by commercial banks because commercial banks find themselves with additional funds. They are in a position to make extra loans and advances to individuals and companies. This will push up the demand for goods and services resulting in inflationary rise in price. As a result of deficit financing inflation goes too fat and it becomes 'self-defeating'. The rising prices are followed by rising costs, and the latter cause's further rise in prices, and so the 'price-spiral' comes. India is experiencing now this situation. The trend in the price rise is welldepicted by the rise in the wholesale Price Index since 1950. Taking 1971-72 as the base, the rise was milder one in the fifties, a moderate one in the sixties, and a rapid one in the seventies, with the uptrend continuing in the eighties. The Wholesale Price Index was 46.5 in 1950-51, 54.2 in 1960-61, 99.0 in 1970-71, as high as 256.2 in 1980-81, and 435.3 in 1988-89. This clearly shows that the trend in the price rise is more rapid after seventies which exactly coincides with the growing budget deficits. Since then, the rise in prices and wages will force the Government to go for still more deficit financing. It is interesting to know that till 1971- 72 there was surplus on the revenue account and deficit on the capital account. Since then even the revenue account started showing deficit, thus enlarging the over-all deficit in the budget. The deficit met on the revenue account will not yield any returns. Meanwhile, the external debt also increased considerably calling for heavy debt servicing. For instance, the volume of external debt was just Rs. 32,400-00 in 1980 which rose to more than Rs. 1,70,000-00 crore now. If the same trend is continued, in future, the Government will have to borrow simply to pay interest on existing loan without using it for generating income.

VI. CONCLUSION

In order to avoid such situation Government has to either reduce expenditure or increase it revenue collection from tax and non-tax sources. On the expenditure side there is lot of scope for restricting the unproductive expenditure, the subsidies, and foreign visits of the Ministers etc. Such measures will not only reduce the deficit but also conserve the foreign exchange resources. Once if the deficit is reduced, price stability can be ensured. On the revenue side tightening the tap machinery is needed to increase the revenue collection. It is mainly because the total loss to the national exchequer was to the tune of Rs.27,223-00 crores by last November. This was due to large scale tax evasion and corrupt tax officials. Thus, there is need for streamlining the tax administration in India. Even the non-tax revenue can be increased substantially. Today, Government is owning a network of 225 public sector units with Rs. 61,600-00 crore investment. Except few, all of them are incurring losses. In order to cover this loss, Government gives subsidy. Thus Government is purchasing loss by giving subsidy. Therefore, there is an urgent need for improving the working of public sector undertakings. For this necessary competitive atmosphere should be created in this area. If such steps are taken we can expect that these public sector units can start producing quality goods at reduced costs. This will not only increase our exports, but also help in reducing budget deficits.

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