The Causal Relationship Between Government Expenditure and Revenue : The Indian Case

- Jeevan Kumar Khundrakpam

Understanding the nature of budgetary process is important in any attempt at addressing the problem of fiscal imbalances. The paper analyses the Indian budgetary process by determining the direction of causality between government expenditure and revenue utlizing cointegration and error-correction modeling framework and through variance decomposition analysis, and estimating dynamic relation between expenditure and revenue through impulse responses. As would be expected from the practice of determining the size of budget by fiscal exigencies, both the Centre and the States primarily follow spend-and-tax policy, while the size of fiscal gaps grow even though revenue responds to expenditure shocks in a span of 5 to 6 years. For a lasting programme of fiscal consolidation, expenditure needs to adjust to various revenue enhancement measures. Besides fiscal empowerment, this calls for a well-managed expenditure policy.

Measures of Trading Activity in Indian Financial Markets Conceptual and Terminological Issues

- O P Chawla

This is an in-depth study of a narrow subject of great significance for Indian equity and debt markets.

It is a narrow subject as it investigates the use of just two terms, viz., turnover and volume, in the Indian financial markets. It is of great significance as it researches the use of turnover and volume as measures of the size of day-to-day trading activity in those markets; the size of daily trading activity in debt, equity, and foreign exchange markets around the world is viewed with great interest by investors, traders, supervisors and regulators, and academicians. It is an in-depth study as it seeks guidance on the appropriate use of those terms from (i) financial markets from around the world, (ii) literature of financial economics, and (iii) general as well as business dictionaries.

It concludes that the measures of trading activity in the Indian financial markets are affected by absence of conceptual clarity and presence of terminological anarchy. Hence, the urgent need for a conceptually correct and standardized terminology of trading activity; it would be realized that this is required as a necessary concomitant of reforms of these financial markets. The paper makes some recommendations to regulators and managements of financial markets to introduce necessary changes.

Brief Articles, Notes and Comments

Performance Management Systems in Banks

- Prita D Mallya

Telegraphic Reviews

Booknotes