

# The Dynamics of the Revenues and Expenditures of the State Budget in the Period 2014 - 2018

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## Abstract

*With this article, the authors want to emphasize that, as one of the major components of the financial system, by the weight of about 30% in the gross domestic product and by the role it plays in the operation of financial leverage such as fiscal, customs and public spending, the state budget is a fundamental category of finance sciences, linked to the existence of the state and the market mechanism. Formally, the state budget is a list of state revenues and expenditures related to a certain amount of time, usually one year. Highlighting the complex role of the state budget in Romania, the authors try to present its components, namely: financial, economic and allocative, redistributive and regulation for a period of five years. The article ends with the authors' conclusions regarding the dynamics of state budget revenues and expenditures in the period 2014-2018.*

**Key words:** budget, public spending, dynamics, tax instruments, public revenue

**J.E.L. classification:** M48

## 1. Introduction

The State Budget Law is influenced mainly by the political, economic, and social conceptions as well as by the interests of the groups that exercise the political power specific to each period of government.

Economic policy consists of all the decisions that the Government takes to act on the conjuncture and economic structure at national level. In general, budget policy focuses on priority social spending and overall spending cuts to efficiently allocating financial resources.

The word budget comes from French, from the phrases "bouge" and "bougettes" which in French meant a bag or a pouch. At the beginning of the 13th century, more precisely in 1215, in England was drafted the first document relating to the state's income and expenditure under the name "budget".

The definition we consider to be the reference for the state budget is that enshrined in the French Public Accounting Law, according to which the state budget is a financial plan of establishing and authorizing the incomes in a calendar year and, in other words, the state budget is the act of establishing and authorizing the state's annual revenue and expenditure.

The state budget is defined by two approaches, the legal and the economic ones respectively. From an economic point of view, the budget is a document that predicts public resources (funds) and the way to use these resources (resource allocation). From a legal point of view, the state budget is the act of authorizing for a one-year period, state revenues and expenditures.

The economic relations expressed by the state budget are, on the one hand, relations of mobilization of the annual economic resources of the state, and on the other hand there are relations of distribution of resources accumulated over a period of one year.

The design and use of the state budget remains an important issue in the modern economy as it is regarded as a financial prediction and macroeconomic planning tool.

At the level of the European Community, the budget is defined as “the act that provides for and authorizes, in advance, community revenue and expenditure for each year”.

In Romania, according to the Public Finance Law 500/2006, in the unitary budget system are included: first the state budget, then the state social insurance budget, local budgets, special fund budgets, state treasury budget, budgets of other autonomous institutions, which, together constitute the general consolidated budget of the state.

The State Budget of Romania is published in the first part of the Official Monitor of Romania of the respective year, in the State Budget Law and has the structure: general provisions on the state budget for the year in progress, summarized on revenue in chapters and sub-chapters, and on expenditures by financing sources detailed by chapters, subchapters, paragraphs, titles, articles and aligned, as the case may be, and the amounts thereof; implicitly of the budget surplus or deficit; provisions on local budgets for the current year; provisions relating to the budget of the Single National Health Insurance Fund; provisions on projects funded by post-accession non-reimbursable funds; provisions concerning projects funded by non-reimbursable funds related to the European Union programming period 2014-2020; responsibilities in applying the state budget law; final provisions.

In the synthesis of the state budget are structured the revenues on three components, namely current income, capital income and receipts from the repayment of the loans, and the expenditures are structured on four components: current expenses, capital expenditures, loans granted and credits repayments, payments interest and commission fees as shown in table no. 1.

*Table no.1 The revenues and expenditures of the state budget*

<b>Total revenues</b>	<b>Total expenses</b>
out of which: I. Current income, of which: 1. Tax revenues, of which: a) Direct taxes, out of which: - tax; - payroll tax b) Indirect taxes, out of which: - Value Added Tax; - Duty; - Excise duties and taxes on the movement; 2. Non-tax revenue II. Revenue from capital III. Receipts from repayment of loans	out of which: I. Current expenditure, out of which: 1. staff costs 2. material and service costs 3. subsidies 4. premiums granted to agricultural producers 5. transfers 6. interest on public debt and other expenses 7. amounts set aside in global positions as reserves, which is available to the Government from privatization payments II. Capital expenditures III. Given loans IV. Repayments of loans, interest payments and commissions on loans, out of which: 1. repayment of external credits 2. interest payments and commissions on external payments 3. repayments of internal loans 4. interest and commission payments on domestic credits

*Source: own projection*

Income is also presented in chapters and subchapters, and expenditures are presented in totals, by parts, chapters and subchapters, articles, aligned, paragraphs. The parties represent the public sector or the type of action for which the expenditure is incurred.

## **2. Theoretical background**

In the foreign literature and in the UK, the concepts of “budget” and “budget process” were mentioned in 1215 in the Magna Charta, being taken over by the French in a decree of 28 July 1862 on public accounting, specifying that “the budget is the act by which the State’s expenditure and revenue for a specified period is provided and authorized”. In our country, the first (rudimentary) forms of the public budget are considered the income and expense used for Constantin

Brâncoveanu's time, and the "cashmere chasms" of Nicolae Mavrocordat, who were in fact accounts of public revenues and expenditures, situations were made at the end of the year. At our country level, we consider it important to remember the researches undertaken by the following authors: Brezeanu (2002), Nistor I (2004), Bătrâncea (2001). If we are referring to the level and the evolution over time of the U.E. 28, noteworthy are the works of the authors: Tulai, C. (2007), Hoanță N. (2000), Vacarel I. (2002, 2003).

### 3. Methodology

The approach of the study is in principle one of the analysis of the literature of the analysed period. *The proposed methodology* for the study, as well as the achievement of the objectives, is based on the *preliminary documentation* for understanding the theoretical aspects regarding the state budget elaboration mechanism. The theoretical research describes and analyses the current state of knowledge, making contributions in completing it and clarifying certain aspects necessary for the subsequent application. The starting point of the research is the theoretical documentation by going through the literature specific to the field, which allows the formulation of opinions at the end of the paper.

The theoretical approach is complemented by an empirical study of a four-year period on the allocation of resources and their use, respectively the dynamics of state budget revenues and expenditures.

### 4. The dynamics of state budget revenues and expenditures in 2014 - 2018

The budget revenue system mainly includes the state social security budget and special fund budgets and the local budgets. Because they express economic relations, the revenues of the Romanian state budget form a unitary system because it expresses economic relations and, after their collection, they lose their individuality and are expenditures for the realization of the social-cultural actions, the development of the national economy, the defence, the functioning of the state apparatus, etc. In our country, the level of national economy development and GDP dynamics have led to the achievement of some state budget revenues in the period 2014-2018, as presented in Table 2.

Table no. 2. The dynamics of revenues of the state budget of Romania and their weight in Romania's GDP in the period 2014 – 2018

Name of indicators	2014	2015	2016	2017	2018*
Total revenue, of which:	213.833,6	233.554,3	223.721,9	251.819,7	182.382,5
<b>Share of total revenue in GDP</b>	31,7%	33,1%	29,5%	29,9%	19,3%
Current income	199.774,4	215.401,1	215.618,8	233.804,0	174.221,3
Tax revenue	124.973,9	138.302,1	135.406,1	140.245,8	92.688,4
Profit tax, salaries, income and capital gains	37.376,2	42.090,9	44.781,6	46.900,6	28.035,1
Taxes and property taxes	6.185,1	5.738,0	5.898,1	5.361,8	4.138,8
Taxes and goods and services taxes	80.352,2	89.207,8	84.127,1	86.192,6	59.267,5
Foreign Trade tax	643,0	816,0	882,7	933,3	706,6
Other taxes and fiscal taxes	417,5	449,4	716,7	857,4	540,4
Insurance contributions	57.612,1	57.604,0	61.274,4	71.710,5	63.824,9
Non-fiscal income	17.188,4	19.495,0	17.938,3	21.847,7	17.707,9
Subsidies	-	-	-	-	-24.618,9
Revenue from capital	1.027,6	918,2	769,4	830,4	475,3
Donations	89,2	6,3	1,6	8,5	2,8
Amounts from the EU to the single account, to the state budget	11.099,7	16.978,2	949,9	276,6	153,5
Financial operations	-224,1	-28,0	-39,5	-218,7	-127,9
Amounts credited to the single account, to the state budget	272,6	-28,9	472,6	29,2	-
Other amounts received from the EU	1.524,8	-139,2	-	-136,6	8,2

Name of indicators	2014	2015	2016	2017	2018*
for operational programs financed under the Convergence objective					
Amounts received from the EU or other donors on account of payments made and pre-financing for the 2014-2020 financial framework	11.099,7	418,5	5.909,6	17.007,8	8.180,0

Source: Calculations based on data extracted from the Romanian Statistical Yearbook for 2018, from the monthly bulletins published by the National Bank of Romania, on the website: [www.bnro.ro](http://www.bnro.ro) and the Draft State Budget Law 2018 published on [www.mfinante.ro](http://www.mfinante.ro)

Developing the national economy, increasing labour productivity and reducing production costs directly affect the amount of budget revenue. The size of the budget revenues is determined on the one hand by the capacity of the sources of income, by the necessity of self-financing, and by the state budget and the local budgets in the financing of social-cultural actions, the national economy, expenditure on public order, national defence, etc.

According to the data presented in Table 2, the share of total revenues decreased from 31.7% in 2014 to 19.3% in the first eight months of 2018. Current revenues consist of tax revenues and non-tax revenues and we notice an increase from 199,774.4 lei in 2014 to 233.804 lei in 2017, with an increase of 11.70%.

Table no. 3. The dynamics of the State Budget of Romania and their weight in Romania's GDP in the period 2014-2018

Name of indicators	2014	2015	2016	2017	2018*
Total expenditure, out of which:	226.326,8	243.915,5	242.016,3	276.080,4	196.941,8
<b>Share of GDP expenditure%</b>	33,6	34,6	31,9	32,8	20,8
Current expenses	210.135,9	226.688,1	223.001,2	257.735,3	187.971,5
Total transfers	103.421,8	117.551,8	107.953,4	130.892,4	91.519,1
Expenditure on reimbursable financing programs	591,7	455,9	444,5	273,2	155,3
Capital expenditures	17.140,1	18.263,4	19.015,0	19.556,6	9.586,8
Financial operations	-4.846,2	-6.968,6	-4.958,6	-4.762,2	-3.695,0
Payments made in the previous years and recovered in the current year	-949,2	-1.035,9	-	-1.211,6	-616,5
<b>EXCEDENT (+) / DEFICIT (-)</b>	-12.493,2	-10.361,3	-18.294,3	-24.260,7	-14.559,4

Source: Calculations based on data extracted from the Romanian Statistical Yearbook for 2018, from the monthly bulletins published by the National Bank of Romania, on the website: [www.bnro.ro](http://www.bnro.ro) and the Draft State Budget Law 2018 published on [www.mfinante.ro](http://www.mfinante.ro); the first eight months of 2018

The share of the total expenditures in the consolidated state budget of Romania, as can be seen from Table no.3, decreased in 2016 to 31.9% as compared to 2014, when they were 33.6%. There is also an increase in current expenditures in 2017 in the amount of 47,599.4 million lei compared to 2014, when they amounted to 21.135,9 million lei. The capital expenditures also recorded an increase of 2,416.5 million lei in 2017, amounting to 19,556.6 million lei, compared to 17,140.1 million lei as they were in 2014. Regarding the surplus or budget deficit, we may say that a budget deficit has been recorded over the entire analysed period, rising from -12,493.2 in 2014 to -14,559.4 million lei in 2017, i.e. an increase in amounting to 2,066.20 million lei, motivated in 2017 by the advance of the deadline for the submission of the Applications for opening of the budgetary credits by the main credit coordinators.

The correlation between the level of gross domestic product and state budget revenues, as well as the correlation between the level of revenues and that of the state budget expenditures are analysed in table no. 4.

Table no.4. The share of revenues and expenditures of Romania's state budget in GDP in 2014-2020

Name of indicators	UM	2014	2015	2016	2017	2018
Nominal GDP	Million Lei	674.300	704.542	758.500	842.500	945.004
State budget revenues	Million Lei	213.833,6	233.582,3	223.721,9	251.819,7	182.382,5
Share of government budget revenues in GDP	%	31,7	33,1	29,5	29,9	19,3
Annual change in the share of government budget revenues in GDP	Percentage points	-	1,4	-3,6	0,4	-10,6
State budget expenditures	Million Lei	226.326,8	243.915,5	242.016,3	276.080,4	196.941,8
Share of government budget expenditures in GDP	%	33,7	34,6	31,8	32,7	20,7
Annual change in the share of government budget expenditures in GDP	Percentage points	-	1	-2,7	0,9	-12
State budget deficit	Million Lei	-12.493,2	-10.361,3	18.294,3	-24.260,7	-14.559,4
The weight of the state budget deficit in GDP	%	-1,84	-1,48	-2,40	-2,89	-1,55
Annual change in the share of the government budget deficit in GDP	Percentage points	-	-0,38	0,94	0,47	-1,34

Source: The calculations are based on data extracted from the Romanian Statistical Yearbook for 2018 from the Monthly Bulletins published by the NBR, on the website: [www.bnro.ro](http://www.bnro.ro) and the Draft of the State Budget Law for 2018, published on [www.mfinante.ro](http://www.mfinante.ro)

Within the state budget, the share of gross domestic product achieved over the course of a year is given by the share of the revenues in the national GDP. Thus, the share of the state budget revenues in GDP during 2014-2018 was 31.7% in 2014, with a slight increase in 2015 and 1.4 times, respectively, in the following years to fall to 29, 5% in 2016, respectively 29.9% in 2017, and 2018 in the first eight months of 19.3%.

There is also a decline in revenue in GDP in the first eight months of 2018 by 10.6 percentage points, a decline stemming from rising pensions and wages. The share of government budget expenditures in GDP expresses the share of gross domestic product in one year that is allocated to cover the collective needs of the company through the state budget.

Between 2014 and 2018, the share of government budget expenditures in GDP decreased from 33.7% in 2014 to 20.7% in the first eight months of 2018. The state budget deficit represented 1.84% of GDP in 2014, 1.48% in 2015, 2.40% in 2016, 2.89% in 2017, and 1.55% in 2018, respectively, year-on-year when growth, when a decrease in total GDP. At 2017, the state budget deficit stood at 2.89% of GDP, 1.41% higher than the 1.48% minimum in 2015 in the period under review.

## 5. Conclusions

The situation, in which a particular economy is, at the beginning, determines to a great extent its competitiveness, its growth potential and, in particular, the possibilities of using new technologies. This initial situation is the result of the history of the economy, a combination of options and strategies, such as rising spending on health, education, research, the share of productive investment in GDP, the allocation of production factors by sector of activity, the opening of the economy for private investment, macroeconomic policy the priority of the tax system and the distribution of revenue and short-term items.

The concept of budget in terms of the economic approach reveals the dynamics of the gross domestic product and the macroeconomic correlations at the state level. The state budget, in modern economic theory, is considered to be the essential variable in determining the level of use of available resources and gross domestic product. The level of budgetary indicators is determined by the level of gross domestic product, which basically forms the basis for the future evolution of

state resources. Economic policies are based, for the most part, in a direct or indirect manner, on taxation and on public expenditures included in the general budget.

In 1997, the Amsterdam European Council agreed that the Member States should draw up and submit to the Brussels authorities a three-year sliding stability program. This program aims at balancing public resources and spending so that the budget deficit does not exceed 3% of GDP.

The functional structure of public expenditures shows the areas of predominance to which public funds are intended, and in relation to newly created value in the economy - expressed by GDP - highlights the development priorities of a state.

The economic relations underlying the state budget are manifested in a double sense, both as relations that help to mobilize the money resources at the disposal of the state, but also as relationships that are at the basis of the distribution of the collected resources. The state budget is a predictive tool for both short-term, budget and medium-term budgeting programs, especially for public investment spending. Thus, the state budget reflects the total budget revenues and expenditures by raising the amount of public effort over a budget year and a considered time period, the difference between them being reflected in the budget surplus or deficit.

As a result of the study, the authors consider that the share of revenues and expenditures differs from year to year as a result of the tasks of the central and local authorities in the economic and social development of each locality as well as of the country in its ensemble. Therefore, the state budget reflects all the revenues and expenditures of the budget system, cumulated at the national level, and highlights the size of the public financial effort for that year, the state of equilibrium or imbalance, as the case may be.

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