

DEFICIT



Budget as an Artifact for Deficit Reduction under New Public Management: APPRAISAL OF NATIONAL BUDGET OF BANGLADESH DRAWING FROM THEORETICAL INSIGHTS OF SOCIETAL ONTOLOGY OF THEODORE SCHATZKI

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Abstract

Budget is a very important piece of policy document for any government where fiscal policy at national level is addressed keeping the strategic goals into focus. In New Public Management (NPM) journey, the public sector is in a process of policy refinement to accommodate private sector management tools into public sector for ensuring more accountability and transparency in the way of life. Driven by this NPM philosophy, public budget has undergone significant changes. In recent days, Bangladesh has also brought changes to budget process replacing conventional wisdom of making budget to Medium Term Budgetary Framework. It has a policy target of accommodating program budgeting to ensure public service and welfare to the maximum level under NPM ideals. However, the budget deficit becomes a concern for everybody which is increasing day by day. The impact of budget deficit on different macroeconomic parameters, standard of living of current and next generations and sustainability are few among most topics which require immediate regulatory intervention. This paper theoretically highlights the concern of the researchers on these areas to attract the attention of policy makers using Schatzki's *Theory of Practice* as a framework for understanding this social process.

Keywords: Budget, new public management, public debt, deficit reduction, ontology, Schatzki

Introduction

Bangladesh has passed Tk. 523,190 crore national budget for 2019-20 fiscal under the theme - Bangladesh on a Pathway to Prosperity: Time is Ours, Time for Bangladesh. The budget predominantly considers the development targets with ambitious revenue goals. Keeping the delta plan underway, the country has some inter-period goals which receive priority in recent days. Thus the revenue targets become very critical sometimes keep the capacity of the economy unaddressed. To keep aligned with the target of the government, every household have to pass through critical time due to adjust themselves with the tight budgetary measures. With a tottering banking industry, a disgruntled private sector, wanting revenue base, edgy external balance, rising inequality and a growing population of disillusioned youth, achieving prosperity is really a challenge. To redeem dividends from the mega-project, the country has to wait long years; however, sustainability till then is a question. It should be remembered that the social world does not consist of social structures, cultural systems or political orders that are steered or controlled; rather it is composed of nexuses of practices that intersect and interact in time and space (Schatzki, 2008).

The budget balance of any country, either surplus or deficit, is the outcome of a complex interaction of the entire current and expected future fiscal programs (tax rates, spending, deficits and debt) and the economy, and perhaps also the policy (Garret, 2008). The overall budget deficit for 2019-20 is set at Tk. 145,380 crore, which is 5 percent of GDP like the previous year. In financing the deficit, Tk. 68,016 crore is expected to come from external sources while Tk. 77,363 crore will be financed from domestic sources. The tune of budget deficit is increasing across the years though the percentage remains at a constant 5% of GDP technically. At the end of the year, expenditures are getting cut due to failing revenue collection; however, deficit doesn't reflect similar adjustments. It means the burden of deficit remains more or less the same though revenue and expenditure pattern changes.

The conventional wisdom of a large budget deficit is that it acts as a source of economic instability. Large deficits potentially cause two separate but related problems: (i) shifting the bill for financing the current generation's consumption to future generations and (ii) crowding out private investment. Theoretically it has been a firm belief that if government finances its deficit from the banking system heavily it might crowd out private corporation from the debt market. Chhibber and Wijnbergen (1988) argued in their study with Turkish data that large budget deficit financed by borrowing domestically slowed down private

investment causing real rate of interest to increase.

The current issue of the Bangladesh Economic Update analyzing the current trends in deficit and debt reveals that persistently increasing outstanding external debt, high debt as percentage of gross domestic product (GDP) and large debt service payment lowering the capacity of government to increase development expenditure are poised to impede the economic growth and increase intergenerational debt burden in the future. Deficit as percentage of GDP is increasing which is not that alarming level but swelling every year can be menacing for the economic growth. The expenditure, both the development and non-development, is increasing but collection of revenue is not at desirable level to cover the expenditure. In order to meet up this gap, debt from domestic and external sources becomes a must. Debt may be considered as a fiscal stimulus having multiplier effect on economy if it is used for productive purpose otherwise the debt make the problem worse (Leech, 2012). Debt is, however, common for both the developed and developing economies but success of a country depends on prudent use and efficient management of debt. The per capita debt burden of Bangladesh has been mounting rapidly since FY 2009-10, and debt as a share of GDP is high. In this regard, financing and managing the deficit in a best possible way becomes a challenge for the government.

In recent years, public financial management system of the country has undergone serious reform initiatives. With the enactment of Public Finance and Budget Management Act 2009, public budgeting system of the country becomes more transparent and accountable. The country has already introduced medium-term budgetary framework replacing its age-old incremental budgeting approach and dreaming to adopt performance based budgeting soon. However, the reforms in public budgeting driven by NPM ideals are not reflected in the annual budget of Bangladesh properly. 'Value for Money' concept is not addressed and the budget figures are not tested for key performance indicators to ensure transparency and accountability though in last few years significant amount of fund is allocated to mega-projects. A large amount of money is paid every year as a principle and interest to service the domestic and foreign debt which is decreasing the net asset of the country. But the sustainability of debt is questionable because a huge portion of the debt is spent to finance the non-development expenditure like the interest payment, salary, food cost, structural adjustment cost etc. narrowing the capacity of the government to spend on social and infrastructural development. The development expenditure is much lower than the non-development expenditure which may increase the cost of debt by creating inflationary pressure, crowding

out the private investment and may turn to a burden for future generation. Thus this paper categorically considers the deficit structure of Bangladesh budget for a critical analysis with the target of bringing more cushioned approach for macroeconomic sustainability which will really lead the economy towards prosperity.

Theoretical Framework

Drawing on the ideas of *Practice Theory* (Schatzki, 2005) this study will explore the role of budget as an artifact in the translation of deficit reduction into practice. Practice Theory (Schatzki, 2005) is based on earlier work by social theorists such as Giddens (1984), Bourdieu (1977), Foucault (1977), Garfinkel (1967) and Wittgenstein (1953). Schatzki's theory will help in implementing business like practice introduced as a component of the reform movement known as New Public Management in the public sector. Schatzki (2005) argues that the site is the core element of his social ontology, where the site of the social is composed of nexuses of practices and material arrangements. Material arrangements mean set-ups of material objects such as human beings, artifacts, other organisms, and things (Schatzki, 2005). Schatzki's site ontology assumes that all social phenomena are rooted in practice. As budgeting is a social phenomenon, it is also rooted in practice. According to Schatzki (2002, 2005), social practices are organized by human activities. Practices are organized by three phenomena: understanding of how to do things, rules, and teleoffective structures (Schatzki, 2005).

Rules are explicit formulations that prescribe, require, or instruct that what is to be done. A teleoffective structure is an array of ends, projects, uses (of things), and emotions that are acceptable or prescribed or participants in the practice. The contents of teleoffective structure provide meanings, signifying, for actions to be taken at the site.

Schatzki (2002) outlines four organizing principles through which doings and sayings are tied to a particular practice. Doings and sayings are tied to or embedded in a practice through the practice's teleoffective structure. The term, 'telos', denotes that all practices entail 'a set of ends that participants should or may pursue' (Schatzki, 2002). The teleoffective structure of a budgeting practice is 'efficiency', for example, which means that the doings and sayings embedded in this practice are aimed at efficiency. Doings and sayings are also embedded in a practice through practical understanding. Practical understanding denotes the abilities of actors to react appropriately to specific situations. A practical understanding contains the bodily know-how and implicit knowledge to conduct, recognize, and react to other activities. Doings and

sayings are also embedded in a practice through general understanding – a reflexive understanding of the overall practice in terms of its values and aesthetics, including a cultural and societal sense of appropriateness and rightness. Rules can also embed doings and sayings in a practice. Rules refer to explicit prescriptions, procedures, and principles of proceeding. Schatzki (2002) differentiates between four types of entities: 1) human beings as carriers of practices, 2) artifacts as objects formed by human activity, 3) organisms and 4) non-living elements of nature. Based on this differentiation, Schatzki (2013) highlights several ways in which the entities of material arrangements and (the activities of) practices are related: 1) Activities within a practice change material arrangements 2) Activities within a practice react to events within an arrangement. 3) An entity of a material arrangement is causally related to an activity within a practice 4) Material arrangements prefigure a particular practice 5) The performance of particular practices depends on specific material arrangements 6) Practices and material arrangements co-disseminate. 7) The performance of a specific practice changes the meaning of material arrangements.

Schatzki (2002, 2012) highlights the notion that practices and arrangements are always linked in one or several of these ways, forming an inseparable amalgam, which he refers to as practice arrangement bundles. Schatzki (1996, 2002) argues that practices and material arrangements necessarily hang together, forming 'practice-arrangement bundles'; yet the respective relations, which we described above, can differ in density. While some practices and material arrangements are strongly entangled with or dependent on each other. Practice-arrangement bundles tend to change over time. The respective changes might result from changes in the practice or the material arrangement (Schatzki, 2002). These changes in turn are often triggered by external events (Schatzki, 2006).

Budget Deficit

Rules do not determine what people do; rather, what people do determines what following rules amounts to (Schatzki, 1997). Budget deficit is numerically expressed as an amount by how much the public expenditure exceeds as compared with the public revenue. Here, the amount of public expenditure may include interest payment or not. The primary deficit is defined as the difference between current government spending on goods and services and total current revenue from all types of taxes net of transfer payments. The total deficit (which is often called the fiscal deficit or just the 'deficit') is the primary deficit plus interest payments on the debt (Burda and Wyplosz, 1995). Therefore, if S is government spending and T is tax revenue, then

primary deficit is $(S - T)$. If D is last year's debt, and I is the interest rate, then total deficit would be $[(S - T) + (I \times D)]$. Fiscal deficit represents a negative value in national saving, which will reduce the whole value of national saving and raise the real interest rate and encourage foreigners to invest in the domestic economy, leading to exchange rate appreciation. This makes domestic goods and services more expensive relative to foreign goods. So the country imports more and exports less, increasing the trade deficit (Agarwal, 2014). In reality, no course of action could be determined by a rule, because every course of action can be made out to accord with rules (Wittgenstein, 1953).

The overall budget deficit has been estimated at Tk. 145,380 crores for 2019-20 which is five percent of GDP as a policy. Government takes loans to fill gap in budget when it appears a deficit in it (Alam and Fauziah, 2012). The Government relies on both domestic and foreign sources to Finance the Deficit. In FY 2019-20, Tk. 63,848 crore will be collected from foreign sources, whereas Tk. 77,363 crore will be collected from

domestic sources to finance the deficit. As far as the domestic sources of financing deficit are concerned, Tk. 47,364 crore will be collected from the banking system and Tk. 30,000 crore will be collected from Non-Banking source (of which Tk. 27,000 will come from national savings schemes and Tk. 3,000 from other sources). A look into the time series data (Table I gives an extract of last 6 years) on budget deficit reveals that the budget deficit increases across the years giving a signal of macroeconomic instability. A former finance adviser to a caretaker government said that major challenges ahead are increasing private sector investment to rekindle the economy, augmenting revenue income, and addressing the inequality of income distribution to reduce poverty rate. He further mentioned that the multipronged challenges in the areas of revenue earnings, poverty reduction, spurring private sector investment along with creating employment will be the major challenges for the government in coming year. Policy makers should take prudent decision on the trend and pattern of deficit to ensure real growth of the economy.

Particulars	2019-20	2018-19		2017-18		
	Budget	Revised	Budget	Actual	Revised	Budget
Revenues	3,77,810	3,16,612	3,39,280	2,16,556	2,59,454	2,87,990
Expenditure	5,23,190	4,42,541	4,64,573	3,21,862	3,71,495	4,00,266
Deficit	- 1,45,380	- 1,25,929	- 1,25,293	- 1,05,306	- 1,12,041	- 1,12,276
Financing:						
Foreign Borrowing	63,848	43,397	50,016	25,621	41,567	46,420
Domestic Borrowing	77,363	78,745	71,226	78,815	66,017	60,352
Borrowing from Banks	47,364	30,895	42,029	11,731	19,917	28,203
Savings Schemes	27,000	45,000	26,197	46,289	44,000	30,150
Others	3,000	2,850	3,000	20,796	2,100	1,999

Particulars	2016-17			2015-16			2014-15		
	Actual	Revised	Budget	Actual	Revised	Budget	Actual	Revised	Budget
Revenues	2,01,210	2,18,500	2,42,752	1,72,951	1,77,400	2,08,443	1,45,966	1,63,371	1,82,954
Expenditure	2,69,499	3,17,174	3,40,605	2,38,433	2,64,565	2,95,100	2,04,380	2,39,668	2,50,506
Deficit	- 68,289	- 98,674	- 97,853	- 65,482	- 87,165	- 86,657	- 58,414	- 76,297	- 67,552
Financing:									
Foreign Borrowing	11,603	24,077	30,789	12,866	19,963	24,335	4,909	15,909	18,069
Domestic Borrowing	55,985	69,903	61,548	50,730	62,175	56,523	51,169	54,714	43,277
Borrowing from Banks	- 8,379	23,903	38,938	10,614	31,675	38,523	514	31,714	31,221
Savings Schemes	51,806	45,000	19,610	34,152	28,000	15,000	28,705	21,000	9,056
Others	12,558	1,000	3,000	5,964	2,500	3,000	21,950	2,000	3,000

Table I: Budget Deficit and Compositions of Financing Sources

Deficit Financing

One of the important aspects of budget is to know the state of deficit and identifying possible sources of financing. Optimum balancing of different composition depends on the understanding of the Teleoffective Structures on part of the agent. The structure is a composite term that includes teleological and affective components of action combined with intentions or goals that are influenced or directed by normative and emotional behavior.

Unlike typologies that disaggregate action into types, teleoaffectivity includes a vast range of constituents: intentions, actions, emotions, and moods as well as ends, purposes, projects, and tasks (Schatzki, 1996). Schatzki also appears to expand the notion even further in his later work by defining all human activity as teleological, including magic, ritual and religious ceremony (2010). He insists, however, that the focus on teleoaffective structures as meaningful teleological objects of inquiry does not involve an apriori bias towards intentionality or purely meaningful human activities. Because teleoaffective structures are “normative” rather than individual, teleological rather than instrumental, they gain their normativity through the enactments of practical intelligibility that underpins all practices (Schatzki, 1996).

There are different mechanisms of financing deficits which depends on host of factors which are political, economical, cultural and multilateral in nature. Deficits can be financed through money printing, internal and/or external borrowing and use of central bank's foreign reserves. Each financing mechanism would involve different macroeconomic repercussions such as inflation, balance of payments crises, and external debt crises (Osinubi and Olaleru, 2006). Broadly, these are the public debts taken from domestic or external sources. Alam and Fauziah (2013) enunciated that public debt may be defined as the sovereign borrowing from its own population, from foreign governments or from international institution.

External Debt is directly linked to borrowing from bilateral and multilateral institutions for project funding through the Annual Development Program (ADP) and budget support systems. Domestic borrowing is generated for financing segments of the budget deficit in addition to intra-year cash flow management. In general, external borrowing is applied to long term commitments while domestic borrowing is required for short, medium and long term commitments. Public borrowings are usually made on a national scale by central governments and at lower tiers of the government by provincial/ state, regional, district and municipal administrative authorities.

Keeping the budget deficit increasing every year is undesirable, rather budget mechanism should have indication of reducing the same to ensure sustainable economic growth. Economic trends can influence the growth or shrinkage of fiscal deficits in several ways. Increased levels of economic activity generally lead to higher tax revenues, while government expenditures often increase during economic downturns because of higher outlays for social insurance programs. Changes in tax rates, tax enforcement policies, levels of social benefits, and other government policy decisions

can also have major effects on public debt. If deficit reduction is not planned properly, the debt will be carried forward to next generation and the economy will fall in debt trap.

Domestic Debt

The domestic resources are always considered as key source of the government for deficit financing. The government borrows from two domestic sources: banking system and the non- banking system, while the borrowing from banking sector is decreasing in recent times. As per the information put in Table 1, the principal source of budgeted domestic borrowing is borrowing from banks. However, the actual scenario is different as government raises money from selling savings certificates above the budgeted figure which ultimately reduces the burden for the government to borrow from banks. Higher domestic borrowing by the government through NSD certificates reflects sluggish demand for investible funds in the private sector. Total domestic financing has been showing an increasing trend since FY 2009-10 because of increase in deficit. At the end of FY 2016-17, the total outstanding domestic debt has increased by 13.25 percent. Outstanding domestic debt as percentage of GDP was 15.45 percent in FY 2013-14, 15.50 percent in FY 2014-15, and 15.78 percent in FY 2015-16, and 15.83 percent in FY 2016-17. The outstanding domestic debt stood at Tk. 309,682.37 crore at the end of June 2017 compared to Tk. 273,461.37 crore in the corresponding period of the previous fiscal year. According to Bangladesh Bank (2017:23), “Government's budget financing from domestic sources stood lower at Taka 362.21 billion in FY17 as compared to that of Taka 384.93 billion of FY16. Net foreign financing stood at Taka 208.63 billion in the period under review. Therefore, the total budget financing of the government in FY17 stood lower at Taka 570.84 billion against Taka 587.07 billion in FY16. Analyzing the increasing trend in outstanding domestic debt over the last eight years, it can however be said that the amount of outstanding domestic debt has become 2.65 times higher in FY 2016-17 than the outstanding domestic debt of Tk. 116,823.84 crore in FY 2009-10.

During fiscal 2019-20, the government has planned to borrow more from banks and sale of NSD is discouraged from the very beginning. However, the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) urged the government to manage fund from other sources rather than banking channel to finance the deficit financing in 2019-20 fiscal. The government's high volume of bank borrowing will deter the cash flow in the private sector, so the government can source the fund from other sources like infrastructure funds,

infrastructure bonds and other financial tools. The president of the federation said bank borrowing by the government for budget deficit will constrain the capital flow to the private sector. The government proposed borrowing Tk. 47,364 crore from the banking channel to meet the deficit in the budget for fiscal 2019-20.

External Debt

External assistance has played a vital role in the economic development of Bangladesh assisting in bridging the internal gap (savings-investment gap) and external gap (export-import gap). Borrowing from the foreign debt partner is much lower than the domestic one but the dependency is high. Analyzing data from external sources it is seen that in FY 2014-15 amount of foreign resources stood at USD 3,043 million which is 1.36 percent less than the receipt US \$3,085 million of previous fiscal year. At that time repayment of principal and interest was USD 1,097 million which was 15.22 percent less than the previous fiscal year. In FY2015-16 disbursement has peaked to a record breaking USD 3,450 million. Compared to FY2014-15, disbursement of FY 2015-16 has increased by 13.74 percent. On the other hand debt service (principal and interest) expenditure of FY2015-16 has decreased by USD 53 million compared to last fiscal year. As a result, net external assistance flow (after deducting principal and interest payment) in FY 2015-16 has increased by 24.54 percent compared to last fiscal year.

A number of studies have been conducted to investigate the relationship between budget deficit and foreign debt in different countries by using different data sets. In case of Jordan, Shahateet et al. (2014) showed that external debt is not caused by budget deficit but by other factors related to economic growth and, more likely, political factors. They also said that the budget constraints must rely on more important factors other than external debt when drawing fiscal policies. These factors may include good governance, tax reforms and lowering government spending on certain economic activities that have little significance on total output. Qayyum et al. (2014) presented a theoretical model for foreign aid, external debt and governance. They showed that external debt and foreign aid do not affect the growth rate of consumption but have level impact on consumption. They concluded that foreign aid encourages the economic growth but external debt creates a burden on the economy. Foreign aid does not affect investment directly but it has a direct positive impact on the savings in the economy. Foreign aid has a positive impact on economic growth and it is playing a constructive role in spurring the economic activity of an economy. External debt has a negative impact on economic growth and it is a burden that puts

an economy into trouble. They recommended that developing countries should finance budget through foreign aid and do not depend on the external debt as it affects the economic activities adversely (Qayyum et al., 2014). Another study by Jayaraman and Evan (2008) confirmed that the high flow of aid and foreign debt has contributed significantly to high rates of economic growth in the six countries of the Pacific during the period 1988 to 2004. In another study, Butts (2009) shows the existence of a causal relationship between economic growth and the external public debt in 13 out of 27 countries of Latin America and the Caribbean during the period 1970-2003. From the findings of the empirical studies as listed here, it is understood that the relationship between external debt and economic growth has a positive relationship, however, the tune of debts need to carefully computed to keep the long term debt sustainability of the country guaranteed.

Debt-Service Payment and Debt Sustainability

Debt Service Payments is a term used to describe a variable factor within the debt service coverage ratio (DSCR) formula. The DSCR formula is used by investors and lenders to evaluate the potential of an investment property or commercial enterprise by determining its ability to service the debt on a loan given the terms. The Debt Service Payments factor of the equation is simply the amount of the monthly payments made on the interest and principal of a loan. In our case, debt-service payment is increasing over the time which indicates a decrease in the net foreign asset of the country. This outflow of asset not only creates a pressure on the balance of payment but also makes a burden on the economy. In terms of debt sustainability, it is shown that the outstanding external debt represents 53.49 percent of the total amount of export earnings and remittance in FY 2015-16, whereas this ratio was 48.68 percent in FY 2014-15. In addition, total external debt-service payment represents 4.62 percent of total revenue earned and 2.15 percent of the total amount of export earnings and remittance in FY 2015-16.

Financing larger amount of deficit budget through debt increases the risk greatly though deficit budget is considered as a tool to stabilize the economy. But modern fiscal practices show that the success of deficit budgeting depends on the sagaciousness of the government in using this tool properly. If a government cannot handle it efficiently the dangerous effect would be an escalation of the debt stock of a country as the deficit is commonly financed by taking debt. Like the governments of other developing countries in the

world, government of Bangladesh always try to use deficit budget as a potential instrument to stabilize the economy and forward to a sustainable economic growth. As the size of the budget is going to be large every year, the amount of deficit in budget shows a growing trend which instigates an increase in public debt. Actually Bangladeshi economy is primarily dependent on foreign aids and loans as a major source of external financing. However, proper utilization of the fund remains a question where NPM ideals may act as strong intervention. Government always tries to carry out a structural change by taking some steps such as Public Private Partnership (PPP) to use the foreign aid and loans efficiently to stabilize the economy. As days go on the amount of public debt is increasing which demands an effective and efficient coordination of fiscal policy. It is a great challenge for Bangladeshi government to tackle the rising public debt created by past budget deficits. Due to an increasing trend in using debt to finance budget deficit, an economist rightly said Bangladesh is slowly moving towards being debt-trapped if the present situation of its lending is considered.

Now Bangladesh has to pay 2 percent in interest for loans from World Bank and Asian Development Bank, up from the 0.75 percent availed before the transition to a lower middle-income country. Loans from Japan, Bangladesh's largest bilateral development partner, cost 1 percent, which is almost 7 times higher than what was two years ago. For interest payment, Tk. 57,070 crore has been earmarked, which is 10.91 percent of the total allocation and 51 percent higher than the outgoing year's revised allocation of Tk. 37,920 crore. A renowned economist rightly mentioned that the size of the budget deficit is not big. But source of financing is important. The bank borrowing decision has come amidst the presence of high non-performing loans and a liquidity crisis. Domestic sourcing from commercial banks and national savings certificates will lead to payment of more interest. Another economist termed the deficit sourcing "expensive", saying the external and local loans would carry high costs. If the government is not able to mobilize internal resources, it will create a burden for poor people in the future as the government will have to cut different social welfare expenditure. The government has already started to take expensive loans from China, Russia and other multilateral external sources that will create additional pressure on the economy in coming days, for the repayment amounts will be big. An adviser to former caretaker government said the deficit financing plans remain unfulfilled every year due to a lack of budget implementation efficiency. He however suggested that the government avoid non-concessional loans, avail

cheaper loans and reduce dependence on national savings certificates. Table 2 below shows the rising trends of interest expenditure over the years.

Fiscal Year	Interest Expenditure
10	14,646
11	14,578
12	19,796
13	23,347
14	26,540
15	31,043
16	33,113
17	35,358
18	41,766
19	48,745
20	57,070

Table 2: Interest expenditure across the years (Source: Economic Review and Budget Document)

Impact of Budget Deficit on Macroeconomic Variables

Budget deficit has multi-level effects on explaining economic health of any country. This is due to the typical nature of budget deficit as a part of social practice. A practice is "a temporally evolving, open-ended set of doings and sayings" linked by "practical understandings", "rules", "teleoffective structures" and "general understandings" (Schatzki, 2002). Due to this temporally evolving open-ended nature of doings, budget deficit brings changes to different macroeconomic variables like growth, inflation, interest rates, account balances, currency value etc. By conducting a study about budget deficit, external debt and economic growth in Nigeria, Osinubi and Olaleru (2006) confirmed an existence of the debt Laffer curve and the non linear effects of external debt on growth. They also suggested that if debt financed budget deficits are operated in order to stabilize the debt ratio at the optimum sustainable level, debt overhang problem would be avoided and the benefits of external borrowing would be maximized. In his study in Jordan, Abdelhadi (2013) found that there is a positive and significant relationship between external debt and economic growth in Jordan. But with the increasing reliance on foreign funds and of foreign loans, in particular, led to rising debt service burdens, which has a negative impact on economic growth in Jordan, and there is an inverse and significant relationship between debt service and economic growth, because the country spend major portion of its Balance of Payment to serve its external debt.

In general, there are three schools of thought

concerning the economic effects of budget deficits: Neoclassical, Keynesian and Ricardian. The Neoclassical one imagines intuitive individuals planning consumption over their own life cycles. They view budget deficits as a way to raise lifetime consumption by shifting taxes to subsequent generations. But higher consumption implies lower savings and thus interest rate must increase so as to bring back capital markets into balance. In this situation, crowding out problems may arise. Under the Keynesian view, an important percentage of the population is considered to be either myopic or liquidity constrained and deficits are seen as having beneficial consequences when appropriately timed. On the other hand, Ricardians consider deficit policy as a matter of indifference, posing their attention on altruistically motivated transfers (Mukhtar and Zakaria, 2008). Knowing what to do in a particular situation or how to react to ongoing actions requires practical understanding: the ability to perform, identify and respond to an action. Practical understanding somehow carries out the acts that practical intelligibility “singles out” (Schatzki, 2002).

In a study, Hossain (2012) showed that budget deficit accelerated economic growth in the case of Bangladesh. On the other hand, research performed for Pakistan by Fatima et al. (2012) found negative impact of budget deficit on economic growth. High and volatile fiscal deficits may be harmful to welfare, for instance, debt-to-GDP ratio is negatively related to the long-run fiscal sustainability, therefore, affecting the living standards of future generations (Alesina and Perorri, 1996; Woo, 1999; Alesina and Rodrik, 1994; Persson and Tabellini, 1997). High and volatile deficit may also increase the level and volatility of inflation since central bank is deficient in independence (Fatas and Mihov, 2006).

For Malaysia, there is no long-run relationship between budget deficit and economic growth in consideration of the Ricardian equivalence hypothesis (Rahman, 2012). Researchers in Pakistan also found that fiscal profligacy seriously undermine the growth objectives thereby adversely impacting physical and social infrastructure in the country (Fatima, 2011). In the case of India also there is negative and significant relationship between fiscal deficit and economic growth in the long-run (Mohanty, 2013). The studies suggest reduction of subsidies and investing this money in health, education, infrastructure sectors such as power and roads etc., so that it will enhance the productivity of both human capital and physical capital, which will go a long way in increasing the per capita income of the people.

Economic effects of budget deficit on other macroeconomic variables are important. Some authors found evidence that budget deficits cause inflation (McMillin, 1986). Similar results also reported by

other researchers (Edwards and Tabellini, 1991; Favero and Spinelli, 1999; Metin, 1998; Ozatay, 2000). On the contrary, some authors conclude that budget deficits do not contribute significantly to higher inflation (Karras, 1994; King and Plosser, 1985). In the case of interest, some authors found no causal relationship between budget deficits and interest rates in the US and some other countries (Evans, 1987; Barro, 1987). On the other hand, Hoelscher (1986) and Cebula and Koch (1989) found that federal budget deficits contribute to higher levels of interest rate yields. Evans (1985) suggested that federal deficits affect consumption and interest rates whereas Berheim (1989) found evidence to the contrary. Krugman (1995) and Sachs (1985) argued that lower budget deficit lowers the value of the dollar. There are numerous studies in the literature holding this opinion, mostly in the case of the United States of America (Mundell, 1963; Fleming, 1962; Dornbusch, 1976). Evans (1986) found no evidence of the presence of any relationship between budget deficit and value of domestic currency and suggested that budget deficits are a sign of weakness in the economy. The study conducted by Al-Refai (2015) revealed that the gross fixed capital formation and domestic debt have positive and significant relationship with economic growth in Jordan, but labor, external debt, and long-term external debt have a negative and insignificant impact on economic growth in Jordan.

Value for Money

Elaborating the term ‘value of money’, an economist of the country said return in the economy against investing money in certain sectors like education, infrastructure, and safety net program is fundamental in terms of expenditure both in the heads of revenue and development perspective. Value of money must be ensured in budgetary expenditure, as quality spending is the key to get expected returns from public sector investment. A famous economist of the country mentioned ‘augmenting revenue, ensuring the ‘value of money’ and containing unproductive expenditure are three major challenges the government will face while implementing budget for the 2019-2020 fiscal year.’ He said private sector investment is linked to both propelling growth and job creation, while earning targeted revenue would consolidate the economy for further expansion with reducing deficit financing. A university professor of economics said for Bangladesh there is another risk because the current growth in the GDP is led by significant public investment in mega projects and in many cases expenditure in these projects are not linked with increase in employment growth in the economy. To my view, for Bangladesh, the most difficult issue is to ensure higher employment growth as we proceed to be one of middle-income

countries in the world. The government has resorted to deficit financing, largely through bank borrowing and sale of high-cost savings certificates, increasing the interest payment burden on its shoulders and fuelling inflation. The regulator should listen to the expectation of social plot and respond accordingly. To ensure proper value for money, the presence of 'practical intelligibility' is a must. Practical intelligibility is a teleological phenomenon that operates at the level of everyday sense-making or coping activity that is understandable to the actor; even though it may have no explicit reference to what is rational, normatively prescribed or scientifically correct; although it may include all of these and more (Schatzki, 2002). It governs action by specifying what an actor does next in the continuous flow of activity. It also causes activity in the sense of formal and final, but not efficient, causality: It specifies what a person does; and the specification of what to do is usually oriented towards specific ends (Schatzki, 2002).

Revenue Targets

One of the very important and desirable options of reducing deficits in budget is increasing revenue. Under new public management ideals, there is an increasing trend of maximizing public revenue by involving public sectors into commercial activities like private sectors. However, our budget shows no reflection of such objectives. The action is what is done, whereas the performance is the doing of it (Schatzki, 2010). While Schatzki's shift from action to practice appears to promise more conceptual clarity in defining how "actions presuppose practices", it also creates further difficulties in explaining how practices "carry out" actions, and how the "performance" or doing of a practice "befalls" agents (Schatzki, 2002, 2010). The total revenue target for the upcoming fiscal year has been set at Tk. 377,810 crore, up by 17.92% than the revised target for the outgoing fiscal year. The revenue target for the National Board of Revenue (NBR) for the next fiscal year has been set at Tk. 3,25,600 crore, non-NBR Tk. 14,500 crore and non-tax revenue income target at Tk. 37,710 crore. While the NBR, which typically earns more than 80% of total revenue, registered only 7.1% growth in the first nine months of the current fiscal year, the next total revenue growth target of 17.92% is unrealistic to achieve, and thus ambitious. Expanding and enforcing the indirect tax, Value Added Tax (VAT), is riding government's expectation high to earn hefty tax income from consumers and small businesses. Former governor of the central bank said, the new VAT act is the only tool for the government to earn more, while it will be a source of contention between

the government and the business community. He said, one of the major challenges the government is set to encounter is striking a balance between income and expenditure. On the back of huge revenue shortfall in the current budget, the government has announced another jumbo sized revenue target. Pointing on other major challenges, the governor said the government would face tough resistance in implementing the VAT act, creating employment generation and boosting private sector investment. According to the Economist Intelligence Unit, 47% graduates in the country were unemployed in 2016, while the rate is 10% for India and Pakistan. On the other hand, BBS data says the country had 2,677,000 jobless people in 2017. Of the total, 40% was educated youth of the country. Here, the regulator should understand the difference between theoretical and practical intelligibility of action. Theoretical intelligibility invariably involves representational and realist models of subject and object, individual and action, whereas "practical intelligibility" assumes that we can immanently disclose the "practices themselves" or that meaning is "out there" in the practices: there is no need for the intervention of abstract theoretical concepts or models of agency, based on rationality, intentionality and causality (Taylor, 1971).

Twin Deficits

Twin deficits arise when an economy goes through both the fiscal deficit and the current account deficit (CAD). The country last experienced the twin deficits in FY'12. The phenomena returned to Bangladesh in the fiscal year, 2016-17, (FY'17) after five years and further widened in FY'18. In the meantime, the 'twin deficits' situation is expected to worsen further, as the central bank projects the current deficit may exceed US\$ 10 billion or equivalent to over 3.5 per cent of the GDP this fiscal year. In its latest Monetary Policy Statement, the Bangladesh Bank (BB) said the current account is widening due to higher trade deficit despite a rebound in the receipt of remittances. Agarwal (2014) investigated an existence of the long-run equilibrium relationship between current account and fiscal deficit in India.

A study conducted by the International Monetary Fund (IMF) on 114 developing economies including Bangladesh reveals that fiscal deficits have direct impact on current account imbalance. The current account deficit has been worsening since the mega projects were taken up, which in turn had been boosting the imports. Due to worsening current account deficit the authorities may rapidly depreciate the currency or increase foreign borrowings to finance the external gap. A renowned economist of the country said the

government should be more careful about taking up its projects, especially against those which raise the imports.

The capital flight also might be involved in worsening the twin deficits. An economist from Dhaka office of the World Bank said Bangladesh's savings is less than that of investment implying that the money may siphon-off from the country. The gross national savings in the 2017-18 fiscal year was just 28.07 per cent of the GDP against investment (public and private) of 31.47 per cent of the GDP. He told that the 'unusual behavior' in the country's gross national savings and investment reflects that there is a capital flight.

The IMF study is a message for Bangladesh although Bangladesh mostly fails to spend its allocation which it earmarks in the budget estimation. However, by using unanticipated government spending shocks for an unbalanced panel of 114 developing economies from 1990 to 2015, the IMF found that a one per cent of GDP unanticipated improvement in the government budget balance improves, on average, the current account balance by 0.8 percentage point of the GDP. It signals a necessity of 'change' as introduced in practice theory. Schatzki (2002) appropriately put his proposition that change comes about through agency" which raises fundamental questions of how agency and change can be theorized within the intellectual genealogy of practice theory. We expect that the agent will be successful in translating the hope and aspiration of the society towards the desirable change by applying general and practical understanding.

Conclusions

The status of human beings as "subjects" (and "agents") is bound to practices (Schatzki, 2001). Paradoxically, this requires displacing the "contents and properties" of mind, cognition and individual intentional action from the understanding of social life: "Human agency must . . . be understood as something contained in practices (i.e., as the performance of doings and sayings that constitute the actions that compose practices)" (Schatzki 2002). Use of debt in reducing deficits in budget is a practice which becomes a part of social life. However, it should be understood that practices are ontologically more fundamental than language and discourse. Without a careful orientation with social process and reality, theories couldn't be of any practical use. The continuous rise in per capita debt as well as lower per capita growth in GDP is posing serious challenge to a sustainable growth of economy in Bangladesh. Government needs to take proper policy responses by putting emphasis on debt restructuring with an ultimate goal of deficit reduction gradually. In

this regard, harmonizing the fiscal and monetary policy, taking an effective debt management policy for long term basis and exercising civil and political rights in decision making process concerning debt issues are needed. If practices are primarily routine, habitual and normative events that happen, rather than purposive and generative processes, then how do they change over time (Schatzki, 2011)? Government should understand the concern rose in this question and then we could come up with a feasible solution. The government must concentrate on increasing productive capacities and channel adequate resources to productive sectors and should reform tax structure by progressive tax system (to include the tax payable person under tax regime). Moreover, encouraging domestic productive sectors, developing domestic debt market rather than dependency on banking sector is must. By focusing only on practices as the locus of the "social", practice theories emphasize how the enactment of everyday activities is guided not by intentional action, formal knowledge or theoretical concepts, but by routine practices, know-how, tacit knowledge or informal rules, all of which may be diffuse, indeterminate or unreflective (Turner, 1994; 2007). Finally, costly lending instrument as source of deficit financing is a weak fiscal tool for fostering economic growth. Proper steps should be taken to form capital domestically and channel the same to formal economic systems which will automatically ensure more investable resource for financing the non-development expenditure. Ultimate target should be on lessening the dependency on debt which will ensure more allocation on development expenditure with less dependency on debt. Really the critical challenge for practice theory is to explain how practices remain the same and how practices change (de Certeau 1984). 

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