

Chapter - 4

Chapter – 4

REVENUE EXPENDITURE : GROWTH AND COMPOSITION ANALYSIS

- 4.1 Introduction
- 4.2 Overall Growth of Revenue Expenditure of Maharashtra and All States
- 4.3 Composition of Total Expenditure of Maharashtra
- 4.4 Composition of Revenue Expenditure of Maharashtra
- 4.5 Functional Classification of Developmental expenditure (Revenue)
- 4.6 Major Heads of Developmental Expenditure on Social Services
- 4.7 Major Heads of Developmental Expenditure on Economic Services
- 4.8 Major Heads of Non-Developmental Expenditure of Maharashtra

Chapter – 4

REVENUE EXPENDITURE : GROWTH AND COMPOSITION ANALYSIS

4.1 Introduction

Taxation is a major revenue generating source for the government. Apart from the other goals of taxation, the goal of collecting a large revenue from direct and indirect taxes for meeting the heavy public expenditure is very essential. In fact, it is public expenditure which is one of the most important side of public finance. It is public expenditure which make us to study all other aspects of government finances. Government incurs expenditure to perform various functions to achieve socio-economic objectives by rendering services and supplying public goods to the people. The Government cannot perform functions and achieve predetermined socio-economic objectives without incurring expenditure. Therefore, the study of public expenditure plays an important role in public finance.

Meaning of Public Expenditure

“Public expenditure refers to all types of expenditure incurred by the government.”

It means expenses incurred by the Central Government, State Government and local bodies, such as Municipalities, Zilla Parishads, Panchayat Samities and Village Panchayats.

Multifarious Activities

We know, every government has to maintain law and order, public parks, schools, health of the people, sanitation, etc. and the military, navy, air force for protection against any external aggression. But these are not the only functions the government of a country performs. Today, the state is recognised as a welfare state and not a police state as in the past and it has, therefore, to perform many welfare functions, such as maternity protection, caring for the weaker sections, arranging for the cheap food, cheap cloth, and low cost housing for the poor and so on. Besides, Laissez Faire is no longer in existence anywhere in the world. The government of a country has to intervene in the economic activities of the people to streamline production in order to serve the interest of the whole nation. It has also to perform many social and public functions. In many underdeveloped countries, governments have to undertake even entrepreneurial functions to establish sound public sector enterprises.

All these multifarious activities are increasing every year, due to which Government expenditure has been increasing.

Public Expenditure Pattern of the State Governments in India

It is the size and composition of public expenditure that the community takes into account in return for the taxes paid by it. But generally much less attention has been given to the different aspects of state expenditure than to the state taxes. In the fourth chapter of our study, we have to review what the state governments have done with the

tax payers money. In other words a detailed examination of the composition and pattern of Maharashtra State revenue expenditure as well as different aspects of Maharashtra State revenue expenditure is attempted in this chapter.

Conventionally, the Union as well as State budgets in India are divided into two parts, namely the Revenue Budget and the Capital Budget. The revenue budget consists of the revenue receipts of the government i. e. tax revenue and non-tax revenues and expenditure met from these revenues. The revenue expenditure usually shows the outgoing or spending of a recurring nature on current account. The revenue expenditure is for normal running of the government departments and various services, interest charges on debts incurred by the government etc. Broadly speaking, the expenditure which does not result in the creation of asset is treated as revenue expenditure. The revenue expenditure consists of developmental expenditure on social and economic services and non-development expenditure which is nothing but the expenditure on general services.

The capital budget consists of capital receipts and capital disbursements. The disbursements on capital account usually indicate outlays incurred on construction or acquisition of capital assets, repayment of loans and money lend to various bodies like local bodies and autonomous and semi autonomous institutions for a variety

of purposes. This is known as capital expenditure or disbursements and lead to (i) new investments and (ii) physical and capital assets.

The revenue and capital budget has been illustrated with the help of following table.

Revenue Budget

Items of Receipts	Items of Expenditure
a) Taxes on income	a) Administrative and general services
b) Taxes on property	b) Social services
c) Custom duties	c) Economic services
d) Union excise duties	d) Community services
e) Non-tax revenue	e) Maintenance of road and railways etc.
f) Other revenue	f) Total revenue expenditure
g) Total revenue receipts	

Capital Budget

Items of Receipts	Items of Expenditure
a) Loans and recoveries	a) Public works
b) Market loans	b) Construction of power generation plant
c) Small savings	c) Construction of roads and railways
d) External loans	d) Flood control works
e) Other receipts	e) Irrigation canals etc.
f) Total capital receipts	f) Total capital expenditure

Again the revenue expenditure as well as capital expenditure is classified as plan expenditure and non-plan expenditure. Development expenditure outside the plan is called as non-plan expenditure. For example, the maintenance of building of schools, primary health centers, roads created in the previous plan. Sometimes plan expenditure is more favoured than non-plan expenditure. Such attitude distorts a sense of objectivity in our appreciation of different direction of expenditure of plan schemes. This of course does not mean that plan

expenditure should not have priority. It only means that while we ensure the fulfillment of the plan the sense proportion is not lost. In our study period 1991-92 to 2000-01, we have considered plan and non-plan expenditure together.

4.2 Overall Growth of Revenue Expenditure of Maharashtra and All States

Table No. 4.1 reveals overall growth of revenue expenditure of Maharashtra and All States.

Table No. 4.1
Overall Growth of Revenue Expenditure of Maharashtra and All States

at-whole prices
(Rs. in crores)

Year	All States	Maharashtra
1991-92	86186.45	10048.72
1992-93	96205.19	11546.70
1993-94	109376.19	13108.69
1994-95	128439.88	14812.19
1995-96	145003.93	17168.40
1996-97	168949.90	20845.80
1997-98	186633.70	22896.50
1998-99	220089.50	25663.00
1999-2000	260998.20	29538.20
2000-2001	291521.50	36495.40
Increase in 2000-01 over 1991-92 (Times)	3.38	3.63
CGR	14.76	14.98

Source : As of Table No. 2.1
CGR = Compound Growth Rate (percent)

Table No. 4.1 depicts the overall growth of total revenue expenditure of the Maharashtra and State Governments during the period between 1991-92 and 2000-01.

The striking change is the large increase in the quantum of revenue expenditure in the last 10 years. The aggregate revenue expenditure of all states covered in our study has increased more than 3 times over the period under our study i. e. 1991-92 to 2000-01.

For examining the revenue expenditure more correctly, we have to consider the compound growth rate of revenue expenditure. The table No. 4.1 shows that the compound growth rate of the states during the period under study was 14.76 percent.

The revenue expenditure for all states in 1991-92 was Rs. 86186.45 crores and increased to Rs. 291521.50 crores in 2000-01. An important feature of revenue expenditure revealed from our study is that the compound growth rate of revenue expenditure exceeded the compound growth rate of revenue receipts for all states and Maharashtra also during the period under study.

The revenue expenditure for Maharashtra in 1991-92 was Rs. 10048.72 crores and increased to Rs. 36495.40 crores in 2000-01, representing more than 3½ fold increase over the period under study. This reflects the rapid growth in the revenue expenditure of the Maharashtra. The compound growth rate of revenue expenditure for Maharashtra during the period under study was 14.98 percent.

4.3 Composition of Total Expenditure of Maharashtra

Table No. 4.2
Composition of Total Expenditure of Maharashtra

(Rs. in crores)

Year	Revenue Expenditure	Capital Expenditure	Aggregate Expenditure
1991-92	10048.72 (83.37)	2002.89 (16.61)	12051.56 (99.98)
1992-93	11546.70 (82.39)	2466.86 (17.60)	14013.56 (99.99)
1993-94	13108.69 (82.01)	2874.43 (17.98)	15983.12 (99.99)
1994-95	14812.19 (73.96)	5214.14 (26.03)	20026.33 (99.99)
1995-96	17168.40 (80.31)	4208.70 (19.68)	21377.10 (99.99)
1996-97	20845.80 (83.36)	4159.10 (16.63)	25004.90 (99.99)
1997-98	22896.50 (82.73)	4778.60 (17.26)	27675.10 (99.99)
1998-99	25663.00 (84.64)	4654.20 (15.35)	30317.20 (99.99)
1999-2000	29538.20 (77.24)	8705.40 (22.76)	38243.60 (100.00)
2000-2001	36495.40 (83.08)	7431.20 (16.91)	43926.60 (99.99)
Increase in 2000-01 over 1991-92 (Times)	3.63	3.71	3.64
CGR	14.98	14.79	14.95

Source : As of Table No. 2.1

Note : Figures in the brackets shows percentage

CGR = Compound Growth Rate (percent)

Table No. 4.2 reveals the percentage share of revenue expenditure and capital expenditure in aggregate expenditure. Data shows that revenue expenditure is major component of total expenditure.

The percentage of revenue expenditure to aggregate expenditure was 83.37 percent in 1991-92 which declined to 83.08 percent in 2000-01.

The percentage of capital expenditure to aggregate expenditure was 16.61 percent in 1991-92, which raised to 16.91 percent in 2000-01. The revenue expenditure as well as capital expenditure of Maharashtra state increasing during the period under study. But the percentage of revenue expenditure is declining proportion while percentage of capital expenditure is in an increasing proportion.

From the table No. 4.2, the percentage of revenue expenditure is 73.96 percent in 1994-95 which is so minimum during the period under study. As like the percentage of capital expenditure is 26.03 percent in 1994-95 while it was maximum during the period under study.

4.4 Composition of Revenue Expenditure of Maharashtra

We may now turn to the substantive aspect of our study the trend in Maharashtra state government's revenue expenditure. What are the overall trends during the period under study i. e. 1991-92 to 2000-01 and what are directions of change?

Revenue Expenditure

Under the Indian constitution, the state governments have been entrusted with the important function of maintaining law and order and also with many nation-building activities such as education, public health and medicine, irrigation, agriculture, etc. Like the Union Government,

the State Governments too have adopted the policy of building up welfare states, i. e. raising agricultural and industrial prosperity of the states and looking after the needs of the poor and the downtrodden. A study of the expenditure of the states since independence reveals the importance given by them to development as well as to other requirements.

For a long time, since 1951-52, development and non-development expenditure accounted for 50 percent each of the total expenditure. But in the last few years, development expenditure exceeded non-development expenditure. For example, in 2000-01 development expenditure of the state government of Maharashtra accounted for nearly 57 percent of the total expenditure and non-development expenditure constituted only 43 percent. Let us now consider the two broad categories of expenditure separately.

1. Non-Development Expenditure ✓
2. Development Expenditure ✓

1) Non-Developmental Revenue Expenditure

Non-development expenditure of the states consists of expenditure on –

- a) The organs of states : This includes expenditure on the executive, the legislative and judicial courts in the states. ✓
- b) Fiscal services, which include expenditure on audit, collection of taxes and duties, etc. ✓

- c) Interest payments and servicing of debt which include appropriations for reduction or avoidance of debt.
- d) Administrative functions, such as police, public works, etc.
- e) Pensions and miscellaneous general services.

Internal order and security is the responsibility of the state government and is maintained through the police, judiciary and jails. The police force has been expanded and improved in quality in recent years. Problems of law and order such as communal disturbances, dacoits, industrial disputes, etc. have been serious problems and have to be handled carefully. Expansion in governmental activities and led to increase in corruption which in turn has necessitated the setting up of a special police establishment, the main task of which is to detect and investigate such cases.

2) Development Expenditure ✓

Development expenditure is divided into two parts, viz. Social and Community Services and Economic Services.

Social services expenditure includes the expenditure on the following important social services.

- i) Education, Sports, Art and Culture ✓
- ii) Medical and Public Health and Family Welfare,
- iii) Water Supply and Sanitation ✓
- iv) Housing ✓

- v) Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes
- vi) Labour and Labour Welfare ✓
- vii) Social Security and Welfare ✓
- viii) Nutrition
- ix) Relief on Account of Natural Calamities.

These form an essential part of the expenditure of the states. Social services confer a positive advantage on the community and the more developed these services are the happier and better off would be the people in the country. The states provide free primary education, they also provide facilities for higher education, both school and college. Technical and vocational education also gets the attention of authorities because economic development depends a great deal on the availability of trained personnel for industrial undertakings. The expenditure on education has been increasing quite rapidly. Provision of medical facilities and public health is another necessary responsibility of the states. To maintain people in good health will mean keeping the standard of efficiency of workers at a high level and increasing the national income. Establishment and maintenance of dispensaries, hospitals, training and keeping a large staff of doctors, nurses and computers, public health services for the prevention of disease and similar facilities have to be provided by the states.

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Economic services include expenditure on the following items.

- i) Agriculture and allied activities ✓
- ii) Rural development ✓
- iii) Special area programmes
- iv) Irrigation and flood control
- v) Energy
- vi) Industry and minerals
- vii) Transport and communications
- viii) Science, technology and environment
- ix) General economic services

Agriculture is the most important activity in the country providing employment to nearly 60 percent of the population. Large outlays on it are, therefore, necessary for the economic development of the country. Since 1951, community development projects have been implemented with the objective of improving rural life. Civil works include road development construction of public buildings, etc. A network of roads *Govt.* is essential for trade and economic prosperity. Civil works are sometimes undertaken to provide employment to persons during periods of famine or business depression.

We have already seen that the revenue expenditure of Maharashtra has increased rapidly during the period under study. Now we will examine how this increased revenue expenditure is utilised by the Maharashtra government. Let us see whether the increase

in revenue expenditure has resulted in more developmental activities. In other words we will review the trends in developmental and non-developmental expenditure. The table No. 4.3 shows the growth in developmental and non-developmental revenue expenditure. The broad conclusions from the table are –

- 1) There is a large increase in the developmental and non-developmental revenue expenditure of the Maharashtra during the period between 1991-92 and 2000-01. One is not satisfied feature of the revenue expenditure as it is clear from the Table No. 4.3 is what is known as non-developmental outlays are increasing at a higher rate than that of the developmental expenditure.
- 2) The developmental expenditure for Maharashtra in 1991-92 was Rs. 6819.45 crores and increased to Rs. 20605.30 crores in 2000-01, representing more than 3 $\frac{1}{2}$ fold increase over the period under study. The compound growth rate of developmental expenditure for Maharashtra during the period under study was 12.25 percent.
- 3) The non-developmental expenditure for Maharashtra in 1991-92 was Rs. 3181.40 crores and increased to Rs. 15132.40 crores in 2000-01, representing 4.75 fold increase over the period under study. The compound growth

rate of non-developmental expenditure for Maharashtra during the period under study was 19.28 percent.

Table No. 4.3
Composition of Revenue Expenditure of Maharashtra

(Rs. in crores)

Year	Developmental Expenditure	Non-Developmental Expenditure	Other*	Total Revenue Expenditure
1991-92	6819.45 (67.86)	3181.40 (31.85)	47.47 (0.47)	10048.32 (99.98)
1992-93	7821.82 (67.74)	3665.04 (31.74)	59.04 (0.51)	11546.70 (99.86)
1993-94	9004.97 (68.69)	4060.07 (30.97)	43.65 (0.33)	13108.69 (99.99)
1994-95	9984.58 (67.40)	4782.12 (32.98)	45.49 (0.30)	14812.19 (99.98)
1995-96	11531.01 (67.16)	5590.45 (32.56)	46.9 (0.27)	1168.35 (99.99)
1996-97	14075.80 (67.52)	6683.70 (32.06)	86.9 (0.41)	20846.40 (99.99)
1997-98	14953.80 (65.31)	7797.90 (34.05)	145.00 (0.63)	22896.50 (99.99)
1998-99	14873.10 (57.95)	10614.10 (41.35)	175.80 (0.68)	25663.00 (99.98)
1999-2000	16439.00 (55.65)	12538.70 (42.44)	560.50 (1.89)	29538.20 (99.98)
2000-2001	20605.30 (56.46)	15132.40 (41.46)	757.70 (2.07)	36495.40 (99.99)
Increase in 2000-01 over 1991-92 (times)	3.02	4.75	15.96	3.63
CGR	12.25	19.28	36.83	14.98

Source : As of Table No. 2.1

Note : Figures in the brackets shows percentage with total revenue expenditure

*Consist of compensation and assignment to local bodies and Panchayati Raj institutions.

CGR = Compound Growth Rate (percent)

at what prices?

- 4) Other expenditure for Maharashtra in 1991-92 was Rs. 47.47 crores and increased to Rs. 757.70 crores in 2000-01, representing 15.96 fold increase over the period under study. The compound growth rate of other expenditure (consist of compensation and assignment to local bodies and Panchayati Raj institutions) for Maharashtra during the period under study was 36.83 percent.
- 5) Table No. 4.3 reveals the percentage share of developmental expenditure, non-developmental expenditure and other expenditure in revenue expenditure. Data shows that developmental expenditure is major component of total revenue expenditure.
- 6) The percentage of developmental expenditure to total revenue expenditure was 67.86 percent in 1991-92 which declined to 56.46 percent in 2000-01.

The percentage of non-developmental expenditure to total revenue expenditure was 31.65 percent in 1991-92, which increased to 41.46 percent in 2000-01. The developmental expenditure as well as non-developmental expenditure of Maharashtra state are increasing during the period under study. But the percentage of developmental expenditure is declining proportion while percentage of non-developmental expenditure is in an increasing proportion.

The percentage of other expenditure to total revenue expenditure was 0.47 percent in 1991-92 which substantial increased to 2.07 percent in 2000-01.

The reasons for growth of non-developmental revenue expenditure have been the following one.

- i) Steady increase in the emoluments of government servants necessitated by rise in prices and revisions of their pay scales.
- ii) The phenomenal increase in the expenditure for interest payments and servicing of debt of the state governments has taken place.
- iii) Large increase in the administrative services is one of the important reasons for the large growth in non-developmental expenditure.
- iv) The expenses on pensions and miscellaneous general services have also increased phenomenally during the period of 10 years under study.

Impact of Increased Developmental Expenditure

The analysis of the growth in developmental expenditure reveals that the state governments are allocating increased resources for growth of development services. As more state functions are related to agricultural and rural development, this increased expenditure leads to increased provisions of socio-economic overheads needed for agriculture and rural development. The growth of infrastructure is also required for industrial development. The impact can be roughly

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by increase in socio-economic overheads. We will explain this while explaining the respective needs of developmental expenditure.

4.5 Functional Classification of Developmental Expenditure
(Revenue)

Table No. 4.4
Functional Classification of Developmental Expenditure (Revenue)
(Rs. in crores)

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Year	Social Services	Economic Services	Total Developmental Expenditure
1991-92	3602.25 (52.82)	3217.60 (47.17)	6899.85 (99.99)
1992-93	4117.85 (52.64)	3703.97 (47.35)	7821.82 (99.99)
1993-94	4631.31 (51.40)	4373.66 (48.56)	9004.97 (99.96)
1994-95	5305.48 (53.13)	4679.10 (46.86)	9984.58 (99.99)
1995-96	6568.21 (55.96)	4962.80 (43.03)	11531.01 (99.99)
1996-97	7467.90 (53.05)	6607.90 (46.94)	14075.80 (99.99)
1997-98	8671.30 (57.98)	6282.50 (42.01)	14953.80 (99.99)
1998-99	9427.80 (63.98)	5445.30 (36.61)	14873.10 (99.99)
1999-2000	11181.30 (68.01)	5257.70 (31.98)	16439.00 (99.99)
2000-2001	13623.50 (66.11)	6981.80 (33.88)	20605.30 (99.99)
Increase in 2000-01 over 1991-92 (times)	3.78	2.16	2.98
CGR	15.74	7.34	12.18

Source : As of Table No. 2.1
Note : Figures in brackets shows percentage with total revenue expenditure.
CGR = Compound Growth Rate (percent)

Developmental expenditure comprises expenditure on social services and economic services. Expenditure on social services is essential and important for improving the quality of life of the people. The expenditure on economic services is considered important for increasing productivity in the Nation. According to us, the expenses on both of these services are essential and important for economic development. The table No. 4.4 shows the trends of growth of expenditure on these services in the Maharashtra State during the period under study. The Table depicts that –

1. The developmental expenditure on social services for Maharashtra in 1991-92 was Rs. 3602.25 crores and it increased to Rs. 13623.50 crores in 2000-01 representing 3.78 fold increase over the period under study. The compound growth rate of developmental expenditure on social services for Maharashtra during the period under study was 15.74 percent.
2. The developmental expenditure on economic services for Maharashtra in 1991-92 was Rs. 3217.60 crores and it increased to Rs. 6981.80 crores in 2000-01, representing more than 2 fold increase over the period under study. The compound growth rate of developmental expenditure on economic services for Maharashtra during the period under study was 7.34 percent.

3. Table No. 4.4 reveals the percentage share of developmental expenditure on social services and developmental expenditure on economic services. Data shows that expenditure on social services is major component of total developmental expenditure.
4. The percentage of expenditure on social services to total developmental expenditure was 52.82 percent in 1991-92 which increased to 66.11 percent in 2000-01.
5. The percentage of expenditure on economic services to total developmental expenditure was 47.17 percent in 1991-92, which declined to 33.88 percent in 2000-01.
6. The expenditure on social services as well as expenditure on economic services of Maharashtra State increasing during the period under study. But the percentage of expenditure ~~on~~ on social services is increasing proportion while percentage of expenditure on economic services is declining proportion.
7. An important feature of these growth rates is that compound growth rate of expenditure on social services is greater than compound growth rate of expenditure on economic services.

4.6 Major Heads of Developmental Expenditure (Revenue) on Social Services

Table No. 4.5

Major Heads of Developmental Expenditure on Social Services (Revenue Expenditure)

(Rs. in crores)

Year	ESC and PH	WSHU	Welfare	NR	Total
1991-92	2624.37 (72.85)	420.64 (11.67)	369.71 (10.26)	187.53 (5.20)	3602.25 (99.98)
1992-93	2979.31 (72.35)	503.19 (12.21)	436.83 (10.60)	198.54 (4.82)	4117.85 (99.98)
1993-94	3392.77 (73.25)	535.13 (11.55)	522.23 (10.84)	201.18 (4.34)	4631.31 (99.98)
1994-95	3803.53 (71.69)	522.98 (9.85)	569.53 (10.73)	409.44 (7.71)	5305.48 (99.97)
1995-96	4556.30 (70.44)	754.90 (11.67)	723.70 (11.18)	533.40 (6.70)	6568.30 (99.99)
1996-97	5218.30 (69.87)	830.50 (11.12)	756.20 (10.12)	663.00 (6.87)	7468.00 (99.99)
1997-98	5973.90 (68.69)	1154.30 (13.13)	943.10 (10.87)	800.00 (6.91)	8671.30 (99.98)
1998-99	6473.90 (68.66)	1209.30 (12.82)	999.50 (10.60)	745.10 (7.90)	9427.80 (99.98)
1999-2000	8631.50 (77.19)	1236.30 (11.10)	1139.10 (10.18)	174.30 (1.52)	11181.20 (99.99)
2000-2001	10288.90 (75.52)	1642.70 (12.05)	1425.60 (10.46)	266.40 (1.95)	13623.60 (99.98)
Increase in 2000-01 over 1991-92 (times)	3.92	3.90	3.85	1.42	3.78
CGR	15.98	16.43	15.41	6.35	15.74

Source : As of Table No. 2.1

CGR = Compound Growth Rate (percent)

Note : Figures in the brackets shows percentage

ESC and PH = Education, Sports, Culture and Public Health – Medical and Public Health and Family Welfare

WSHU = Water Supply, Sanitation, Housing and Urban Development

Welfare = Welfare of SC, ST, OBCs, Labour and Labour Welfare, Social Security

NR = Nutrition, Relief on Natural Calamity

We have already seen that the share of developmental expenditure on social services in the total developmental revenue expenditure has increased. Now we will examine the growth of expenditure on major heads of social services and their relative positions. The Table No. 4.5 shows the trends of expenditure on major heads of social services during the period under study. The broad conclusions are –

A) Expenditure on Education, Sports, Arts and Culture and Medical, Public Health and Family Welfare

- 1) The expenditure on these items for Maharashtra was Rs. 2624.37 crores in 1991-92 and it increased to Rs. 10288.90 crores in 2000-01, registering nearly 4 fold increase over the period of 10 years.
- 2) The compound growth rate of these items for Maharashtra during the period under study was 15.98 percent.
- 3) Table reveals the percentage share of these items. Data shows that these items are major component of total developmental expenditure on social services.
- 4) The percentage of these items expenditure to total developmental expenditure on social services was 72.85 percent in 1991-92 which increased to 75.52 percent in 2000-01.

The impact of this increased expenditure on this head of social services is reflected into the extension of education and medical facilities.

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The increase in the availability of education facility especially primary education leads to increase in the literacy rate. Similarly, the extension of medical facilities helps to increase the life expectancy and reduce the infant mortality rate.

B) Expenditure on Water Supply and Sanitation, Housing and Urban Development

Another important group of social services is of water supply, housing and urban development. The Table No. 4.5 shows the expenditure on these services during the period between 1991-92 and 2000-01. The important conclusions are –

- 1) The expenditure on these services for Maharashtra was Rs. 420.64 crores in 1991-92 which increased to Rs. 1642.70 crores in 2000-01, representing 3.90 times increase over the period of 10 years.
- 2) The proportion of the expenditure on these items to the total expenditure on social services was 11.67 percent in 1991-92 which increased to 12.05 percent in 2000-01. It is clear from this growth in expenditure on these items that the Maharashtra Government is giving more attention to these services.

- 3) The compound growth rate of these items for Maharashtra during the period under study was 16.43 percent. ✓
- 4) The table shows that the expenditure on water supply, sanitation, housing and urban development increased substantially. But if we consider the price rise during the period then it is clear that this is a meagre increase in the expenditure on these items. Of course, it is true that the local bodies are assigned the responsibility of providing these facilities especially water supply, sanitation and urban development. But with the economic development having concentration tendencies and lack of appropriate development efforts in the rural areas has lead to increased urbanization. This has been resulting into ever increasing demand for the civil amenities - water supply, sanitation, problem of slums and overall urban development. Similarly, the problem of providing drinking water in the rural areas also has become important in many states. For this purpose, the state governments are providing assistance to local bodies. ✓

C) Expenditure on Welfare of SC, ST, OBCs, Labour and Labour Welfare, Social Security and Welfare ✓

The growth of expenditure on these items is shown in Table No. 4.5. The broad conclusions from the table are –

- 1) In the absolute term the expenditure on all these items has increased during the period under study.
- 2) The expenditure on these services for Maharashtra was Rs. 369.71 crores in 1991-92 and increased to Rs. 1425.60 crores in 2000-01, registering 3.85 times increase over the period of 10 years.
- 3) The proportion of the expenditure on these items to the total expenditure on social services was 10.26 percent in 1991-92 which increased to 10.46 percent in 2000-01.
- 4) The compound growth rate of these items for Maharashtra during the period under study was 15.41 percent.

From the table we see the expenditure of these items of development expenditure (Revenue expenditure) on social services has been continuously rising.

D) Nutrition, Relief on account of Natural Calamities and Others

The growth of expenditure on these items is shown in Table No. 4.5. The expenditure on these items to the total expenditure on social services was Rs. 187.53 crores in 1991-92 and increased to Rs. 266.40 crores in 2000-01, registering 1.42 times increase over the period of 10 years. The expenditure on these items every year is varying. Sometime it is decreased sometime increased. The expenditure on these items has not much increased in 2000-01 over 1991-92. It was only

1.42 times and the compound growth rate of these expenditure is 6.35 percent during the period under study. As percentage, the percentage of these items to social service was 5.20 percent in 1991-92 and 1.95 percent in 2000-01. But the mid decade it was increased. The percentage on these items over period is fluctuating.

4.7 Major Heads of Developmental Expenditure (Revenue) on Economic Services

Table No. 4.6

Major Heads of Developmental Expenditure (Revenue) on Economic Services

(Rs. in crores)

Year	Agriculture and allied activities, irrigation and flood control	Rural development & special area programme	Industry, minerals & Energy*	Transport & Communication	General economic services, science, technology & Environment	Total
1991-92	1653.38 (51.38)	806.85 (25.07)	396.36 (12.31)	332.28 (10.32)	28.73 (0.89)	3217.60 (99.97)
1992-93	2030.14 (54.80)	1109.88 (29.96)	132.85 (3.58)	400.09 (10.80)	31.01 (0.83)	3703.97 (99.37)
1993-94	2559.23 (58.51)	1217.46 (27.83)	71.20 (1.62)	490.30 (11.21)	35.47 (0.81)	4373.66 (99.98)
1994-95	2708.11 (57.87)	1180.87 (25.23)	137.70 (2.94)	609.80 (13.03)	42.62 (0.91)	4679.10 (99.97)
1995-96	2796.70 (56.35)	1280.90 (25.80)	167.90 (3.38)	674.90 (13.59)	42.44 (0.85)	4962.80 (99.97)
1996-97	3386.6 (51.25)	1277.80 (19.33)	1116.20 (16.8)	781.40 (11.82)	45.90 (0.69)	6607.90 (99.89)
1997-98	3833.20 (61.01)	1327.80 (21.13)	132.70 (2.11)	934.70 (14.87)	54.20 (0.86)	6282.60 (99.98)
1998-99	3948.40 (72.51)	1165.00 (21.39)	127.10 (2.33)	138.00 (2.53)	66.70 (1.22)	5445.30 (99.98)
1999-2000	4340.40 (82.54)	662.00 (12.54)	126.30 (2.40)	30.4 (0.57)	99.10 (1.88)	5257.80 (99.98)
2000-2001	2975.30 (42.61)	670.10 (9.59)	3187.40 (45.65)	11.70 (0.16)	137.40 (1.96)	6981.80 (99.97)
Increase in 2000-01 over 1991-92 (times)	1.79	0.83	8.04	0.03	4.78	2.16
CGR	8.86	- 3.07	15.01	- 27.50	16.97	7.34

Source : As of Table No. 2.1

Note : Figures in the brackets shows percentage

* upto 1999-2000 figures of industry, Minerals

2000-01 figures of Industry, Minerals & Energy

Public expenditure on economic services is given the second highest importance under the revenue expenditure of the state. The important heads of expenditure under the economic services are : (a) agriculture and allied activities, irrigation, flood control, (b) rural development and special area programme, (c) industry, minerals and energy, (d) transport and communication, (e) general services. The expenditure on economic services of the State Government of Maharashtra increased from Rs. 3217.60 crores in 1991-92 to Rs. 6981.80 crores in 2000-01. Now we will review how the increasing development expenditure on economic services has been distributed among the different heads and what is the change regarding their relative share in the total expenditure on economic service during the period under study.

Table No. 4.6 shows the growth of expenditure on major heads of economic services.

A) Agriculture and Allied Activities, Irrigation and Flood Control

The broad conclusion from the table are throughout the period under study (except 2000-01) the agriculture and allied activities, irrigation and flood control has remained the head on which the highest proportion of expenditure on economic services has been spent. The most significant expenditure under the economic services is agriculture and allied services, the development of which in the Indian federal set up is largely

the responsibility of the state. The State Government of Maharashtra has hence given the first priority to this sector as the economy of the state is mainly dependent on agriculture and around 60 percent of the total population is engaged in the agriculture sector for its survival. Therefore, highest expenditure under the economic services of the State Government of Maharashtra is on agriculture and allied activities.

Table No. 4.6 depicts the growth in expenditure agriculture and allied services. The expenditure on this sector was Rs. 1653.38 crores in 1991-92, which raised to Rs. 4340.40 crores in 1999-2000, which decreased to Rs. 2975.30 crores in 2000-01, representing 1.79 fold increase over the period of ten years study. The expenditure on these items continuously has been rising.

Percentage of the expenditure on these items was 51.38 percent to total economic services in 1991-92, which increased to 82.54 percent in 1999-2000 and which decreased to 42.61 percent in 2000-01.

To examine more correctly we have considered the compound growth rate of these items was 8.86 percent during the period under study. Over the study, the expenditure on these items shows increasing trend.

B) Rural Development, Special Area Programme

Rural development and special area programme is the most important expenditure of the State Government of Maharashtra under economic services. The Table No. 4.6 shows the trend in the expenditure

on rural development and special area programme. The expenditure on these sector was Rs. 806.85 crores in 1991-92, which raised to 1165.00 crores in 1998-99. But in next two years it is decreased so much it was Rs. 670.10 crores in 2000-01. From 1991-92 to 2000-01 on these expenditure is up and down trend. It is not much increasing. It was just 0.83 fold increase.

To examine more correctly we have considered the compound growth rate of these items during the period under study was minus (- 3.07 percent).

The percentage on these items to economic service was 25.07 percent in 1991-92, which decreased to 9.59 percent in 2000-01. Over the study these items shows decreasing trend.

C) Industry, Minerals and Energy ✓

Under the head of expenditure on economic services the expenditure on industry, minerals and energy of the State Government of Maharashtra was Rs. 396.36 crores in 1991-92, which decreased to Rs. 126.30 crores in 1999-2000. But in next year it substantial increased to Rs. 3187.40 crores in 2000-01. From 1991-92 to 2000-01 on these expenditure is up and down trend.

The expenditure on these items was Rs. 3187.40 crores which is larger expenditure on these items during the period under study. Except 1996-97 and 2000-01 year during the period the expenditure is showing decreasing trend.

As percentage, the percentage of these items to total economic service was 12.31 percent in 1991-92, which increased to 45.65 percent ✓ in 2000-01. Over the study these items shows increasing trend.

The compound growth rate of these items during the period under study was 15.01 percent. The government has given so much attention on these items because they are very important for our economic development.

D) Transport and Communication ✓

Transport and communication is the most important sector for the economic development of the state. Without proper development of this sector it is difficult to develop any other sector of economy. Therefore, most of the State Governments give more importance to the development of transport and communication.

Table No. 4.6 depicts the expenditure on transport and ✓ communication. The expenditure on transport and communication was Rs. 332.28 crores which decreased to Rs. 11.70 crores in 2000-01. From 1991-92 to 1997-98 expenditure on these items was in increasing trends but in the next three years it was decreased in large amount.

As percentage, the percentage on these items to total economic service was 10.32 percent in 1991-92, which decreased to 0.16 percent in 2000-01.

To examine more correctly, we have to consider the compound growth rate was – 27.50 (which is in minus) over the study these items shows decreasing trend during the period under study.

E) Expenditure on General Economic Services, Science, Technology and Environment

Expenditure on general economic services of the State Government of Maharashtra includes secretariat economic services, tourism, civil supplies, other and science, technology, environment. The expenditure on these items in 1991-92 was Rs. 28.73 crores which increased to Rs. 137.40 crores in 2000-01, representing 4.78 fold increase over period under study.

The percentage of these items to total economic service was 0.89 percent in 1991-92, which increased to 1.96 percent in 2000-01. The compound growth rate of these items during the period under study was 16.97 percent. Over the period the expenditure on these items shows increasing trend.

4.8 Major Heads of Non-Developmental Expenditure (Revenue) of Maharashtra

Table No. 4.7
Major Heads of Non-Developmental Expenditure (Revenue)
of Maharashtra

(Rs. in crores)

Year	Organ of State	Fiscal service	Interest payment & Servicing of debt	Administration services	Pensions & Miscellaneous	Total
1991-92	102.55 (3.22)	323.94 (10.18)	1417.39 (44.95)	977.16 (30.71)	360.36 (11.32)	3181.40 (99.84)
1992-93	101.84 (2.77)	284.28 (7.75)	1681.79 (45.87)	1196.92 (32.65)	401.01 (10.9)	3665.84 (99.94)
1993-94	109.31 (2.69)	245.46 (6.04)	1893.10 (46.62)	1343.74 (33.09)	468.46 (11.53)	4060.07 (99.97)
1994-95	221.28 (4.62)	433.03 (9.26)	2193.95 (45.87)	1397.67 (29.22)	526.19 (11.00)	4782.12 (99.97)
1995-96	179.77 (3.21)	598.03 (10.69)	2517.31 (45.02)	1658.28 (29.66)	637.06 (11.39)	5590.45 (99.97)
1996-97	226.40 (3.38)	685.80 (10.26)	2994.80 (44.81)	1957.10 (29.28)	818.90 (12.25)	6683.10 (99.98)
1997-98	257.60 (3.30)	757.30 (9.71)	3552.30 (45.55)	2272.60 (29.14)	975.90 (12.28)	7797.70 (99.98)
1998-99	225.10 (2.12)	2693.00 (25.37)	4433.80 (41.76)	2284.00 (21.51)	978.80 (9.22)	10614.20 (99.98)
1999-2000	438.00 (3.49)	2311.90 (18.43)	4995.70 (39.84)	3169.50 (25.27)	1623.50 (12.94)	12538.60 (99.97)
2000-2001	316.30 (2.09)	3498.50 (23.11)	5717.60 (37.78)	3278.50 (21.66)	2321.60 (15.34)	15132.40 (99.98)
Increase in 2000-01 over 1991-92 (times)	3.08	10.79	4.03	3.35	6.44	4.75
CGR	16.11	35.29	17.10	14.25	21.65	19.28

Source : As of Table No. 2.1

Note : Figures in the brackets shows percentage.

CGR = Compound Growth Rate (percent)

There has been a large increase in the non-development expenditure of State Government during the period between 1991-92 to 2000-01. The non-development revenue expenditure of a state government consist the following items. (i) organ of state, (ii) fiscal services, (iii) interest payment and servicing of debt, (iv) administrative service, (v) pension and miscellaneous general services.

A) Expenditure on Organs of State

The expenditure on organs of state means like the expenditure incurred by a State Government on legislative and judiciary wings of governance. The expenditure incurred on setting up these institution and the expenditure of legislative and judiciary decision making falls in this composition. The expenditure, however, does not include the expenditure on the salaries and allowances payment made to the administrative staff of these bodies.

Table No. 4.7 depicts the expenditure on organ of state was Rs. 102.55 crores in 1991-92 which raised to Rs. 316.30 crores in 2000-01, representing 3.08 fold increase over period under study. The expenditure on these items has been increasing during the period under study. The compound growth rate of these items was 16.11 percent.

Table No. 4.7 reveals the percentage share of expenditure on organ of state to the total non-development revenue expenditure of the State Government of Maharashtra was 3.22 percent in 1991-92, which

decreased to 2.09 percent in 2000-01. The percentage on these items over period is fluctuating.

B) Expenditure on Fiscal Services /

The expenditure on fiscal services of non-development expenditure (revenue) of the State Government of Maharashtra was Rs. 323.94 crores in 1991-92, which raised to Rs. 3498.50 crores in 2000-01.

Table No. 4.7 depicts the 10.79 fold increase on fiscal services and the compound growth rate during the period under study was 35.29 percent. The expenditure on fiscal services as a percentage of the total non-development (revenue) expenditure was 10.18 percent in 1991-92, which increased to 23.11 percent in 2000-01.

Thus, the above data analysis reveals that expenditure on fiscal services shows increasing trend except 1993-94 during the period under study.

C) Expenditure on Interest Payment and Servicing of Debt /

The expenditure on interest payment of the State Government of Maharashtra consist of interest payment on loans from the Centre, interest payment on internal debt, interest payment on small savings, provident funds and other etc. The expenditure on interest payment and servicing of debt is large part of expenditure to non-development expenditure (revenue) of the State Government of Maharashtra.

The expenditure on interest payment and servicing of debt was Rs. 1417.39 crores in 1991-92, which is raised to Rs. 5717.60 crores in 2000-01. The expenditure on these items has increased more than four times in 2000-01 over 1991-92. The compound growth rate of these items of State Government of Maharashtra was 17.10 percent during the period under study.

The percentage share of expenditure on interest payment to total non-development expenditure of the State Government of Maharashtra was 44.95 percent in 1991-92, which decreased to 37.78 percent during 2000-01. From the table the expenditure on these items has been rising during the period under study.

D) Expenditure on Administrative Services

Expenditure on administrative services are mainly performing two types of duties (1) Carrying general administration and (2) Maintaining law and order in the State. The expenditure on administrative service of the State Government of Maharashtra are expenditure on district administration, expenditure on police, expenditure on secretarial general services and expenditure on other etc.

Table No. 4.7 depicts that the expenditure on administrative services of the State Government of Maharashtra. The expenditure on administrative services was Rs. 977.16 crores in 1991-92, which increased to Rs. 3278.50 crores in 2000-01. The expenditure on these items has increased more than 3 times in 2000-01 over 1991-92.

The compound growth rate of these items during the period under study was 14.25 percent.

The percentage share decreased from 30.71 percent in 1991-92 to 21.66 percent in 2000-01. The expenditure on administrative services of the State Government of Maharashtra shows increased trend. But in percentage, it is decreased during the period under study.

E) Expenditure on Pension and Miscellaneous

Table No. 4.7 depicts the expenditure on pension and miscellaneous general services increased from Rs. 360.36 crores in 1991-92 to Rs. 2321.60 crores in 2000-01. The expenditure on this head has been increasing during the period under study. The expenditure specially on pension has increased significantly and assumed important place in non-development (revenue) expenditure.

Table No. 4.7 depicts the growth in the expenditure on pensions and miscellaneous general services. The expenditure on these items has increased 6.44 times in 2000-01 over 1991-92. The compound growth rate of these items was 21.65 percent during the period under study.

The expenditure on pension and miscellaneous as percentage of the total non-development of the State Government of Maharashtra was 11.32 percent in 1991-92, which is increased to 15.34 percent in 2000-01.

The above data analysis thus reveals that expenditure on pension and miscellaneous general services of the Maharashtra State shows increasing trend during the period under study.

In conclusion, data reveals that in case of Maharashtra rise in total expenditure is mainly due to rapid increase in Revenue Expenditure of the State, which has also resulted in increasing revenue account deficit of the State. This pattern of expenditure has dampened the rise in capital expenditure growth. Secondly non-developmental revenue expenditure in later years of the study period is witnessing a rapid increase, rise in interest payments being the most important cause. Pension liabilities also are increasing and are leading to rapid increase in committed expenditure. This has affect on developmental expenditure growth. The fiscal situation is worrisome as –

- a) Revenue account deficit is growing
- b) Rise in public debt of the state is a matter of concern
- c) Committed expenditure is rising and is crowding out developmental expenditure on Revenue Account.

(i) Tables not arranged properly.

(ii) Figures at what prices

(iii) Methodology same as in the previous

(iv) Concluding observations are good.

(v) There is a better way of explaining the tables. It has become somewhat mechanical.