

AN ANALYSIS OF EXPENDITURE ON GENERAL SERVICES
OF
GOVERNMENT OF MAHARASHTRA

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Abstract

Three types of services are provided by the state; social, economic and general services. Social and economic services are important from the development point of view and general services are important to maintain the development and growth of the economy. Objective of the study is to study budgetary expenditure of government of Maharashtra on general services and analyze expenditure on components of general services. For this study, data is collected through secondary sources only viz. economic survey of the State, financial statements and budgetary papers of Government of Maharashtra. Data is also collected through state finance reports of RBI. There is no clear trend in expenditure on general services rather there is a zigzag trend. As far as total expenditure on general services is concerned, initially there is an increasing trend but later the trend is reversed and expenditure on general services is declining.

Key Words: -

General services, Net state domestic services, Public expenditure, Economic development.

1. Introduction

Expenditure on general services is necessary to economic development. Any economy which is on the path of economic development has to spend considerable amount of its public expenditure on maintenance of environment for faster economic development. In this paper an attempt is made to study proportion of expenditure on general services on revenue and capital account as this will be helpful in understanding quality of expenditure. It is expected that state of Maharashtra which is fastly developing, needs to maintain its developmental track in future also.

2. Objectives of Study

- I. To study budgetary expenditure of government of Maharashtra on general services.
- II. To study and analyze expenditure on components of general services.

3. Hypothesis of Study

- I. Expenditure on general services is increasing over the period of ten years for the state of Maharashtra from 1995 to 2005.
- II. Components of general services are showing increasing trend over the ten years of period.

4. Data Collection

Data for this study is collected through secondary sources only viz. economic survey of the State, financial statements and budgetary papers of Government of Maharashtra. Data is also collected through state finance reports of RBI.

5. Scope of Study

Study takes into account only distribution of expenditure on revenue account. Other categories of classification of expenditure are not considered. The study restricted for ten years only from 1995 to 2005.

6. Review of literature: -

Expenditure of state is comparatively neglected subject. It is the study of Adolph Wagner which attracted the attention of researchers towards the study of significance of public expenditure wherein Wagner pointed out that there must be more growth in public expenditure than the growth in national income. Another study of Wiseman and Peacock underlines the causes of increasing public expenditure and they opined that disturbances in the economy are helpful in increasing public expenditure. At India level various studies takes place. Various studies on Maharashtra level takes place like study of Ajit Karnik, Abhay Pethe, Dr. B.S. Mhaske, which is related to pattern of expenditure of government of Maharashtra. According to these studies, expenditure on general services is instrumental in pattern of expenditure of Maharashtra.

7.1. i) Expenditure on total general services:- Total general services are given in table No. 1. Total expenditure on total general services in the year 1995-96 stands at Rs66984730 thousands, in 1999-2000 it is Rs125387274 thousands and in the year 2004-05 it is Rs222711632 thousands, an increasing trend is recorded in absolute expenditure.

Table No. 1. Expenditure on General Services (Rs. Thousands)

| Year | Organs of state | Fiscal services | Interest payment and servicing of the debt | Administrative Services | Pension & miscellaneous | Total General Services |
|---------|-----------------|-----------------|--|-------------------------|-------------------------|------------------------|
| 1995-96 | 1797714 | 17893554 | 25173123 | 15749831 | 6370508 | 66984730 |
| 1996-97 | 2263990 | 19629517 | 29948155 | 18603500 | 8189885 | 78635047 |
| 1997-98 | 2576335 | 22168884 | 35523346 | 21521796 | 9578750 | 91369111 |
| 1998-99 | 2251046 | 26930330 | 44332597 | 22839629 | 9787564 | 106141176 |
| 1999-00 | 4380133 | 23119485 | 49957363 | 31695119 | 16235174 | 125387274 |
| 2000-01 | 3057625 | 34871274 | 53589279 | 33945293 | 21557849 | 147021320 |
| 2001-02 | 2961254 | 48228157 | 65621756 | 33340046 | 27154165 | 177305378 |
| 2002-03 | 3246518 | 43822535 | 72859540 | 31520324 | 28019146 | 179468063 |
| 2003-04 | 3899500 | 42708117 | 85284757 | 33867107 | 32441347 | 198200828 |
| 2004-05 | 5986079 | 51807383 | 92015636 | 37764530 | 35138004 | 222711632 |

Source: - Financial statement (Budget) of the Government of Maharashtra – Various issues. www.maharashtra.gov.in, State finances- A study of Budgets, RBI- Various issues. www.rbi.org

Table No. 2. Growth rate of sub categories of expenditure on General services

| Year | Organs of state | Fiscal services | Interest payment and servicing of the debt | Administrative Services | Pension & miscellaneous | Total Gen. Services |
|---------|-----------------|-----------------|--|-------------------------|-------------------------|---------------------|
| 1995-96 | -18.76 | 14.48 | 14.74 | 19.25 | 21.06 | 14.99 |
| 1996-97 | 25.94 | 9.70 | 18.97 | 18.12 | 28.56 | 17.39 |
| 1997-98 | 13.80 | 12.94 | 18.62 | 15.69 | 16.96 | 16.19 |
| 1998-99 | -12.63 | 21.48 | 24.80 | 6.12 | 2.18 | 16.17 |
| 1999-00 | 94.58 | -14.15 | 12.69 | 38.77 | 65.88 | 18.13 |
| 2000-01 | -30.19 | 50.83 | 7.27 | 7.10 | 32.78 | 17.25 |
| 2001-02 | -3.15 | 38.30 | 22.45 | -1.78 | 25.96 | 20.60 |
| 2002-03 | 9.63 | -9.13 | 11.03 | -5.46 | 3.19 | 1.22 |
| 2003-04 | 20.11 | -2.54 | 17.05 | 7.45 | 15.78 | 10.44 |
| 2004-05 | 53.51 | 21.31 | 7.89 | 11.51 | 8.31 | 12.37 |

Source: - Financial statement (Budget) of the Government of Maharashtra – Various issues. www.maharashtra.gov.in, State finances- A study of Budgets, RBI- Various issues. www.rbi.org

ii) Growth rate :- An annual increase in the allocation for total general services in 1995-96 is 14.99%, in 1999-2000 it is 17.25% and in the year 2004-05 it is 12.36% showing a zigzag trend. Five yearly average growth of expenditure on total general services for first five years stands at 16.57% which is reduced to 12.37% during next five years. This is really an achievement of the government that it was successful in reducing growth rate of total general services since general services do not contribute directly in economic development, so they must be reduced. Ten years average growth rate of total general services stands at 14.47%.

Table No. 3. Total general services- Comparison.

| Year | % of TGS to NSDP | % of TGS to TE | % of TGS to Rev exp |
|------|------------------|----------------|---------------------|
|------|------------------|----------------|---------------------|

| | | | |
|----------------------|------|-------|-------|
| 1995-96 | 4.76 | 31.34 | 39.02 |
| 1996-97 | 4.96 | 31.45 | 37.72 |
| 1997-98 | 4.68 | 33.01 | 39.91 |
| 1998-99 | 4.95 | 35.01 | 41.36 |
| 1999-00 | 5.06 | 32.79 | 42.45 |
| 2000-01 | 5.83 | 34.83 | 39.31 |
| 2001-02 | 6.47 | 41.74 | 46.32 |
| 2002-03 | 5.97 | 38.01 | 44.34 |
| 2003-04 | 5.81 | 36.79 | 46.44 |
| 2004-05 | 5.75 | 31.43 | 43.63 |
| 1995-96 To 1999-2000 | 4.88 | 32.71 | 40.09 |
| 2000-01 to 2004-05 | 5.96 | 36.55 | 44.01 |
| 1995-96 to 2004-05 | 5.42 | 34.63 | 42.05 |

Source: - Computed from data available from various issues of financial statement (Budget) of the Government of Maharashtra.

7.2. Total general services- Comparison: - Comparison of total allocation for total general services with that of NSDP, total expenditure of the state and total revenue expenditure is made in table no.2.

i) Revenue expenditure: -Proportion of total general services to total revenue expenditure of the state in the year 1995-96 stands at 39.01%, which is increased to 42.44% in the year 1999-2000 and further increases to 43.62% in the year 2004-05. This clearly indicates that there is an increasing trend in the proportion of expenditure on general services to total revenue expenditure of the state. Ten year annual growth rate of proportion of total general services to total revenue expenditure stands at 42.04%. This figure is very high as the expenditure on general services are not leading directly to development process of economy. This proportion must be reduced at least to the level of 1995-96. Five yearly annual growth rate of proportion of total general

services to total revenue expenditure for first five years from 1995-96 to 1999-2000 stands at 40.09%, and for the next five years it is 44.00%. This indicates that the allocation for general services increases in second half of the study period.

ii) Total expenditure: - Proportion of expenditure on total general services to total expenditure of the state in the year 1995-96 stands at 31.33%, in 1999-2000 it is 32.78% and in 2004-05 it is 31.42%. The highest proportion was recorded in 2001-02(41.73%) and lowest in 1995-96.

iii) NSDP: - Proportion of expenditure on total general service to NSDP of the state in 1995-96 stands at 4.75%, in 1999-2000 it is 5.05% and in 2004-05 it is 5.74%. A clear increasing trend is observed. Highest proportion was recorded in 2001-02 of 6.46% and lowest in 4.68% in 1997-98. Five yearly average of proportion of expenditure on total general services to NSDP for first five years from 1995-96 to 1999-2000 is 4.88%. For next five years from 2000-01 to 2004-05 it is 5.96%. Ten yearly averages are 5.42%. Five yearly averages show an increase in proportion of the government expenditure on total general services. An increasing trend in allocation of expenditure to total general services is a cause of concern as this type of expenditure is neither helpful for creation of capital assets in the economy nor enhance productive capacity of the economy in future.

8. Conclusion: -By looking at the sub-categories of general services in ten years, there is no clear trend that the expenditure on these services is increasing rather there is a zigzag trend. As far as total expenditure on general services is concerned, initially there is a increasing trend but later the trend is reversed and expenditure on general services is declining.

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