Public expenditure of India: Trend and effects

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Abstract
Budget is an investment vehicle that boosts economic growth. Government use budgeting system to plan for the growth and development over a specified period of time. In India the budget is government’s most important economic and fiscal policy tool. And it is most economic event that happens every year in the country, which outlines all the economic planning of the Government of India for the subsequent year. It is not only important for the corporate but for individuals from all sections of the society. Budget translate government’s policies, political commitments, and goals into decisions on how much revenue to raise, how it plans to raise it, and how to use these fund to meet the country’s needs. Government budgeting is important because it enables the government to plan and manage its financial resources to support the implementation of various programs and projects that best promote the development of the country. Through budget, government can prioritize and put into action its plans, programs and policies within the constraint of its financial capability as dictated by economic actions.

Keywords: Budget, Expenditure, Capital, Revenue, Development, GDP, Employment, India.

Introduction
Budget is a financial plan for defined period, often one year and includes planned sales volumes and revenues, resource quantities, costs and expenses, asset, liabilities and cash flows. Governments, companies, organizations and families often use it as a tool to express its strategic plan of activities or events in measurable terms. It is mainly the sum of money allocated for a particular purpose and the summary of intended expenditure along with proposals. For Government, budget is an expression of public policy and reflects the balance sheet. It tells about the current state of the country’s economy, mainly include: (i) financial action of the previous year, (ii) budget and revised estimate of the current year, and (iii) budget estimates for the following year.

The objective of public budget mainly consist of acceleration of the rate of economic growth, equitable distribution of income, improving living standards, stabilization of economic activity, balanced regional development, price stability; in addition to the classical objectives of defence, maintenance of law and order and the like. The budget system and its function are crucial to development and economic growth (Robert J. Barro, 1990) and the present paper analysed the trend and pattern of major components of India’s public expenditure and its impact on major macroeconomic variables like GDP, Net National Disposable Income and employment. More specifically, the main objectives are: (i) to analyze the trend, pattern and composition of public expenditure of India, and (ii) to examine the impact of it on major macroeconomic variables.

Methods and Materials
The study is solely relied on secondary data collected from various volumes of RBI Bulletin, Central Budget Document in different years (2000 to 2019), Economic Survey, Central Statistical Office Publications, Indian Public Finance Statistical Year Book, and Report of Planning Commission. The period of study (1990-91 to 2018-19) is divided into three: 1990-91 to 1999-2000; 2000-01 to 2009-10; and 2010-11 to 2018-19. For analysis correlation and regression were used.

Results and Discussion
Trend and pattern of public expenditure
Size and pattern of public expenditure play a vital role in the growth process and reduce economic inequalities. Classification of Public Expenditure is important to explain the interrelationship between government sector and rest of the economy and revealed the relative size of different governmental activities in the economy (Govind Battacharya, 2013). Public expenditure make governments forced to do many activities such as redistributive, re-allocation, commercial, and stabilizing activities (Oscar Gelderblom, 2011). Recently, Governments incur expenditure in order to fulfill the distortions of market failures, regulate private activity that might harm society, provide public goods and services, and engage in production activity (Zaed, 2017).
Table 1: Total expenditure of government of India (1990-91 to 2018-19)

| Year | Revenue expenditure (Rs. Crore) | Capital expenditure (Rs. Crore) | Total expenditure (Rs. Crore) |
|------|--------------------------------|--------------------------------|-----------------------------|
| 1990-91 | 72.91                          | 73.552                         | 27.09                       |
| 1991-92 | 76.26                          | 82.291                         | 23.74                       |
| 1992-93 | 78.66                          | 92.690                         | 24.34                       |
| 1993-94 | 76.58                          | 108.500                        | 23.42                       |
| 1994-95 | 79.12                          | 122.346                        | 20.88                       |
| 1995-96 | 80.20                          | 139.716                        | 19.80                       |
| 1996-97 | 82.14                          | 158.810                        | 17.86                       |
| 1997-98 | 86.68                          | 179.998                        | 13.32                       |
| 1998-99 | 86.28                          | 216.417                        | 13.72                       |
| 1999-00 | 85.99                          | 248.869                        | 14.01                       |
| Average | 81.64                          | 142.219                        | 18.36                       |
| 2000-01 | 88.81                          | 277.975                        | 11.19                       |
| 2001-02 | 87.06                          | 301.775                        | 12.94                       |
| 2002-03 | 92.61                          | 340.903                        | 7.39                        |
| 2003-04 | 100.89                         | 363.045                        | -0.89                       |
| 2004-05 | 95.15                          | 383.031                        | 4.85                        |
| 2005-06 | 88.66                          | 440.303                        | 11.34                       |
| 2006-07 | 91.04                          | 514.313                        | 8.96                        |
| 2007-08 | 84.57                          | 593.659                        | 15.43                       |
| 2008-09 | 90.37                          | 790.509                        | 9.63                        |
| 2009-10 | 89.37                          | 905.472                        | 10.63                       |
| Average | 90.24                          | 491.026                        | 9.76                        |
| 2010-11 | 87.22                          | 103.6061                       | 12.78                       |
| 2011-12 | 89.04                          | 114.5956                      | 10.96                       |
| 2012-13 | 88.82                          | 125.7754                      | 11.18                       |
| 2013-14 | 88.63                          | 136.6171                      | 11.37                       |
| 2014-15 | 88.61                          | 145.7882                      | 11.39                       |
| 2015-16 | 85.87                          | 153.7761                      | 14.13                       |
| 2016-17 | 85.59                          | 169.0584                      | 14.41                       |
| 2017-18 | 87.72                          | 187.8833                      | 12.28                       |
| 2018-19 | 86.71                          | 200.7399                      | 13.29                       |
| Average | 87.43                          | 148.4267                      | 12.57                       |

Source: Computed from the various issues of Indian Public Finance Statistics

Revenue vs capital expenditure

Table 1 presents the amount of revenue expenditure, capital expenditure and total expenditure and the percentage share of revenue expenditure and capital expenditure in the total budget expenditure. The total expenditure in 1990-91 was Rs. 100879 crore, increased to Rs. 313011 crore in 2000-01, to Rs. 1187898 in 2010-11 and went up to Rs. 2315113 crore in 2018-2019, registering a 23 fold increase over the reference period. It is also revealed that share of revenue expenditure in 1990-91 is 72.91 percent increased to 86.71 percent in 2018-19 and capital expenditure share was continuously falling (figure 1). The rise in share of revenue expenditure shows a concrete shape to the new design of development by revamping public expenditure policy in the direction of more employment generation programmes, rural development, increased subsidy and a hike of expenditure on items like defence, interest payment and grants and loans to States (Murugan, 2013).

Fig. 1: Trend of total expenditure of government of India (1990-91 to 2018-19)
Source: Indian public finance statistics

Composition of developmental and non-developmental expenditure

Developmental expenditure incurred on education, medical care, public health and family welfare, labour and
employment, agriculture, cooperation, transport and communication, and other miscellaneous services has shown in conjunction with economic plans (Brown and Howard, 2002). Non-developmental expenditure on the other hand is those items of expenditure of the government, which does not directly help in economic development of the country. Cost of tax collection, cost of audit, printing notes, internal law and order, expenditure on defence and interest payment, pension to retired government employees, non-
devotional assistance to states and so on are also included in this category. In 1990-91 total expenditure is Rs. 100879 crore; out of which 34 percent is used for developmental purpose and 49 percent for non-development activities. The average expenditure of developmental activities during 1990-91 to 1999-2000 is 30.34 percent, while 58.38 percent of total expenditure has gone to the non-developmental activities.

**Table 2: Developmental and non-developmental expenditure**

| Year     | Developmental (Rs. Crore) | Developmental (percent) | Non-developmental (Rs. Crore) | Non-developmental (percent) | Others (Rs. Crore) | Others (percent) | Total expenditure (Rs. Crore) | Total expenditure (percent) |
|----------|---------------------------|-------------------------|-------------------------------|----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| 1990-91  | 34.26                     | 48.55                   | 48.97                         | 17.18                      | 100879            |                  |                             |                             |
| 1991-92  | 33.41                     | 52.55                   | 56.70                         | 14.04                      | 107903            |                  |                             |                             |
| 1992-93  | 31.97                     | 56.77                   | 69.45                         | 11.26                      | 122516            |                  |                             |                             |
| 1993-94  | 29.16                     | 57.41                   | 81.35                         | 13.43                      | 141690            |                  |                             |                             |
| 1994-95  | 31.39                     | 56.25                   | 86.92                         | 12.35                      | 154640            |                  |                             |                             |
| 1995-96  | 27.41                     | 59.33                   | 103.61                        | 13.26                      | 174219            |                  |                             |                             |
| 1996-97  | 27.37                     | 59.35                   | 114.73                        | 13.28                      | 193434            |                  |                             |                             |
| 1997-98  | 30.05                     | 63.57                   | 132.01                        | 6.38                       | 207665            |                  |                             |                             |
| 1998-99  | 28.76                     | 66.06                   | 165.68                        | 5.18                       | 250833            |                  |                             |                             |
| 1999-00  | 29.63                     | 63.94                   | 185.01                        | 6.43                       | 289400            |                  |                             |                             |
| Average  | 30.34                     | 58.38                   | 104.44                        | 11.28                      | 174309            |                  |                             |                             |
| 2000-01  | 29.35                     | 63.86                   | 199.86                        | 6.79                       | 313011            |                  |                             |                             |
| 2001-02  | 29.29                     | 62.76                   | 217.52                        | 7.95                       | 346613            |                  |                             |                             |
| 2002-03  | 32.12                     | 65.76                   | 241.48                        | 2.12                       | 367226            |                  |                             |                             |
| 2003-04  | 37.37                     | 70.27                   | 252.84                        | -7.64                      | 359838            |                  |                             |                             |
| 2004-05  | 35.52                     | 69.79                   | 280.93                        | -5.31                      | 402567            |                  |                             |                             |
| 2005-06  | 35.23                     | 59.57                   | 295.82                        | 5.20                       | 496613            |                  |                             |                             |
| 2006-07  | 38.78                     | 57.72                   | 326.06                        | 3.50                       | 564933            |                  |                             |                             |
| 2007-08  | 43.35                     | 52.70                   | 369.42                        | 3.95                       | 701986            |                  |                             |                             |
| 2008-09  | 43.79                     | 52.32                   | 457.18                        | 3.89                       | 874832            |                  |                             |                             |
| 2009-10  | 40.85                     | 55.53                   | 562.69                        | 3.63                       | 1013191           |                  |                             |                             |
| Average  | 36.57                     | 61.03                   | 320.84                        | 2.41                       | 544081            |                  |                             |                             |
| 2010-11  | 44.20                     | 52.21                   | 620.19                        | 3.59                       | 1187898           |                  |                             |                             |
| 2011-12  | 45.14                     | 51.32                   | 660.51                        | 3.54                       | 1286998           |                  |                             |                             |
| 2012-13  | 43.23                     | 53.13                   | 740.38                        | 3.64                       | 1393576           |                  |                             |                             |
| 2013-14  | 41.40                     | 54.69                   | 842.98                        | 3.92                       | 1541466           |                  |                             |                             |
| 2014-15  | 37.57                     | 57.65                   | 948.54                        | 4.78                       | 1645342           |                  |                             |                             |
| 2015-16  | 35.45                     | 60.95                   | 1091.47                       | 3.60                       | 1790783           |                  |                             |                             |
| 2016-17  | 35.21                     | 57.88                   | 1143.18                       | 6.91                       | 1975194           |                  |                             |                             |
| Average  | 40.31                     | 55.40                   | 620.99                        | 4.28                       | 1545894           |                  |                             |                             |

Source: Computed from handbook of statistics on Indian economy, RBI, 2016-17

During 2000-01 to 2009-10, the average share of developmental expenditure increased to 36.57 percent and non-developmental expenditure to 61.03 percent. During third phase there is again a reversal (Table 2 and Fig. 2).

**Fig. 2: Composition of developmental and non-developmental expenditure**

Source: Handbook of statistics on Indian economy, RBI
Major components of total capital expenditure

During 1990-91 to 1999-2000, the share of total capital expenditure to finance loans and advances amount averaging 43.85 percent, while, the average share of non-development expenditure was 33.05 percent and developmental expenditure 23.09 percent of total capital expenditure.

Table 3: Non-development and developmental expenditure in capital expenditure (As percent of Total)

| Year    | Non-development expenditure | Developmental expenditure | Loans and advances | Total capital expenditure |
|---------|-----------------------------|---------------------------|-------------------|--------------------------|
| 1990-91 | 19.63                       | 29.36                     | 51.01             | 100                      |
| 1991-92 | 27.15                       | 27.17                     | 45.68             | 100                      |
| 1992-93 | 42.61                       | 24.06                     | 33.33             | 100                      |
| 1993-94 | 38.89                       | 18.14                     | 42.97             | 100                      |
| 1994-95 | 21.87                       | 24.28                     | 53.85             | 100                      |
| 1995-96 | 32.88                       | 15.51                     | 51.62             | 100                      |
| 1996-97 | 26.72                       | 14.38                     | 58.90             | 100                      |
| 1997-98 | 36.02                       | 27.32                     | 36.66             | 100                      |
| 1998-99 | 48.92                       | 23.14                     | 27.94             | 100                      |
| 1999-00 | 35.90                       | 27.56                     | 36.53             | 100                      |
| Average | 33.05                       | 23.09                     | 43.85             | 100                      |
| 2000-01 | 40.58                       | 31.84                     | 27.58             | 100                      |
| 2001-02 | 39.82                       | 27.47                     | 32.71             | 100                      |
| 2002-03 | 64.55                       | 46.43                     | -10.98            | 100                      |
| 2003-04 | -628.94                     | -471.47                   | 1200.41           | 100                      |
| 2004-05 | 179.24                      | 92.21                     | -171.45           | 100                      |
| 2005-06 | 63.53                       | 35.25                     | 1.23              | 100                      |
| 2006-07 | 72.48                       | 44.65                     | -17.13            | 100                      |
| 2007-08 | 38.60                       | 60.12                     | 1.28              | 100                      |
| 2008-09 | 56.24                       | 35.75                     | 8.01              | 100                      |
| 2009-10 | 57.91                       | 35.56                     | 6.53              | 100                      |
| Average | -1.6                        | -6.22                     | 107.82            | 100                      |
| 2010-11 | 52.58                       | 40.07                     | 7.35              | 100                      |
| 2011-12 | 55.93                       | 42.95                     | 1.12              | 100                      |
| 2012-13 | 54.43                       | 42.08                     | 3.49              | 100                      |
| 2013-14 | 50.88                       | 45.44                     | 3.68              | 100                      |
| 2014-15 | 50.00                       | 41.80                     | 8.20              | 100                      |
| 2015-16 | 53.34                       | 43.91                     | 2.75              | 100                      |
| 2016-17 | 40.80                       | 51.91                     | 7.29              | 100                      |
| Average | 51.12                       | 44.02                     | 3.39              | 100                      |

Source: Computed from handbook of statistics on Indian economy, RBI, 2016-17.

In 1999-2000 to 2009-10, the capital expenditure exceeded the capital receipts; whereas, after 2010-11, there is a sharp decline in the share of loans and advances (Table 3).

Major components of total revenue expenditure

Total revenue expenditure is also classified as non-development, developmental and statutory grants to States/UTs. The figures in table 3 show that there is a constant change in these three major components during 1990-91 to 2016-17. It is observed that the major portion of the total revenue expenditure is used for non-development activities (Table 4).

Table 4: Non-development/developmental expenditure in total revenue expenditure (as percent of total revenue expenditure)

| Year    | Non-development expenditure | Developmental expenditure | Statutory grants to state | Total revenue expenditure |
|---------|-----------------------------|---------------------------|---------------------------|--------------------------|
| 1990-91 | 59.30                       | 36.09                     | 4.61                      | 100                      |
| 1991-92 | 60.46                       | 35.35                     | 4.19                      | 100                      |
| 1992-93 | 61.32                       | 34.52                     | 4.16                      | 100                      |
| 1993-94 | 63.08                       | 32.53                     | 4.39                      | 100                      |
| 1994-95 | 65.33                       | 33.27                     | 1.40                      | 100                      |
| 1995-96 | 65.86                       | 30.36                     | 3.78                      | 100                      |
| 1996-97 | 66.44                       | 32.20                     | 3.36                      | 100                      |
| 1997-98 | 67.81                       | 30.47                     | 1.72                      | 100                      |
| 1998-99 | 68.78                       | 29.65                     | 1.57                      | 100                      |
| 1999-00 | 68.51                       | 29.97                     | 1.52                      | 100                      |
Table 5 displays the distribution of non-developmental expenditure. The major share of non-developmental expenditure is used to finance mainly for two components, that is, interest payment for internal and external debt and to meet the defence expenditure. During the second phase, the average share of this expenditure was reduced and these reductions resulted in an increase in the share of other non-developmental activities (Pamela Gomez, 2005). During the third phase, the average share of the cost of interest payment and defense expenditure fall at a small percentage.

**Table 5: Distribution of non-developmental expenditure (as percent of total non-developmental expenditure)**

| Year   | Interest payment | Defence service (net) | Others | Non-developmental expenditure |
|--------|------------------|-----------------------|--------|-------------------------------|
| 1990-91| 43.89            | 31.50                 | 24.61  | 100                           |
| 1991-92| 46.90            | 28.83                 | 24.27  | 100                           |
| 1992-93| 44.68            | 25.28                 | 30.04  | 100                           |
| 1993-94| 45.16            | 26.85                 | 27.98  | 100                           |
| 1994-95| 50.65            | 26.72                 | 22.63  | 100                           |
| 1995-96| 48.42            | 25.98                 | 25.60  | 100                           |
| 1996-97| 51.84            | 25.71                 | 22.45  | 100                           |
| 1997-98| 49.72            | 26.72                 | 23.56  | 100                           |
| 1998-99| 47.01            | 24.68                 | 28.82  | 100                           |
| 1999-00| 48.71            | 25.44                 | 25.79  | 100                           |
| Average| 47.70            | 26.71                 | 25.59  | 100                           |
| 2000-01| 49.69            | 24.83                 | 25.49  | 100                           |
| 2001-02| 49.40            | 24.95                 | 25.65  | 100                           |
| 2002-03| 48.78            | 23.05                 | 28.17  | 100                           |
| 2003-04| 49.08            | 23.76                 | 27.17  | 100                           |
| 2004-05| 45.18            | 27.00                 | 27.82  | 100                           |
| 2005-06| 44.83            | 27.23                 | 27.94  | 100                           |
| 2006-07| 46.09            | 26.22                 | 27.69  | 100                           |
| 2007-08| 46.23            | 24.78                 | 28.99  | 100                           |
| 2008-09| 41.99            | 24.95                 | 33.05  | 100                           |
| 2009-10| 37.88            | 25.20                 | 36.92  | 100                           |
| Average| 45.91            | 25.20                 | 28.89  | 100                           |
| 2010-11| 37.73            | 24.85                 | 37.42  | 100                           |
| 2011-12| 41.35            | 25.87                 | 32.77  | 100                           |
| 2012-13| 42.30            | 24.55                 | 33.15  | 100                           |
| 2013-14| 44.40            | 24.14                 | 31.46  | 100                           |
| 2014-15| 42.43            | 23.06                 | 34.52  | 100                           |
| 2015-16| 40.46            | 20.70                 | 38.84  | 100                           |
| 2016-17| 42.20            | 21.69                 | 36.05  | 100                           |
| 2017-18| 45.06            | 22.61                 | 32.33  | 100                           |
| Average| 42.00            | 23.43                 | 34.57  | 100                           |

Source: Computed on the basis of handbook of statistics on Indian economy, RBI, 2016-17
Table 6: Shows the division of development expenditure over the period of analysis. The expenditure on economic services tends a continuous increase in its share out of the total developmental expenditure

| Year | Economic services | Social services | Others | Developmental exp. |
|------|------------------|----------------|--------|-------------------|
| 1990-91 | 41.93 | 5.58 | 52.49 | 100 |
| 1991-92 | 39.93 | 6.02 | 54.06 | 100 |
| 1992-93 | 46.47 | 7.10 | 56.43 | 100 |
| 1993-94 | 38.05 | 6.67 | 55.29 | 100 |
| 1994-95 | 40.94 | 7.09 | 51.97 | 100 |
| 1995-96 | 64.36 | 14.06 | 21.58 | 100 |
| 1996-97 | 39.46 | 10.25 | 50.29 | 100 |
| 1997-98 | 38.86 | 10.67 | 49.46 | 100 |
| 1998-99 | 39.62 | 10.68 | 49.71 | 100 |
| 1999-00 | 47.20 | 13.33 | 39.47 | 100 |
| Average | 43.78 | 9.15 | 47.07 | 100 |
| 2000-01 | 51.46 | 12.68 | 35.85 | 100 |
| 2001-02 | 50.62 | 9.49 | 39.89 | 100 |
| 2002-03 | 56.36 | 11.95 | 31.69 | 100 |
| 2003-04 | 55.30 | 12.21 | 32.49 | 100 |
| 2004-05 | 53.51 | 13.91 | 32.97 | 100 |
| 2005-06 | 58.09 | 16.70 | 25.21 | 100 |
| 2006-07 | 55.83 | 17.11 | 27.05 | 100 |
| 2007-08 | 53.11 | 18.93 | 27.96 | 100 |
| 2008-09 | 57.96 | 19.05 | 22.99 | 100 |
| 2009-10 | 57.63 | 19.43 | 22.94 | 100 |
| Average | 54.99 | 15.15 | 22.94 | 100 |
| 2010-11 | 60.70 | 18.77 | 20.53 | 100 |
| 2011-12 | 61.95 | 16.11 | 21.94 | 100 |
| 2012-13 | 61.72 | 16.08 | 22.83 | 100 |
| 2013-14 | 60.58 | 17.19 | 21.83 | 100 |
| 2014-15 | 56.50 | 7.62 | 35.88 | 100 |
| 2015-16 | 59.31 | 10.95 | 29.74 | 100 |
| 2016-17 | 66.62 | 11.01 | 22.37 | 100 |
| 2017-18 | 65.97 | 11.56 | 22.47 | 100 |
| Average | 61.72 | 13.66 | 24.62 | 100 |

Source: Computed from handbook of statistics on Indian economy, RBI, 2016-17

Public expenditure and its effect on macro-economic variables

The effects of public expenditure on some selected macro-economic variables like Gross Domestic Product, Net national disposable income and Employment is attempted to check the impact of public expenditure on real variables (Table 7).

Table 7: Macroeconomic indicators

| Year | public expenditure (Rs. in Crore) | GDP at factor cost/ current price (Rs. in Crore) | Net national disposable income (Rs. in Crore) | Employment (in Crore) |
|------|----------------------------------|-----------------------------------------------|------------------------------------------|---------------------|
| 1990-91 | 105298 | 531813 | 529728 | 2.674 |
| 1991-92 | 111414 | 613528 | 608553 | 2.706 |
| 1992-93 | 122618 | 703723 | 699988 | 2.718 |
| 1993-94 | 141853 | 817961 | 812932 | 2.738 |
| 1994-95 | 160739 | 955385 | 961175 | 2.753 |
| 1995-96 | 178275 | 118586 | 1122767 | 2.794 |
| 1996-97 | 201007 | 1301788 | 1320315 | 2.825 |
| 1997-98 | 232053 | 1447613 | 1455686 | 2.817 |
| 1998-99 | 279340 | 1668739 | 1667911 | 2.811 |
| 1999-00 | 298053 | 1858205 | 1874359 | 2.796 |
| 2000-01 | 325592 | 2000743 | 2006599 | 2.779 |
| 2001-02 | 362310 | 2175260 | 2180291 | 2.72 |
| 2002-03 | 413248 | 2343864 | 2352685 | 2.7 |
| 2003-04 | 471203 | 2625819 | 2647805 | 2.645 |
| 2004-05 | 498252 | 2971464 | 2991914 | 2.646 |
| 2005-06 | 505738 | 3390503 | 3412097 | 2.7 |
| 2006-07 | 583387 | 3953276 | 3977351 | 2.727 |
| 2007-08 | 712671 | 4582086 | 4649383 | 2.755 |
| 2008-09 | 883956 | 5303567 | 5235152 | 2.818 |
| 2009-10 | 1024487 | 6108903 | 6027141 | 2.871 |
| 2010-11 | 1197328 | 7248800 | 7184090 | 2.9 |
| 2011-12 | 1304365 | 8391691 | 8357898 | 2.958 |
| 2012-13 | 1410372 | 9388876 | 9116426 | 2.89 |
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The percentage contribution of public expenditure to GDP is increasing over time. In 1990-91 its contribution is only 6.8 percent and it shift to 17.7 percent in 2016-17 (Table 8).

Table 8: Expenditure as a percentage of GDP

| Year       | Revenue expenditure | Capital expenditure | Total expenditure |
|------------|---------------------|---------------------|-------------------|
| 1990-91    | 4.9                 | 1.84                | 6.8               |
| 1991-92    | 5.5                 | 1.70                | 7.2               |
| 1992-93    | 5.8                 | 1.88                | 7.6               |
| 1993-94    | 6.5                 | 2.00                | 8.5               |
| 1994-95    | 6.9                 | 1.82                | 8.7               |
| 1995-96    | 7.3                 | 1.81                | 9.1               |
| 1996-97    | 7.7                 | 1.68                | 9.4               |
| 1997-98    | 8.4                 | 1.30                | 9.7               |
| 1998-99    | 9.6                 | 1.52                | 11.1              |
| 1999-00    | 10.1                | 1.64                | 11.7              |
| Average    | 7.3                 | 1.72                | 9.0               |
| 2000-01    | 10.9                | 1.37                | 12.2              |
| 2001-02    | 11.2                | 1.67                | 12.9              |
| 2002-03    | 12.2                | 0.97                | 13.2              |
| 2003-04    | 12.1                | -0.11               | 12.0              |
| 2004-05    | 11.8                | 0.60                | 12.4              |
| 2005-06    | 12.4                | 1.59                | 14.0              |
| 2006-07    | 13.3                | 1.31                | 14.6              |
| 2007-08    | 14.0                | 2.55                | 16.5              |
| 2008-09    | 17.9                | 1.91                | 19.8              |
| 2009-10    | 18.9                | 2.25                | 21.1              |
| Average    | 15.5                | 1.44                | 14.9              |
| 2010-11    | 19.6                | 2.87                | 22.5              |
| 2011-12    | 20.3                | 2.50                | 22.8              |
| 2012-13    | 13.4                | 1.69                | 15.1              |
| 2013-14    | 13.9                | 1.79                | 15.7              |
| 2014-15    | 13.8                | 1.78                | 15.6              |
| 2015-16    | 13.5                | 2.22                | 15.7              |
| 2016-17    | 13.9                | 2.33                | 16.2              |
| Average    | 15.5                | 2.17                | 17.7              |

Source: Computed from handbook of statistics on Indian economy, RBI, 2016-17

The effect of public expenditure on GDP, Net National Disposable Income and employment using regression equation and correlation were worked out and the result is shown in Table 9.

Table 9: Effects of public expenditure on some selected macro-economic variables

| Public expenditure and GDP | Model | R  | R Square | Adjusted R Square | Std. Error | Durbin-Watson statistic |
|----------------------------|-------|-----|----------|-------------------|------------|-------------------------|
|                            | 1     | .994* | .988    | .988              | 262323.49300 | .899                    |
| Public Expenditure and Net National Disposable Income | 1     | .997* | .994    | .994              | 304514.82402 | .482                    |
| Public Expenditure and Employment | 1     | .672* | .452    | .434              | .137       | .075                    |

* Significant at 0.01 level

Source: RBI data
Conclusion
The average percentage share of revenue expenditure during 2009-10 to 2018-19 periods was 87 percent, and only 13 percent is used for capital expenditure. So, the size of capital expenditure should be raised to the maximum level to boost the growth process of India. Steps should be taken for reducing defence expenditure and interest burden, as these two complements takes away 75 percent of the non-developmental expenditure. Government also would use more internal debt sources for meeting expenditure over revenue. Government would also execute more developmental expenditure for economic activities to ensure more growth and development and social spending are also equally distributed and it also used for reducing inequalities. To reduce the fiscal deficit to 3 percent of GDP in accordance with the FRBM act gives governments more freedom for its fiscal action. Future budget would take into account as per head revenue, expenditure, and debt both in terms real and nominal because it provide more realistic picture about government spending. At the same time, try to increase per head revenue and expenditure and reduce per head liability and burden. Most of the macro economic variables are highly correlated with public expenditure and revenue. So, the government would be ready to consider the budget seriously and prepare and present it systematically without much ambiguity and political gimmick, for the good of the nation.

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Conflicts of Interest
None.

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