

## **A Study on Expenditure Pattern of Central Government of India**

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### **Abstract**

Government Expenditure is increasing in the developing economy and Indian government spending has shown the tremendous growth in recent scenario. There has been tremendous increase in the expenditure of the Central Government particularly revenue expenditure which is financed through tax and non-tax revenues. The objective of the government expenditure is to speed up the economic development of the country and keep the country prepared to face threats for its security from foreign aggression. The present study focuses on the expenditure pattern of the Central Government of India for a period of 2011-2012 to 2021-2022. From the study it was observed that the Revenue Expenditure of the Central Government was growing. The Non-development expenditure continues to increase the total expenditure in large proportion during the period of study.

**Keywords:** Central Government, Government Expenditure, Revenue Expenditure, Tax, Non-Tax

### **Introduction**

Government spending is the expenditure which is incurred by public authorities such as Central, State and Local Governments. The Government expenditure is done for the satisfaction of collective needs of the general public and for promoting the economic and social welfare. The expenditure volume has increased in almost all countries in the world. There has been tremendous increase in the expenditure of the central government, particularly in revenue expenditure financed through current taxation and other non-tax revenues. The expenditure of the government has a considerable impact on the level of economic activity of the country. It influences the level of production, distribution of national income, the allocation of resources and the level of employment. The Central Government expenditure is classified into non-plan expenditure and plan expenditure. Non-Plan expenditure of the Central Government is further classified into revenue expenditure and capital expenditure. The present study focuses on the expenditure pattern of the Central Government of India for a period of 2011-2012 to 2021-2022.

## Reasons for Growth of Government Expenditure

- Every state must provide in the budget enough resources to maintain big and strong defence forces.
- Development of service and technology and consequent expansion of armament in the nuclear field.
- The growth of the spirit of economic nationalism and universal desire for economic self sufficiency have increased state activities contributing enormous growth in the government expenditure.
- The increase in the population has further led to increased state activity.
- There is a great increase in the volume of public debt and consequently payment of interest charges called debt service charges.

## Classification of Expenditure

**Productive and Unproductive Expenditure:** While some expenditures are in the nature of consumption, others are in the nature of investment and help the economy in improving its productive capacity. Under the laissez-faire system, the only productive public expenditure is those which are incurred to create and maintain social overheads. Expenditures on administration, defence, justice, law and order, etc., are unproductive.

**Transfer and Non-Transfer Expenditure:** A transfer expenditure is a payment without corresponding receipt of goods and services by the state. Examples of transfer expenditure are interest payment, old age pensions and unemployment benefits, etc.

**Non – Transfer Expenditure:** Is that by which the state pays for its purchases or use of goods and services. Such a use of resources by the state may be for consumption purposes or the investment purposes. Expenditure on defence education and such like things are all of non-transfer or real expenditure.

**Revenue and Capital Expenditure:** Revenue expenditure of the Government includes all current expenditure on administration including defence and public commercial undertakings such as, railways, post and telegraphs and grant in aid to the states. In other words, expenditure which does not result in creation of assets is treated as revenue expenditure.

**Capital Expenditure:** Consists of acquisition of assets like land of buildings, machinery equipment, as also investments in shares, etc., and loans and advances granted by central government to state and union territory government companies, corporation and other parties.

**Plan and Non-Plan Expenditure:** Plan expenditure is that the public expenditure which represents current development and investment outlays that arise due to plan proposals.

**Non-Plan Expenditure:** Is all other expenditure for which the government is supposed to do or committed to do or obliged to do. It includes both developmental and non-developmental expenditure.

**Developmental and Non- Developmental Expenditure:** Developmental expenditure includes plan expenditure of railways, posts and tele communications and non-departmental commercial undertakings which are financed out of their internal and extra budgetary resources including market borrowings and term loans from financial institutions to State Governments.

**Non-development expenditures** include expenditures on defence, interest payments, tax collection, police and other expenditures. Other expenditures includes that on general administration, pensions, ex-gratia payments to former rulers, famine relief, subsidies on food and controlled cloth, grants and loans to foreign countries and loans for non-development purpose to other parties etc.

### **Review of Literature**

**Jovi Varghese.M.S., (2019),** has investigated the government expenditure with the macroeconomic indicators of India. Based on the data the study resulted that there is a significant relationship between the total and sectoral government expenditures and with macroeconomic indicators. The study states that the government spending has a significant effect on the economic growth of the nation.

**Gunwant.B.Gadbade., and Chandrakant.N. Kokate., (2021),** has studied the trend and composition of government expenditure in education sector done by both the central and state government of India. It was analyzed that the percentage share of state government is declined and the central government is increasing gradually during the study period.

**Ravindra Kumar., (2019),** has studied the public expenditure of India and its impact in economic development. The study was narrowed by analyses of government expenditure made in government schemes. The result shows that the Government schemes has successfully implemented the total public expenditure has increased. The study has suggested that increase in government expenditure to increase the economic development of India in the recent scenario and has become first largest economy in the world.

## Scope of the Study

The government expenditure on recent scenario most of the expenditure was revenue nature. Capital expenditure (including grants-in-aid for the creation of capital assets) were about one-fifth of the total expenditure. The interest payments and defence expenditure were the two big expenditures of the central government which was about 24 percent and 17 percent. About 4 to 5 percent of the finance goes into external affairs and 6 to 7 percent was sponsored by Centre through schemes to the states. It is to be noted that non-development expenditure increases a large proportion in the total expenditure. Defence, debt services and administrative expenses are increasing significantly which are responsible for the growth in government expenditure. On this background the study focuses on analyzing the expenditure pattern of Central Government of India for the period 2015-2016 to 2020-2021.

## Objectives of the Study

- To examine the growth pattern of expenditure of Central Government of India from 2010-2011 to 2021-2022.
- To access the total expenditure of the central Government of India during the study period.
- To examine the non-plan revenue expenditure for major selected items of Central Government.

## Research Methodology:

The study is based on Secondary data. The data is collected from various articles, magazines, websites and books. The period of study covers from 2010-2011 to 2021-2022. The collected data is manipulated using Annual and Compound Growth Rate, Mean, Standard Deviation and Linear Trend analysis.

## Analysis and Discussions

### Expenditure of the Central Government

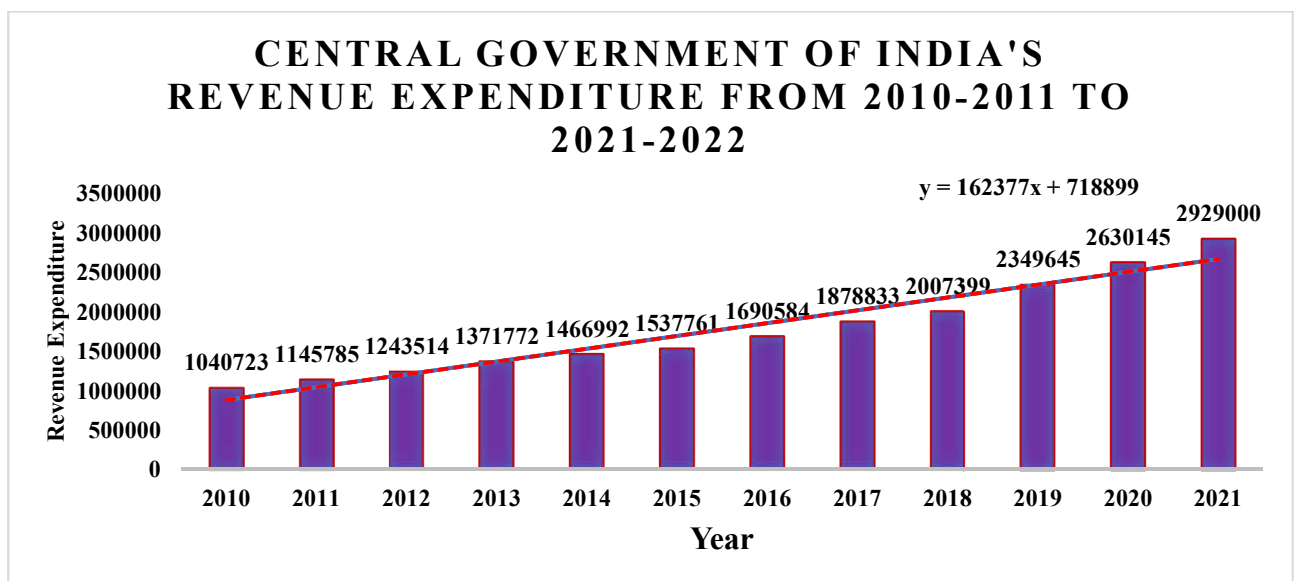
During the study period there has been tremendous increase in the expenditure of the Central Government, particularly in revenue expenditure financed through current taxation and other current tax revenues. The Central Government revenue expenditure is classified into Civil expenditure which includes general services, social and community services and economic services. Defence expenditure and grants-in-aid to states and union territories.

**Table 1.1 Trend Showing the Revenue Expenditure of Central Government of India  
from 2010-2011 to 2021 -2022**

(INR in Crores)			
Year	Actual	Trend	AAGR
2010-2011	1040723	2467103	-
2011-2012	1145785	1328805	10.10
2012-2013	1243514	1442635	8.53
2013-2014	1371772	1556464	10.31
2014-2015	1466992	1670294	6.94
2015-2016	1537761	1784124	4.82
2016-2017	1690584	1897954	9.94
2017-2018	1878833	2011784	11.14
2018-2019	2007399	2125614	6.84
2019-2020	2349645	2239444	17.05
2020-2021	2630145	2353274	11.94
2021-2022	2929000	2467103	11.36
<b>Mean</b>	1841039		
<b>Standard Deviation</b>	583890.60		
<b>CAGR</b>	8.14		

Source: Computed

**Chart: 1.1**



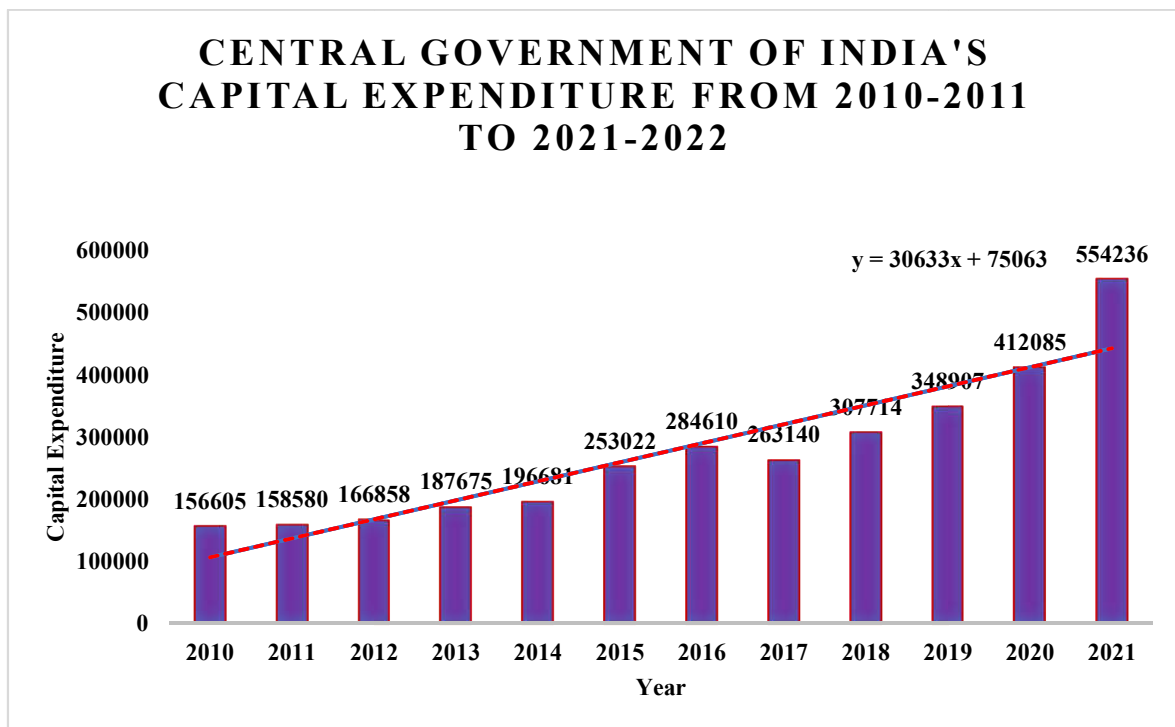
The table 1.1 shows the growth pattern of revenue expenditure of India during the period 2010-2011 to 2021-2022. It is observed that during the study period the Central Government revenue expenditure is growing from INR. 1040723 crores in 2010 -2011, the revenue expenditure has increased to INR. 2929000 crores in the year 2021-2022. The compound growth rate during the study period was about 8.14 percent. On the Average annual growth rate of revenue expenditure, it was predicted there is huge growth rate during 2019-2020. The increase in revenue expenditure is due to increased defence commitments, expansion of administration, the Government's International Commitments, increase in participation in nation-building activities like education and public health, rise in prices all these were responsible for increased revenue expenditure of the Central Government.

**Table 1.2 Trend Showing the Capital Expenditure of Central Government of India from 2010-2011 to 2021 -2022**

(INR in Crores)			
Year	Actual	Trend	AAGR
2010-2011	156605	391865.95	-
2011-2012	158580	197317.95	1.26
2012-2013	166858	216772.71	5.22
2013-2014	187675	236227.47	12.48
2014-2015	196681	255682.23	4.80
2015-2016	253022	275136.98	28.65
2016-2017	284610	294591.74	12.48
2017-2018	263140	314046.50	-7.54
2018-2019	307714	333501.26	16.94
2019-2020	348907	352956.02	13.39
2020-2021	412085	372410.78	18.11
2021-2022	554236	391865.53	34.50
<b>Mean</b>	284864.36		
<b>Standard Deviation</b>	119143.19		
<b>CAGR</b>	10.99		

Source: Computed

Chart: 1.2



The table 1.2 shows the capital expenditure of central Government of India for the period 2010-2011 to 2021-2022. The central government's capital expenditure consists of plan and non-plan expenditure. It consists of loans to states and union territories for financing plan projects and loans to foreign governments, expenditure for economic development, on social and community development, defence and general services. It was observed that there is positive trend in capital expenditure of the Central Government of India. It was about INR.156605 crores in 2010-2011 to INR 554236 crores in 2021-2022. It was observed from the budget estimation of 2015-2016 to 2019-2020 was revenue in nature. Further the capital expenditure was about one-fifth of the total expenditure. The compound annual growth rate of the capital expenditure during the study period was about 10.99 percent. The transfers to states and union territories of the Central Government were about 6 to 7 percent. Moreover, it was only less than half were spend on economic and social development during the period 2015-2016 to 2016-2017.

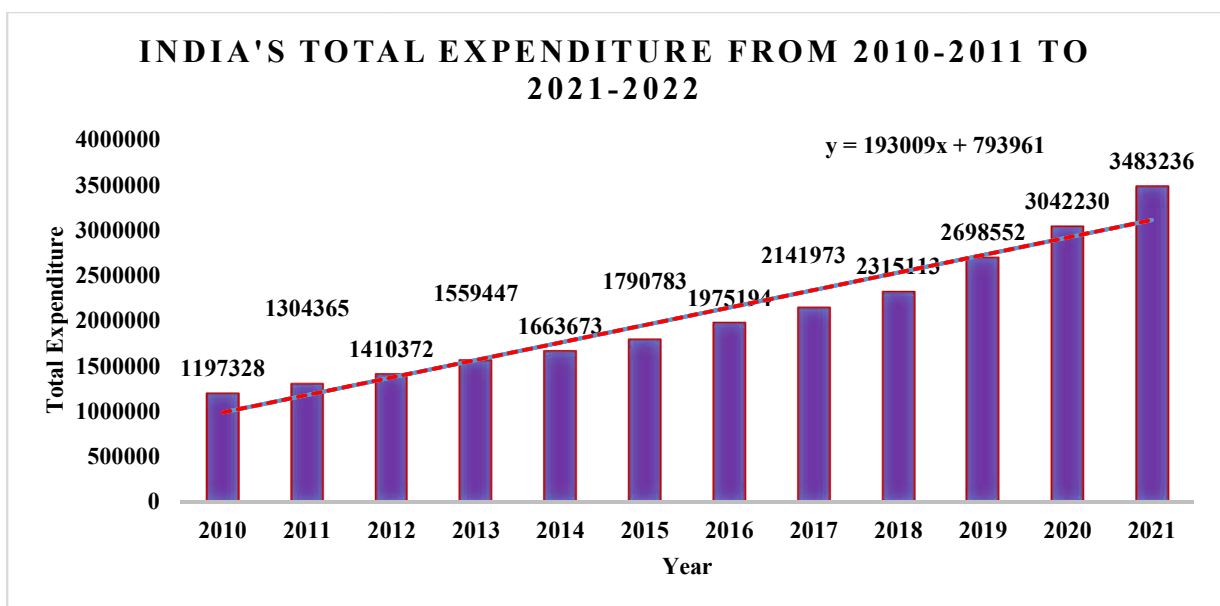
**Table 1.3 Trend Showing the Total Expenditure of Central Government of India from 2010-2011 to 2021 -2022**

(INR in Crores)

Year	Actual	Trend	AAGR
2010-2011	1197328	2858968.97	-
2011-2012	1304365	1526122.58	8.94
2012-2013	1410372	1659407.22	8.13
2013-2014	1559447	1792691.86	10.57
2014-2015	1663673	1925976.50	6.68
2015-2016	1790783	2059261.14	7.64
2016-2017	1975194	2192545.77	10.30
2017-2018	2141973	2325830.41	8.44
2018-2019	2315113	2459115.05	8.08
2019-2020	2698552	2592399.69	16.56
2020-2021	3042230	2725684.33	12.74
2021-2022	3483236	2858968.97	14.50
<b>Mean</b>	2125903.45		
<b>Standard Deviation</b>	700175.012		
<b>CAGR</b>	8.53		

Source: Computed

**Chart: 1.3**





The table 1.3 shows the total expenditure of the Central Government of India for the period 2010-2011 to 2020-2022. Focusing on the total expenditure of central government of India during the period 2010-2011 to 2021-2022 shows an increasing trend from INR 1197328 crores to INR 3483236 crores. During the period it was observed the two big expenditure was interest payments, accounting for about 24 percent and defence expenditure was about 17 percent of the total expenditure. These two expenditures of the Central Government were accounting to about two-fifth of the government spending.

### **Conclusion**

Government spending has become a notable trend and the government expenditure in India has been increasing rapidly during the study period 2010-2011 to 2021-2022. From the study it was observed that the Revenue Expenditure of the Central Government was growing. The Non-development expenditure continues to increase the total expenditure in large proportion during the period of study.

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