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EMERGING AND CHANGING PATTERN OF PUBLIC EXPENDITURE (WITH SPECIAL REFERENCE TO TAMILNADU STATE)

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ABSTRACT

The prime focus of the present study is to throw light on public expenditure made in the past four decades. Chapter 1 provides basic idea about the public expenditure and other related concepts of public expenditure as introductory chapter. Chapter two narrates the methodology of the study. Chapter three list out the review of literature. Chapter 4 depicts the emerging trend and changing pattern of Public expenditure on developmental activities of Tamilnadu state and Chapter 5 portrays the emerging trend and changing pattern of Public expenditure on non-developmental activities of Tamilnadu state. The last chapter elucidates the findings and suggestions.

Keywords: Public expenditure, Tamilnadu, Budget

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1. INTRODUCTION

Public expenditure literally means the expenses or expenditure, contributed by the Government for the betterment or benefit of the public. In easy words Public expenditure is the expenditure incurred by public authorities-central, state and local governments either for the satisfaction of collective needs of the citizens or for promotion their economic and social welfare which can promote growth by financing essential public services, like security, infrastructure, health, transportation, energy and education.

2. METHODOLOGY

The public expenditure can be broadly classified into two types developmental and non-developmental expenditure. The functions and responsibilities of the countries, have undergone virtually a metamorphosis since the onset of the great depression of the thirties. The structure and content of public budget have received wider attention and serious thoughts have been bestowed as to how attune it to cope with the predominant development requirements. For the convenience of analysis the 30 year period is divided into three sub periods. The first sub-period is from 1980-81 to 1989-90, the second sub-period is from 1990-91 to 1999-2000 and the third sub-period is from 2000-01 to 2009-10. For these three sub-periods the annual increases and the annual growth rate of Total Expenditure have been worked out and they are also given in the Table and to estimate the compound growth rate of public expenditure, linear and semi-log linear trend models have been worked out. The current study uses the secondary data extracted from Tamilnadu statistical report 2009-10. The period of public expenditure starts from April 1980 to March 2010 for the Tamilnadu state, India. The need for the study arises as the value of amount Public Expenditure of Tamil Nadu was Rs.115225 lakhs in 1980-81. It increased with fluctuations and reached Rs.277570 lakhs in 1986-87 and touched the highest value of Rs.473079 lakhs in 1989-90. The average value of amount of Total Public expenditure is Rs.253034.5 lakhs per year. The linear growth rate comes about 34.51 per cent. The highest annual growth rate registered is 25.72 per cent in the year 1989-90. There is an inconsistency in the outlay of public expenditure.

3. LITERATURE REVIEW

There are several research studies and surveys are conducted related to public expenditure. But most of the studies, focus on the role of public expenditure, growth of public expenditure and sources of finance for the public expenditures. For instance, Valentino Piana¹ (2001), in his study, expresses the significance, composition and determinants of public expenditure. According to him, "Public expenditure is the value of goods and services bought by the state and its articulations. Public expenditure is characterized by a high degree of inertial and law-dependency which tempers the will of the current majority".

Valentino Piana, 'Public expenditure', www.economicwebinstitute.org 2001

Dr. Vathsala et al² (2001) in their study had rightly pointed out, "Review of the actual pattern of Budgetary provisions and public expenditure during the nineties indicate that the envisaged careful balancing of the rolls of the State and the Market did not materialise and permeate the planning process of the Centre and the State and the Budgetary constraints and fiscal deficit reduction objectives had led to compression of public investment and Government expenditure leading to a slowing down of the process of Economic Growth."

Anuradha De and Tanuka Endow³ (2008) in their working paper on the title "Public Expenditure on Education in India, Recent Trends and Outcomes" found that public expenditure on education in current prices has been growing at the compound annual growth rate (CAGR) of 13.4 per cent p.a. for the period 1990-91 to 2003-04 the rate of growth has slowed down in the present decade. Moreover their study indicates that expenditure in constant prices shows a much lower CAGR of only 6.5 percent for the same period. Though the expenditure has almost doubled between 1990-01 to 2000-01, it had stagnated and even decline since then. As a proportion of GDP the share of public expenditure on education has been less than 4 per cent. There have been major changes in the composition and modalities of expenditure on education.

N.Rajeshkumar and N.Nalraj⁴, (2014), expressed the view that “Under the changing scenario, with the role of the State being redefined, the core issues revolve around the aspects such as how government should intervene in the health care market for an efficient delivery of the health services. Institutional Economics provides the framework for such interventions which can be made on the basis of measurability and contestability of these goods and services.

1. Dr. Vatsala, Smt Sujathasuresh and V.K. Srinivasan, ‘A study on management of public expenditure by state government in India’ Indian institute of Economics, 2001
2. Anuradha De and Tanuka Endow, ‘Public Expenditure on Education in India; Recent trends and outcomes, RECOUP working paper 18, 2018.
3. Rajeshkumar and P.Nalraj, ‘Public expenditure on health and economic growth in selected Indian states’ International journal of Scientific Research, Volume 3, issue 3 March 2014.

T. Maheswari⁴ (2012) in her study, she pointed out that the share of social sector expenditure to total public expenditure of Tamilnadu was tremendously decreasing. The share of Tamilnadu to India’s total expenditure is also decreasing. There is reduction in the revenue expenditure of social sector in the recent years it may due to the reduction in the salary expenses incurred in the social sector because in the recent past there is shortage of human power in the social sector in Tamilnadu. In the recent past importance was given to the physical infrastructure development of the social sector. The share of social sector expenditure to developmental expenditure of Tamilnadu is highly fluctuating.

Chandrachud.S⁵ (2015) with the sustainable provision for the public expenditure on infrastructural facility, we can achieve the new peaks of agricultural and industrial production, in turn higher contribution to GDP. The advent of the global financial crisis in 2008 has caused a rebirth in Keynesian thought. Keynes argued that the solution to the Great Depression was to stimulate the economy through the combination of two approaches, viz., a reduction in interest rates (Monetary policy) and Government investment in infrastructure (Fiscal policy).

Times of India (January 31, 2017)⁷ According to Economics survey 2016, “on health and education there are insufficient instances of good models that can travel widely within India and that are seen as attractive political opportunities. Competitive populism needs a counterpart in competitive service delivery,” The Economic Survey said that a second distinctive feature of the Indian economic model is the "weakness" of state capacity, especially in delivering essential services such as health and education.

1. T. Maheswari, ‘An Exposition of social sector Expenditure in Tamilnadu in the context of economic reform’ socio economic voices, www.indiastat.com 2012
2. Dr.S.Chandrachud and Dr.S.Gajalakshmi, ‘Impact of Infrastructural Development on Indian Agricultural growth (Prospects and Perspectives)’ Indian Journal of Applied research, Volume 5, DOI 10.15373/2249555X, 2015.
3. The Times of India, ‘Economic Survey says India's public spending on health well below global average’ dated 31st January 2017

Table 1 Growth of Total Public Expenditure of Tamil Nadu (Rs in lakhs)

Year	Total Public Expenditure	Marginal increases(Rs)	Annual Growth Rate (%)
1980-81	115225	-	-
1981-82	135989	20764	18.02
1982-83	157608	21619	15.90
1983-84	191080	33472	21.24
1984-85	221033	29953	15.68
1985-86	244975	23942	10.83
1986-87	277570	32595	13.31
1987-88	337482	59912	21.59
1988-89	376304	38822	11.50
1989-90	473079	96775	25.72
Average	253034.5	LGR	34.51
1990-91	564129	91050	19.25
1991-92	867952	303823	53.86
1992-93	854252	-13700	-1.57
1993-94	918716	64464	7.55
1994-95	908353	-10363	-1.13
1995-96	1091057	182704	20.11
1996-97	1306489	215432	19.75
1997-98	1495085	188596	14.44
1998-99	1769740	274655	18.37
1999-2000	2072783	303043	17.12
Average	1184855.6	LGR	29.71
2000-01	2175244	102461	4.94
2001-02	2155697	-19547	-.90
2002-03	2568770	413073	19.16
2003-04	2527094	-41676	1.62
2004-05	2915487	388393	15.37
2005-06	3200867	285380	9.79
2006-07	3826497	625630	19.55
2007-08	4297501	471004	12.31
2008-09	5540256	1242755	28.92
2009-10	5929528	389272	7.03
Average	3513694.1	LGR	19.18

Source: Tamil Nadu Statistical Report, 2009-10

From Table 1, we can easily expose that the public expenditure of Tamilnadu in the second period 1990-91 to 1999-2000, the value of amount Public Expenditure was Rs.564129 lakhs in 1990-91 and it touched the highest value of Rs.2072783 lakhs in 1999-2000. The average value of total public expenditure is Rs.1184855.6 lakhs per year. The annual increases have increased to Rs.303823 lakhs in 1991-92 and then it has decreased to Rs.13700 lakhs in 1992-93 and it has increased to Rs.64464 lakhs in 1993-94. It has goes declined to Rs.10363 lakhs in 1994-95 and annual increases have increased to Rs.303043 lakhs in 1999-2000. The highest annual growth rate is 53.86 per cent in 1991-92.

In 2000-01, the value of Total Public Expenditure was Rs.2175244 lakhs and it was decreased in the next year was Rs.2155697 lakhs in 2001-02. It has increased to Rs.2568770 lakhs in 2002-03 and has decreased to Rs.2527094 lakhs. In the next year 2003-04, has increased to Rs.2915487 lakhs and it touched the highest value of Rs.5929528 lakhs in 2009-10. The average value of amount of total Public expenditure is Rs.3513694.1 lakhs per year. The linear growth rate comes about 19.18 per cent. The annual increases has comes up to Rs.1242755 lakhs in 2008-09

The value of amount of Development Expenditure of Tamil Nadu was Rs.82773 lakhs in 1980-81 and it touched the highest value of Rs.344262 lakhs in 1989-90. The average value of amount of Development Expenditure is Rs.185677.0 lakhs per Year. The linear growth rate comes about 35.10 per cent. The amount of marginal increases was Rs.18567 lakhs in 1981-82 and has decreased in the next year 1982-83 Rs.18068 lakhs. Then it goes up to Rs.22809 lakhs in 1983-84 and it has declined was Rs.21169 lakhs in 1984-85. And it has increases of Expenditure amount was continuously to has decreased Rs.14604 lakhs in 1985-86. Then its value of amount of increases expenditure of Tamil Nadu was Rs.22817, it increased continuously and reached Rs.71071 lakhs in 1989-90.

The trend of public expenditure in Tamilnadu state has witnessed that there is a wide fluctuations in the past three decades and it is essential to put more effort on streamlining the investment measures of public investment (expenditure) in order to achieve the sustainable growth in the state. For better understanding the public expenditure of Tamilnadu, the data extracted from the Tamilnadu Statistical report 2009-10, with respect to developmental expenditure and non-developmental expenditure, as shown in Table 2 and Table 3 respectively.

Table 2 Growth of Development Expenditure of Tamil Nadu (Rs in lakhs)

Year	Total Public Expenditure	Marginal increases Rs	Annual Growth Rate (%)
1980-81	82773	-	-
1981-82	101340	18567	22.43
1982-83	119408	18068	17.83
1983-84	142217	22809	19.10
1984-85	163386	21169	14.89
1985-86	177990	14604	8.94
1986-87	200807	22817	12.82
1987-88	251396	50589	25.20
1988-89	273191	21795	8.67
1989-90	344262	71071	26.02
Average	185677.0	LGR	35.10
1990-91	407906	63644	18.49
1991-92	676404	268498	65.82
1992-93	624396	-52008	-7.69
1993-94	622696	-1700	-.27
1994-95	623776	1080	.17
1995-96	728985	105209	16.87
1996-97	863713	134728	18.48
1997-98	944852	81139	9.39
1998-99	1078265	133413	14.12

1999-2000	1195964	117699	10.92
Average	776695.7	LGR	21.47
2000-01	1242022	46058	3.85
2001-02	1191944	-50078	-4.03
2002-03	1423567	231623	19.43
2003-04	1320516	-103051	-7.24
2004-05	1513684	193168	14.63
2005-06	1708891	195207	12.90
2006-07	2082310	373419	21.85
2007-08	2349693	267383	12.84
2008-09	3191564	841871	35.83
2009-10	3233095	41531	1.30
Average	1925728.6	LGR	17.81

Source: Tamil Nadu Statistical Report, 2009-10

During the second period 1990-91 to 1999-2000, the value of amount of Expenditure of Development Expenditure was Rs.407906 lakhs in 1990-91 and it touched highest value of Rs.676404 lakhs in 1991-92. It has goes to declined was Rs.622696 lakhs in 1993-94 and then also increased was Rs.623776 lakhs in 1994-95. It touched the highest value of Rs.1195964 lakhs in 1999-2000. The average value of amount of Development Expenditure is Rs.776695.7 lakhs per year. The linear growth rate works out to 21.47 per cent. The increases of expenditure amount increased to Rs.268498 lakhs in 1991-92. The highest annual growth rate is 65.82 per cent in 1991-92.

In 2000-01, the value of amount of expenditure of Development Expenditure was Rs.1242022 lakhs. It has decreased was Rs.1191944 lakhs in 2001-02 and it increased with some fluctuations. It has touched the highest value of Rs.3233095 lakhs in 2009-10. The linear growth rate comes about the 17.81 per cent. The average value of amount expenditure of Development Expenditure is Rs.1925728.6 lakhs per year. The increases amount of expenditure comes up to Rs.2082310 lakhs in 2006-07. The highest annual growth rate is registered in 35.83 per cent in 2008-09.

The value of amount of expenditure of Non-Development Expenditure of Tamil Nadu was Rs.32452 lakhs in 1980-81. It continuously increased and touched the highest value of Rs.128817 lakhjs in 1989-90. The average value of amount of expenditure of Non-Development Expenditure is Rs.67357.5 lakhs per year. The linear growth rate comes about 33.00 per cent. The increases amount of expenditure was Rs.2197 lakhs in 1981-82 and it goes with the hike of Rs.10663 lakhs in 1983-84.

For the past thirty years the public expenditure in Tamil Nadu has been increasing at decreasing rate. Only around 20 per cent of the state income is spent for the state's activities which indicate that Tamil Nadu is giving less importance to the public expenditure. This may leads to economic crisis in the state. So it is suggested that the state should increase the public expenditure for the promotion of economic development and welfare of the state. After analyzing the developmental expenditure of tamilnadu state, it is better to compare with the non-developmental expenditure of tamilnadu state. The expense statement for three sub-periods are extracted from the Tamilnadu statistical report 2009-10.

Table 3 Growth of Non- Developmental Expenditure of tamil Nadu (Rs in lakhs)

Year	Total Public Expenditure	Marginal increases Rs	Annual Growth Rate (%)
1980-81	32452	-	-
1981-82	34649	2197	6.77
1982-83	38200	3551	.10
1983-84	48863	10663	27.91
1984-85	57647	8784	17.98
1985-86	66985	9338	16.20
1986-87	76763	9778	14.60
1987-88	86086	9323	12.15
1988-89	103113	17027	19.78
1989-90	128817	25704	24.93
Average	67357.5	LGR	33.00
1990-91	156223	27406	21.28
1991-92	191548	35325	22.61
1992-93	229856	38308	20.00
1993-94	296020	66164	28.79
1994-95	284577	-11443	-3.87
1995-96	362072	77495	27.23
1996-97	442776	80704	22.29
1997-98	550233	107457	24.27
1998-99	691475	141242	25.67
1999-2000	876819	185344	26.80
Average	408159.9	LGR	51.25
2000-01	933222	56403	6.43
2001-02	963753	30531	3.27
2002-03	1145203	181450	18.83
2003-04	1206578	61375	5.36
2004-05	1401803	195225	16.18
2005-06	1491976	90173	.06
2006-07	1744187	252211	16.90
2007-08	1947808	203621	11.67
2008-09	2348693	400885	20.58
2009-10	2696433	347740	14.81
Average	1587965.6	LGR	21.00

Source: Tamil Nadu Statistical Report, 2009-10

In the second sub-period, 1990-91 to 1999-2000, the value of amount of expenditure of Non-Development Expenditure was Rs.156223 lakhs in 1990-91 and it touched the highest value of Rs.876819 lakhs in 1999-2000. In 1994-95 amount of expenditure has declined. The average value of amount of expenditure of Non-Development expenditure is Rs. 408159.9 lakhs per year. The linear growth rate works out to 51.25 per cent. The increases amount of expenditure has increased to Rs.185344 lakhs in 1999-2000. The highest annual growth rate is 28.79 per cent in 1993-94.

In 2000-01, the value of amount of expenditure of Non-Development Expenditure was Rs.933222 lakhs, and it touched the highest value of Rs.2696433 lakhs in 2009-10. The average value of amount of expenditure of Non-Development Expenditure is Rs.1587965.6 lakhs per year. The linear growth rate comes about 21.00 per cent. The increases of expenditure amount comes upto Rs.400885 lakhs in 2008-09. The highest annual growth registered is 20.58 per cent 2008-09.

The present study shows that the development expenditure is increased during the study period but at a decreasing rate. Economic activity is very important for the economic development of the state. Therefore in order to increase the economic development and per capita income or NSDP of the state the development expenditure should be raised in Tamil Nadu.

The study results reveals that the non-development expenditure also increasing. In the long run it may leads to slow economic progress. Hence, appropriate measures should be attempted to control the growth rate of non-developmental expenditure.

4. CONCLUSION

From this study, it may be concluded that the public expenditure has been rapidly increasing in Tamil Nadu. The development expenditure has increased at a decreased rate and the non-development expenditure has increased at a faster rate during the study period. The per capita expenditure has also increased during the study period. The growing trend of public requirement, the government authorities have enhanced the productive investment, in terms of public expenditure on health, education and other basic amenities. Hence, the increasing growth of public expenditure reflects the economic progress of the state of Tamil Nadu.

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