

WHAT DO TRENDS IN EXPENDITURE OF GOVERNMENT OF MAHARASHTRA INDICATE

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Abstract:

The present research study endeavours to examine development finance comprising of public expenditure growth and pattern of Government of Maharashtra having intension to depict the role of Government of Maharashtra in development of the economy. Maharashtra is endeavoring to speeding up development of the economy in general and socio-economic development in particular, during the latest period from 1991-92 to 2014-15, which is the post economic reforms period. For this, the present study assesses the trends in growth and composition of public expenditure of the Government of Maharashtra with emphasis on major and minor breakup devoted to developmental activities. This paper's main objective is to assess trends in public expenditure of Government of Maharashtra, with emphasis on developmental expenditure. And hypothesis is Government of Maharashtra incurs more Capital Expenditure than Revenue Expenditure useful for rapid and all round development of the economy. The study is limited to a twenty four year especially in the post reforms period namely 1991-92 to 2014-15(BE). Maharashtra is one of the economically developed states in India. The collected data classified and tabulated in the light of objectives and hypotheses of the present research study. The tabulated data has been analyzed by employing useful statistical tools like Percentage, Compound growth rate (CGR), Coefficient of variation (CV), and Mean. In conclusion, the data reveals that in case of Government of Maharashtra rise in total expenditure is mainly due to rapid increase in Revenue expenditure of the government of Maharashtra, which has also resulted in

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increasing revenue account deficit of the state. Expenditure has depended on the rise in capital expenditure growth. Non-developmental revenue expenditure in the study period is with a rapid increase, rise in interest payments being the most important Cause. Pension Liabilities are also increasing and are leading to rapidly increasing in committed expenditure. This has affected on developmental expenditure growth of Government of Maharashtra.

Keywords: Public Expenditure, Total Expenditure, Developmental Expenditure, Non-Developmental Expenditure, Growing Total Expenditure, etc.

Introduction:

Public Expenditure is essential element of study in the public finance. It is most important, because all other components of study in public finance are dependent on the public expenditure. The State Government of Maharashtra requires expenditure to perform various activities. In absence of incurring expenditure, the state government cannot perform functions and achieve predetermined socio-economic objectives. Therefore, the study of public expenditure is inevitable in public finance. Then government by satisfying collective wants of the citizens tries to achieve pre-determined socio-economic indicators. The main object of public expenditure is to satisfy the collective wants of the people. The public sector has been assigned a key role in the economic development of underdeveloped countries and hence there has been a rapid expansion of the public sector in a developing economy like India. As Flicks aptly points out, "The rapid expansion of public sector is now a universal phenomenon". (Hicks U.K.,1965,p.18) According to Mundel S. & Govind Rao M., "India's experience with public expenditure allocation in general and especially the redistributive programmes underlines the pre-eminent role political economy rather than rational economic calculation in determining the allocation of public expenditure". (Mundel S. & Govind Rao M..1997, p.220.)

The state budget is divided into Revenue Budget and Capital Budget. The Revenue Budget consists of Revenue Receipts and Revenue Expenditure. The Revenue Receipts of State Government of Maharashtra consist of the Tax Revenue and Non-Tax Revenue, Capital Receipts consist of public debt, public accounts, and loans & advances by the state government (recoveries) etc. The expenditure of the state government is classified into two major heads:

Revenue Expenditure and Capital Expenditure. The Expenditure on Revenue Account shows expenditure of recurring nature of current account for example- Development Revenue Expenditure and Non-development Revenue Expenditure. In addition, Capital Expenditure means the capital, which is incurred on the Capital Account. Capital expenditure are usually from developmental Capital Expenditure i.e. outside the Revenue Account and loans & advances given by the state government and Capital Expenditure from Non-developmental Capital Expenditure i.e. Repayment of Public Account, Internal debt, Loan & Advances from Central Government and Appropriation to the Contingency Fund. The capital outlays are most important for economic growth and development and helps in the socio-economic development of the State Government of Maharashtra.

This is a unique study emphasizing on assessing Government of Maharashtra's public expenditure in association with socio-economic development activities, which examine the trends in growth and composition of public expenditure of the state government of Maharashtra with emphasis on developmental expenditure consisting of Revenue as well as capital expenditure, coupled with assessment of variables or indicators of socio-economic development of the economy of Maharashtra.

It is observed that public expenditure of State Government of Maharashtra has been increasing persistently and significantly. The government is spending higher proportion of its total expenditure on non-development activities than development activities. Besides, it spends greater share on Revenue account than capital account is not conducive for long-term sustainable development. Now we, examine trends in growth and composition of public expenditure of state government of Maharashtra. However, they are not associated with the public expenditure activities and the resultant development of the economy, comprising of both social as well as economic development. Likewise, previously no efforts have been made in this direction. The important parameters which the present research study has used are total expenditure, trends in developmental expenditure, etc.

Objectives of the Study

To assess trends in public expenditure of Government of Maharashtra, with emphasis on developmental expenditure.

Hypothesis of the Study

Government of Maharashtra incurs more Capital Expenditure than Revenue Expenditure useful for rapid and all round development of the economy.

Data Base and Research Methodology

The present research study solely relied on the secondary data relating to growth and composition of public expenditure of the Government of Maharashtra with emphasis on development expenditure. The study also examined changing scenario of major and minor breakup of development expenditure of the Government of Maharashtra during the period from 1991-92 to 2014-15. The necessary secondary data relating to growth and composition of public expenditure of Government of Maharashtra was collected from the sources like Government of Maharashtra Budgets, Economic Survey of Maharashtra, RBI Publication and Union Government of India Publications, for the period into consideration. The collected data classified and tabulated in the light of objectives and hypotheses of the present research study. The tabulated data has been analyzed by employing useful statistical tools like Compound growth rate (CGR), Coefficient of variation (CV), and Mean.

Meaning of Public Expenditure

- 1) "Public expenditure is that expenditure, which is incurred by the public authorities [Central, State, and local Governments] either for protecting the citizens or for satisfying the collective needs of the citizens or for promoting their economic and social welfare" (Seth, M. L., 2004, p. 639)
2. "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" (Yadav, S. B., 2004, p. 59)
3. "Public expenditure is the expenditure incurred by the public authority at the Central, State and Local Government. Hence, any expenditure, which is made by the Government at all level, is called public expenditure. "Public Expenditure" is a composition of two words, which is made of 'public' & 'expenditure'. The term 'public' here means government; the government may be of any level i.e. central, state and local. The term 'Expenditure' here means spending of money.

Thus in ordinary words, Public Expenditure means expenditure incurred by the state Government.” (Sketrimayum, G. S., 1997, p. 200)

4. Public expenditure is a compound word, which is made of public and expenditure. The term ‘public’ implies here government. The government may be Central, State and Local. The term ‘Expenditure’ implies spending of money. Thus, in simple words, public expenditure is expenditure made by State or Central Government.” (Kamble, V. S., pp. 10-12)

Trends in Total Expenditure of Government of Maharashtra:

Table No.1 reports of the trend in expenditure in Revenue & Capital in Maharashtra state during 1991-92 to 2014-15(BE).

Table No.1
Trends in Total Expenditure of Government of Maharashtra
(Rs. In Crores)

Sr. No.	Year	Revenue Expenditure	Capital Expenditure	Total Expenditure
1	2	3	4	5
1	1991-92	10046 (91)	973 (9)	11019 (100)
2	1992-93	11544 (89)	1380 (11)	12924 (100)
3	1993-94	13106 (89)	1680 (11)	14786 (100)
4	1994-95	15454 (75)	5214 (25)	24352 (100)
5	1995-96	20144 (83)	4208 (17)	21441 (100)
6	1996-97	23206 (84)	4409 (16)	27615 (100)
7	1997-98	22579 (80)	5631 (20)	28210 (100)
8	1998-99	27834 (86)	4654 (14)	32488 (100)
9	1999-00	31331 (74)	10972 (26)	42303 (100)
10	2000-01	37446 (77)	11485 (23)	48931 (100)
11	2001-02	38315 (70)	16630 (30)	54945 (100)
12	2002-03	43700 (68)	20740 (32)	64440 (100)
13	2003-04	42680 (61)	27676 (39)	70356 (100)
14	2004-05	51047 (67)	25159 (33)	76206 (100)

Sr. No.	Year	Revenue Expenditure	Capital Expenditure	Total Expenditure
1	2	3	4	5
15	2005-06	52280 (71)	21290 (29)	73570 (100)
16	2006-07	61385 (78)	17121 (22)	78506 (100)
17	2007-08	64780 (79)	17414 (21)	82194 (100)
18	2008-09	75694 (76)	24278 (24)	99972 (100)
19	2009-10	94916 (81)	22865 (19)	117781 (100)
20	2010-11	106459 (81)	24546 (19)	131004 (100)
21	2011-12	123554 (83)	25674 (17)	149229 (100)
22	2012-13	138737 (84)	26733 (16)	165470 (100)
23	2013-14 (RE)	161427 (82)	35761 (18)	197188 (100)
24	2014-15 (BE)	183293 (80)	44787 (20)	228080 (100)
	CGR	12.64	14.91	12.96
	CV	81.82	70.49	77.94
	Mean	60457 (78.71)	16720 (21.29)	77177

Sources: Economic Survey Government of Maharashtra, Various Issues

Note: RE = Revised Estimates, BE = Budget Estimates.

During the study period, Total Expenditure of the Government of Maharashtra has increased continuously. It was Rs. 11019 crores in 1991-92, increased to Rs. 4303 crores in 1999-2000, and further increased to Rs. 76206 crores in 2004-05, but fall in 2005-06 to Rs. 73570 crores, again it picked up suddenly from Rs. 78506 crores in 2006-07 to 228080 crores in 2014-15 (BE) respectively. The CGR of total expenditure was 12.96% in 1991-92 to 2014-15 (BE) respectively. Revenue Expenditure of the government of Maharashtra has been increased continuously during the study period. Revenue expenditure shows a continuous growth as it increased from Rs. 10046 crores in 1991-92 to Rs. 38815 crores in 2001-02 and after further in the fourteen year in 2014-15 (BE), it increased to Rs. 183293 crores. Most important reason of rapid increase in revenue expenditure near stagnant growth rate of tax revenues, smooth increase in the non-tax revenues of the state, And the CGR was 12.64% lower than capital expenditure (14.91%) of State Government of Maharashtra because the less buoyancy of major sharable central taxes i.e. income tax and state excise duties.

It is observed from Table No.1 that the capital expenditure also show a trend of growth but it has wide fluctuating growth. In 1991-92, it was Rs. 973 crores and it grown up to Rs. 25159 crores in 2004-05, then again declined to Rs. 21290 crores in 2005-06. Capital expenditure shows a continuously growth as it was increased to Rs. 17121 crores in 2006-07 and then after eight years gap it increased to Rs. 44787 crores in budget estimates for the year 2014-15 (BE) respectively. According to Thomas K. M, "Financing of capital expenditure has been a major concern, as there may not be a revenue surplus. In fact, the current account of the government of India has been negative for a long period and borrowing has been adopted as a source for capital expenditure" (Thomas K. M.,1996,p.692).

The above data analysis reveals that Total Expenditure of the government of Maharashtra has increased at the moderate rate of 13 percent p. a. during the period 1991-92 to 2014-15, is a good thing. The study of the composition of Total Expenditure of the government reveals that, it is dominated by the Revenue Expenditure (80%) than the Capital Expenditure (20%). It has an

implication that, the government has given importance to its functions and providing services to its people at present only. It is not much serious about long term, continuous and rapid growth of the economy through its active participation. This cannot be a proper pattern of public expenditure of the any government, which demands due revisions and modifications.

Trends in Developmental & Non-Developmental Expenditure of Maharashtra State:

The total expenditure has been classified into two broad categories namely development expenditure (Revenue & Capital Accounts) and Non-development expenditure (Revenue & Capital Accounts). Now we will examine how this increased expenditure is utilized by the state government of Maharashtra. Let us see whether increase in revenue & capital expenditure has resulted in more development and non-development activities. In other words, we will review the trends in development and non-development expenditure.

According to Jagannathan N. V., "The Revenue Account, which covers all current and recurring expenditure of state governments, wages and salaries, maintenance costs of existing infrastructure and debt servicing changes are the major items of expenditure. The centrally aided plan segment provides financial assistance for some of the wages and infrastructural expenditures. (Jagannathan N.V, 1986, p.1365) "Capital Receipts accruing to the state government include market borrowings, recovery of loans, external assistance, disinvestment of public sector enterprises share and receipts of provident funds and small saving. Recovery of loan is the recovery of the initial principal amount of the loan excluding interest's payment. Market borrowing is borrowings, while external assistance is the external debt raised assistance is the external debt raised from foreign government and institutes". (Patil, 1995, p. 19) Jain Rajendra say's that the, "In a developing economy, the level of development expenditure depends much more heavily on the ability of revenue system to place the required amount at the disposal government. By the same token, the size of government's development progamme depends in large part on the economic and administrative capacity of its marshalling the necessary resources"(Jain Rajendra,1978,p.57-58).

The development expenditure has been decided into two accounts namely:

A. Revenue Account

1. Developmental expenditure

- a) Social Services
- b) Economic Services
- c) Grant-in-Aid contribution to Local Bodies & Panchayat Raj Institute

2. Non-developmental expenditure

- a) General Service.
- b) Interest payment & Debt services

B. Capital Account**1. Developmental expenditure**

- a) Capital Expenditure outside the revenue account
- b) Loans & Advances given by the State Government

2. Non-developmental expenditure

- a) Internal debt of the State Government
- b) Loans & Advances from Central Government.
- c) Appropriation to the Contingency Fund etc.

Table No. 2 shows the growth in developmental and non-developmental (Revenue + Capital) expenditure of government of Maharashtra. The table depicts that the actual developmental expenditure (Revenue + Capital) was Rs. 7817 crores in 1991-92. In next five years, it continuously increased from Rs. 9333 crores to Rs. 19233 crores in 1992-93 to 1996-97. Further again it fell down from Rs. 17457 crores in 1997-98 and picked up suddenly to Rs. 20400 crores in 1998-99. The developmental expenditure in 16 years continuous increased from Rs. 22749 crores to Rs. 150647 crores in 1999-2000 to budget estimates for the year 2014-15 respectively. As against this non-developmental expenditure slowly increased from Rs. 3202 crores to Rs. 6206 crores in 1991-92 to 1994-95. It declined to Rs 6095 crores in 1995-96, and rose sharply to Rs. 8382 crores in 1996-97. Again, non-developmental expenditure in seventh years continuously increased from Rs. 10753 crores to Rs. 37395 crores in 1997-98 to 2003-04.

Non-development expenditure shows rising trend till 2003-04 but again fell in continuous two years 2004-05 and 2005-06 from Rs. 36803 crores and Rs. 27439 crores. It picked up suddenly to Rs. 29813 crores in 2006-07. Once again, fell down to Rs. 28545 crores in 2007-08. In seven years, it continuously increased from Rs. 30709 crores in 2008-09 to Rs. 77433 crores in budget estimates for the year 2014-15 respectively. According to Chakraborty P. "The increase in the share of non-developmental expenditure was principally due to the increase in the share of interest payment in total expenditure". (Chakraborty P., 1999, p.3146.)

Table No. 2

Trends in Developmental & Non-Developmental Expenditure of Maharashtra State
(Rs. in Crores)

Sr. No.	Year	Total Developmental Expenditure (Revenue+ Capital)	Total Non-Developmental Expenditure (Revenue+ Capital)	Total Expenditure (Revenue+ Capital)
1	2	3	4	5
1	1991-92	7817 (71)	3202 (29)	11019 (100)
2	1992-93	9233 (71)	3691 (29)	12924 (100)
3	1993-94	10686 (72)	4100 (28)	14786 (100)
4	1994-95	14462 (70)	6206 (30)	20668 (100)
5	1995-96	18257 (75)	6095 (25)	24352 (100)
6	1996-97	19233 (70)	8382 (30)	27615 (100)
7	1997-98	17457 (62)	10753 (38)	28210 (100)
8	1998-99	20400 (63)	12088 (37)	32488 (100)
9	1999-00	22749 (54)	19554 (46)	42303 (100)
10	2000-01	27207 (56)	21724 (44)	48931 (100)
11	2001-02	23592 (43)	31353 (57)	54945 (100)
12	2002-03	31140 (48)	33300 (52)	64440 (100)
13	2003-04	32961 (47)	37395 (53)	70356 (100)

Sr. No.	Year	Total Developmental Expenditure (Revenue+ Capital)	Total Non-Developmental Expenditure (Revenue+ Capital)	Total Expenditure (Revenue+ Capital)
1	2	3	4	5
14	2004-05	39403 (52)	36803 (48)	76206 (100)
15	2005-06	46131 (63)	27439 (37)	73570 (100)
16	2006-07	48693 (62)	29813 (38)	78506 (100)
17	2007-08	53649 (65)	28545 (35)	82194 (100)
18	2008-09	69263 (69)	30709 (31)	99972 (100)
19	2009-10	81535 (69)	36246 (31)	117781 (100)
20	2010-11	87676 (67)	43328 (33)	131004 (100)
21	2011-12	99418 (67)	49811 (33)	149229 (100)
22	2012-13	109885 (66)	55585 (34)	165470 (100)
23	2013-14(RE)	130679 (66)	66509 (34)	197188 (100)
24	2014-15(BE)	150647 (66)	77433 (34)	228080 (100)
	CGR	12.77	13.51	12.96
	CV	83.56	71.56	77.94
	Mean	48841 (63.08)	28336 (36.92)	77177

Sources: Economic Survey Government of Maharashtra, Various Issues

Note: RE = Revised Estimates, B. E. = Budget Estimates

From the Table No. 2 it has been noticed that rate of growth of non developmental expenditure both on revenue account and capital account is higher than the growth of developmental expenditure. It means increase in non-development expenditure was due to increasing activities of the state government; problems of internal law & order establishment of independent districts and defence expenditure etc.

The above analysis also indicates that the rate of growth of non-developmental

expenditure on both revenue and capital account is higher than that of rate of growth of non-development expenditure in both cases.

It is observed that the government of Maharashtra spends its expenditure both on the developmental as well as non-developmental activities. The noteworthy fact is that the government is spending more on developmental activities than the non-developmental activities (% share) are a good thing. In the initial 15 years, the non-developmental expenditure of the government was increasing its proportion continuously, but in the last decade its relative share is decreasing is good. However, developmental as well as non-developmental expenditure show wide variations during the study period. The very important noteworthy thing is that the growth in non-developmental expenditure is higher than the developmental expenditure. It is good that, the government of Maharashtra is on the good track so far as its developmental and non-developmental expenditure is concerned, especially in the last decade.

Reasons for Growing Total Expenditure (Revenue + Capital) of Government of Maharashtra:

State Government Update: Maharashtra, CARE reported that the, “State of Maharashtra has registered a growth of more than 8% between FY07 to FY12, establishing itself as a strong growth driver for the country. After registering a healthy growth of 4.6% in FY12, agricultural growth is estimated to record a negative growth of 2.1% in FY13. This is mainly because of the rain fed agriculture sector is affected by less than the normal rainfall. Increase in price and wage inflation has led to higher costs of inputs thereby increasing the cost of production, causing slowdown in production (IIP) which recorded growth of 1% in first nine months of FY13. Growth in manufacturing sector is expected to settle at 5.1%. However, expected growth of 11.2% in construction sector will help Industry sector to grow with 7.0%. The Services sector with a growth of 8.5% over the previous year would help GSDP to maintain its growth same as FY12 at 7.1%.” (State Government Update: Maharashtra, 2013,p.1-2)

1. Most important reason of the rise in expenditure is heavy investment in development projects. The Government wanted to transform the undeveloped economy into a developed one and undertook the task of developing the infrastructure and large scale basic industries. These projects have new required heavy investment over the years. The state government of

Maharashtra's every new five-year plan has been bigger in size than the earlier once. The investment in financial development has steadily increasing during the planning period and with it; total expenditure has recorded a sharp rise.

2. Growth in Population certainly requires an increase in total expenditure. For example- on Police, Education, Health and Medical facilities rise as the demand for these services increases with population. This is true of many developmental activities. It means Population growth leads to increase in expenditure of the state. A large amount has to be spent on Child Welfare, Nutrition, Social Security measures, Public Health Services, Family Planning Programmes, such as- Free supplies of Contraceptives, Sterilization Programmes, IUD insertion, Couple Protection etc. According to Bagachi Amresh, The relatively poor states except Kerala and Uttar Pradesh had above average growth in plan expenditure while the relatively rich states like Haryana, Gujarat and Maharashtra and below average growth rates and population growth rates were higher in the states enjoying high growth rate of plan expenditure and the picture in the per-capita terms can be quite different.(Bagachi Amresh,1992,p.57),

3. Debt finance is often necessary to accelerate the pace of development. The State Government of Maharashtra considerably relies on debt finance under the various plans led to continuous growth in the total outstanding debt. Servicing of public debt is large of internal & external loans are taken by the State Government of Maharashtra. This involves annual payment of interest, the principal and cost of debt management, these charges are called as "Servicing of public debt", are rising year after year and are added to the total expenditure.

4. The State government of Maharashtra gives some subsidy to ensure socially optimal level of consumption. The subsidy also is provided in respect of consumption of merit goods, like as - Primary Education to the poor. The State Government of Maharashtra has a huge volume of subsidies involved in delivery of almost all goods and services provided by the government over the years, that recovery rates in respect of both economic and social services have declined. As a result, the burden of subsidies has increased.

5. The State Government of Maharashtra has been providing free Primary Education in the fields

of Medicine, Engineering, and Science etc. is being promoted at a heavy cost to the treasury. The illiteracy in the adult education is costing the government treasury in the state enormously. Vocational Courses and Apprenticeship Training Programmes etc. are being introduced and Scholarships, Freeships, Maintenance Charges etc. are granted on a large scale to students, though the amount as a percentage of the total outlay is very meager.

6. Public expenditure in the state government on various welfare schemes has gone up phenomenally.

7. A developing state needs industrial development both in private and public sectors. Cheap credit to small scale industries, supply of raw material at concessional rates, export subsidies, tax concessions for industries in backward regions/districts setting up of strategic industries in the public sector, etc. these have enormously increased the public expenditure. This was necessary for building up the necessary infrastructure and industrial base in State of Maharashtra.

8. Economic Planning has been accepted by one and all in developing districts, economic planning is necessary for removing the glaring inequalities, districts and regional imbalances and poverty. Huge sum are spend by the government on formulating and implementing plans. A large number of economist and statisticians has to be employed to prepare economic plans and the administrative machinery has to be expended to implement them.

9. Transport & Communication system are developing fast in these countries and so is the public expenditure. Therefore, underdeveloped districts are rapid capital formation for which it is necessary to build highways and also develop modern mean

10. s of communication. A heavy expenditure on railways and airways becomes necessary.

11. In the State of Maharashtra more and more people migrating to cities for example- Mumbai, the police machinery has to be strengthened, transport system has to be improved, and sometimes housing facilities have also to be provided. All these activities involve heavy expenditure. Until now, the process of urbanization in the country has been slow and its

contribution to the rise in the public expenditure is modest, but industrial activity picks up in the state cities will grow rapidly and in that situation state will have to incur heavy expenditure on urban development.

Also other causes are Government of Maharashtra's increasing public expenditure, on agriculture (i.e. irrigation facilities, subsidized fertilizer supplies, subsidized modern equipment such as tractors, cheap credit to agriculture, waiving of agriculture loans to small farmers etc.) maintenance of democratic institutions (i.e. period elections, administration of justice, salaries and pensions to legislators etc.) and aid to less development countries. Peters B. G. and Klingman D. say's, total expenditures may have been important over the entire period not only because of their relationship to certain social and economic benefits, but also simply because of their possible relationship to economic conditions and employment. (Peters B. G. and Klingman D.,1977,p.393.)

According to Seth M.L., "The government should make a substantial increase in its expenditure at a time of depression, because this will help to bring about an automatic increase in the volume of employment. This will create new opportunities for employment for unemployment people. On the contrary, the government should bring about a substantial reduction in its expenditure at a time of boom, because this will help save the economy from the adverse effects of inflation. Thus a certain amount of stability can be about in the volume of employment through the medium of public expenditure".(Seth M.L.,2004,p.645.)

Testing of Hypotheses:

the hypotheses of the present research study have been tested by using a t test as a statistical method of testing hypothesis to test the in curiosity of the government of Maharashtra in the long term and over all development of the economy and priorities of the government to achieve social or economic development in the overall development of the economy.

Testing of Hypothesis

H0: Government of Maharashtra incurs more Capital expenditure than Revenue expenditure, useful for rapid and all round development of the economy.

H1: Government of Maharashtra incurs more Revenue expenditure than Capital expenditure, not useful for rapid and all round development of the economy.

't' Test (Table No. 5.7)

Mean	Variance	Df	Calculated 't' value @ 5% level of sig.	Table 't' value @ 5% level of Sign.	Table 't' value @ 1% level of Sign.	Remarks
Rev exp 48528.04 2	176531463. 37	24-1= 23	3.60	2.069	2.807	Calculated t value > Table 't' value
Cap exp 16378.79 2	142870277. 248	24- 1=23				Hence accept H1 and reject H0

As the calculated t value is greater than table value at 23 degrees of freedom and both 5% and 1% level of significance, hence H0 should be rejected and H1 should be accepted, which means the government is interested in incurring more Revenue Expenditure than Capital Expenditure. Capital Expenditure is important for long term and all round development of the economy than the Revenue Expenditure. This reveals that the government of Maharashtra is not sincere, rigorous in achieving all round and long term development of its economy.

Conclusion & Suggestions:

In conclusion, the data reveals that in case of Government of Maharashtra rise in total expenditure is mainly due to rapid increase in Revenue expenditure of the government of Maharashtra, which has also resulted in increasing revenue account deficit of the state. Expenditure has depended on the rise in capital expenditure growth. Non-developmental revenue expenditure in the study period is with a rapid increase, rise in interest payments being the most important Cause. Pension Liabilities are also increasing and are leading to rapidly increasing in

committed expenditure. This has affected on developmental expenditure growth of Government of Maharashtra.

Its means growth in total expenditure was possible due to the implementation of the plans and increased developmental and non-developmental expenditure. In this respect the most important to note is that the revenue expenditure has been increasing more rapidly than the capital expenditure in the state during the period under study. It resulted from 1991-92 the capital account is increasing. This implies that the capital receipts were being used for revenue account financing which implies that the Government of Maharashtra was using debt receipts to finance its day to day expenditure as a result each state is cutting down capital expenditure which is very much needed for infrastructural development and modernization at the district and village level needs improvisation by the State Government of Maharashtra.

The pattern of public expenditure of the government of Maharashtra is exclusively faulty, and unfavourate for the rapid, all round and long term development of the economy of the state by the government. The government of Maharashtra should have at least 65:35 expenditure pattern (Revenue Expenditure: Capital Expenditure) for the necessary and expected development of the economy of Maharashtra through the government efforts.

Even though the proportion of the developmental expenditure in Total Expenditure of the government of Maharashtra is high than the non-developmental, which is not sufficient. The non-developmental expenditure of the state government is increasing at rapid rate than the developmental. Hence, the government of Maharashtra should give priority to the developmental activities and increase the growth in the developmental expenditure, which is very much needed for the enhanced development of the economy by the government.

The major item of non-developmental expenditure of the government of Maharashtra is debt services. Hence, it is of necessity to control debt burden of the state government. The government should undertake a planned effort comprising of regular and continuous repayment of both the principal amount as well as interest payments along with processing fees also to restrict growing debt service funds burden and thereby non-developmental expenditure as well.

It is very much essential to raise debt finance and incur Capital Expenditure to improve the state of development materialized by the government of Maharashtra. At the same time, growing fiscal deficit indicates the increasing public debt liabilities of the government in the state. Therefore, the government of Maharashtra should setup a separate debt finance fund, which can be contributed by the government itself as well as the rich section of the society like industrialists, businessmen, banks and financial institutions as well as social organizations also.

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