AN ANALYSIS OF DEVELOPMENTAL AND NON-DEVELOPMENTAL EXPENDITURE OF GOVERNMENT OF MAHARASHTRA

Dr. Ajay K. Dixit
Assistant Professor- Dept. of Economics, C.K.Thakur ACS College, New Panvel,India.

Abstract
From the development point of view it is essential to study the pattern of developmental and non- developmental expenditure. The objective of the paper is to study the pattern of developmental and non- developmental expenditure of government of Maharashtra, to investigate impact of net state domestic product and per capita income on developmental and non-developmental expenditure and to study growth trend in developmental and non- developmental expenditure over a period of thirty years from 1975-76 to 2004-05. The secondary data is collected through RBI and State government publications. The Wagner's law of increasing state activity in developmental and non- developmental expenditure is tested. The results are showing presence of Wagner's law in developmental expenditure and non- developmental expenditure of government of Maharashtra.

Key Words: - Developmental expenditure, Non- Developmental expenditure, Wagner's Law, Growth rate, Per capita income, Net State Domestic Product.

1. INTRODUCTION
Maharashtra is a leading state in Indian federation as far as efforts of development are concerned. Maharashtra state is considered to be a disciplined state in financial management of the resources. In the classification of public expenditure broadly we are using plan and non-plan expenditure, capital and revenue expenditure and developmental and non-developmental expenditure. Out of this in the present paper we can study the pattern of plan and non-plan expenditure of the government of Maharashtra.

2. OBJECTIVES OF THE STUDY
Objectives of the study are
1. To study the growth of developmental expenditure of government of Maharashtra for the period from 1975 to 2005.
2. To study the growth of non- developmental expenditure of government of Maharashtra for the period from 1975 to 2005.
3. To study the growth of per capita developmental expenditure of government of Maharashtra for the period from 1975 to 2005.
4. To study the growth of per capita non- developmental expenditure of government of Maharashtra for the period from 1975 to 2005.

3. HYPOTHESIS OF THE STUDY
Hypotheses of the study are as follows;
1. Growth rate of developmental and non- developmental expenditures are more than the growth rate of NSDP of the state.
2. Growth rate of per capita developmental and non- developmental expenditures are more than the growth rate of per capita income of the state.

4. SCOPE OF THE STUDY
The study is restricted to the developmental and non- developmental expenditure of government of Maharashtra only. No consideration of expenditure of central government. At the same time, there is no consideration of private expenditures or the expenditures of public sector undertakings. The study will take into account the period from 1975 to 2005.

5. DATA COLLECTION AND METHODOLOGY OF STUDY
Data for study collected through secondary sources only which includes budget documents of the state of Maharashtra. Data also collected from Reserve Bank of India bulletin and state finances: a study of the budgets of the state governments. Economic surveys of Maharashtra were also helpful in providing data on NSDP and Per capita income of the state. Here we use simple growth rate and percentage and proportion methods to reach to the final results. Five year averages for comparison are taken into consideration to avoid fluctuation in the annual data.

6. REVIEW OF LITERATURE

Empirical study of the state expenditure policy and its impact on the other variables, relationship with national income and other variables was studied by the German economists Adolph Wagner. This law of the Wagner is explanatory rather than prescriptive in character. According to Wiseman and Peacock, "Its aim is to establish generalizations about government expenditure, not from postulates about the logic of choice, but rather by direct inference from historical evidence." Adolph has based his law of increasing state activities on historical facts. Adolph Wagner arguing that government expenditure must increase at an even faster rate than output. According to Wagner, income elasticity of the public expenditure is greater than unity. It means that rate of increase of government expenditure is greater than the rate of increase of the economy. Arthur Mann tries to test this law but has got contradictory results. Here we test this law for developmental and non- developmental expenditures of the government of Maharashtra.

7- DEVELOPMENTAL EXPENDITURE

It is a third type of accounting classification in India. In Maharashtra also government divides its total expenditure in developmental expenditure, non-developmental expenditure and other expenditure. We now turn to analyze developmental expenditure. Developmental, non-developmental, per capita developmental, NSDP and PCI with growth rates are given in given in table no.3.

7.1- Growth rate and share of developmental expenditure

Comparison of developmental expenditure with NSDP is recorded in the table no.1. A close look at table gives the impression that growth in combined average of developmental expenditure is greater than growth in combined average of NSDP except the year 1995-96 where the difference is negligible. Except two years of 1990-91 and 1995-96 all the years are showing greater increase in average growth of per capita developmental expenditure than per capita income. This hints at possible explanation of Wagnerian hypothesis in the case of developmental expenditure.

Table No.1 – Comparison of developmental and per capita developmental expenditure

Year	Average growth DE	Average growth NSDP	Average of PCDE	Average of PCI
1980-81	15.91	12.59	13.21	10.52
1985-86	17.21	10.54	14.77	8.638
1990-91	14.85	14.46	12.08	12.34
1995-96	15.25	16.14	13.09	14.53
2000-01	13.72	10.85	11.18	8.818
2004-05	13.23	10.15	11.36	8.689

Source: - Authors computation based on table no.3.

7.2- Growth rate and share of non-developmental expenditure

By comparing average growth of non developmental expenditure and average growth of NSDP, we have higher growth rate of non-developmental expenditure than combined average growth rate of NSDP in all the years except the year 1990-91. Same is true in per capita non-developmental expenditure and PCI. Except 1990-91 all the years are showing greater increase in non-developmental expenditure than the PCI which is in line with Wagnerian hypothesis.

Table No. 2 – Comparison of Non-developmental expenditure

Year	Average growth NDE	Average growth NSDP	Average of PCNDE	Average of PCI
1980-81	13.887	12.59	11.22	10.52
1985-86	18.708	10.54	16.23	8.638
1990-91	12.322	14.46	9.63	12.34
1995-96	16.6	16.14	14.40	14.53
2000-01	21.473	10.85	18.77	8.818
2004-05	12.286	10.15	9.34	8.689

Source: - Authors computation based on table no.3.

8. CONCLUSION

After close examination of developmental and non-developmental expenditure we may conclude that growth in developmental expenditure is greater than growth in NSDP of the state proving Wagnerian hypothesis. Same is the result in non-developmental expenditure is found.

REFERENCES

1. Economic survey of Maharashtra, www.maharashtra.gov.in.
2. Tenth five year plan-2002-07, Planning Commission, Government of India, Planning commission.nic.in. Chapter -2, Page no.3.
3. Adolph Wagner, Finanzwissenchaft, Leipzig, 3rd edition, 1890, Part I, p-16.
4. 4.Jack Wiseman and Allen T. Peacock, The Growth of Public Expenditures in the United Kingdom, 1890-1955, Revised Edition, London: George Allen & Unwin Ltd., 1967. The first edition of the book was published in 1961.
5. Arthur J. Mann, Wagner's law: An econometric test for Mexico, 1925-1976 (National Tax Journal, Vol. XXXIII, Page no.189).
6. Financial statements, Budget documents, www.maharashtra.gov.in.
7. State finances- A study of Budgets Various issues , www.rbi.org.
8. RBI Bulletin- Various issues, www.rbi.org.

STATISTICAL APPENDIX
Table No.3- Developmental, Per capita developmental expenditures with Growth rates

Year	DE	GRDE	PCDE	GRPCDE	NDE	GRNDE	PCNDE	GRPNDE	NSDP(Cr.)	PCSI(Rs.)
1975-76	78218		141		34038		61.5		7676.8	1387
1976-77	79580	1.74	140	-0.4	39782	16.87	70.36	14.4	8573.6	1516.4
1977-78	92252	15.92	159	13.4	40800	2.55	70.61	0.35	9624.8	1665.6
1978-79	114500	24.11	193	21.4	51762	26.86	87.64	24.1	10658	1804.5
1979-80	135414	18.26	224	15.7	52547	1.516	87.05	-0.7	12145.7	2012
1980-81	161836	19.51	259	15.9	63905	21.61	102.6	17.9	15113.3	2427.3
1981-82	180581	11.58	284	9.28	81519	27.56	128.2	24.9	16965.8	2668.5
1982-83	212707	17.79	327	15.3	92305	13.23	142.1	10.8	18277.4	2813.1
1983-84	265134	24.64	399	21.9	106332	15.19	160.1	12.7	21151.6	3184.9
1984-85	311128	17.34	458	14.9	136501	28.37	201.2	25.7	22628	3335.9
1985-86	356870	14.70	515	12.5	149026	9.175	215.4	7.05	26467	3826
1986-87	419352	17.50	589	14.2	141563	-5.00	198.9	-7.7	28431	3995
1987-88	453857	8.22	623	5.78	161873	14.34	222.3	11.8	33770	4638
1988-89	529252	16.61	710	13.9	197864	22.23	265.5	19.4	40472	5430
1989-90	657630	24.25	861	21.4	230988	16.74	302.7	14	50139	6570
1990-91	707853	7.63	905	5.11	261701	13.29	334.9	10.6	58137	7439
1991-92	777223	9.80	973	7.47	320216	22.35	401	19.8	65808	8242
1992-93	917556	18.05	1127	15.8	369211	15.30	453.4	13.1	82076	10080
1993-94	1064549	16.02	1286	14.1	409417	10.88	494.4	9.04	101767	12290
1994-95	1372925	28.96	1628	26.6	483315	18.04	573	15.9	116507	13813
1995-96	1419901	3.42	1653	1.53	562592	16.40	654.8	14.3	140730	16379
1996-97	1675100	17.97	1884	14	672771	19.58	756.5	15.5	158682	17844
1997-98	1811509	8.14	1997	6	784818	16.65	865	14.3	195168	21511
1998-99	1799091	-0.68	1945	-2.6	1068883	36.19	1155	33.6	214557	23191
1999-00	2012554	11.86	2132	9.65	1261351	18.00	1336	15.7	247830	26257
2000-01	2642363	31.29	2748	28.9	1474808	16.92	1534	14.8	252283	26234
2001-02	2292225	-13.25	2341	-14.8	1776868	20.48	1815	18.3	274113	27992
2002-03	2549790	11.23	2566	9.62	1798620	1.224	1810	-0.2	300476	30238
2003-04	3002383	17.75	2978	16	1986871	10.46	1970	8.87	341424	33861
2004-05	3575876	19.10	3486	17.1	2231918	12.33	2176	10.4	387390	37770

Source: - Compiled from State finance- A study of Budgets and RBI Bulletin -various issues, Green books Govt. of Maharashtra and Economic Survey of Maharashtra Various issues.

DE- Developmental expenditure, GRDE- Growth rate of DE, PCDE- Per capita DE, GRPCDE- Growth rate of per NDE- Non-developmental expenditure, GRNDE- Growth rate of NDE, PCNDE- Per capita NDE, GRPNDE - Growth rate of per capita non-development expenditure.