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COMPOSITION AND GROWTH OF PUBLIC EXPENDITURE IN ODISHA

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ABSTRACT The theoretical framework and rationale of the study assess the most important fiscal parameter of the state of i.e., Public expenditure. As we know, aggregate of the expenditure of the state consists of Revenue expenditure and Capital expenditure, among which the largest share is contributed by Revenue expenditure. The paper highlights the composition, trend, percentage share of different components of expenditure to NSDP and growth of different components of expenditure in Odisha . The study is based on secondary source of data for the State from different government publications, Budget documents, Finance Accounts etc. The paper used different methodologies for analysis, which includes simple statistical techniques such as, ratio, percentage, and also Regression Analysis to estimate growth. In this regard models like, semi log, multiple regression, and correlation are used to analyse the time series data from 1980-81 to 2019-20 on expenditure component of state finances. The major results of the study is that amongst different components of the revenue expenditure, contribution of development expenditure has been significantly increasing due to increasing share of the social services during the year 2019-20. Higher growth rates are found in case of revenue expenditure followed by non-development and lowest growth rates are exhibited by interest and servicing of debt. And the share of total revenue expenditure of the state was 12.3% in the NSDP during 1980-81, which raised to 22.4% in 2019-20, this, is more significantly due to the growth of development expenditure.

KEYWORDS : Budget, Capital, Finance, Growth, Nsdp, Expenditure.

INTRODUCTION

The low income States are also the states which are characterized by sizeable proportion of people belonging to socially under- privileged groups, high inequality of income distribution, primary nature of production systems and higher proportion of area under forest and hilly terrains. These are the set of features which represent both the cause and effect of the predominance of the non- market forces in the economy requiring the intervention by the state with a critical minimum expenditure so that the generation of market forces and thus initiating the process of development can take place. The low Income States are in the low levels of development not because they lack natural endowment (such as mineral water and forest resources) which they possess in abundance but because they have low market penetration. Thus the need for excessive interference by the Government in the economy of such States becomes clear. This suggests that the levels of expenditure necessary in these states to meet the needs for initiating a process of development are reasonably very high. Therefore, it can safely be suggested that weaker are the market forces operating in the economy greater is the need for the state to enter into the economy to generate more market forces. Thus it is logical that the plan and non-plan efforts of the Government need to be directed to the poorer- no- market states. In such a context it is pertinent to examine and analyse the changing nature of state intervention through examination of Government expenditure in the following.

Review Of Literature

Under the expenditure account, according to Bhattacharya (1984), examines the macro economic impact of public expenditure on economic growth. Premchand (1966) evaluates the Control System relating to public expenditure. Jagannath Mallick(2013)This paper examines the impact of public expenditure by type and nature on the income by constructing new data on combined capital expenditure and combined revenue expenditure of Centre and State governments of 15 major States during the period 1993—94 to 2004—05.Antra Bhatt,ClaudioSardoni(2016) in their paper deals with the analysis of the relationship between public spending and growth as well as the dynamics of the ratio public debt/GDP. They show that a composition of public spending that favours productive expenditures, i.e. those with a direct positive effect on the economy's rate of growth.

Database & Methodology

The study is based on secondary source of data for the State from RBI Bulletins and CSO publications. The different methodologies for analysis, which includes simple statistical techniques such as, ratio, percentage have been used to show changes in fiscal parameters, the Regression Analysis used to estimate growth. In this regard models like, Linear, semi-log, multiple regressions, and growth models are used to analyse the time series data on state finances of the economy.

Composition Of Expenditure

The Government expenditure in has shown a substantial increase over the years since 1980-81. Aggregate expenditure including both capital expenditure and revenue expenditure has increased from Rs.87660 lakhs in 1980-81 to Rs.12516763lakhs in 2019-2020. The revenue expenditure has increased from Rs. 54052lakh in 1980-81 to Rs.9913730 lakhs in 2019-20. The capital expenditure has increased from Rs.33608 lakh in 1980-81 to Rs.2603033 lakhs in 2019-20. It may be indicated that revenue expenditure is termed as current expenditure and capital expenditure as investment expenditure.

It is found that Revenue expenditure constitutes the dominant component of Aggregate expenditure with a share of 61.7 % in aggregate expenditure and 12.3% of NSDP in 1980-81 which increased to 79.2% in total expenditure and 22.4% of NSDP during the current year 2019-20. Such an increase in the relative share of Revenue expenditure clearly reduces the scope for capital investment in crucial sectors. However, share of revenue expenditure had registered an all time high of 86.4% in Aggregate expenditure in 2005-06. Share of Capital expenditure too has shown a decline from 38.3% in Aggregate expenditure and a share of 7.7% of NSDP in 1980-81 to 20.8% in aggregate expenditure and share of 5.9% of NSDP in 2019-20.

Table-4.1 Share of Expenditure in NSDP and Total Expenditure

Year	% Rev Expd in Agg. Expd.	% Cap Expd in Agg. Expd	% Share of Rev Expd in NSDP	% Share of Capital Expd in NSDP	% Share of Agg. Expd in NSDP
1980-81	61.7	38.3	12.3	7.7	20.0
1990-91	71.8	28.2	18.5	7.3	25.8
2004-05	77.9	22.1	18.2	5.2	23.4
2014-15	78.0	22.0	19.7	5.6	25.2
2019-20	79.2	20.8	22.4	5.9	28.3

Composition And Trends Of Revenue Expenditure

The revenue expenditure can be classified into three main components (a) Development expenditure (social and economic services), (b) Non-development expenditure (fiscal services, interest payment and administrative services etc.) and (c) Grant-in-aid and contributions.

The table - 5.1 represents the composition of revenue expenditure. From the table it is found that the share of developmental expenditure in the total revenue expenditure has fallen down and that of non-developmental expenditure has increased gradually. The share of developmental expenditure has fallen down from 74.16% in 1980-81 to 48.74% in 2005-06 and then continued to rise to 69.99% during 2014-15 and 69.70% in 2019-20. The share of economic services in revenue expenditure was 29.54% in 1980-81 and declined to 28.99% in 2014-15 and 25.81% in 2019-20. The social services having a higher share in Developmental expenditure stood at 44.62% in 1980-81, declining to 32.17% in 2004-05 and with an increasing trend reaching to 41.0% in 2014-15 and 43.90% in 2019-20.

Expenditure on General services is called Non-development expenditure because of the type of expenditure involved in it. General expenditure includes expenditures on organs of state, fiscal services, interest payments, administrative services and payment of pensions. These are committed type of expenditures and mostly non -plan in nature i.e, cannot be avoided. Administrative expenditures and interest payments on loans from centre and other institutional loans are major part of General services. The Non-development expenditure on revenue account consisted of 25.17% in 1980-81 which rose up to 52.38% during 2004-05 and subsequently came down to 28.85%in 2019-20. The most important component of Non-development expenditure being Interest payments & servicing of debt, its share has increased from 9.33% in 1980-81 to 33.28% in 2004-05 and then exhibited a declining trend and declined to 6.12% in 2019-20.

Table-5.1Composition of Revenue Expenditure in Odisha

Year	Development Expenditure	Social Services	Economic Services	Non Development Expenditure	Interest Payments & Servicing
1980-81	74.16	44.62	29.54	25.17	9.33
1990-91	68.03	38.45	29.59	31.13	16.65
2004-05	46.34	32.17	14.17	52.38	33.28
2014-15	69.99	41.00	28.99	30.01	5.50
2019-20	69.70	43.90	25.81	28.85	6.12

Composition And Trends Of Capital Expenditure

Capital expenditure in the state includes Capital outlay, Discharge of internal debt, Payment of loans to centre and Loans and advances by the State Government. Capital outlay includes Development expenditure, which consists of social services and economic services and Non-development expenditure (General services). The composition of Total Capital expenditure can be examined from Table-6.1 presented below.

Table-6.1Composition of Capital Expenditure in Odisha

Year	Capital Outlay	Discharge of Internal debt	Repayment to Centre	Loans & adv by State govt.	Total Expenditure
1980-81	57.59	1.95	27.39	13.07	100.00
1990-91	64.02	1.10	25.75	9.13	100.00
2004-05	30.04	27.69	36.43	5.84	100.00
2014-15	76.58	16.45	4.49	2.48	100.00
2019-20	77.90	13.62	3.64	4.84	100.00

It is observed from the Table that the major Component of Total Capital expenditure in 1980-81 was Capital outlay with 57.59% which increased to 73.65% in 1996-97 and thereafter with a declining trend came down to 18.13% in 2003-04 and subsequently again after a rising trend reached 76.58% in 2014-15 and 77.90% in 2019-20. Discharge of Internal Debt had a share of only 1.95% in 1980-81 has increased to a level of 16.45% in 2014-15 and again declined to 13.62% in 2019-20. Repayment to Centre constitutes 27.39% of the Total capital expenditure in 1980-81 and declined to 3.64% in 2019-20. Loans & advance by State Govt. also has declined from 13.07% in 1980-81 to 2.48% during 2014-15 and then slightly increased to 4.84%in 2019-20. Thus on the whole one observes growing importance of Total capital outlay and Discharge of Internal Debt overtime.

It is recorded that out of the Total capital outlay Development head consisting of Social and Economic services constituted 98.43% in 1980-81, which with minor fluctuations reached to 96.03% in 2019-20. The major component of Development expenditure in the capital head is contributed by Economic services with 92.40% in 1980-81 which however subsequently declined at a higher rate and reached to 70.07% in 2019-20. The Non-development expenditure component of Total capital outlay was found to be very low with a share of only 1.57% in 1980-81 which is found to have increased to 3.97% in 2019-20.

Growth Analysis

Growth in Aggregate Expenditure

The growth profile of Aggregate Expenditure and its major components can be examined from Table-7.1presented below. It is observed that during the whole span of 35 years, Total expenditure is found to have grown at a rate of 13.43%, with a high growth rate of non-plan component at 14.0% and plan component growing at a rate of 12.36%. This growth scenario has been contributed by a higher growth rate of 14.05% in revenue expenditure and lower rate of 11.77% in capital expenditure. Higher growth rate of revenue expenditure is through higher growth rate of 14.16% in non-plan component compared to 13.54% in Plan component. In Total capital expenditure on the other hand the non-plan component grew at a higher rate of 13.69% compared to 10.85% in plan component.

Period-wise it is observed from the Table that during the 1st period the growth rate in Aggregate expenditure is similar to that of the whole period with higher growth rate in revenue expenditure compared to capital expenditure.

During the second period, Aggregate expenditure recorded lower growth rate i.e, 13.01%, with similar growth rates in revenue and capital expenditure.

During the third period representing post-globalisation with FRBM shows higher growth rate of 15.96% in Aggregate expenditure contributed by relatively higher growth rate of 19.33% in capital expenditure and 15.12% in revenue expenditure. One also again finds a reversal compared to 2nd period with higher growth rates for plan component in case of Aggregate expenditure as well as revenue and capital expenditure.

Table-7.1Growth Rates of Aggregate Expenditure and Components

		COMPONENTS		
		Revenue	Capital	Aggregate
1st Period	Plan	17.27	12.95	15.00
	Non-Plan	13.84	10.11	12.52
	Total	14.72	10.77	13.44
2nd Period	Plan	8.06	5.50	6.98
	Non-Plan	14.62	20.73	15.56
	Total	13.13	12.60	13.01
3rd Period	Plan	26.62	26.02	26.35
	Non-Plan	12.93	8.72	12.47
	Total (2014-15)	16.23	19.01	16.69
	Total (2019-20)	15.12	19.33	15.96
Overall	Plan	13.54	10.85	12.36
	Non-Plan	14.16	13.69	14.0
	Total (2014-15)	14.05	11.77	13.49
	Total (2019-20)	21.75	21.41	21.56

Period-wise Growth of Revenue Expenditure

From table 7.2 one observes that, the growth rate of Total revenue expenditure is 14.05%, which is associated with a higher non-plan expenditure growth of 14.16% and lower plan growth rate of 13.54%. It is interesting to notice that the growth rate of revenue expenditure is also associated with higher growth rate of 14.32% in non-development head compared to 13.82% in development head. There seems to be identical rate of growth of around 13% both in social and economic services in case of development expenditure. On the other hand, one important component of non-development expenditure being Interest & servicing of debt, it registered a lower growth rate of 12.39% compared to growth rate of non-development expenditure. The pattern of growth registered variations across different time periods.

During the 1st period, the total revenue expenditure witnessed a growth rate of 14.72%, which was associated with relatively higher growth rate of plan expenditure (17.27%). However, it is also found to have been associated with higher growth rate of 18.50% in non-development expenditure and a still higher growth rate of interest and debt servicing (21.96%).

The second period shows declined growth rate of Total revenue expenditure (13.13%) compared to the first period. Such a decline is contributed by all the components.

During the third period one finds a reversal in the growth pattern with increase in the growth rate of Total revenue expenditure to 16.23%. This is associated with higher growth rate of 26.82% in case of plan component compared to 12.93% in case of non-plan component. This growth pattern has been contributed by higher growth rate in development expenditure 17.85% compared to 10.62% in case of non-development expenditure. However there has been increase in the growth rate of plan component over the second period indicating positive impact of the Post-globalisation with FRBM.

Table-7.2Growth Rates of Revenue Expenditure and Components

	COMPONENTS					
	Develop-ment	Social	Eco-nomic	Non-Develop-ment	Int. & Servicing	Total

1st Period	Plan	17.80	16.68	18.96	1.03	--	17.27
	Non-Plan	10.65	11.33	9.58	19.05	21.96	13.84
	Total	13.22	12.82	14.1	18.50	21.96	14.72
2nd Period	Plan	7.98	11.18	4.76	0.93	--	8.06
	Non-Plan	11.47	12.22	9.74	17.33	17.93	14.62
	Total	10.13	11.9	7.12	17.23	17.93	13.13
3rd Period	Plan	26.56	26.32	27.07	37.9	--	26.62
	Non-Plan	16.59	14.46	20.99	10.12	-4.94	12.93
	Total (2014-15)	20.62	3.38	23.82	10.23	-4.94	16.23
	Total (2019-20)	17.85	12.25	19.44	10.62	2.12	15.12
Overall	Plan	13.65	14.51	12.71	7.81	--	13.54
	Non-Plan	13.16	12.91	13.7	15.28	14.11	14.16
	Total (2014-15)	13.36	13.11	13.17	15.16	14.11	14.05
	Total (2019-20)	13.82	13.55	13.87	14.32	12.39	14.05

Period-wise Growth of Capital Expenditure

The growth rates of functional categories of capital expenditure are presented in Table 7.3. The growth rate of Total capital expenditure is 12.72% (2019-20), which is associated with a higher non-plan expenditure growth of 13.69% and lower plan growth rate of 10.85%. It is interesting to observe that the growth rate of capital expenditure is also associated with higher growth rate of 15.74% in non-development head compared to 12.84% in development head. Social services registered a higher growth rate of 16.71% compared to 12.26% in case of Economic services. While Discharge of internal debt registered a growth rate of 19.92%, repayment of loans and Loans and advances by state govt. registered growth rates of 8.37% and 7.96% respectively.

During the 1st period, the Total capital expenditure witnessed a growth rate of 10.77%, which was associated with relatively higher growth rate of plan expenditure (12.95%). However, it is also found to have been associated with higher growth rate of 24.21% in non-development expenditure compared to 12.19% in case of development expenditure. While social services exhibited higher growth rate compared to Economic services.

During the second period one observes increase in the growth rate of Total capital expenditure (12.6%) compared to the first period. Such an increase is contributed mainly by high growth of Discharge of internal debt, Repayment of loans and Loans & advances by state govt. There has been significant decline in the growth rates of Development expenditure and its components social and Economic services as well as Non-development expenditure.

During the third period one finds a reversal in the growth pattern with increase in the growth rate of Total revenue expenditure to 19.33%. This growth pattern has been contributed by higher growth rate in both development expenditure (24.55%) as well as non-development expenditure (18.28%). It is interesting to observe that in case of all the categories there has been increase in the growth rate compared to the 2nd period, which however, is mainly due to significant increase in the Plan component and decline in the growth rates of non-plan component. These trends clearly are indicative of positive impact of the Post-globalisation with FRBM.

Table-7.3 Growth Rates of Capital Expenditure and Components

		COMPONENTS								
		Capital Outlay	Development	Social	Economic	Non-Development	Discharge of Internal Debt	Repayment of Loans	Loans & Adv	Total Expenditure
1st Period	Plan	12.89	12.59	20.89	11.91	29.75	--	--	12.78	12.95
	Non-Plan	-3.92	-4.77	-9.98	-3.97	-13.1	8.47	10.1	1.33	10.11
	Total	12.42	12.19	20.20	11.52	24.21	8.47	10.63	7.08	10.77
2nd Period	Plan	4.30	4.34	6.74	3.97	1.39	--	--	13.18	5.50
	Non-Plan	20.02	14.08	29.36	12.25	33.17	44.87	16.01	18.79	20.73
	Total	4.71	4.48	7.56	4.05	11.79	44.87	16.01	16.44	12.6
3rd Period	Plan	24.71	24.18	29.01	23.24	44.63	--	--	44.63	26.02
	Non-Plan	-15.4	-19.1	-12.7	-12.1	-13.5	16.76	0.81	2.71	8.72
	Total (2014-15)	25.23	25.16	30.14	24.18	25.99	16.76	0.81	12.6	19.01
	Total (2019-20)	24.32	24.55	26.96	24.05	18.28	10.98	3.13	16.47	19.33
Overall	Plan	11.78	11.69	15.86	11.07	14.04	--	--	9.07	10.85
	Non-Plan	10.29	6.99	14.07	7.9	13.3	21.3	8.76	7.16	13.69
	Total (2014-15)	11.05	10.92	14.98	10.32	15.27	21.32	8.67	7.96	11.77
	Total (2019-20)	12.93	12.84	16.71	12.26	15.74	19.92	7.53	8.37	12.72

SUMMARY & CONCLUSION

In sum, it may be observed that revenue expenditure remains the predominant component of Aggregate expenditure. Although Non-plan expenditure remains the major component one finds increasing importance of Plan expenditure particularly after the FRBM Act. It is also observed that there has been growing importance of Non-development expenditure overtime, mainly due to higher non-development component of Revenue expenditure. So far as capital expenditure is concerned there has been growing importance of capital outlay and discharge of internal debt. One also observes growing importance of development head of capital expenditure with increasing importance of social services. Period-wise analysis for revenue indicates that during Post-FRBM period there has been acceleration of growth in Developmental expenditure and deceleration in case of Non-development as well as Non-plan head and more so in Interest and servicing of debt. Similarly, in case of Capital expenditure one finds acceleration in growth for Capital outlay, development head, economic services and Plan component of capital expenditure during Post-FRBM period.

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