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MANAGEMENT OF PUBLIC EXPENDITURE BY STATE GOVERNMENTS IN INDIA - A STUDY OF THE SOUTHERN STATES

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ABSTRACT

The stimulus for the financial changes came in the eighties from recognitions that a managed economy was in charge of low development rate, prompting progression and deregulation in the residential circle, the significant arrangement activities in financial change modern approach, exchange controls and fiscal and credit strategies in the nineties came as a reaction to the equalization of instalment emergency looked by the nation and the globalization development everywhere throughout the world. With the rise of financial issues by method for income and monetary shortfalls, budgetary change moved toward decreases in government uses, protection consumptions, appropriations and labour necessities as additionally increment in controlled costs like those for power manures and nourishment grains. Experts of economic reforms have attracted thoughtfulness regarding the antagonistic effect of change measures on plan use and on the social division spending. This paper gives a full scale perspective of the budgetary patterns in all the Indian states it endeavours to examine inside and out the budgetary exhibitions of the conditions of Maharashtra, Andhra Pradesh, Karnataka, Tamil Nadu and Kerala.

Keywords: Budgetary Reform, Fiscal Deficit, Public Expenditure, Southern States

INTRODUCTION

The Indian Economy is in a decelerating mode as per the Planning Commission set apart by disintegration of the financial circumstance – with high monetary and income shortfalls at both Center and the States particularly in the 1990's. While the driving force for the economic reforms, came in the eighties from discernments that a controlled economy was in charge of low development rate, prompting advancement and deregulation in the residential circle, the real approach activities in financial change mechanical strategy, exchange directions and money related and credit strategies in the nineties came as a reaction to the balance of payment crisis looked by the nation and the globalization development everywhere throughout the world. The philosophical base for the economic reform of the mid 90's was given by an audit of the job of

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the State and market powers in the economy which prompted a wide scope of managerial changes and new institutional instruments in the territories if modern permitting, costs and conveyance controls, capital market and remote speculation controls, outside trade the executives and major budgetary reforms, with effect on open segment venture and exchange of assets to the states.

Ways to deal with public expenditure management amid the eighth plan have been, coordinated towards lessening budgetary shortfalls and have focused on pressure of open venture influencing improvement speculations. There is requirement for valuation for the way that the character of consumption, as opposed to the extent of the deficiency is progressively essential and that the piece of the financial plan and heading of use impact the development of GDP and that the dimension and examples of use and additionally the methods through which assets are raised straightforwardly influence the pay and use streams. Be that as it may, public expenditure programs, detailed with regards to economic reforms with accentuation on financial solidification have been set apart by decrease in budgetary expense for social administrations in a few states, and the execution of auxiliary modification approach has not likewise added to the development of social and specialized framework important for venturing up the pace of economic growth.

The paper investigates the searchlight on decaying monetary position of the State Governments declining since the eighties, unwinds in detail, the time of financial change 1990-91 to 1999-2000, and looks at the convincing requirement for monetary change and the measures started for financial solidification. The examination tries to address the focal inquiry of public expenditure management as an indispensable advancement basic, with examination focussing consideration on the investigation of the arrangement and budgetary needs especially development, value and adjusted local advancement received by the States and the strategy alternatives accessible and practiced by the State Governments to enhance their very own asset assembly and to expand effectiveness of expenditure.

METHODOLOGY

This study is an examination concerning the Management of Finances by State Governments in India, covering 26 States, fifteen noteworthy and eleven little states, with spotlight on the conditions of Maharashtra, Andhra Pradesh, Karnataka, Tamil Nadu and Kerala. The period of study is from 1990-91 to 1999-00. The information identifying with the examination have been drawn from the Budgetary archives of the State Governments for the Southern States, Reports of Planning Commission, Finance Ministry, Finance Commission and the RBI enhanced by commitments distributed in diaries like the RBI Bulletins, The Asian Economic Review,

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Economic and Political Weekly, Finance India, Journal of Rural Development and Indian Economic Journal.

Fiscal Outlook

The repetitive issues of Center-State relations and instrument of devolution, frequenting Indian open fund, gets consideration, as the example of devolution and quantum of stream of assets from the Center, both by method for optional course of Planning Commission and statutory course of Finance Commission have affected the basic leadership and example of Expenditure at the State level, featuring the adjustments in criteria received by the Tenth and Eleventh Finance Commissions. It additionally draws out the adjustments in Planning Commission's formulae for exchanges from Center to the States for formative designs. As the Study manages the nineties, the time of economic reform, it gives a fast perspective of the adjustments in the approach outline work especially endeavours at financial combination and their effect on sectoral allotments in the yearly designs and budgetary arrangements both at the focal and the state level.

While articulated accentuation on monetary union and money related rebuilding since 1991, had brought about a decided way to deal with public expenditure management going for decrease of budgetary shortages, it has since risen that amid the Eighth Plan time frame financial combination measures had focused on pressure of public speculation and that the Ninth Plan proposition denoted a sharp decrease in the offer of open interest in complete venture from 45 percent to 33.4 percent and that in December 1999 Deputy Chairman Planning Commission had indicated out the Finance Ministry that the budgetary support for the Central Plan in the initial two years of the Ninth Plan was shy of prerequisites and there was requirement for venturing up dimension of spending support by 35 to 40 percent in the rest of the long stretches of the Ninth Five Year Plan. In October 2000, Mid Term Appraisal of the Ninth Five Year Plan demonstrated that the Central Budget Support for the Ninth Plan could be just 87 percent as against 93 percent acknowledged amid the Eighth Plan and that the aggregate open venture will be around 81 percent of the Plan Target as against the acknowledgment of 85.4 percent in the Eighth Plan. The Appraisal showed that "because of genuine slippages openly interest in physical and social framework the pipeline interest in the Tenth Plan will be low. This may debilitate the likelihood of huge speeding up in the development rate amid the Tenth Plan Period".

The dimension and examples of use and in addition the methods through which assets are raised directly affect the salary and use streams and have in this manner critical impacts on the economy. Bringing up that financial deficiency – estimated as the contrast between total payment and income and non-obligation capital receipts – abridges as it were, the aggregate extent of Public Finance and demonstrates enough the monetary strength of the nation. Rangarajan

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perceived, "There was a time when revenue deficits were a rare phenomenon in India's public finances. In fact, revenue budgets used to generate some surplus to finance capital expenditure. …. The turning point for the Centre came in 1979-80 and for the states together in 1986-87. Since then revenue budgets at both levels have been showing deficits of varying order every year".

In 1979-80 Center revealed an income shortage of ₹694 crores and in 1986-87, the States together last detailed an income excess of ₹170 crores. Table-1 demonstrates the similar photos of the aggregate consolidated receipts and payment of Central and State Governments on income and capital records, in 1980-81 and 1999-2000 and 2000-2001. In 1980-81, the aggregate consumption of Center added up to ₹23,194 crores and that of the States ₹22,770 crores, totalling 37,879 crores. By 1990-91, the Central use had expanded by almost multiple times to ₹1,07,995 crores and the comparing figures for the states was ₹91,242 crores totalling ₹163,673 crores. Amid 1999-00 the income and capital use of the Central and the States joined represented an aggregate of ₹5,55,458 crores, or 28.4 percent of the GDP. For the year 2000-01 Governments at Center and the states set up together planned for assessed receipts of ₹593960 crores and payment of ₹598273 crores.

Table 1: Combined Budgetary Position of Centre and the State

(Rupees in Crores)

Years	Revenue Account		Capital Account		Aggregate		Overall Surplus/ Deficits
	Receipts	expenditure	Receipts	Disbursement	Receipts	Disbursement	
1980-81	25560	26126	8945	11753	34505	37879	-3374
1990-91	105757	129628	46641	34045	152398	163673	-11275
1995-96	217527	255457	79102	48129	296629	303586	-6957
1999-00 (RE)	349335	479670	196910	75788	546245	555458	-9213
2000-01 (BE)	387315	510443	206645	87820	593960	598263	-4303

Source: Handbook of Statistics on Indian Economy 2000, Reserve Bank of India, Mumbai.

Developmental and Non-developmental Expenditure

Public expenditure is delegated formative and non-formative use. There are two records like income account (income use is done from income record) and capital record (capital use is produced using capital record). Developmental expenditure has both income and capital records and non-developmental use has additionally both income and capital record. The important heads of developmental expenditure within the revenue account are –

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- social and community services,
- economic services and
- grants-in-aid to states and union territories.

The largest component in this group is economic services. Economic services include general economic services, agriculture and allied services, industry; and minerals, water and power and power development, transport and communication, railways, post and telegraphs etc. The components of development expenditure on capital account are:

- loans and advances to states and union territories,
- loans for social and community development services and
- loans for economic services.

Non-development expenditure on revenue account is divided into two classes:

1. the general services and
2. the grants-in-aid to states and union territories and also to other countries.

The general administrations incorporate monetary administrations, intrigue instalments, managerial administrations, protection; administrations and so on. The biggest two segments of non-development expenditure use on income account have been safeguard administrations and intrigue instalment on open debts. The segments of non-development expenditure use on capital record are: advances and advances to states and association regions and advances to remote nations. Table-2 investigated regarding developmental and non-developmental expenditure, the general offers of the inside and states. In table-2, the aggregate consumption of the two States and Center joined had expanded from 26.3 percent of the GDP in 1980-81 to 28.8 percent of GDP in 1990-91, it descended amid the mid-90's before climbing again to 28.4 percent in 1999-00. A critical part of this is development expenditure had amid the 80's drifted around 17 to 18 percent of the GDP before bit by bit originating from to 14.6 percent of GDP in 1999-00. Correspondingly, non-development expenditure had expanded from 8.9 percent of GDP in 1980-81 to 13.3 percent of GDP in 1999-00. The offer of advancement use in States add up to consumption figured as a level of GDP had descended from 11.1 percent in 1980-81 to 9.4 percent in 1998-99 preceding moving to 10.1 percent in 1999-00. The fall in the development expenditure at the Center was far more extreme from 9.3 percent in 198-81 to 6.8 percent in 1999-00.

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Table 2: Development and Non-Development Expenditure

(Rupees in Crores)

Years	Centre			States			State & Centre combined		
	D	ND	Total	D	ND	Total	D	ND	Total
1980-81	13327 (9.3)	9867 (6.9)	23194 (16.2)	15961 (11.1)	4289 (3.0)	22770 (15.8)	24480 (17.0)	12738 (8.9)	37879 (26.3)
1990-91	58645 (10.3)	49349 (8.7)	107994 (19.0)	63370 (11.1)	22600 (4.0)	91242 (16.0)	96686 (17.4)	63397 (11.1)	163673 (28.8)
1999-00 (RE)	133039 (6.8)	180219 (9.2)	313258 (16.0)	198322 (10.1)	110137 (5.6)	325634 (16.6)	286607 (14.6)	261240 (13.3)	555458 (28.4)
2000-01 (BE)	134637 (6.2)	213580 (9.8)	348217 (16.0)	208333 (9.6)	125484 (5.8)	350767 (16.1)	298368 (13.7)	293464 (13.5)	598263 (27.5)

Note: D – Development; ND – Non Development

Source: Economic Survey (various issues), Ministry of Finance, Government of India, New Delhi.

Plan and Non-Plan Expenditure

Plan expenditures are evaluated after exchanges between every one of the services concerned and the Planning Commission. In India plan expenditure covers Economic administrations, Social administrations, General administrations, Central help for state designs and Central help for a union area designs and so forth... The spending records additionally gives the aggregate arrangement for every one of the services orchestrated under the different heads of improvement and high-lights the spending arrangements for increasingly vital arrangement projects and plans and non-plan use is a non-exclusive term used to cover all expenditure of government excluded in the arrangement. It incorporates both advancement and non-improvement consumption; some portion of the use is required in nature, for instance intrigue instalments, pensionary charges and statutory exchanges to states. Some portion of the consumption is a basically commitment of a state. For instance safeguard and interior security at that point, there are unique obligations of the inside like outer issues, cash and mint and so on. Table-3 dissected, as far as Plan and Non-Plan expenditure classifications of use and their separate offers in the aggregate expenditures of the Center and the States, the example over the four years 1989-90, 1990-91, 1999-00 and 2000-01, both in outright and with respect to GDP terms.

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Table 3: Plan and Non-Plan Expenditure

(Rupees in Crores)

Year	Centre			States		
	Plan	Non Plan	Total	Plan	Non Plan	Total
1989-90	28401 (5.8)	64505 (13.17)	92906 (18.97)	23012 (4.7)	53798 (11.1)	76810 (15.8)
1990-91	29956 (4.9)	76761 (13.2)	106717 (18.1)	27433 (4.8)	63809 (11.2)	91242 (16.0)
1999-00	76182 (3.9)	221902 (11.3)	298084 (15.2)	78156 (4.0)	247478 (12.6)	325634 (16.6)
2000-01 BE	88100 (4.0)	250387 (11.5)	338487 (15.5)	89074 (4.1)	261693 (12.0)	350767 (16.1)

Source: Handbook of Statistics on Indian Economy 2001, Reserve Bank of India, Mumbai.

Finances of Southern States

Southern states expect that their offer from devolution of focal charges will descend as they have figured out how to control their populace development all the more successfully contrasted with their northern partners. With view to finding out the idea of change in use the executives everything being equal, from the perspective of usage of accessible assets for formative purposes, the normal yearly development rates of formative use have been figured for every one of the states for the periods 1980-81 to 1984-85, 1985-86 to 1989-90, and 1990-00 and displayed alongside the investigation. The normal yearly development rate of formative consumption for every one of the states set up together 16.1 percent amid the period 1980-81 to 1984-85 and 13.7 percent between the periods from 1985-86 to 1989-90 and 14.1 percent for the decade 1990-2000.

Amid the time of the nineties the developmental expenditure of the considerable number of states developed at a normal of 14.1 percent every year. Upwards of 15 States demonstrated higher development rates, with the somewhat deceptive case of National Capital Territory of Delhi demonstrating a development rate of 48.7 percent, pulling up the normal everything being equal. Of the select states Andhra Pradesh and Kerala which were in the lower classification moved to the higher classification while Karnataka and Tamil Nadu moved to the lower class. Maharashtra's rate rose to the normal all things considered however its development rate amid the period was lower than the before period. The extents of plan and non-plan expenditures to the state Domestic item in regard everything being equal and the select States for the time of 1990-91 to 1998-99 are appeared in tables 4 and 5.

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Table 4: Proportion of GSDP – Plan Expenditure

Year	All States	Maharashtra	Andhra Pradesh	Karnataka	Tamil Nadu	Kerala
1990-91	3.7	4.6	4.9	7.0	4.6	5.4
1991-92	3.6	4.1	4.8	6.6	4.7	4.7
1992-93	3.3	4.1	6.3	6.9	4.7	4.5
1993-94	3.1	3.2	5.9	7.0	4.1	4.4
1994-95	3.3	4.7	5.7	5.9	4.0	4.4
1995-96	3.2	3.7	5.7	5.9	3.5	4.2
1996-97	3.0	3.7	3.1	5.1	4.2	6.6
1997-98	3.0	3.4	5.0	4.4	4.6	5.5
1998-99	3.0	2.5	5.9	4.7	3.3	4.9
1999-00	3.1	2.8	6.0	4.9	3.5	5.1

Source: Economic Survey (various issues), Ministry of Finance, Government of India, New Delhi.

With regards to non-plan expenditure Andhra Pradesh and Karnataka have been imperceptibly more elevated amounts in the nineties, at that point the All State normal, Tamil Nadu and Kerala, the dimensions of non-plan expenditure have been fluctuating and in a few years especially over the All States normal. However, Maharashtra strikes an alternate example, with its non-plan expenditure as extent of GSDP beginning at a possibly more elevated amount in 1990-91 the All States normal yet bit by bit going down to bring down dimensions amid the nineties. This is bizarre that even their arrangement use has not appeared relative increment however there are increments in supreme terms.

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Table 5: Proportion of GSDP – Non-Plan Expenditure

Year	All States	Maharashtra	Andhra Pradesh	Karnataka	Tamil Nadu	Kerala
1990-91	11.2	12.2	14.1	14.3	16.5	18.6
1991-92	11.9	12.4	13.9	14.0	21.9	18.3
1992-93	11.5	11.3	14.1	14.6	18.0	17.4
1993-94	11.4	9.8	12.2	12.0	13.3	14.9
1994-95	11.3	9.5	12.2	11.6	14.4	14.1
1995-96	10.9	8.7	12.2	11.9	12.4	13.3
1996-97	10.9	9.4	14.8	11.9	14.5	18.4
1997-98	11.1	9.5	13.5	12.0	19.8	12.8
1998-99	11.5	9.6	13.3	11.8	13.7	12.0
1999-00	11.8	9.8	13.7	12.1	14.1	12.2

Source: Economic Survey (various issues), Ministry of Finance, Government of India, New Delhi.

CONCLUSION

The rise and spread of monetary issues in the States, following the tireless financial difficulties looked by the Center has come to be broadly recognized by the experts at the Center and the States. Net monetary shortages of State Governments which was ₹18787 crores (3.3% of GDP at current market costs) in 1990-91 has ascended to an expected ₹96073 crores (3.9% of GDP) in the financial plans for 2001-02. Revenue shortage has ascended from ₹5309 crores (0.9% of GDP) to ₹48046 crores (1.9% of GDP) amid a similar period. The industrious monetary deficiencies of the States had prompted a relentless aggregation of obligation with the extraordinary obligation coming to ₹504248 crores (23.1% of GDP) by end of March 2001, denoting a fivefold increment inside 10 years from a dimension of ₹110289 crores (19.4 % of GDP).

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