

A Review of Central Government Expenditure

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In view of the financial burden faced by the government in terms of huge fiscal budgetary and revenue deficits, the changes in the magnitude of public expenditure are deliberately brought about along with certain reforms on resource front also. Deficits had touched very high level in terms of percentage to the Gross Domestic Product during 1990-91 which later resulted in efforts to reduce the fiscal deficit to 6.5 per cent and 5 per cent during 1991-92 and 1992-93 respectively.

One can appreciate the urgency of the need to trim the government expenditure in view of the enormous growth in the non-plan and non-development expenditure of the government. There have also been promises made all along to reduce the burden on account of non-plan expenditure. Finally the outcome during these two years is that expenditure has been reduced by axing the plan and capital expenditure items.

In this context a review of government expenditure during the past few years is essential in order to analyse the usefulness of government expenditure. This has been attempted in the present paper. The analysis is based on a few broad categories of government expenditure like Revenue and Capital, Consumption and Capital Formation, Plan and Non-Plan and Development and Non-Development.

With the recent changes in the policy measures announced by the government, government expenditure has actually recorded a decline during the current year (1991-92) and the increase in expenditure in the forthcoming financial year (1992-93) also is marginal in nominal terms and if inflation is taken into account there will be a negative growth. In view of the financial burden faced by the government in terms of huge fiscal budgetary and revenue deficits, the changes in the magnitude of public expenditure