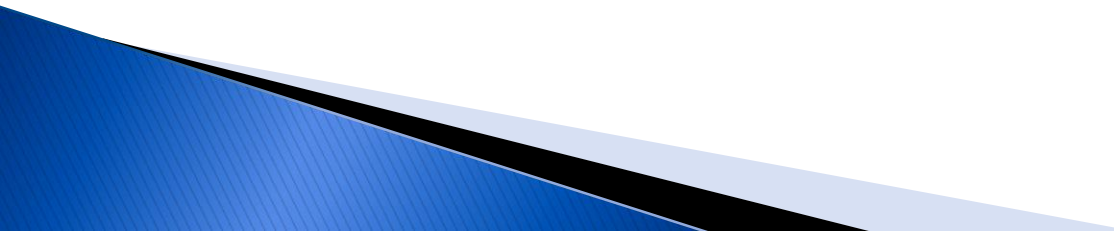


Public Expenditure: An Introduction



Contents

- ▶ Meaning
 - ▶ Causes of Growth of Public Expenditure
 - ▶ Types of Public Expenditure
 - ▶ Importance of Public Expenditure
 - ▶ Objective of Public Expenditure
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Meaning of Public Expenditure

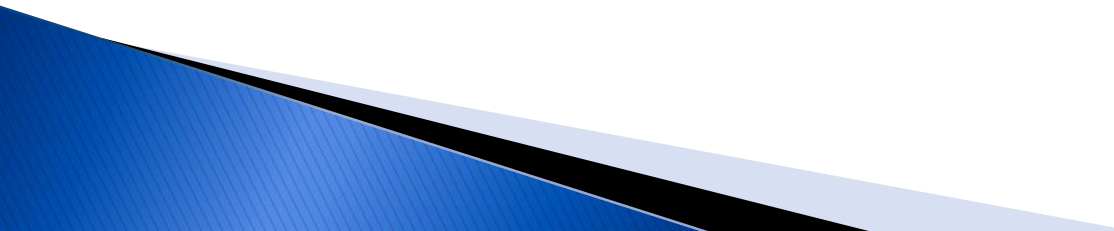
- ▶ Expenses incurred by the public authorities—central, state and local self-governments—are called public expenditure. Such expenditures are made for the benefit of the society as whole as pension, provision of infrastructure, power etc.

Meaning of Public Expenditure

In the 17th and the 18th centuries public expenditure was considered as a wastage of money. Thinkers were of view that government should stay with their traditional functions of spending on defence and maintaining law and order.

It was in the 20th century, that Prof. John Maynard Keynes explained that the role of government as a modern state and termed it as a **'welfare state'**. Public expenditure helps in determining levels of income and its distribution in the economy.

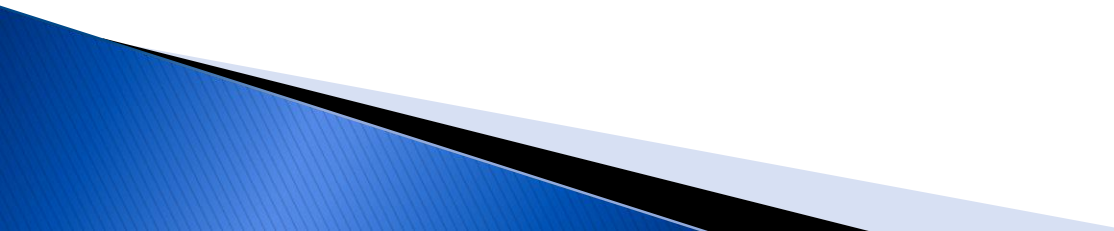
Causes of growth of public expenditure

- ▶ **Defence expenditure** – More investment is required to be done by government for defence equipment which are needed by navy, army and air force to prepare the country for war.
 - ▶ **Population growth** – More investment is required to be done by government on law and order, education, infrastructure, etc. due to increase in population.
- 

Causes of growth of public expenditure

- ▶ **For Welfare activities** – welfare of masses, mid-day meals, pension provisions etc.
- ▶ **Provision of public and utility services** parks, hospitals, schools etc.

Causes of growth of public expenditure

- ▶ **Accelerating economic growth** – in order to raise the standard of living of the people.
 - ▶ **Public Expenditure is needed for Economic Development**
 - ▶ **To develop a Welfare State**
 - ▶ **To develop rural areas.**
- 

Causes of growth of public expenditure

- ▶ **To provide Transport and Communication.**
- ▶ **Expenditure done on water supply, electricity, maintenance of roads, schools and colleges, traffic controls, public health, parks and libraries, playgrounds, etc**

Types of Public Expenditure

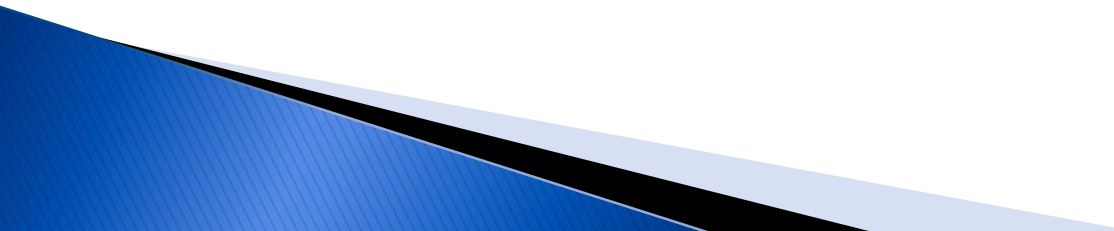
1. Developmental and Non-Developmental expenditures:

Developmental expenditure: Expenditure incurred on social and community services, economic services, etc. is called developmental expenditure.

Non-developmental expenditure: It includes expenditures made for administrative service, defence service, debt servicing, subsidies, etc.

Types of Public Expenditure

2. Revenue Expenditure and Capital Expenditure

- ▶ Revenue expenditure includes civil expenditure (e.g., general services, social and community services and economic services), defence expenditure, etc.
 - ▶ Capital expenditure includes expenditures incurred on social and community development, economic development, defence, general services, etc.
- 

Types of Public Expenditure

3. Plan and Non Plan Expenditure

Non-plan expenditure falls under two broad heads, viz., revenue expenditure and capital expenditure.

Plan Expenditure: Expenditure done on agriculture, rural development, irrigation and flood control, energy, industry and mineral resources, etc., are included in plan expenditure.

Types of Public Expenditure

4. Transfer And Non - Transfer Expenditure :-

- ▶ Transfer expenditure includes public expenditure on :- National Old pension Scheme, Interest payments, subsidies, unemployment allowances, welfare benefits to weaker sections etc.

Types of Public Expenditure

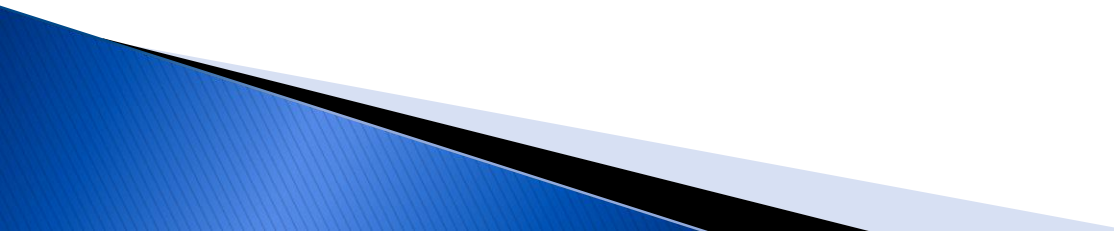
- ▶ **The non – transfer expenditure:**

It includes development as well as non – development expenditure that results in creation of output directly or indirectly. Economic infrastructure (Power, Transport, Irrigation etc.), Social infrastructure (Education, Health and Family welfare), Internal law and order and defence, public administration etc.

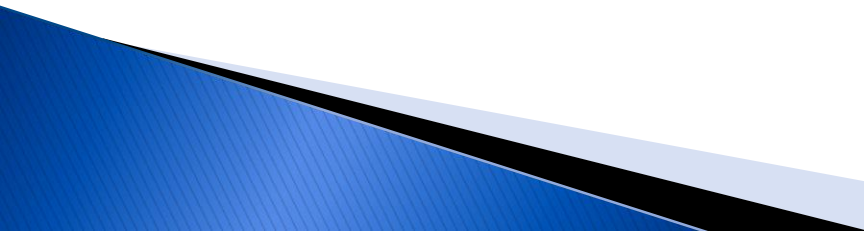
Other types

- ▶ Mrs. Hicks classified Public Expenditure on the basis of duties of government. It is as follows :
- ▶ a) Defence Expenditure :-
- ▶ b) Civil Expenditure :-
- ▶ c) Development Expenditure :-
- ▶

Importance of Public Expenditure

- ▶ To promote rapid economic development.
 - ▶ To promote trade and commerce.
 - ▶ To promote rural development
 - ▶ To promote balanced regional growth
 - ▶ To develop agricultural and industrial sectors
- 

Importance of Public Expenditure

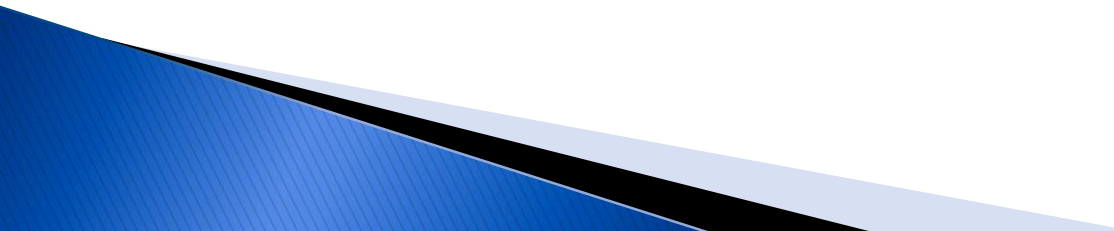
- ▶ To build socio-economic overheads eg. roadways, railways, power etc.
 - ▶ To exploit and develop mineral resources like coal and oil.
 - ▶ To provide collective wants and maximise social welfare.
 - ▶ To promote full - employment and maintain price stability.
 - ▶ To ensure an equitable distribution of income.
- 

Objectives of Public Expenditure

The major objectives of public expenditure are

- ▶ Administration of law and order and justice.
- ▶ Maintenance of police force.
- ▶ Maintenance of army and provision for defence goods.

Objectives of Public Expenditure

- ▶ Public Administration.
 - ▶ Servicing of public debt.
 - ▶ Development of industries.
 - ▶ Development of transport and communication.
 - ▶ Provision for public health.
 - ▶ Creation of social goods.
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References

- ▶ <https://micredits.wordpress.com/2016/09/11/public-expenditure-significance-objectives-types/>
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THANKS

