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A Comparative Analysis of Budgeted and Actual Expenditure of India

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ABSTRACT

Control over the expenditure is the most essential objective of any budget. The efficiency of controlling in expenditure can be examined by comparing the budgeted and actual expenditure after the actuals are realised. The main aim of this study is to find out the efficiency of Indian Budget. The study makes a comparative analysis of budgeted and actual expenditure of India. To conduct this study revenue and capital developmental and non-developmental expenditure has been taken into consideration. The data has been taken from the website of RBI, Ministry of Finance of India for the period from 2005-06 to 2015-16. The data has been analysed by using many statistical tool such as mean, standard deviation and independent t-test. The statistical result shows that there is no significant difference between budgeted and actual expenditure of India.

Keywords: *Budgeted expenditure; Actual expenditure; Developmental expenditure; Non-developmental expenditure; Revenue and capital expenditure.*

1.0 Introduction

A government budget is an annual financial statement which outlines the estimated government expenditure and expected government revenues for the looming fiscal year. A Budget plan is a statement with the estimated expenditure to be incurred and the revenue to be generated during a certain period of time. Generally, a government budget requires the government's estimate of expenditures and receipts for the following fiscal year which starts from April 1 and ends on March 31. A government budget is mainly about its expenditure and revenue. Government's expenditures embrace spending on public welfare programs, imports, military funding, salaries and pensions, interest on debts, etc.

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Government expenditure classified into developmental and non-developmental can be done on both capital and revenue expenditures. The developmental expenditures are usually incurred on education, medical care, employment, agriculture etc. while non-developmental expenditure consist of expenditure incurred on items like defence, collection of taxes and duties, Developmental expenditure assist the government in setting demonstrated goals Moreover, Developmental expenditure directly related to the promotion of the backward economy while non- developmental expenditure does not. The division between developmental and non-developmental expenditure beyond a certain point, gives a distorted picture of the whole government expenditure. For example expenditure on defence, being a non-developmental expense is very important for the safety of the country .The settlement of capital expenditure extend over a period of time exceeding one year. A major portion of the expenditure is made at one point of time and the benefits are realized in the future. Hence capital expenditure is planned for creating concrete assets of material character in the economy. Examples include acquisition of assets like land, buildings, etc. while revenue expenditure is used for the normal running of government departments and various services. In other words, expenditure which does not result in the creation of assets is treated as revenue expenditure. Thus, the total amount of governmental expenditure and the amounts spent on various heads and in various localities influence production. In fact, the government can bring about desired changes in these fields through public expenditure In order to find out the accuracy of India budget in terms of expenditure forecasting Public expenditure in India is broadly categorized as revenue and capital expenditure. However, the important heads of revenue expenditure are defence, Interest payments and subsidies. The components of capital expenditure are loans and advances and capital outlay.

However, the purpose of this study is to treat them separately, though the capital and revenue expenditures are closely inter-related and must always try to co-ordinate their results whenever possible. As the Budget is always related to the future which is uncertain thus it never can be forecast accuracy but it is always expected to have some good amount of accuracy otherwise. This study compares the different budgeted expenditure to actual expenditure of India.

2.0 Review of Literature

Bhattacharya (2014) analyses the intra-state disparities in government expenditure in six states, Bihar, Uttar Pradesh, Jharkhand, Chhattisgarh, Madhya Pradesh and West Bengal, based on the actual treasury data on government expenditure made in the social sectors of education, health and supply of drinking water, captured from the

databases of the accountants general of these states. The disparities that it finds within most of these states are shocking, to say the least.

Abdullah (2016) scrutinized the association among government spending as well as economic growth, concluded that magnitude of government is of more importance in decisive performance of economy, furthermore governments should not just hearten the private part to gear up the economic growth except to that boost its budgetary provisions regarding infrastructure, societal as well as economic actions.

Sucharita (2016) endeavours to find out the inter-relationship between government expenditures and revenues in India. It make an effort to find out if the dissimilarity in revenues cause variations in expenditures or the deviation in expenditure cause variation in revenue. It also analyses the trend of rising public expenditure in India by vector error correction mechanism to find out the causality between the governments total expenditure and revenue receipt. The analysis advice long run causality from Government revenue receipts to Government total expenditure.

Gregoriou and Ghosh (2017) examine the impact of governmental spending on economic growth by via group data. They concluded that countries by means of huge government spending in terms of budgetary requirements tend to practice high economic growth but the impact diverge from country to country.

Njikamp and Poot (2017) demeanour a meta investigation of previous pragmatic studies of growth and fiscal plan moreover concluded that from the overall sample of 41 studies 29% designate negative association among fiscal plan and economic growth, 17% positive, and 54% inclusive association.

Raut (2017) examines fiscal convergence across states in India. The study finds evidence of convergence in revenues and expenditures by using panel and cross-section regressions, we add to the existing literature by investigating the process of convergence in revenues and expenditures for pre and post fiscal rule (FRBM) period which revealed that, the convergence was more pronounced in the post-FRBM period. Verification of the constructive impact of fiscal rules on gauge such as capital outlay propose that states should follow fiscal rules for fiscal consolidation without compromising on the quality of expenditure.

Murugan (2019) observes that public expenditure success depends on the government's efforts to ensure the effectiveness of the public expenditure with appropriate composition, but adequate attention is necessary for the major states in India. The objectives of the paper measure growth and trend of public expenditure in Southern States and to study the determinants of the growth of Public expenditure from 1990- 91 to 2013- 2014 by using the tools namely panel testing have been applied for estimating the responsiveness of government expenditure and results reveals that higher GSDP

growth in some states did not result in overall higher share in central taxes as GDP growth slowed down since 2011-12. States' allocate in central taxes remained constant during 2010-14, whereas a falling trend in centre's grants-in-aid transfer was observed during the same period.

3.0 Research Gap

Having reviewed the earlier literature pertaining to expenditures and elasticity of tax revenue, determinants, the taxable capacity and the tax effort of the country of tax revenue and finally the nexus between revenue and expenditure the next step is to identify the research gap. The essential themes of all the earlier studies were related to the national and international level taking only few components of tax revenue and expenditure in India. Moreover, the studies undertaken earlier had not made any in-depth study on determinants involving socioeconomic and political variables. Most of the studies concentrated on a small group of expenditure variables. The studies related to causality to investigate the nexus between revenue, expenditure and economic growth at the national and international level. No studies have been made regarding the Indian Budget. Since there is no systematic and thorough in-depth study on government actual and budgeted data at national level, to fill this lacuna in finance research, the present study has undertaken an analytical approach on government budgeted and actual data variances. The present study tries to estimate the different aspect and actors which relate to each of these factors, which are budget preparation, capital budget, medium term expenditure frameworks, linking budgets to policy, programme and performance budget and cabinet ministry of finance, spending agencies legislature respectively. For this purposes the study considers budgets and actual of different types of expenditure such as developmental expenditure, non-developmental expenditure, revenue expenditure and capital expenditure of India

4.0 Objective of the Study

To make a comparative analysis of budgeted expenditures to actual expenditures of India.

5.0 Research Methodology

5.1 Type of data

The current study is based on secondary data which is available at the official website of Government of India (Ministry of Finance and RBI). The expenditure revenue

and capital (developmental and non developmental expenditure) are taken into consideration for comparative analysis of Budgeted and Actual expenditure.

5.2 Period of study

The present study takes the data for the period of 2005-06 to 2015-16.

5.3 Tools and technique

The data has been evaluated by using various statistical tools such as mean, standard deviation and Independent t-test (two samples), Levene's test with the help of SPSS.

5.4 Hypotheses

H_{01}: There is no significant difference between the budgeted capital developmental and non-developmental expenditure and actual capital developmental and non-developmental expenditure.

H_{02}: There is no significant difference between the budgeted revenue developmental and non-developmental expenditure and actual revenue developmental and non-developmental expenditure.

6.0 Analysis

6.1 Comparison of budgeted capital expenditure to actual capital expenditure

Descriptive analysis reveals that mean value of actual developmental capital expenditure (6,63,939) is lesser than mean value of budgeted developmental capital expenditure (8,12,257) while the mean value of actual non developmental capital expenditure (7,03,882) is greater than the mean value of budgeted non-developmental capital expenditure (6,72,539) during 2005 to 2016. Thus the percentage share of actual Non-Developmental Expenditure to the Total Expenditure is highest throughout the period. It shows that the government of India is spending more amounts in non-developmental activities as compare to developmental Expenditure. A right direction and adequate amount is necessary in a Plan Mechanism for the growth of the economy (Table 1).

Prior to independent t-test, Levene's Test for equality of variances is carried out. Null hypothesis for this test is- the variances of the two groups are equal. As per the results, .331 >.05 Hence, the null hypothesis is accepted and assume that variances of the two groups are equal (Table 2).

Table 1: Group Statistics

	Group	N	Mean	Standard Deviation	Std. Error Mean
Capital Developmental Expenditure	Budget	**10**	8,12,257	4,15,930	1,19,534
	Actual	**10**	6,63,939	4,00,456	1,11,768
Capital Non Developmental Expenditure	Budget	**10**	6,72,539	3,45,222	98,543
	Actual	**10**	7,03,882	2,93,323	99,004

Table 2: Independent Sample Test (Test of Homogeneity of Variances)

Amount			
Levene Statistic	df1	df2	Sig.
3..2463	1	19	.331

Thus, there is no significant difference between the budgeted capital developmental and non-developmental expenditure and actual capital developmental and non-developmental expenditure of India. It indicates that the equal variances assumption is met and further analysis can be carried out with the application of ANOVA.

As our null hypothesis for the Levene's test failed, the p value (0.531) >.05 therefore we accepted the null hypothesis "There is no significant difference in the mean scores of the between the budgeted capital developmental and non-developmental expenditure and actual capital developmental and non-developmental expenditure (Table 3).

Table 3: ANOVA (Capital Expenditure)

Amount	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1168967039	1	13549270290.101	.420	.531
Within Groups	6136126188	19	1984539837.215		
Total	7305093227	20			

6.2 Budgeted revenue expenditure versus actual revenue expenditure

Descriptive analysis reveals that mean value of actual developmental capital expenditure (5,63,939) is lesser than mean value of budgeted developmental capital expenditure (7,12,257) while the mean value of actual non-developmental revenue expenditure (9, 02,862) is greater than the mean value of budgeted non-developmental capital expenditure (8, 32,439) during 2005 to 2016 (Table 4).

Table 4: Group Statistics

	GROUP	N	Mean	Standard Deviation	Std. Error Mean
Developmental Expenditure	Budget	**10**	7,12,257	3,14,280	1,09,324
	Actual	**10**	5,63,939	2,50,496	1,21,614
Non Developmental Expenditure	Budget	**10**	8,32,439	3,41,122	75,502
	Actual	**10**	9,02,862	3,49,213	71,054

Prior to independent t-test, Levene's Test for equality of variances is carried out. Null hypothesis for this test is- the variances of the two groups are equal. As per the results, .421 >.05. Hence, we fail to reject the null hypothesis and assume that variances of the two groups are equal (Table 5). Thus, there is no significant difference between the budgeted capital developmental and non-developmental expenditure and actual capital developmental and non-developmental expenditure.

Table 5: Independent Sample Test

Amount			
Levene Statistic	df1	df2	Sig.
2.343	1	19	.421

The hypothesis being tested is that here is no significant difference between the budgeted revenue developmental and non-developmental expenditure and actual revenue developmental and non-developmental expenditure. The p value 0.156 > 0.05 level of significance (Table 6). Thus, the null hypothesis is accepted. Therefore, there is no significant difference in the mean scores of between the budgeted revenue developmental and non-developmental expenditure and actual revenue developmental and non-developmental expenditure.

Table 6: ANOVA (Revenue Expenditure)

Amount	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1481103919.21	1	114929129.101	.312	.156
Within Groups	3212610045.01	19	159252557.012		

6.0 Conclusion

From the analyses conducted in the study it can be observed that actual expenditure exert positive influence on government budget performance as measured to budgeted expenditure and budget balance. Thus the study concluded that though budgeted expenditure do influence government budget performance, it is rooted in actual expenditure as established in the measure of government budget performance. Thus by implication it stands that the actual government expenditure goes a long way in determining the level of government budget performance in. Hence the study recommends improved expenditure estimating methods at the combined level as it stands that the performance of government budget in terms of meeting revenues' targets and keeping expenditures at the confines of approved estimates depends largely on the process that brought about those figures which answers the question as to how realistic are the figures approved. Also the study recommends the need to prune the over-bloated size of government expenditure in order to establish realistic budgets at the Centre and state level.

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