

Quadrant II – Transcript and Related Materials

Programme: B.Com

Subject: Economics

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Paper Title: Economic Survey & Union Budget

Unit: - Basic Concepts of Indian Economy

Module Name: Capital Expenditure, Revenue Expenditure, Plan Expenditure and Non-plan Expenditure

Module No: 3

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Transcript

Classification of Public Expenditure

It is the arrangement of different items on which the government incurs expenditure for the development of the economy.

1. Revenue Expenditure: Revenue expenditures are consumption expenditures incurred on public administration, defence forces, public health and education, maintenance of government machinery, subsidies and interest. These type of expenditure are recurrent in nature and do not create any capital assets. Revenue expenditure is classified into development and non-development expenditure.

Development Expenditure: Development expenditure are those part of revenue expenditure that directly or indirectly contributes to the development of the economy. It includes expenditures on the maintenance and functioning of social and community services and physical infrastructure. For example, maintenance of education and public health infrastructure like schools, hospitals, irrigation facilities, electricity board, etc.

Non-Development Expenditure:

The part of revenue expenditure that may not directly contribute to economic development is known as non-development revenue expenditure.

it include expenditures on the maintenance of defence establishments, administrative expenditure, interest payments, payment of old age pension etc.

2. Capital Expenditures: Capital expenditure are those expenditure which are incurred on building durable assets, like highways, multipurpose dams, irrigation projects, buying machinery and equipment. It is a non-recurring type of expenditure in the form of capital investments and this type of spending are expected to improve the productive capacity of the economy.

1) Not all capital expenditures are productive: Non-development capital expenditure on defence establishment which does not have any direct impact on economic development but is necessary for the security of the nation.

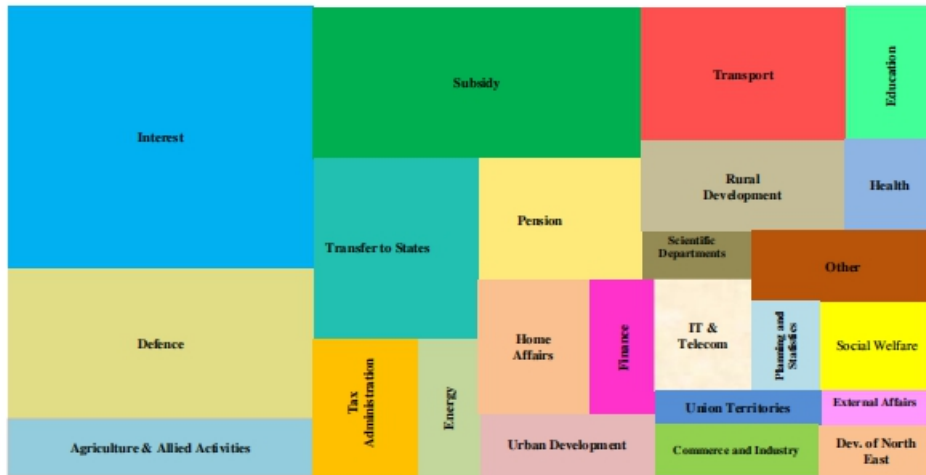
2) Capital expenditures on social infrastructure like government schools, hospitals, primary health centers may not generate revenue and therefore cannot be termed productive in that sense, but they indirectly contribute to improving productivity.

3. Plan Expenditures: Plan expenditure refer to the spending of the annual funds allocated by the Central government for development schemes outlined in the ongoing Five Year Plan. For example: (i) expenditure on electricity generation, (ii) irrigation and rural developments, (iii) construction of roads, bridges, canals and (iv) science, technology, environment, etc. It includes both revenue expenditure and capital expenditure. It also include the assistance given by the Central Government for the plans of States and Union Territories (UTs). Further this type of expenditure is sub-classified into Revenue Expenditure and Capital Expenditure.

4. Non-Plan Expenditures: Include all those expenditures of the government that are not included in the ongoing Five-Year Plan. They include both development and non-development expenditure which is already discussed above. Part of the expenditure is obligatory in nature e.g. interest payments, pensions etc. and a part is essential obligation e.g. defence and internal security.

Composition of Expenditure

COMPOSITION OF EXPENDITURE



TREND OF MAJOR ITEMS OF EXPENDITURE

