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Research Article

PUBLIC EXPENDITURE ON RURAL WATER SUPPLY SECTOR IN MADHYA PRADESH – RECENT TRENDS

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ABSTRACT

The paper examines the trends and rate of growth of public expenditure on rural water supply sector in MP (Madhya Pradesh), covering the period from 2001-02 to 2017-18. Finding indicates that quantum of expenditure on rural water supply has increased significantly since 2001-02, but still the actual amount of money spend on rural water supply sector is less than the required amount. The paper explores the trends of public expenditure on rural water supply, like, trends on revenue and capital expenditure, planned and non planned expenditure. The paper also throws light on trends in budget estimates and actual. Analysis shows that growth rate of rural water supply expenditure is less than total state expenditure, social sector expenditure, total water supply expenditure and sanitation expenditure means expenditure in all sectors growing much faster than rural water supply sector. In comparison with total state expenditure the share of capital expenditure is much higher in rural water supply but it is coming down, the concerning factor is that the growth rate of revenue expenditure in rural water supply expenditure is higher than total water supply expenditure. Share of plan expenditure of rural water supply is higher than state expenditure but the growth rate of plan state expenditure is higher than rural water supply expenditure. The under spending was the steady problem in the study period, the analysis shows that variance of actual expenditure to the budgeted amount in total state expenditure is small, but when we go deep into the rural water supply expenditure under spending is increasing.

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INTRODUCTION

The provision of safe drinking water supply is a basic necessity of life; water supply is the ingredient of a healthy and productive life. It is a tool for improvement of the quality of life and enhancement of productive efficiency of the people. Since the beginning of the sixth five-year plan (1980-85) and the launch of international drinking water supply and sanitation decade, India has substantially increased its commitment to the water supply sector. This study is focusing on rural area because people of rural India and its natural resources play a vital role in the Indian economy and society. Unfortunately, the issues and problems facing rural people and places receive little attention from policymakers or the national media, and people residing in urban or suburban areas have not any idea what it is really like to live and work in rural areas. The study is using state budget because a budget is much more than the statement of government's expenditure and receipt for the fiscal year. In modern economies, budget is the key instrument for the execution of government policies. It is because the priorities and commitments of the government get truly reflected in the allocations made and the expenditure incurred in various fields.

Using findings of analysis of budgets and other budget-related documents as a tool for research and advocacy offers certain advantages. Moreover, the composition of expenditure the relative proportion of revenue and capital expenditure is also important as the growth of an economy very much depends upon the size and growth of capital expenditure. The Indian Constitution provides for the separation of expenditure into revenue and capital through Article 112(2) as well as Article 202.

Objectives

The objectives of this paper are: (1) to find out the expenditure pattern in rural water supply sector (2) to examine the share of revenue and capital expenditure in rural water supply expenditure (3) to identify the proportion of plan and non-plan expenditure in rural water supply sector (4) to find out the variance of budget estimates and actual expenditure in rural water supply expenditure in the state

Data Source and Methodology

For the present study data have been collected from state budget books (Volume 1 and Volume 3, 2001-02 to 2017-18)

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of MP. Variables taken under the present study are rural water supply expenditure, total water supply expenditure, total state expenditure in MP (Budget Estimates and Actual).

Rural Water Supply Expenditure in MP

Rural water supply expenditure increased by about 5.7 times in the last 17 years from 2001-02 to 2017-18, while for total state expenditure, social service, water supply and sanitation and urban water supply the increment is 10.3, 12.5, 10.2 and 7.6 times respectively. The increment of rural water supply expenditure is much lesser than other sectors. Rural water supply expenditure increased from Rs 277 crore in 2001-02 to Rs 1579 in 2017-18 with the annual growth rate of about 12 percent.

Table 1

| Expenditure in Madhya Pradesh | | | | | | Amount in Rs Crore |
|-------------------------------|-------------------------|-----------------|-----------------------------|--------------------|------------|--------------------------------|
| Year | Total State Expenditure | Social Services | Water Supply and Sanitation | Total Water Supply | Sanitation | Rural Water Supply Expenditure |
| 2001-02 | 16438 | 5098 | 450 | 436 | 14 | 277 |
| 2002-03 | 17495 | 6089 | 441 | 427 | 14 | 274 |
| 2003-04 | 21648 | 5885 | 398 | 385 | 13 | 236 |
| 2004-05 | 26288 | 6164 | 470 | 442 | 28 | 235 |
| 2005-06 | 28021 | 7363 | 680 | 651 | 29 | 386 |
| 2006-07 | 28547 | 8350 | 595 | 569 | 26 | 384 |
| 2007-08 | 33591 | 9624 | 944 | 887 | 58 | 604 |
| 2008-09 | 38089 | 11675 | 976 | 935 | 40 | 603 |
| 2009-10 | 47641 | 14341 | 942 | 890 | 52 | 553 |
| 2010-11 | 57528 | 19068 | 1198 | 1111 | 87 | 786 |
| 2011-12 | 77513 | 22036 | 1262 | 1189 | 73 | 878 |
| 2012-13 | 79921 | 26126 | 1451 | 1336 | 115 | 981 |
| 2013-14 | 85762 | 29735 | 1657 | 1485 | 173 | 1081 |
| 2014-15 | 106786 | 34148 | 1858 | 1667 | 191 | 923 |
| 2015-16 | 119766 | 45709 | 2320 | 1702 | 618 | 897 |
| 2016-17 RE | 156630 | 52864 | 3479 | 2030 | 1449 | 1059 |
| 2017-18 BE | 169954 | 63661 | 4594 | 2788 | 1806 | 1579 |

Source : Computed by Author using Madhya Pradesh State Budget Volume 1 and Volume 3, 2001-02 to 2017-18

During 2001-02 to 2017-18 annual growth rate of total state expenditure is 16 percent, social services expenditure is 18 percent, water supply and sanitation is 15 percent, total water supply expenditure is 12.5 percent, sanitation expenditure is 33 percent, and rural water supply expenditure is just 12 percent. Growth rate of water supply and sanitation is lower than the growth rate of social services and state expenditure. It means that government has reduced WSS expenditure comparatively. Within WSS government has increased expenditure on sanitation, while in water supply expenditure government increased urban water supply expenditure and relatively has reduced rural water supply expenditure. Rural people are much poorer than urban, and don't have enough resources to invest in the basic necessity like clean drinking water, for the poor people residing in the rural areas, to achieve a better economic growth rate and higher productivity, priority has to be given to the health of these people, for which provision of public utilities like clean drinking water supply is necessary, rural people comprising meagre resources that is why they are required more investment from government. The level of government expenditure allocated to the rural water supply sector is estimated to be low in relation other sector.

Revenue and Capital Expenditure in Rural Water Supply Expenditure

The expenditure of the state government is classified into two major heads: revenue expenditure and capital expenditure. At a very broad summary level, the best way to look at the structure of government expenditure is to examine the division of total expenditure between revenue expenditure and capital expenditure. Capital expenditure includes expenditure on acquisition of assets like buildings, roads, land, power plants, machinery, equipment, loans and advances granted etc, in short, on anything that leads to the creation of an asset. In other words any expenditure that increases the assets or reduces the liabilities of the government would be included under this capital expenditure. Whereas the revenue expenditure is defined as expenditure incurred on normal running of government departments and various sectors, this is the money the government spends on salaries of its employees and constitutional functionaries, interest payments on borrowings, and subsidies such as selling cooking gas at below cost price. Bulk of resources spends on total state budget and social services in MP are on revenue account and small amount is spending on capital account.

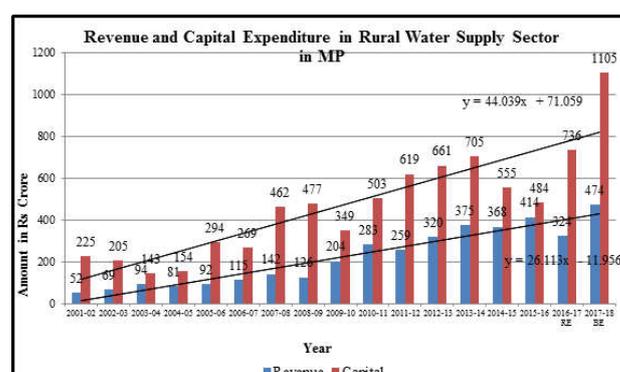


Figure 1

Source: Computed by Author using Madhya Pradesh State Budget Volume 1 and Volume 3, 2001-02 to 2017-18

Capital expenditure of rural water supply increased by about 5 times in the last 17 years during 2001-02 to 2017-18, while for total state expenditure, social service, water supply and sanitation and total water supply the increment is 17, 14, 8 and 7 times respectively. The increment of capital expenditure of rural water supply expenditure is much lesser than other sectors. In last 17 years of the study period annual growth rate of capital expenditure of rural water supply sector is 9.4 percent whereas for total state expenditure, social service, water supply and sanitation and total water supply the growth rate is 15 percent, 13 percent, 12.4 percent and 12.2 percent respectively, growth rate of rural water expenditure is not with the pace of other sectors, that means government not interested in creating assets in rural water supply sector. The capital expenditure is most important for economic growth and development and helps in the socio-economic development of the state. During the same time revenue expenditure of rural water supply increased by about 9 times, while for total state expenditure and total water supply the increment is 9 and 5 times respectively. The increment of revenue expenditure of rural water supply expenditure is higher than total water supply expenditure. The concerning factor is that the growth rate of

revenue expenditure in rural water supply expenditure is higher than total water supply expenditure. Revenue expenditure is incurred to maintain the current level of services and payments for the past obligations and as such does not result in any addition to the state's infrastructure and service network. Capital Expenditure is important for long term and all round development than the revenue expenditure. This reveals that the government of MP is not sincere, rigorous in providing safe water to the rural people.

mean that government is spending as much less money on the creation of assets. The reason behind this is that the all grants given to urban local bodies and panchayati raj institutions are treated as a part of revenue expenditure even though they might be used for creation of assets, or as capital expenditure. The annual growth rate of share of capital expenditure during 2001-02 to 2017-18 is positive by 1 percent in total state expenditure and for rural water supply it is negative by -1 percent, and for

Table 2

| Year | Share of Revenue and Capital Expenditure | | | | | | | | | |
|------------|--|---------|-----------------------------|---------|---|---------|--------------------------|---------|--------------------------------|---------|
| | Total State Expenditure | | Social Services Expenditure | | Water Supply and Sanitation Expenditure | | Water Supply Expenditure | | Rural Water Supply Expenditure | |
| | Revenue | Capital | Revenue | Capital | Revenue | Capital | Revenue | Capital | Revenue | Capital |
| 2001-02 | 87.4 | 12.6 | 89.9 | 10.1 | 51.5 | 48.5 | 43.5 | 56.5 | 18.7 | 81.3 |
| 2002-03 | 83.2 | 16.8 | 86.8 | 13.2 | 51.5 | 48.5 | 50.0 | 50.0 | 25.1 | 74.9 |
| 2003-04 | 86.7 | 13.3 | 90.4 | 9.6 | 62.4 | 37.6 | 61.2 | 38.8 | 39.6 | 60.4 |
| 2004-05 | 68.6 | 31.4 | 92.0 | 8.0 | 64.9 | 35.1 | 62.9 | 37.1 | 34.4 | 65.6 |
| 2005-06 | 73.4 | 26.6 | 90.4 | 9.6 | 47.6 | 52.4 | 45.5 | 54.5 | 23.9 | 76.1 |
| 2006-07 | 78.3 | 21.7 | 90.7 | 9.3 | 47.9 | 52.1 | 45.6 | 54.4 | 30.0 | 70.0 |
| 2007-08 | 76.2 | 23.8 | 84.6 | 15.4 | 38.7 | 61.3 | 35.2 | 64.8 | 23.5 | 76.5 |
| 2008-09 | 77.5 | 22.5 | 86.9 | 13.1 | 37.3 | 62.7 | 34.6 | 65.4 | 20.9 | 79.1 |
| 2009-10 | 75.3 | 24.7 | 90.4 | 9.6 | 48.6 | 51.4 | 45.6 | 54.4 | 36.9 | 63.1 |
| 2010-11 | 78.2 | 21.8 | 91.0 | 9.0 | 52.0 | 48.0 | 48.2 | 51.8 | 36.0 | 64.0 |
| 2011-12 | 68.0 | 32.0 | 92.1 | 7.9 | 46.8 | 53.2 | 43.5 | 56.5 | 29.5 | 70.5 |
| 2012-13 | 78.8 | 21.2 | 93.3 | 6.7 | 51.1 | 48.9 | 46.9 | 53.1 | 32.6 | 67.4 |
| 2013-14 | 81.5 | 18.5 | 93.4 | 6.6 | 54.3 | 45.7 | 49.0 | 51.0 | 34.7 | 65.3 |
| 2014-15 | 77.1 | 22.9 | 93.9 | 6.1 | 49.1 | 50.9 | 43.3 | 56.7 | 39.9 | 60.1 |
| 2015-16 | 83.3 | 16.7 | 93.3 | 6.7 | 60.6 | 39.4 | 46.2 | 53.8 | 46.1 | 53.9 |
| 2016-17 RE | 79.5 | 20.5 | 92.8 | 7.2 | 62.6 | 37.4 | 35.9 | 64.1 | 30.6 | 69.4 |
| 2017-18 BE | 79.2 | 20.8 | 88.6 | 11.4 | 61.9 | 38.1 | 37.3 | 62.7 | 30.0 | 70.0 |

Source: Computed by Author using Madhya Pradesh State Budget Volume 1 and Volume 3, 2001-02 to 2017-18

Data shows revenue expenditure has dominated total government expenditure in MP and increased steadily compared to capital expenditure. As shown in the table on an average during 2001-02 to 2017-18 share of revenue expenditure in is about 78 percent and 91 percent for total state expenditure and social services expenditure respectively. Since the introduction of FRBM in 2003, fiscal authorities are under pressure to keep the fiscal balance in check so state government's revenue expenditure fell from 87 percent to 69 percent from 2003-04 to 2004-05.

It is a known fact that salaries and pensions eat away a huge part of government expenditure. Now with the implementation of Seventh Pay Commission budget will again be stressed as revenue expenditure would increase significantly. However, there is a need of raise capital expenditure also to give boost to infrastructure and rural development. Capital expenditure for total state expenditure and social services expenditure are quite meagre in comparison with the expenditure under revenue. It is evident from the table above that share of revenue expenditure of total state expenditure reduced from 87 percent in 2001-12 to 79 percent in the year 2017-18 and the share of capital expenditure has been increased from 12.6 percent to 21 percent during the same time. We can see that revenue expenditure of rural water supply is just 31 percent (average 2001-02 to 2017-18), and the scenario is just opposite in the case of rural water supply as table shows that share of revenue expenditure in rural water supply expenditure increased from 18.7 percent in 2001-02 to 30 percent in 2017-18, and the capital expenditure came down by 10 percent during the same time, but share of capital expenditure is much higher in rural water supply expenditure in comparison with state expenditure. The share of capital expenditure in total expenditure is much smaller; it does not

the share of revenue expenditure it is negative (-0.13 percent) and for rural water supply it is positive (2.36 percent) for the same time period.

Plan and Non-Plan Expenditure in Rural Water Supply Expenditure

On 1 January 2015 a Cabinet resolution was passed to replace the Planning Commission with the newly formed NITI Aayog, finance ministry officials said after the abolition of the planning commission, the relevance of plan and non plan expenditure is lost, plan and non plan classification of expenditure are done away with in the budget for 2017-18, with the last five-year plan (12th Five-Year Plan) ended this year, so this classification would no longer be available in the year 2017-18, that is why our analysis would be restricted till 2016-17. Government of India has now scrapped the plan and non-plan expenditures in budget exercise. But till now study is trying to find out the trends in plan and non plan expenditure and its implications on the economy. The classification of expenditure into plan and non plan, although not rooted in the constitution, has evolved with planning process. It is important to look at the trends of planned and non planned expenditure on rural water supply. Planned expenditure in that part of budgetary expenditure which is meant for finance the schemes and programmes framed under annual and five years plan or expenditure on unfinished task of the previous plan. The plan expenditure reflects new schemes and projects started by the government, includes a specific amount that is set aside and allocated towards various projects, across ministries. So at the end of a five year plan, the recurring parts of plan expenditure on different programmes or schemes become part of non plan expenditure. Non plan expenditure is expected to increase

steadily over the years this expenditure largely reflects the recurring expenses, or in other words the government's non-plan expenditure would refer to the spending on pension payments, salaries, wages, defense, interest on borrowings, and subsidies. Both revenue and capital expenditure can be categorized as either plan or non-plan expenditure. The classification of expenditure was related to the role of the erstwhile planning commission. The planning commission would make allocations for plan expenditure based on five-year plans targets, while the finance ministry would make allocations for non-plan expenditures.

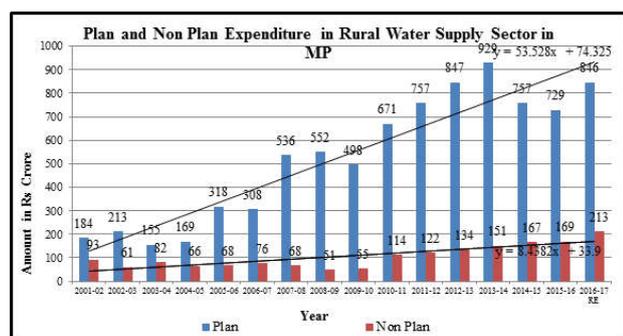


Figure 2

Source: Computed by Author using Madhya Pradesh State Budget Volume 1 and Volume 3, 2001-02 to 2017-18

Plan expenditure of rural water supply increased by 5 times in the last 17 years during 2001-02 to 2017-18, whereas for the total state expenditure plan expenditure increased by 18 times. On an average during 2001-02 to 2017-18 total state expenditure consists of 36 percent on plan 64 percent on non plan expenditure.

percent respectively where as the share of non plan expenditure has declined by -1.5 percent and -3.7 percent for the total state expenditure and rural water supply expenditure respectively. At total state expenditure share of plan expenditure has gone up from 26 percent in 2001-02 to 52 percent in the year 20016-17 and for rural water supply expenditure this share increased from 66 percent to 80 percent. The scenario of plan and non plan expenditure in total state expenditure and rural water supply expenditure is just opposite, because no government can escape from its basic function of protecting the lives and properties of the people; government has to spend on police, Judiciary, etc. Similarly, the government has to incur expenditure on normal running of government departments and on providing economic and social services most of this expenditure is non plan expenditure, and this expenditure do not appear in rural water supply expenditure that is why plan expenditure of rural water supply is much higher than state expenditure. Our analysis is showing that average share of non plan expenditure during 2001-02 to 2017-18 for total state expenditure (64 percent), social services expenditure (56 percent), water supply expenditure (34 percent) and rural water supply expenditure is (19 percent), trend is indicating that when we come from totality to programmatic approach non plan expenditure decreases, because all expenditure related to interest payments, subsidies (mainly on food and fertilisers), wage and salary payments to government employees, pensions, police, economic services in various sectors, other general services such as tax collection, social services comes at the higher level or upper level of budgetary classifications and at the programmatic level these expenditure disappears, that's why non plan expenditure of total state expenditure is much higher than rural water supply expenditure.

Table 3

| Year | Share of Plan and Non Plan Expenditure | | | | | | | | | |
|------------|--|----------|-----------------------------|----------|---|----------|--------------------------|----------|--------------------------------|----------|
| | Total State Expenditure | | Social Services Expenditure | | Water Supply and Sanitation Expenditure | | Water Supply Expenditure | | Rural Water Supply Expenditure | |
| | Plan | Non Plan | Plan | Non Plan | Plan | Non Plan | Plan | Non Plan | Plan | Non Plan |
| 2001-02 | 26.2 | 73.8 | 30.8 | 69.2 | 57.0 | 43.0 | 56.1 | 43.9 | 66.4 | 33.6 |
| 2002-03 | 36.8 | 63.2 | 36.9 | 63.1 | 57.0 | 43.0 | 57.2 | 42.8 | 77.7 | 22.3 |
| 2003-04 | 26.3 | 73.7 | 35.7 | 64.3 | 53.7 | 46.3 | 52.6 | 47.4 | 65.5 | 34.5 |
| 2004-05 | 27.7 | 72.3 | 36.7 | 63.3 | 56.3 | 43.7 | 55.2 | 44.8 | 71.9 | 28.1 |
| 2005-06 | 28.4 | 71.6 | 40.2 | 59.8 | 68.5 | 31.5 | 68.6 | 31.4 | 82.3 | 17.7 |
| 2006-07 | 37.0 | 63.0 | 44.3 | 55.7 | 62.9 | 37.1 | 63.2 | 36.8 | 80.2 | 19.8 |
| 2007-08 | 41.0 | 59.0 | 49.0 | 51.0 | 76.7 | 23.3 | 76.5 | 23.5 | 88.7 | 11.3 |
| 2008-09 | 38.9 | 61.1 | 48.4 | 51.6 | 74.6 | 25.4 | 74.9 | 25.1 | 91.5 | 8.5 |
| 2009-10 | 38.6 | 61.4 | 49.3 | 50.7 | 68.6 | 31.4 | 68.4 | 31.6 | 90.0 | 10.0 |
| 2010-11 | 39.1 | 60.9 | 49.6 | 50.4 | 69.3 | 30.7 | 68.2 | 31.8 | 85.5 | 14.5 |
| 2011-12 | 33.9 | 66.1 | 52.4 | 47.6 | 68.9 | 31.1 | 68.6 | 31.4 | 86.1 | 13.9 |
| 2012-13 | 39.3 | 60.7 | 51.3 | 48.7 | 69.1 | 30.9 | 68.2 | 31.8 | 86.3 | 13.7 |
| 2013-14 | 37.7 | 62.3 | 45.1 | 54.9 | 69.2 | 30.8 | 67.3 | 32.7 | 86.0 | 14.0 |
| 2014-15 | 37.7 | 62.3 | 41.7 | 58.3 | 70.8 | 29.2 | 69.0 | 31.0 | 82.0 | 18.0 |
| 2015-16 | 41.1 | 58.9 | 38.9 | 61.1 | 75.4 | 24.6 | 68.2 | 31.8 | 81.2 | 18.8 |
| 2016-17 RE | 48.5 | 51.5 | 55.3 | 44.7 | 80.6 | 19.4 | 68.2 | 31.8 | 79.9 | 20.1 |

Source: Computed by Author using Madhya Pradesh State Budget Volume 1 and Volume 3, 2001-02 to 2017-18

In rural water supply expenditure state government incur bulk of its expenditure on plan the share of plan expenditure in the rural water supply expenditure was 81 percent the remaining 19 percent is the share of non plan expenditure.

The analysis shows that during 2001-02 to 2016-17 share of plan expenditure in the total state expenditure and rural water supply expenditure has increased by 2.85 percent and 1.18

Allocation vs Expenditure (BE and Actual) in Rural Water Supply Expenditure

The Budget Estimates (BE) define the money the government is able to or willing to commit in a particular year under various heads of expenditure. Actual Expenditure (AE) figures are the final version of the budget estimates for any particular year. In other words actual is the ground spending for any

programme for the fiscal year which may be more or less than the initial BE, these are available to the general public with time lag of two years the difference between BE and the AE shows how much of the budget, more or less has been spent in a given financial year. Although the scope of the study does not cover reason for under spending or overspending we discuss them whenever the reason is easily known to us. Variance is the difference between Actual Expenditure and Budget Estimate (BE). Negative variance indicates under spending and positive variance implies overspending. The table below indicates the following variance in rural water supply in MP.

services 7 percent, water supply 12 percent and rural water supply is 18 percent.

The above analysis shows that variance of actual expenditure to the budgeted amount in total state expenditure is small, but when we go deep into the sub sectors variance is increasing. The state has thus maintained a good record with reference to variance in total state expenditure over the years but variance is very high in sub sectors, The table above provides evidence that the variance of actual from the budgeted is more or less acceptable in state expenditure and social services expenditure, but it spills beyond permissible limits in the case of water

Table 4

| Year | Difference between Actual Expenditure and Budget Estimates (Amount in Rs Crore) | | | | | | | | | |
|---------|---|------------|-----------------------------|------------|---|------------|--------------------------|------------|--------------------------------|------------|
| | Total State Expenditure | | Social Services Expenditure | | Water Supply and Sanitation Expenditure | | Water Supply Expenditure | | Rural Water Supply Expenditure | |
| | Amount | Percentage | Amount | Percentage | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| 2001-02 | 158 | 1 | -83 | -2 | -57 | -11 | -53 | -11 | -13 | -4 |
| 2002-03 | -42 | 0 | -175 | -3 | -45 | -9 | -45 | -9 | -46 | -14 |
| 2003-04 | 1583 | 8 | -622 | -10 | -98 | -20 | -95 | -20 | -70 | -23 |
| 2004-05 | 1927 | 8 | -348 | -5 | -27 | -5 | -11 | -2 | -5 | -2 |
| 2005-06 | 1680 | 6 | 173 | 2 | 91 | 16 | 110 | 20 | 108 | 39 |
| 2006-07 | 149 | 1 | 61 | 1 | 45 | 8 | 60 | 12 | 107 | 39 |
| 2007-08 | 896 | 3 | -469 | -5 | 138 | 17 | 144 | 19 | 156 | 35 |
| 2008-09 | -1353 | -3 | -368 | -3 | 48 | 5 | 71 | 8 | 82 | 16 |
| 2009-10 | 1197 | 3 | -559 | -4 | -80 | -8 | -79 | -8 | -51 | -8 |
| 2010-11 | 6021 | 12 | 2596 | 16 | 61 | 5 | 51 | 5 | 63 | 9 |
| 2011-12 | 11667 | 18 | 96 | 0 | 14 | 1 | 25 | 2 | 99 | 13 |
| 2012-13 | -110 | 0 | -945 | -3 | 2 | 0 | -7 | -1 | 97 | 11 |
| 2013-14 | -6185 | -7 | -2462 | -8 | -86 | -5 | -128 | -8 | -1 | 0 |
| 2014-15 | -10255 | -9 | 8208 | 32 | -1133 | -38 | -442 | -21 | -297 | -24 |
| 2015-16 | -11433 | -9 | -1239 | -3 | -535 | -19 | -534 | -24 | -158 | -15 |
| 2016-17 | -2083 | -1 | -6580 | -11 | -27 | -1 | -684 | -25 | -426 | -29 |

Source: Computed by Author using Madhya Pradesh State Budget Volume 1 and Volume 3, 2001-02 to 2017-18

In the table we can see that difference between actual and estimates is not much high in the total state expenditure in all 16 years it is under 10 percent except 2010-11 and 2011-12, and there are eight years where the difference is under 5 percent, but in rural water supply expenditure difference between actual and estimates is very high there are only three years out of 16 years where the difference is under 5 percent, During the period of 2001-02 to 2004-05 in rural water supply estimated budget was always higher than actual expenditure; on an during 2001-02 to 2004-05 actual expenditure was almost 11 percent less than the budgeted amount. However, after 2004-05 the trend got reversed and government's actual expenditure became higher than the estimated budget, on an average during 2005-06 to 2008-09 there was about 32 percent over spending, during 2005-06 to 2007-08 there is over spending of about 40 percent. During 2003-04, 2014-15 and 2006-17 data is showing an under spending of above 20 percent. Our analysis found a lot of under spending of funds in the rural water supply expenditure in the last three years from 2014-15 to 2016-17. Especially in 2016-17, we found an under spending of up to 29 per cent. This implies that the in the last three years state's rising allocation to rural water supply has not been matched by the actual expenditure, which has always lagged far behind the budget estimates. Overall, in the last three years that we have figures for, 2014-15 to 2016-17, on an average 23 per cent of the funds allocated for the sectors have not been spent. Mere allocation is not enough unless there is proper utilization of the funds. On an average during 2001-02 to 2016-17 variance (not taking – sign, under spending and over spending included) of total state budget is 5 percent, social

supply and rural water supply expenditure. This implies that whenever the lesser amount is being spent, first it is the poor and voiceless who gets affected and second, the sector (rural) that attracts lower attention from media suffers. A greater degree of variations in budget estimates and actual expenditure is not only a cause for concern generally but is also of particular worry for the neglected sectors of rural water supply. To begin with, the budget allocations are inadequate for these sectors, and then, even these meagre amounts are not being fully utilized. However, overspending indicates lack of proper planning and estimation. Underestimation or Overestimation of expenditure is considered as serious irregularities in budgeting. It indicates that government is not able to spend what has been budgeted for; accurate budgeting is essential for the development of the nation. One of the principles of good budgeting entails that; ideally the deviation of actual from the budget should be in the range of +/- 5%, It may be subjected to variation in case of unforeseen circumstances such as natural calamities or any emergency situation. Small differences between actual and budget figures are normal and expected, the large difference is comment on not only the govt's understanding, planning and assessment of the need of citizens but also on its implementation in efficiencies.

CONCLUSIONS AND SUGGESTIONS

1. Analysis of MP rural water supply expenditure is presenting a dismal picture where the state government is reducing its expenditure in rural water supply sector in comparison with all other sectors. As analysis confirms that growth rate of total state expenditure, social sector

expenditure, total water supply expenditure and sanitation expenditure are much higher than rural water supply expenditure. Share of rural water supply expenditure is continuously impending down in total water supply expenditure and total state expenditure.

2. The increment of capital expenditure of rural water supply expenditure is much lesser than other sectors that means government not interested in creating assets in rural water supply sector. The concerning factor is that the growth rate of revenue expenditure in rural water supply expenditure is higher than total water supply expenditure. Revenue expenditure is incurred to maintain the current level of services and payments for the past obligations and as such does not result in any addition to the infrastructure and service network. Capital expenditure is important for long term and all round development than the revenue expenditure. This reveals that the government of MP is not sincere, rigorous in providing safe water to the rural people, as they are increasing their revenue expenditure and not increasing assets in the sector.
3. Plan expenditure of rural water supply increased by 5 times in the last 17 years during 2001-02 to 2017-18, whereas for the total state expenditure plan expenditure increased by 18 times. On and average during the same time total state expenditure consists of 36 percent on plan, while in rural water supply expenditure state government incur about 81 percent. Our analysis is showing that average share of non plan expenditure in least 17 years for total state expenditure 64 percent, and for rural water supply expenditure it is 19 percent. All expenditure related to interest payments, subsidies wage and salary comes at higher level at programmatic level these expenditure disappears, that's why non plan expenditure of total state expenditure is much higher than rural water supply expenditure. But the growth rate of plan state expenditure is higher than rural water supply expenditure. So government should not have reduced the pace of plan expenditure in rural water supply sector.
4. The under spending is the steady problem in the study period, the analysis shows that variance of actual expenditure to the budgeted amount in total state expenditure is small, but when we go deep into the rural water supply under spending is increasing. Large difference is comment on not only the govt's understanding, planning and assessment of the need of citizens but also on its implementation in efficiencies. This implies that whenever the lesser amount is being spent, first it is the poor and voiceless who gets affected and second, the sector (rural) that attracts lower attention from media suffers.

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