



## An economic analysis of Mizoram's state finances: A sector wise analysis of the state's expenditure on plan schemes

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### Abstract

Analysis of public expenditure by the State is carried out in this study. The state's social sector allocations as indicated by the financial allocation and social allocation although is on increase in the years, need to be enhanced further to address the human development concerns in the state of Mizoram. The capital outlays despite the increase need further enhancement and insulation from fiscal adversities given the poor economic infrastructure of the state. Ironically states with similar outlays on social and economic sectors have revealed better outcomes as compared to Mizoram, indicating the need to tone up effectiveness of public spending in Mizoram. Government subsidies have been an area of concern especially with the power sector subsidy posing a threat to the fiscal health of the state.

**Keywords:** state finances, public expenditures, sector-wise analysis, Mizoram

### 1. Introduction

The significance of industrialization in the process of economic development has been realized in India and consequently the expenditure on industries has increased considerably. The rapid expansion of the public sector and significant progress in the field of science and technology has resulted in enormous expenditure on industries in the Indian states. But the concentration of industrial development leads to regional imbalances, where this expenditure is higher only in a few states. Revenue expenditure has a dominant role in the Structure of expenditure of the state governments due to the increase in programmers of social and economic development. Revenue expenditure comprises development expenditure which further consists of expenditure on health, education, agriculture, and industry. Non-development expenditure which comprises administrative services is also included under revenue expenditure.

According to Wagner (1967)<sup>[3]</sup>, an increase in state activity is accompanied by an increase in government expenditure as a proportion of national income. This is due to the fact that the government has to perform a number of functions more efficiently, which has led to an intensive growth in public activity thereby increasing government expenditure.

According to Peacock and Wiseman (1961)<sup>[1]</sup>, public expenditure grows over time, not at a constant rate, but on an ascending spiral. One of the characteristics of economic development and the course of industrialization is the urban movement and with it disappears the informal security of the family and village. Urban population must be supplied with formal social security, unemployment insurance and formal community protection to replace the family and village functions. Thus industrialization, urbanization and economic development necessitate the rapid growth of public expenditure in an economy. In addition, the expansion of the

public sector may also be owing to the growth of population, rise in prices and economic growth.

Analysis of the broad aggregates of public expenditure such as plan and non-plan; revenue and capital; development and non-development reveals that Mizoram's performance has been merely satisfactory and thus needs a lot of enhancement and improvement with regards to allocation and effective use. Studies have revealed that the state's social sector allocations as indicated by the social allocation and human priority ratios although on increase need to be enhanced further to address the human development concerns in the state.

This study would help in the further study of the accounting aggregates such as revenue, capital expenditures, functional distribution of expenditure indicating the 'purpose' or the 'functions' (e.g. education, health, agriculture, transport etc.) towards which spending is earmarked covering the trends in General, Social and Community and economic services. While these kinds of analysis may provide a broad summary of the nature of government expenditure the ultimate test to the spending lies in the end service delivery to the citizens and the efficiency and effectiveness with which these services are delivered.

### 2. Objectives of the Study

The main objectives of the study are

- 1) To examine actual expenditure on Plan Schemes of the Government of Mizoram.
- 2) To study the sector-wise expenditure on Plan Schemes of the Government of Mizoram.

### 3. Sources of Data and Methodology

Mizoram state finances are evaluated in the present study based on the performance over time. The study uses secondary data from budget documents, Economic Survey, Finance

department’s computerized database, reports and existing studies, published in the Statistical handbook of Mizoram, by the Directorate of economics & Statistics. Time period covered for the study is from 2007-2012 till 2015-2016. The study uses simple arithmetic such as percentages and compounded growth rates calculation for data analysis.

**4. Analysis of Data**

**4.1 Sector –wise actual expenditure on plan schemes: Mizoram**

State expenditure is the amount that the Government spends in

total or on a particular thing. As evident from table 1, the actual expenditure of the State Government on certain sectors have increased substantially over the years except for a few sectors where the Government has reduced its expenditure such as expenditures on general services, Industries & Minerals and Special Area Programmes. Expenditures have been planted heavily on Transport, General economic Services and Rural Development. The government has laid emphasis on sectors as such due to the imperative need for the development of these sectors to bring about overall economic and social development of the State.

**Table 1:** Sector- Wise Actual Expenditure on Plan Schemes, Mizoram, 2008-2014

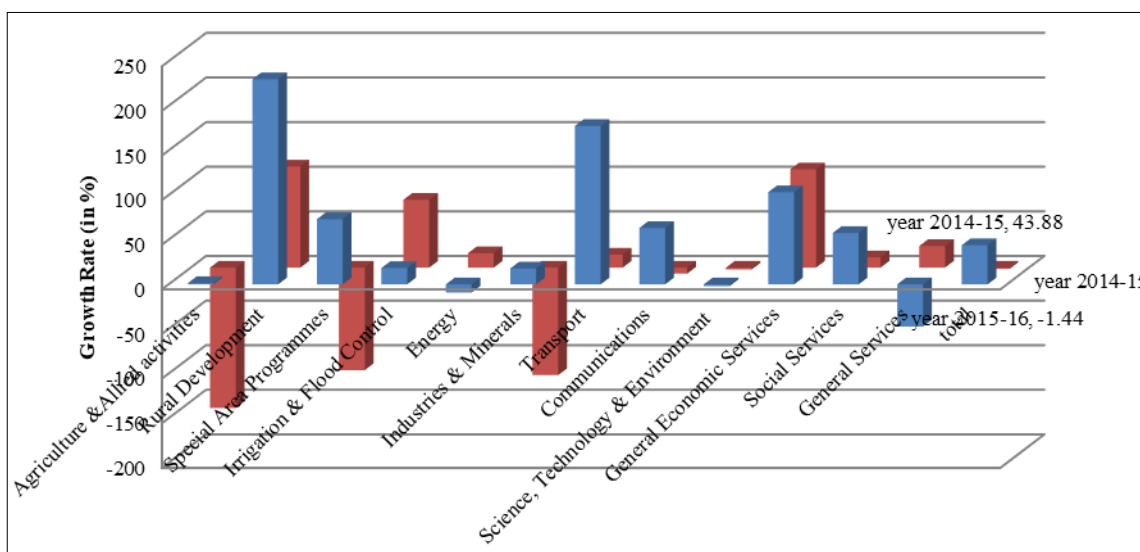
S.N.	Sector	Expenditure (Rs.)			
		2007-12	2013-14	2014-15	2015-16
1	Agriculture & Allied activities	88432.97	44547.81	45229.52	17584.18
2	Rural Development	19837.5	3910.91	12926.91	27579.46
3	Special Area Programmes	32773.51	8882.62	15379.27	7137.58
4	Irrigation & Flood Control	26134.95	551.39	652.7	1149.44
5	Energy	38365.26	9931.38	9103.28	10577.24
6	Industries & Minerals	14178.43	8872.1	10457.14	4743.63
7	Transport	49970.54	8879.05	24368.09	27920.42
8	Communications	1278.47	670.23	1093.98	1025.34
9	Science, Technology & Environment	987.12	201.78	197.74	415.67
10	General Economic Services	30349.45	10500.19	21033.08	18858.72
11	Social Services	220646.1	66103.73	104182.6	129477.6
12	General Services	36620.62	13310.05	9039.34	3530.37
	Total	559574.9	176261.2	253603.6	249999.6

Source: Mizoram Statistical Handbook 2008-2014

**4.2 Sector-wise growth rate of actual expenditure on plan schemes: Mizoram**

The total expenditure on the different sectors has increased by 44% in 2013-14 to 2014-15. The increased was felt on expenditures pertaining to rural development on a large scale as also on Special Area Programs, Social Services, General Economic Services, Industries & Minerals and Transport. In 2014-15 to 2015-16, major emphasis was given towards Rural

Development where expenditure was increased by almost 114%. Expenditure on Irrigation & Flood Control was raised to a certain amount, by 76%, which is considerably high as compared to the previous years. What is evidently acknowledged is the all-time drop of expenditure on Agriculture and Allied activities. This could be due to the State’s focus on other sectors of the economy which facilitates secondary and tertiary sector growth.



Source: Mizoram Statistical Handbook 2008-2016

**Fig 1:** Sector-wise growth rate of actual expenditure on plan schemes: Mizoram (in percentage)

## 5. Summary and Conclusion

The state's social sector allocations as indicated by the financial allocation and social allocation although is on increase in the years, need to be enhanced further to address the human development concerns in the state of Mizoram. The capital outlays despite the increase need further enhancement and insulation from fiscal adversities given the poor economic infrastructure of the state. Ironically states with similar outlays on social and economic sectors have revealed better outcomes as compared to Mizoram, indicating the need to tone up effectiveness of public spending in Mizoram. Government subsidies have been an area of concern especially with the power sector subsidy posing a threat to the fiscal health of the state. Ironically, subsidy element is quite large in the category of economic services, the services that can be provided by the private sector on commercial basis as opposed to the social services that are associated with large-scale externalities and social benefits. This certainly narrows down the scope of cost recovery by way of user charges. Government supports to certain non-beneficiary institutions, albeit small is certainly to be denounced as it is certainly not a state's responsibility, nor does it add to its development.

The Mizoram State Government has focused greatly towards economic development on a large scale where it has spent till date a huge amount of capital on rural development which is crucial for the upliftment of the rural population and to do away with regional disparity and bring about equitable economic and social growth and development. The State's finances also catered largely to the needs associated with Transportation development, Energy development, General Economic Services and social services.

## 6. References

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