

Causes for the Increase in Public Expenditure:

One of the most important features of the present century is the phenomenal growth of public expenditure. Some of the important reasons for the growth of public expenditure are the following.

- 1) **Welfare state:** Modern states are no more police states. They have to look in to the welfare of the masses for which the state has to perform a number of functions. They have to create and undertake employment opportunities, social security measures and other welfare activities. All these require enormous expenditure.
- 2) **Defence expenditure:** Modern warfare is very expensive. Wars and possibilities of wars have forced the nation to be always equipped with arms. This causes great amount of public expenditure.
- 3) **Growth of democracy:** The form of democratic government is highly expensive. The conduct of elections, maintenance of democratic institutions like legislatures etc. cause great expenditure.
- 4) **Growth of population:** tremendous growth of population necessitates enormous spending on the part of the modern governments. For meeting the needs of the growing population more educational institutions, food materials, hospitals, roads and other amenities of life are to be provided.
- 5) **Rise in price level:** Rises in prices have considerably enhanced public expenditure in recent years. Higher prices mean higher spending on the part of the govt. on items like payment of salaries, purchase of goods and services and so on.
- 6) **Expansion public sector:** Countries aiming at socialistic pattern of society have to give more importance to public sector. Consequent development of public sector enhances public expenditure.
- 7) **Development expenditure:** for implementing developmental programs like Five Year Plans, Modern governments are incurring huge expenditure.
- 8) **Public debt:** Along with debt rises the problem like payment of interest and repayment of the principal amount. This results in an increase in public expenditure.
- 9) **Grants and loans to state governments and UTs:** It is an important feature of public expenditure of the central government of India. The government provides assistance in the forms of grants-in-aid and loans to the states and to the UTs.
- 10) **Poverty alleviation programs:** As poverty ratio is high, huge amount of expenditure is required for implementing alleviation programmes.