A R DIGITECH
International Journal Of Engineering, Education And Technology (ARDIJEET)
www.ardigitech.in ISSN 2320-883X, VOLUME 10 ISSUE 04 01/10/2022

A REVIEW OF SOCIO-ECONOMIC PROFILE OF THE YOUTH

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ABSTRACT

Governments' role in managing and balancing aggregates at the macroeconomic level is vital, as demonstrated by the Great Depression of the 1930s, which gave rise to the Keynesian Economics School of thought. This understanding has grown in a variety of economies. The development of the Keynesian school of thought was in direct opposition to the then-dominant classical school of thought because supply and demand, the invisible hands of the market mechanism, help to establish automatic adjustments in determining the equilibrium level of output and employment in the economy. For a long time, there have been two main types of economic policies that have been widely used to achieve macroeconomic goals and stabilize the economy. Monetary and fiscal policies are these two categories of policy. Both policies, while entirely distinct in nature, structure, design, and the application of their fundamental tools, share the common goal of extending economic stability in the majority of economies. Using fiscal instruments including taxation, public debt, and spending, fiscal policy aims to strategically manage the economy. Maximizing wellbeing and promoting steady, long-term growth are the objectives. Fiscal policy seeks to maintain long-term economic stability by making adjustments for transient changes in the economy. The government use budgetary measures to accomplish its goals and steer clear of those that might obstruct the expansion of employment and the creation of national wealth.

KEYWORD: Socio-Economic, Non-Developmental, Economics, Common Goal

INTRODUCTION

Government spending has been categorized by a number of economists on different criteria. According to benefit, public spending has been classified by individuals such as C. C. Plehn. The fundamental duties of the state form the basis of Adam Smith's categorization of public spending. Joan Robinson has arranged government expenditures in terms of output. Public spending was sorted by relevance by G. F. Shiraz. Public spending has been separated by A. C. Pigou into two categories: transferable and non-transferable expenditure. Hugh Dalton used a method of accounting and economic classification to classify government spending. All of the government spending categories that were previously discussed are predicated on different sets of criteria. Achieving government goals, such as distributing cash to various economic sectors, preserving financial stability, encouraging economic growth, and predicting government revenue and expenditures, is the key reason for classifying public spending. Different classifications are used in India to describe the present spending of the government. In the same way as capital, plan and non-plan expenses and revenue from non-developmental and development-related sources. The general titles of Revenue and Capital Expenditure and Plan and Non-Plan Expenditure in the Indian Budget encompass the key kinds of expenditure. Indian Public Finance Statistics, Budget Survey, and Reserve Bank of India bulletins classify public spending into the following categories:

Revenue and Capital Expenditure: Revenue Expenditure is defined as the amount spent on maintaining public departments and services in a regular manner. Put another way, revenue expenditures are defined as those that are annual in nature and do not generate any assets for the economy. Revenue expenditures include interest payments, transfer payments, subsidies, defense spending, and civil administration spending. Revenue expenditures are broken down into fund transfers, development and non-development expenditures, and plan and nonplan expenditures. Conversely, a capital expenditure is any expense that is not related to the day-to-day operations of any government activity. The majority of this investment is made all at once, and the results are seen in the development of significant physical assets like infrastructure for the economy. It is a one-time event that contributes to a more productive economy. Loans and advances, plan and non-plan expenditures, development and no development expenditures, and capital expenditures are further categories. Plan and Non-Plan Expenditure: Plan expenditures are those that are allocated to government-funded projects and programs in accordance with the planning commission's recommendations. The costs associated with new schemes, projects, and programs become plan expenditures during the course of a five-year plan.

Evaluation of Current Literature:

To analyze relationship between economic growth and government expenditure researchers took great interest and arrived at different and even conflicting results. Among the earlier empirical analysis, assuming stationary data, researches carried by Musgrave (1969), Michas (1975), Mann (1980), Ram (1986, 1987) concludes in favour of Wagner's hypothesis. In the case of developing economies, studies by Gandhi (1971) and Ram (1987) do not support Wagner's Law. However, because of serious shortcomings of these studies modern techniques have been developed and use of new techniques has produced mixed results. Erkin (1988) studied linkage between these two variables in New Zealand. He resulted in his study that higher public expenditure does not adversely affect consumption, but also increases private investment that results increase in economic growth Barro (1990) concluded that public expenditure on investment and on productive activities is supposed to effect economic growth positively, but government consumption expenditure is anticipated to be growth retarding. Donald and Shuanglin (1993) investigated impact of disaggregated form of public expenditure on economic growth for 58 sampled economies and resulted that expenditure on defense and education has positive effect on economic growth and that on welfare was negative and insignificant. Ogiogio (1995) and Zou (1996) analyzed a long-term relationship between these two and regression results illustrated that current expenditure has positive and stronger effect on growth than capital expenditure. Fajingbesi and Odusola (1999) tested empirically the link between public expenditure and growth for Nigerian economy and resulted that real government capital expenditure has a significant positive effect on real output. Although, the results also revealed that real recurrent expenditure insignificantly effects growth.

Review of Indian Economy-Related Literature:

In order to analyze the relationship between these two in the context of Indian Economy, there are also some studies. Such as, Singh and Sahni (1984) examined the relation between government expenditure and national income for India and resulted that the causality between public expenditure and national income is neither

Wagnerian nor Keynesian. Similarly, Kaushal (2003) studied the relationship between public expenditure and economic growth in India during 1974-1995 by using Denison's growth accounting framework and resulted that public expenditure do not have significant effect on economic growth and this also true for aggregate current and aggregate capital expenditures. Shivaranjani (2010) conducted a study by using Dynamic Panel Framework during 1960-2008 (Using Arellano-Bond Estimation) and concluded that total government expenditure has a negative effect on per capita GDP growth, growing public expenditure on education, health and economic infrastructure have significant positive growth effects. Mukherjee and Chakraborty (2010) resulted that that per capita income is not translating into human well-being. The result shows the need for further investigation to determine the underlying factors (other than per capita income) which influence HD achievements of a state by using time series analysis on 28 Indian States.

The study's objectives

The research has set out the following goals:

1. To research how public spending and economic growth are related theoretically.
2. To examine the principal patterns in GDP and public spending in India from 1980 to 2018 at the disaggregated level.
3. To talk about how the Indian Central and State Governments classify their expenditures.
4. To investigate the possibility that India's economic development and disaggregated governmental spending are causally related.

Relevance of the Research

Government spending has increased dramatically over the past 200 years in all economies, and it is becoming increasingly necessary in all of them. However, research on the function of public spending remained nuanced and contentious. Every year, Indian public spending has been steadily increasing, which means that as the budget rises, so do the expenditures. It could be a good idea to assume that the public spending supports either Keynesian or Wagnerian legislation. The key driving cause behind the current investigation is the inconsistent and varied results on the same subject. The research endeavor aimed to explore those matters that are not suitably tackled and has furnished a meticulous examination.

Data and Methodology

The present study covers a period of 38 years from 1980-81 to 2017-18. The study is be based on secondary data. To measure economic growth, log of real GDP(LRGDP) is used. To measure Public expenditure at disaggregated level log of real combined developmental expenditure (LRDE), log of real combined non developmental expenditure (LRNDE), log of real combined revenue expenditure (LRRE), log of real combined capital expenditure (LRCE). Log of plan expenditure (LRPE) and log of non-plan expenditure (LRNPE) are used in this study. Combined expenditure means sum of central government expenditure and state government expenditure. During the study period (1980-2018) we had different base years, so to avoid misleading and spurious results all data has been rebased to current base year 2011-12. The plan expenditure and non-plan expenditure are discussed

for period 1980-2015 due to unavailability of data for rest years. Also, to avoid complexities and ambiguity these two expenditures are discussed only of central government. The data is taken from Handbook of Statistics on Indian Economy, Indian Public Finance Statistics, Economic Survey, budget documents of central government, RBI Bulletins from their available latest publication.

Test of Unit Root

Recent work in econometrics has led to the development of a new dynamic modelling approach: co integration-based error correction model, which tries to establish the long-run intertemporal process of mutual adjustment between the variables. Behind the counteraction technique lies the idea that some non-stationary variables may drift apart in the short run, but they converge towards equilibrium in the long run. To test such a proposition, we first need to determine whether a variable is stationary or non-stationary. Testing for stationarity or testing for unit root is a preliminary step to testing for counteraction." (Swati Shastri, 2019). Unit Root test is used to test stationarity of variables. This is done by using main three test of stationarity using Augmented Dickey–Fuller test (ADF test), Dickey Fuller Test (DF test) and Phillip Perron Test (PP test). All the three tests are carried out to test stationarity without trend and but with intercept and with trend and intercept both. The unit root test has estimated by using following regressions:

$$\Delta Y_t = \beta + \delta Y_{t-1} + \alpha_i \sum_{i=0}^{m} \Delta Y_{t-1} + \epsilon_t \qquad (1)$$

$$\Delta Y_t = \beta + \beta_2 T + \delta Y_{t-1} + \alpha_i \sum_{i=0}^{m} \Delta Y_{t-1} + \epsilon_t \qquad (2)$$

"Where ϵt is pure white noise error term, m is lag, β is constant and where $\Delta Yt\text{-}1 = (Yt\text{-}1 - Yt\text{-}2)$, $\Delta Y_{t-2} = (Y_{t-2} - Y_{t-3})$, and so on.

The hypothesis to test stationarity is:

$H_{0:}\ \delta=0$ (unit root)

H_1: $\delta\neq0$ (unit root does not exist)

Decision Rule:

If t < ADF critical values, then do not reject null hypothesis (unit root does exist).

If t > ADF critical values, reject null hypothesis (unit root does not exists).

CONCLUSION

Theoretical literature has given considerable emphasis to the crucial role that government expenditure plays in promoting economic growth. Keynes felt that in order to accelerate economic growth, government expenditure should be raised. These days, government spending plays a big role in preserving economic stability, especially for developing countries like India. Another situation is reverse causality, in which increasing government spending follows increases in economic activity. However, the majority of economists and policymakers agree that there is a direct link between increased public spending and economic growth. It is hard to argue against the government's influence on people's life in the modern era through socioeconomic policies. Not only is the range of economic policies large, but they are also diverse and often very complex. Tanzania (2006). The goals of fiscal policy include a wide range of purposes, including the provision of public amenities, equitable wealth distribution, and economic growth.

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