

Chapter 3

APPLICATION OF RESOURCES: EXPENDITURE

3.1 In this Report, 'total disbursements' include repayment of debt and public account payments, and the term 'total expenditure' denotes all expenditures, both revenue and capital, out of the Consolidated Fund of India, excluding the repayment of debt and public account payments. The government applied total resources of Rs 1,037,629 crore that it mobilised during 2001-02, to disbursements as shown in Table 3.1.

Table-3.1: Application of Resources

(Rupees in crore)

I	Resources available		1,037,629
II	Application of Resources		1,036,134
	a.	Repayment of Debt	321,725
		Internal Debt	312,536
		External Debt	9,189
	b.	Discharge of liabilities on Public Account	
		Small Savings and Provident Fund	133,676
		Reserve Fund	16,396
		Deposits	61,881
		Others	4,123
	c.	Actual Expenditure	445,491
		Revenue Expenditure	375,582
		Capital Expenditure	31,295
		Loans and Advances	38,614
	d.	Share of the States' in taxes	52,842
III	Increase in Cash Balances		1,495*
	a.	Closing Cash Balances	5,348*
	b.	Opening Cash Balances	3,853

* Adjustments due to rounding. Actual closing balance Rs 5348.30 crore and increase of cash balance Rs 1495.66

3.2 The repayments of debt and discharge of Public Account liabilities accounted for 51.8 per cent of these resources, amounting to Rs 537,801 crore. After deducting interest payments amounting to Rs 114,173 crore and providing for the States' share of the taxes, the government was left with only about 32 per cent of the mobilised resources for other expenditures.

Total Disbursement:

3.3 The relative movements across the major expenditure groups and over different Plan periods was uneven as indicated in Table 3.2.

Table 3.2: Components of Total Disbursement

(Rupees in crore)

	Total Expenditure	States' share in taxes	Repayment of Debt	Disbursement in Public Account	Total Disbursement	GDP (Market Price)
1985-86	66112	7471	134312	18053	225948	277991
1995-96	222645	29285	139246	89381	480557	1188012
1999-2000	372619	43481	305088	367612	1088800	1929641
2000-01	395834	51688	269512	224753	941787	2087988
2001-02	445491	52842	321725	216076	1036134	2291090
Average Annual Trend Rate of Growth (in per cent)						
1985-2002	12.95	13.53	8.59	17.04	11.68	14.76
VII Plan (1985-90)	13.55	14.73	-13.22	24.61	1.24	15.28
VIII Plan (1992-97)	11.87	14.41	20.90	14.32	14.84	16.54
IX Plan (1997-2002)	8.86	11.05	-2.34	22.05	7.00	10.51
Annual Rate of Growth (in per cent)						
1999-2000	7.20	11.08	-5.45	209.24	31.45	10.84
2000-01	6.23	18.87	-11.66	-38.86	-13.50	8.21
2001-02	12.54	2.23	19.37	-3.86	10.02	9.73

3.4 During the IX Plan (1997-2002), the increase in total disbursement averaged 7.00 per cent per annum, which however remained lower than the growth in GDP, which had averaged 14.76 per cent during 1985-2002. The only component of disbursement, which grew faster than GDP, was the disbursement from public account. Total expenditure of the Union government had a long-term trend growth of 12.95 per cent during 1985-2002. There was, however, a continuous deceleration in this growth over the Plans, from an average annual growth of 13.55 per cent during 1985-90 (VII Plan) to an average annual growth of 8.86 per cent during 1997-2002 (IX Plan).

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Table 3.3: Disbursement Components: Relative Share (per cent)

	Total Expenditure	States' Share in Taxes	Repayment of Debt	Disbursement from Public Account
1985-2002	42.07	5.10	35.54	17.29
VII Plan (1985-90)	35.99	4.11	47.28	12.63
VIII Plan (1992-97)	47.29	6.10	28.76	17.85
IX Plan (1997-2002)	40.14	4.77	33.73	21.35
Annual Relative Share				
1999-2000	34.22	3.99	28.02	33.76
2000-01	42.03	5.49	28.62	23.86
2001-02	43.00	5.10	31.05	20.85

3.5 The share of total expenditure, as a percentage of total disbursement declined to an average of 40.14 during 1997-2002. A similar trend was exhibited by the disbursement on account of the share of the States in Union taxes. The combined share of disbursement from Public account and repayment of debt, increased to an average of around 55 *per cent* during 1997-2002. In 2001-02, the ratio between the total expenditure including the share of the States in the Union taxes and discharge of debt was 48:52, more or less similar to the long-term trend ratio of 47:53. (Table 3.3)

Expenditure: Main Aggregates

3.6 Table 3.4 presents a summary of the total expenditure of the Union government (excluding repayment of debt) and the observed trend growth rates over the Plan periods.

Table 3.4: Expenditure Components

(Rupees in crore)

	Revenue Expenditure	Capital Expenditure	Loans & Advances	Total Expenditure
1985-86	43407	8900	13805	66112
1995-96	180291	17544	24810	222645
1999-2000	316237	29023	27359	372619
2000-01	342647	25426	27761	395834
2001-02	375582	31295	38614	445491
Average Annual Trend Growth rate (per cent)				
1985-2002	14.70	7.24	7.04	12.95
VII Plan (1985-90)	16.49	8.87	6.01	13.55
VIII Plan (1992-97)	14.64	-8.44	11.91	11.87
IX Plan (1997-2002)	10.40	9.22	-3.42	8.86
Annual Rate of Growth (per cent)				
1999-2000	14.67	15.17	-41.28	7.20
2000-01	8.35	-12.39	1.47	6.23
2001-02	9.61	23.08	39.09	12.54

3.7 **Appendix-II** presents the figures of total expenditure during the last 26 years since 1976-77. Total expenditure of the Union Government (net of the States' share in taxes) increased nearly seven times in the last seventeen years, recording an average annual trend growth of 12.95 *per cent*. Capital expenditure and loans and advances, however, grew at a lower rate of 7.24 and 7.04 *per cent* respectively during this period. Comparison of the relative growth rates over the three Plan periods indicates that though the revenue expenditure had a decelerating growth trend, it was relatively more buoyant. It declined from an average of 16.49 *per cent* per annum during 1985-90 (VII Plan) to an average of 14.64 *per cent* during 1992-97 (VIII Plan) and further to an average of 10.40 *per cent* during 1997-2002 (IX Plan). Capital expenditure on the other hand recorded a negative growth during 1992-97. Growth rates of this component of expenditure remained under 10 *per cent* during the other two Plans. Loans and advances recorded a negative growth during 1997-2002 (IX Plan). Overall growth in aggregate expenditure was moderated due to a comparatively lower growth of these components.

3.8 In 2001-02, both capital expenditure and Loans and advances, however, witnessed significantly high growth and their rate of growth also exceeded the rate of growth of revenue expenditure. Increase in loans and advances was due to higher Plan loans to States, loans to Prasar Bharati (these loans were advanced for its acquisition of capital assets of Information and Broadcasting Department and there was a matching negative entry for capital expenditure), advances to industries, minerals and urban development. Capital expenditure increased due to increased allocation to railways for their commercial lines, increased expenditure on road transport and general services, particularly defence. These increases offset the negative entry of recovery from Prasar Bharati.

Expenditures: Plan and Non-Plan

3.9 Plan expenditure normally relates to incremental development expenditure and involves both revenue and capital expenditure. It is desirable, however, that the share of capital expenditure should be sustained in Plan expenditure. Non-plan expenditure, on the other hand, is normally devoted to maintaining the levels of services already achieved. Table 3.5 presents the growth and composition of Plan and non-Plan expenditure of the Union government.

Table 3.5: Components of Expenditure - Plan & Non plan

(Rupees in crore)

	Plan				Non Plan			
	Total	Revenue	Capital	Loans	Total	Revenue	Capital	Loans & Advances
1985-86	20308	6960	6685	6663	45804	36447	2215	7142
1995-96	47224	29021	5786	12417	175421	151270	11758	12393
1999-2000	76213	46831	9400	19982	296406	269406	19623	7377
2000-01	82897	51204	11153	20540	312937	291443	14273	7221
2001-02	104807	61656	11219	31932	340684	313926	20076	6682
Average Annual Trend Rate of Growth (per cent)								
1985-2002	10.19	14.31	3.29	8.32	13.88	14.77	11.81	3.94
VII Plan (1985-1990)	8.22	15.07	-1.23	9.00	15.72	16.75	29.64	2.61
VIII Plan (1992-1997)	7.53	11.48	-4.45	7.28	13.24	15.27	-11.36	18.27
IX Plan (1997-2002)	13.49	14.50	4.56	15.71	7.63	9.69	13.12	-29.30
Annual Growth Rate (per cent)								
1999-2000	13.33	15.49	7.27	11.41	5.73	14.52	19.38	-74.26
2000-01	8.77	9.34	18.65	2.79	5.58	8.18	-27.26	-2.11
2001-02	26.43	20.41	0.59	55.46	8.87	7.71	40.66	-7.46

3.10 Over the longer period, the lower average annual growth of plan expenditure is apparent. The average annual growth of Plan expenditure at 10.19 *per cent* during 1985-2002 was significantly lower than the Non-plan expenditure growth of 13.88 *per cent* during the same period. There was, however, some acceleration in the overall growth in Plan expenditure during the Ninth Plan and average annual rate of growth exceeded the growth of Non-plan expenditure. But this was due to acceleration in Plan revenue expenditure and increase in loans and advances. The rate of growth of Plan capital expenditure continued to remain much lower, indicating worsening of its relative position. Non-plan expenditure, on the other hand, increased at a much faster rate. Within the non-plan expenditure, revenue expenditure registered an even higher relative growth.

3.11 The current year, however, witnessed a reversal of the earlier trend of growth in expenditure in certain components. There was an increase in plan loans and advances and non-plan capital expenditure. Growth in non-plan revenue expenditure also had a moderate deceleration. However, Plan capital expenditure virtually stagnated and non-plan loans and advances actually declined.

Revenue Expenditure: Trend and Components

3.12 A significant part of revenue expenditure is transfer payments, which are mostly committed. Interest payments, pensions, salary and wages and grants-in-aid to States and Union Territories, particularly the ones based on the recommendations of the Finance Commission, fall in this category. A part of revenue expenditure is also on account of the operating expenses of the departmental undertakings as their revenues are reckoned on gross basis.

3.13 Table 3.6 gives the expenditure incurred on various components of revenue expenditure. Except for pensions and interest payments, average trend growth of other components was comparatively low. Expenditure on salaries recorded the highest growth of 33.84 *per cent* in 1997-98, consequent upon the implementation of the report of the Fifth Pay Commission. Growth has since tapered off. Average annual growth over the Plans also indicated deceleration in the growth in expenditure on salaries.

Table 3.6: Revenue Expenditure and its Components

<i>(Rupees in crore)</i>						
	Revenue Expenditure	Salary	Interest Payments	Pensions*	Grants to States	Others
1985-86	43407	7454	7512	1350	6704	20387
1995-96	180291	23929	50045	6914	21287	78116
1999-2000	316237	45169	94593	18129	29012	129334
2000-01	342647	46103	103224	18496	36789	138035
2001-02	375582	42110	114173	18933	41493	158873
Average Annual Trend Rate of Growth (<i>per cent</i>)						
1985-2002	14.70	12.80	18.66	17.93	11.59	13.82
VII Plan (1985-90)	16.49	13.73	24.05	25.00	8.52	16.06
VIII Plan (1992-97)	14.64	12.10	17.44	15.65	5.60	16.55
IX Plan (1997-2002)	10.40	8.32	14.90	17.07	11.06	8.68
Average Annual Rate of Growth (<i>per cent</i>)						
1999-2000	14.67	7.94	21.46	32.39	15.67	10.27
2000-01	8.35	2.07	9.12	2.02	26.81	6.73
2001-02	9.61	#	10.61	2.36	12.79	15.10

* includes Miscellaneous General Services

Note:- The expenditure on Salary in this and other tables is as given by the Pay Research Unit of the Department of Expenditure for the Civilian Staff and as indicated for the defence non civilian persons by the Defence Department. For 2001-02, the salary expenditure for the Civilian staff is based on Revised Estimates as given in the Budget as actual figures are still awaited. The average annual growth in salary expenditure during 1997-2002, therefore, pertains to 1997-2001. The figures for 2001-02, not being the actuals, are to be treated as provisional

3.14 It is necessary to study the composition of revenue expenditure in terms of committed and other liabilities and their relation over time with the revenue expenditure and revenue receipts. Table 3.7 provides these details. Committed

expenditure here includes interest payments, salary and wages and pensions and miscellaneous expenditure.

Table 3.7: Share of Committed Revenue Expenditure to Revenue Expenditure, Revenue Receipts and Non-Debt Receipts (per cent)

	Revenue Expenditure			Revenue Receipts			Non-Debt Receipts		
	Interest	Others	Total	Interest	Others	Total	Interest	Others	Total
1985-2002	25.14	18.48	43.62	31.24	22.79	54.03	28.91	21.05	49.96
1985-1990	19.43	19.87	39.30	22.77	23.27	46.04	20.84	21.29	42.13
1992-1997	27.40	17.07	44.47	33.54	20.89	54.43	31.24	19.46	50.70
1997-2002	28.88	18.67	47.55	38.04	24.51	62.55	35.44	22.84	58.28
Annual Values									
1999-2000	29.91	20.02	49.93	37.15	24.87	62.02	35.18	23.54	58.72
2000-01	30.13	18.85	48.98	40.32	25.23	65.55	37.54	23.50	61.04
2001-02	30.40	16.25	46.65	43.04	23.01	66.05	39.42	21.07	60.49

Note: Both revenue receipts and revenue expenditure are net of States' share in various taxes.

3.15 The increase in the share of the three committed liabilities over the plans is apparent. However, this was largely due to an increase in interest payments over the years.

Management of Subsidies

3.16 Subsidies account for a significant share of government expenditure and are generally advocated for merit goods. The general impact of the subsidies is to lower the price of goods or inputs, which in turn makes it more affordable and encourages greater production and consumption.

3.17 Table 3.8 presents a picture of the subsidies, which the government provided explicitly during the VIII and IX Plans on major items.

Table 3.8: Explicit Subsidies in the Union Government Budget

(Rupees in crore)

	Food and Sugar	Fertilizers	Export Promotion	Others	Total subsidies	Subsidies/GDP	Subsidies/Revenue Expenditure
Average Annual Values							
1992-97	4976	6088	571	1834	13469	1.32	8.55
1997-2002	11199	11376	552	2965	26091	1.36	8.33
Annual Values							
1999-2000	9435	13463	520	2491	25909	1.34	8.19
2000-01	12060	13811	621	1784	28276	1.35	8.25
2001-02	17499	8091	616	5772	31978	1.40	8.51

3.18 In absolute terms, explicit subsidies increased from an average of

Application of Resources: Expenditure

Rs 13,469 crore during 1992-97 to an average of Rs 26,091 crore during 1997-2002. Relative to GDP, subsidies marginally increased from 1.32 per cent during 1992-97 (VIII Plan) to an average of 1.36 per cent during 1997-2002 (IX Plan). In 2001-02, subsidies reached 1.40 per cent of GDP and 8.5 per cent of revenue expenditure.

3.19 In addition to explicit subsidies, the Union Government also bears expenditure in the nature of implicit subsidies. Budgetary support to financial institutions and Banks, inadequate returns from its investment in PSUs and inadequate recovery of user charges from the social and economic services that are provided by the government fall in the category of implicit subsidies. Implicit subsidy involved in providing postal services is discussed below as an illustrative case.

3.20 According to the Department of Posts estimate, the average per unit cost and per unit revenue realised from different postal services during the year 2001-02 on the basis of projected traffic were as given in Table 3.9 below:

Table 3.9 Per unit gain/loss in operation of postal services

Sl. No	Services	Per unit cost (in paise)	Per unit revenue (in paise)	Unit Loss (-) Gain(+) (in paise)	Traffic Projected (in lakh)	Total loss/ gain (Rs in crore)	
						Loss	Gain
(a) Classical Services							
1.	Post cards	611.49	45.83	(-)565.66	2878.5	162.83	
2.	Letters	687.38	637.88	(-)49.5	9352.5	46.29	
3.	Registration	2995.36	1650.00	(-)1345.36	2375.5	319.59	
4.	Letter cards(Inland)	614.46	200.00	(-)414.46	4569.00	189.37	
5.	Money orders	4959.47	2090.69	(-)2868.78	1230.5	353.00	
6.	Newspapers (single)	799.90	37.40	(-)762.50	1071.5	81.70	
7.	Newspapers (bundle)	1565.76	88.46	(-)1477.30	198	29.25	
8.	Indian Postal Orders(IPOs)	1931.07	133.45	(-)1797.62	386.5	69.48	
9.	Printed Postcards	613.08	283.33	(-)329.75	1347.5	44.43	
10.	Value payable Post	2419.39	399.25	(-)2020.14	91.5	18.48	
11.	Other periodicals	1146.54	723.10	(-)423.44	152.00	6.44	
12.	Acknowledgements	573.67	283.33	(-)290.34	399.5	11.60	
13.	Book, Pattern and Sample Packets	802.09	713.30	(-)88.79	988.00	8.77	
14.	Telegraphic MOs	6321.78	2290.69	(-)4031.09	1.0	0.40	
15.	Printed books	1142.35	419.96	(-)722.39	193.5	13.98	
16.	Insurance	4394.70	6599.90	(+)2205.20	93		20.51
17.	Parcels	5872.15	5271.71	(-)600.44	695.5	41.76	
18.	Competition Post cards	423.04	483.33	(+)60.29	73.0		0.44
(b) Value added Services							
19.	Speed post	4120.04	4008.77	(-)111.27	378.00	4.21	
20.	Foreign mail	2463.23	3064.07	600.86	461.00		27.70
	Total					1401.58	48.65

3.21 The Department's overall net loss nearly doubled in the last five years, from Rs 687.86 crore in 1997-98 to Rs 1352.93 crore in 2001-02. Out of 20 services mentioned above, 17 services were rendered on loss basis in 2001-2002. The Speed Post services, which were stated to have made profit during the earlier year, made a loss in 2001-02. The net revenue budgetary support was Rs 1411.51 crore in 2001-02.

Expenditure on Social and Economic Services

3.22 In terms of activities, overall expenditure is composed of general services, social services and economic services. The latter two categories are considered developmental in nature. Table 3.10 below indicates the trends in expenditure on social services and its various components.

Table 3.10: Expenditure on Social services- Trends and Composition

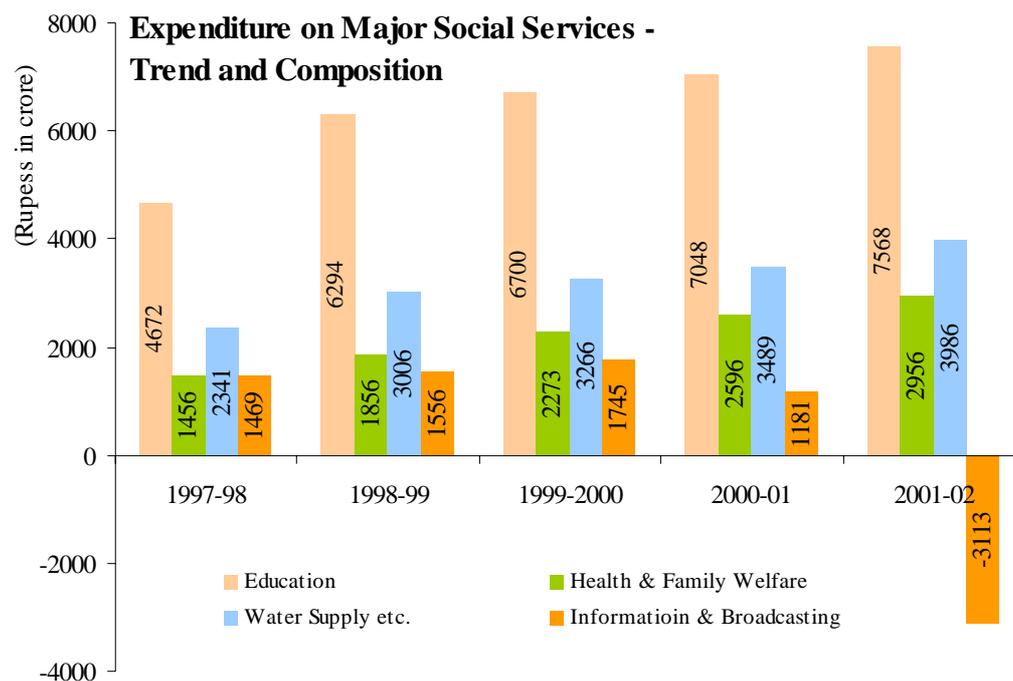
(Rupees in crore)

	Social Services	Education	Health	Water Supply	Information	Labour Welfare	Others
1987-1988	2965	1275	379	145	539	171	456
1995-1996	7964	3151	908	944	1077	492	1393
1999-2000	17785	6700	2273	3266	1745	844	2956
2000-01	18496	7048	2596	3489	1181	878	3305
2001-02	16284	7568	2956	3986	-3113	843	4045
Average Annual Growth Rate (per cent)							
1987-2002	15.44	15.01	15.68	25.98		11.54	21.32
1987-1990	12.19	8.34	17.51	59.47	17.45	26.45	-15.38
VIII Plan (1992-97)	19.61	16.02	11.39	35.64	12.93	9.52	36.63
IX Plan (1997-2002)	7.96	11.38	19.15	12.90		10.68	25.93
Annual Growth Rate (per cent)							
1999-2000	17.31	6.45	22.50	8.62	12.16	18.68	70.12
2000-01	4.00	5.19	14.19	6.83	-32.33	3.98	11.79
2001-02	-11.96	7.38	13.89	14.24		-4.00	22.39

Note: Due to change in major heads, etc., expenditure on social services (Education, Sports, Art and Culture, Health and Family Welfare, Water Supply, Sanitation and Housing, Information and Broadcasting, Labour and Labour Welfare, others.) in 1985-87 has been omitted.

3.23 The Overall social expenditure of the Union government increased from Rs 2965 crore in 1987-88 to Rs 16,284 crore in 2001-02, at an annual trend rate of 15.44 per cent. The expenditure on social services recorded its highest growth of 19.61 per cent during 1992-1997 (VIII Plan). Growth during 1997-2002 decelerated to 7.96 per cent. Within social services, expenditure on

water supply, sanitation and urban development recorded the highest trend growth of 25.98 per cent per annum during 1987-2002. This component however, experienced a decelerating growth trend over the Plans. Growth rate declined sharply from an average of 59.47 per cent during 1987-1990 to an average of 12.90 per cent during 1997-2002. Education and health, the sectors primarily linked to human resource development had a comparatively lower growth.



3.24 In 2001-02, expenditure on social services recorded a negative growth of 11.96 per cent due to a negative entry under the Information and Broadcasting component as the capital assets of the Department were transferred to Prasar Bharati. But even after netting this negative expenditure (recovery), the growth in expenditure on social services at 5.0 per cent was only moderate.

3.25 The expenditure on components of economic services is indicated in Table 3.11 below.

Table 3.11: Expenditure on Economic Services- Trends and Composition

(Rupees in crore)

	Economic Services	Agriculture & Allied	Rural Development	Energy	Industry & Minerals	Transport	Posts	Telecom	Others
1987-1988	27824	2955	317	2551	4900	11018	860	1770	3453
1995-1996	74292	10867	5645	3493	6896	26133	1864	10100	9295
1999-2000	120860	18865	5139	5675	13456	44018	3672	19005	11029
2000-01	122308	22255	4305	5802	13812	51157	4888	11820	8268
2001-02	141354	28294	6189	17043	13376	57163	5167	3739	10383
Average Annual Growth Rate (Per cent)									
1987-2002	12.19	16.17	25.39	10.14	7.50	12.05	14.22	13.86	7.32
1987-1990	22.44	22.00	179.25	17.87	18.13	16.36	7.52	31.65	25.97
VIII Plan (1992-97)	9.35	14.89	81.37	4.36	2.17	9.22	13.62	26.75	-9.69
IX Plan (1997-2002)	6.36	18.28	2.79	1.23	8.78	14.26	19.11	-27.41	-5.55
Annual Growth Rate (per cent)									
1999-2000	7.00	12.76	-0.78	13.53	22.62	20.69	9.37	3.91	-34.93
2000-01	1.20	17.97	-16.23	2.24	2.64	16.22	33.13	-37.80	-25.03
2001-02	15.57	27.13	43.77	193.74	-3.15	11.74	5.69	-68.37	25.58

Note: Due to change in major heads, etc., expenditure on social services (Agriculture, Irrigation, Flood Control, Special Area Programme, Rural Development, Energy (Power), Industry and Minerals, Transport, Posts, Communication and others) in 1985-87 has been omitted.

3.26 The overall expenditure on economic services increased from Rs.27824 crore in 1987-88 to Rs. 141,354 crore in 2001-02, at an annual trend growth rate of 12.19 per cent. Expenditure on economic services witnessed a decelerating trend with growth rates declining from an average of 22.44 per cent during 1987-1990 to an average of 6.36 per cent during 1997-2002.

3.27 Within economic services, expenditure on various rural development and poverty alleviation programmes recorded the highest trend growth of 25.39 per cent. The average growth, however, decelerated to 2.79 per cent during 1997-2002, with negative growth being observed during 1999-2001. Telecom sector also witnessed a negative growth during 1997-2002, because of corporatization of its activities. In the current year, economic services had a growth rate of 15.57 per cent, largely due to significantly high growth in agriculture, rural development and energy sectors.

3.28 In terms of per capita expenditure, overall expenditure on social services at 1993-94 prices averaged Rs 79 (Table 3.12). Per capita expenditure, however, recorded an increase over the Plans and average annual rate of growth was 4.47 per cent. Expenditure on education and health

averaged Rs.32 and Rs.11 respectively during 1987-2002, increasing at an average rate of 4.09 per cent and 4.70 per cent respectively. During the IX Plan (1997-2002) expenditure on social services, however, recorded impressive growths. The decline in expenditure in the current year was due to recovery under the head 'Information and Broadcasting'. The other important component of social services, was expenditure on water supply, sanitation and urban development. Per capita expenditure on these services averaged Rs. 12 during 1987-2002. There was an upward trend in this category of expenditure.

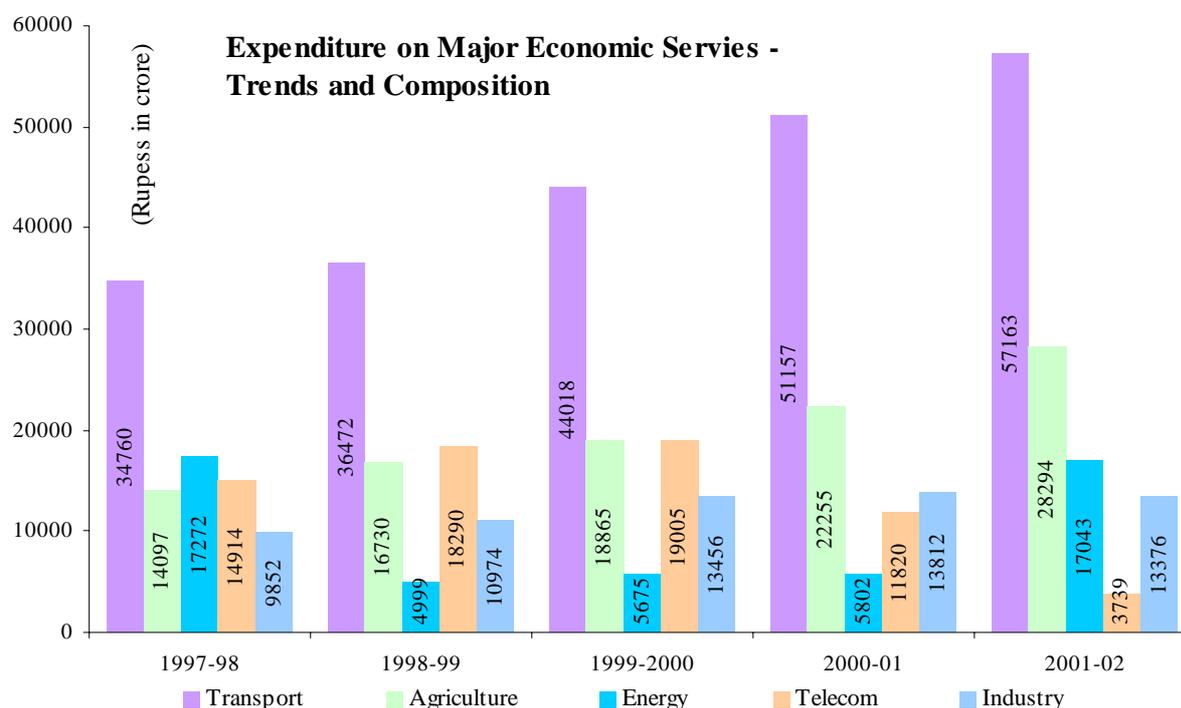
**Table 3.12: Per Capita Expenditure on Social services
(In Rupees at 1993-94 prices)**

	Social Services	Education	Health	Water Supply	Information	Labour Welfare	Others
Average Annual Values (In Rupees at 1993-94 prices)							
1987-2002	79	32	11	12	9	5	11
1987-1990	67	28	9	5	12	5	8
VIII Plan (1992-97)	68	27	9	8	10	5	9
IX Plan (1997-2002)	104	42	14	21	4	5	18
Average Annual rate of growth 1987-2002 (per cent)							
1987-2002	4.47	4.09	4.70	14.02		0.95	9.79
Annual Values							
1999-2000	116	44	15	21	11	6	19
2000-01	114	44	16	22	7	5	20
2001-02	95	44	17	23	-18	5	24

3.29 For the economic services, per capita expenditure at 1993-94 prices averaged Rs. 718 and the average annual increases in the expenditure was 1.54 per cent only (Table 3.13) Per capita expenditure on energy and industry and minerals had a negative trend growth. Overall expenditure on economic services recorded impressive growth during the IX plan (1997-2002) and per capita expenditure increased to Rs 825 in 2001-02. In the current year, growth in expenditure was quite significant in the energy and transport sectors.

**Table 3.13: Per Capita Expenditure on Economic Services
(In Rupees at 1993-94 prices)**

	Economic Services	Agriculture	Rural Development	Energy	Industry & Minerals	Transport	Post	Telecom	Others
Average annual Values (In Rupees at 1993-94 prices)									
1987-2002	718	102	26	51	86	262	20	75	95
1987-1990	675	72	20	59	116	255	19	49	86
VIII Plan (1992-97)	693	96	31	31	74	243	16	82	121
IX Plan (1997-2002)	793	129	34	68	80	290	25	91	75
Average Annual rate of growth 1987-2002 (per cent)									
1987-2002	1.54	5.13	13.48	-0.32	-2.71	1.41	3.38	3.05	-2.87
Annual Values									
1999-2000	790	123	34	37	88	288	24	124	72
2000-01	756	138	27	36	85	316	30	73	51
2001-02	825	165	36	99	78	334	30	22	61



3.30 Relative to GDP, expenditure on social services averaged 0.75 per cent of GDP during 1987-2002. (Table 3.14) The expenditure relative to GDP declined to an average of 0.66 per cent during 1992-97 (VIII Plan), though it later increased to 0.84 per cent during 1997-2002. Average annual rate of shift

in its relative share was 0.75 per cent. Education and health expenditure accounted for an average of 0.3 and 0.1 per cent of GDP, Both had a positive annual shift rate of 0.38 per cent and 0.96 per cent respectively during 1987-2002.

Table 3.14: Expenditure on Social services Relative to GDP (Per cent)

	Social Services	Education	Health	Water Supply	Information	Labour Welfare	Others
Average annual Values (In Rupees at 1993-94 prices)							
1987-2002	0.75	0.30	0.10	0.10	0.09	0.05	0.10
1987-1990	0.80	0.34	0.11	0.06	0.15	0.05	0.09
VIII Plan (1992-97)	0.66	0.26	0.09	0.08	0.10	0.05	0.09
IX Plan (1997-2002)	0.84	0.34	0.11	0.17	0.04	0.04	0.14
Average Annual rate of shift 1987-2002 (per cent)							
1987-2002	0.75	0.38	0.96	9.95		-2.65	5.88

3.31 Overall ratio of expenditure on economic services – GDP was 6.95 per cent during 1988-2002. (Table 3.15) However, over the Plans, there continued to be a deceleration in this ratio and average annual rate of shift in its share relative to GDP was (-) 2.08 per cent. This negative rate of shift was due to decline in the ratio of expenditure on energy, industry, transport, ports, telecommunication and other economic services sectors. Only two activities viz. Agriculture and allied and rural development witnessed improvement in their expenditure relative to GDP and had a positive shift rates.

Table 3.15: Expenditure on Economic Services Relative to GDP (Per cent)

	Economic Services	Agriculture	Rural Development	Energy	Industry	Transport	Post	Telecom	Others
Average annual Values (In Rupees at 1993-94 prices)									
1987-2002	6.95	0.97	0.24	0.50	0.86	2.54	0.19	0.71	0.95
1987-1990	8.00	0.86	0.23	0.70	1.37	3.03	0.22	0.57	1.02
VIII Plan (1992-97)	6.81	0.94	0.29	0.31	0.73	2.39	0.16	0.79	1.21
IX Plan (1997-2002)	6.38	1.03	0.27	0.55	0.64	2.32	0.20	0.75	0.61
Average Annual rate of shift 1987-2002 (per cent)									
1987-2002	-2.08	1.39	9.44	-3.87	-6.18	-2.20	-0.31	-0.63	-6.33

Expenditure Management: Some other key parameters

3.32 Some additional parameters of Union Government expenditure management are indicated in the Table 3.16 below.

Table 3.16: Management of Expenditure- Some Key Parameters

	Revenue Expenditure	Total Expenditure	Development Expenditure (DE)	Capital Expenditure	Plan Expenditure	Balance from Current Revenue	DE as % to Total Expenditure
	Buoyancy coefficients						
1985-2002	1.07	0.96	0.94	0.54	0.76	-9248	43.03
1987-1990	1.04	0.88	0.98	0.58	0.54	761	46.10
VIII Plan (1992-97)	0.94	0.82	0.71	-0.58	0.52	-2191	42.37
IX Plan (1997-2002)	1.28	1.01	0.75	1.05	1.54	-28622	40.68
1999-2000	0.80	0.49	0.56	1.03	0.90	-14811	40.16
2000-01	14.76	2.75	0.69	-5.47	3.87	-35407	38.25
2001-02	2.66	2.35	2.24	4.32	4.94	-48647	38.74

Note:- Buoyancy of Revenue Expenditure is with reference to Revenue Receipts, while all others are with reference to Non-Debt Receipts. Development Expenditure is total expenditure on Social and Economic Services.

3.33 It may be important to examine the expenditure and its various components relative to the revenue receipts of the government. The buoyancy of the revenue expenditure with regard to revenue receipt during 1985-2002 marginally exceeded one. Further, in the IX Five-Year Plan, the buoyancy further increased to 1.28 compared to 0.94 during 1992-97 (VIII Plan). With revenue growth further moderating in the last two years, the buoyancy of the revenue expenditure further increased to 14.76 and 2.66 in 2000-01 and 2001-02 respectively. Average buoyancy of 1.28 during 1997-2002 indicated that for each one per cent increase in government's revenue, its revenue expenditure increased by 1.28 per cent or on an average 28 per cent faster than revenue receipts. In so far as the total expenditure is concerned, its overall buoyancy with reference to the non-debt receipts was 0.96 during 1985-2002. However in the IX Plan (1997-2002), it increased to 1.01 and in the last two years due to a moderate growth in receipt it went up further to 2.75 and 2.35 respectively. As against this, the development expenditure, Plan expenditure and capital expenditure, all of which are considered quality expenditures, had buoyancy coefficients of less than one. While in case of plan and capital expenditures, during 1997-2002, buoyancy became greater than one, in Plan expenditure, it was due to increase in loans and advances. Further, as a percentage to total expenditure, development expenditure had a decelerating trend over the plans. Government's Balance from Current Revenue (BCR), from a positive Rs 761 crore during 1985-1990 turned negative and averaged Rs (-) 28,622 crore during 1997-2002. These parameters of expenditure management indicate a continuing deterioration in the Government finances.