

**CHAPTER - 5**  
**TRENDS IN COMPOSITION OF REVENUE EXPENDITURE OF**  
**GOVERNMENT OF INDIA**

- 5.1 Composition of revenue expenditure of central government
- 5.2 Functional classification of developmental expenditure
- 5.3 Major heads of developmental expenditure (revenue) on social services
- 5.4 Major heads of developmental expenditure (revenue) on economic services
- 5.5 Major heads of non-developmental expenditure (revenue) of India

**5.1 COMPOSITION OF REVENUE EXPENDITURE OF CENTRAL GOVERNMENT:**

Government expenditure can be classified into developmental and non-developmental expenditure. Revenue expenditure is classified into developmental expenditure, non-developmental expenditure and statutory grants to states. Non-developmental expenditure of the central government consists of expenditure on -

- (i) Interest payments and servicing of debt which include appropriate for reduction or avoidance of debt
- (ii) Defence services
- (iii) Organs of state – This includes expenditure on the justice, elections, audit and others
- (iv) Fiscal services – This includes expenditure on the tax collection charges, currency, coinage and mint (excludes cost of one rupee note forms), interest on compulsory deposits and others, etc.

- (v) Administrative functions such as police, stationary and printing, external affairs and others (excludes public works, but includes the secretariat expenses of social and community and economic services)
- (vi) Pension and other retirement benefits
- (vii) Other expenditure such as expenditure on technical and economic co-operation with other countries, subsidy to Food Corporation of India (FCI), grants to union territories, social security and welfare and non-plan expenditure on information and publicity, pension to freedom fighters, non-developmental, non-statutory grants' to states other than those for police and natural calamities, etc.

Developmental expenditure consists of expenditure on social and community services, economic services and statutory grants to states. Expenditure on social and community services includes the expenditure on the following important social services –

- (i) Education
- (ii) Art & culture
- (iii) Scientific services and research
- (iv) Medical, public health, sanitation & water supply
- (v) Family welfare
- (vi) Housing
- (vii) Urban development
- (viii) Broadcasting
- (ix) Labour and employment
- (x) Social security and welfare
- (xi) Information and publicity

Central government is giving grants to states and union territories for drought prone area programme, rural water supply scheme, gainful employment in rural areas or national rural employment guarantee

programme, welfare of backward classes, special central assistance for scheduled casts, etc.

Expenditure on economic services include expenditure on the following items—

- (i) General economic services – This includes expenditure on foreign trade and export promotion, co-operation (excludes subsidy on controlled cloth and subsidy to NAFED on vegetable oils – treated as non-developmental expenditure), and others
- (ii) Agriculture and allied services – This includes expenditure on crop husbandry, animal husbandry, food storage and warehousing (excluding food and fertiliser subsidy), rural development and other expenditure
- (iii) Industry and minerals – It also includes subsidy towards interest payments to non-departmental commercial undertakings and appropriation to the oil industry development fund.
- (iv) Fertiliser subsidy
- (v) Power, irrigation & flood control – This includes power projects, major and medium irrigation, minor irrigation and other expenditure
- (vi) Transport and communications – This includes roads and bridges, civil aviation, ports, lighthouses and shipping, and other expenditure
- (vii) Public works

The main point to be noted regarding this classification is that developmental expenditure helps in the economic development of the country, whereas non-developmental expenditure is uneconomic and does not aid in economic development. We have already seen that the revenue expenditure of central government has increased rapidly during the period under study. Now we will examine how this increased revenue expenditure is utilised by the central government. Let us review whether the increase in revenue

expenditure has resulted in more developmental activities. Table No. 5.1 depicts composition of revenue expenditure of government of India and Table No. 5.2 depicts mean, standard deviation and coefficient of variation of relative share of it.

Table No. 5.1

**Composition of Revenue Expenditure of Government of India**

(Rs. Crore)

<b>Year</b>	<b>Developmental Expenditure</b>	<b>Non-developmental Expenditure</b>	<b>Statutory Grants to States</b>	<b>Total Revenue Expenditure</b>
1991-92	29089.80 (35.35)	49753.02 (60.46)	3447.98 (4.19)	82290.80 (100.0)
1992-93	31996.66 (34.52)	56837.63 (61.32)	3855.91 (4.16)	92690.20 (100.0)
1993-94	35294.89 (32.53)	69168.43 (63.75)	4036.18 (3.72)	108499.50 (100.0)
1994-95	40704.41 (33.27)	79928.45 (65.33)	1712.84 (1.40)	122345.70 (100.0)
1995-96	42410.70 (30.36)	92017.54 (65.86)	5286.71 (3.78)	139714.90 (100.0)
1996-97	47958.31 (30.20)	105515.38 (66.44)	5337.05 (3.36)	158810.70 (100.0)
1997-98	54849.96 (30.47)	122049.80 (67.81)	3096.77 (1.72)	179996.53 (100.0)
1998-99	64178.61 (29.66)	148850.37 (68.78)	3388.43 (1.57)	216417.41 (100.0)
99-2000	73372.02 (29.48)	171709.96 (69.00)	3787.36 (1.52)	248869.34 (100.0)
2000-01	80729.27 (29.04)	185667.37 (66.79)	11578.85 (4.17)	277975.49 (100.0)
2001-02	89214.79	199669.09	12890.88	301774.76

	(29.56)	(66.16)	(4.27)	(100.0)
2002-03	105372.66	223973.94	10746.06	340092.66
	(30.98)	(65.86)	(3.16)	(100.0)
2003-04	119363.30	232678.96	11002.56	363044.82
	(32.88)	(64.09)	(3.03)	(100.0)
2004-05	124996.11	245917.69	12116.86	383030.66
	(32.63)	(64.20)	(3.16)	(100.0)
2005-06	155103.65	260051.56	25147.66	440302.87
	(35.23)	(59.06)	(5.71)	(100.0)
2006-07	196484.02	289375.15	28454.17	514313.34
	(38.20)	(56.26)	(5.53)	(100.0)
2007-08	239171.23	328122.88	26364.56	593658.67
	(40.29)	(55.27)	(4.44)	(100.0)
2008-09	352996.23	410338.35	27258.65	790593.23
	(44.65)	(51.90)	(3.45)	(100.0)
2009-10	375549.42	500226.13	29697.43	905472.98
	(41.48)	(55.24)	(3.28)	(100.0)
2010-11	476409.75	539921.73	32149.00	1048480.48
	(45.44)	(51.50)	(3.07)	(100.0)
2011-12	486444.33	557000.48	49298.62	1092743.43
	(44.52)	(50.97)	(4.51)	(100.0)
Growth in 2011-12 Over 1991-92 (times)	16.72	11.20	14.30	13.28
CAGR (%) 1991-92 To 2011-12	15.1	12.8	14.2	13.8

Note: 1. Data for 2010-11 are revised estimates and data for 2011-12 are budget estimates.

2. Figures in bracket indicate share of the particular items to Total Revenue Expenditure

### 3. CAGR: Compound Annual Growth Rate

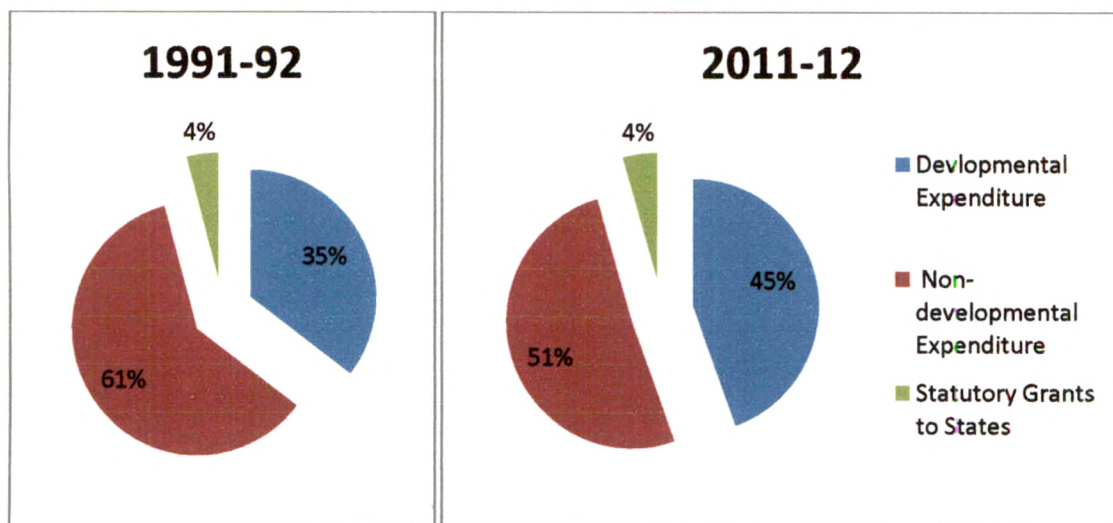
Source: 1. Indian Public Finance Statistics, 1998-99, 2004-05, 2011-12, Ministry of Finance, Government of India, New Delhi.

Table No. 5.1 shows the growth in developmental and non-developmental revenue expenditure. The broad conclusions from the data are—

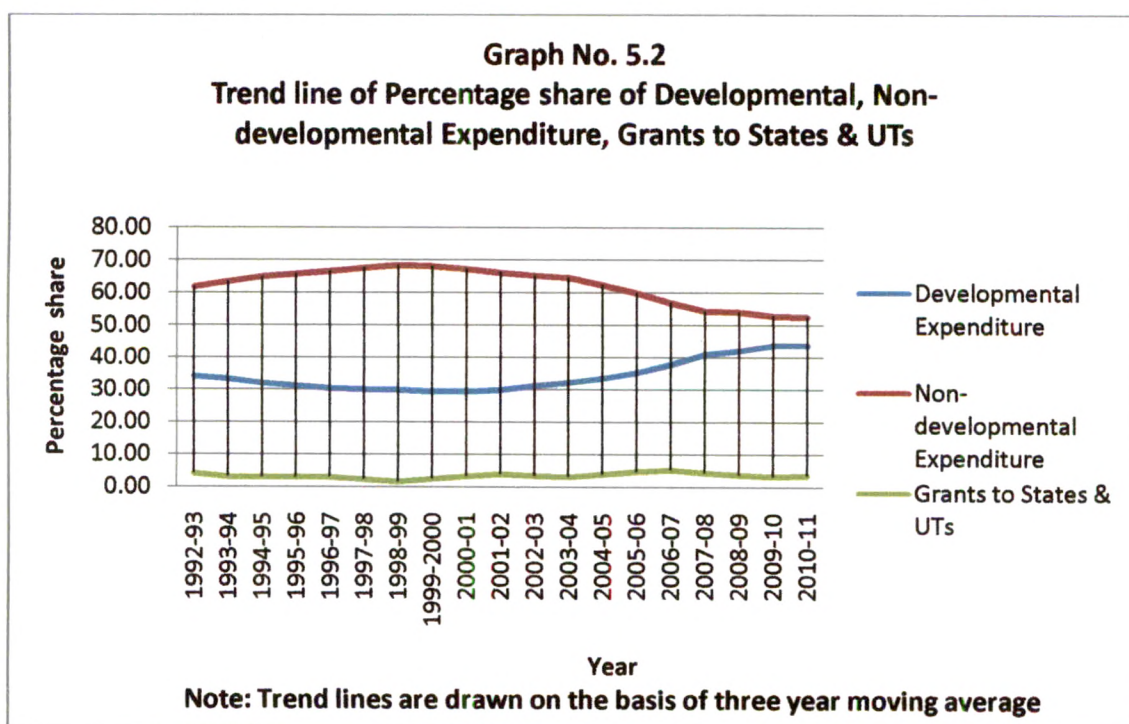
- (i) During post-reform period, developmental revenue expenditure of the central government raised from Rs. 29089.80 crore in 1991-92 to Rs. 486444.33 crore in 2011-12, representing more than 16 fold increase over the period under study. The data shows that the compound annual growth rate of developmental revenue expenditure of central government during the period under study was 15.1 per cent. It reflects the rapid growth in the developmental revenue expenditure of central government. It means that developmental revenue expenditure of the central government since 1991-92 has been continuously growing.
- (ii) The non-developmental revenue expenditure of the central government raised from Rs. 49753.02 crore in 1991-92 to Rs. 557000.48 crore in 2011-12, representing more than 11 times increase over the period under study. The compound annual growth rate of non-developmental revenue expenditure of the central government during the period under study was 12.8 per cent.
- (iii) The data shows that non-developmental expenditure is a major component of total revenue expenditure. The relative share of developmental revenue expenditure declined and reached to the lowest level of 29.04 per cent during 2000-01 from 35.35 per cent during 1991-92, but thereafter it has been showing a positive trend upto 45 per cent in 2011-12. This is shown in graph no. 5.1. It is good sign in post-reform period. The share of non-developmental revenue expenditure in total expenditure increased from 60.46 per cent in 1991-92 to 69.00 per cent in 1999-2000, but thereafter it has

been decreasing continuously. In 2011-12, it fell to 50.97 per cent of total revenue expenditure. The reason behind this was the significant measures introduced by the government such as pension reforms and other retirement benefits.

**Graph No. 5.1**  
**Composition of Revenue Expenditure in 1991-92 and 2011-12**

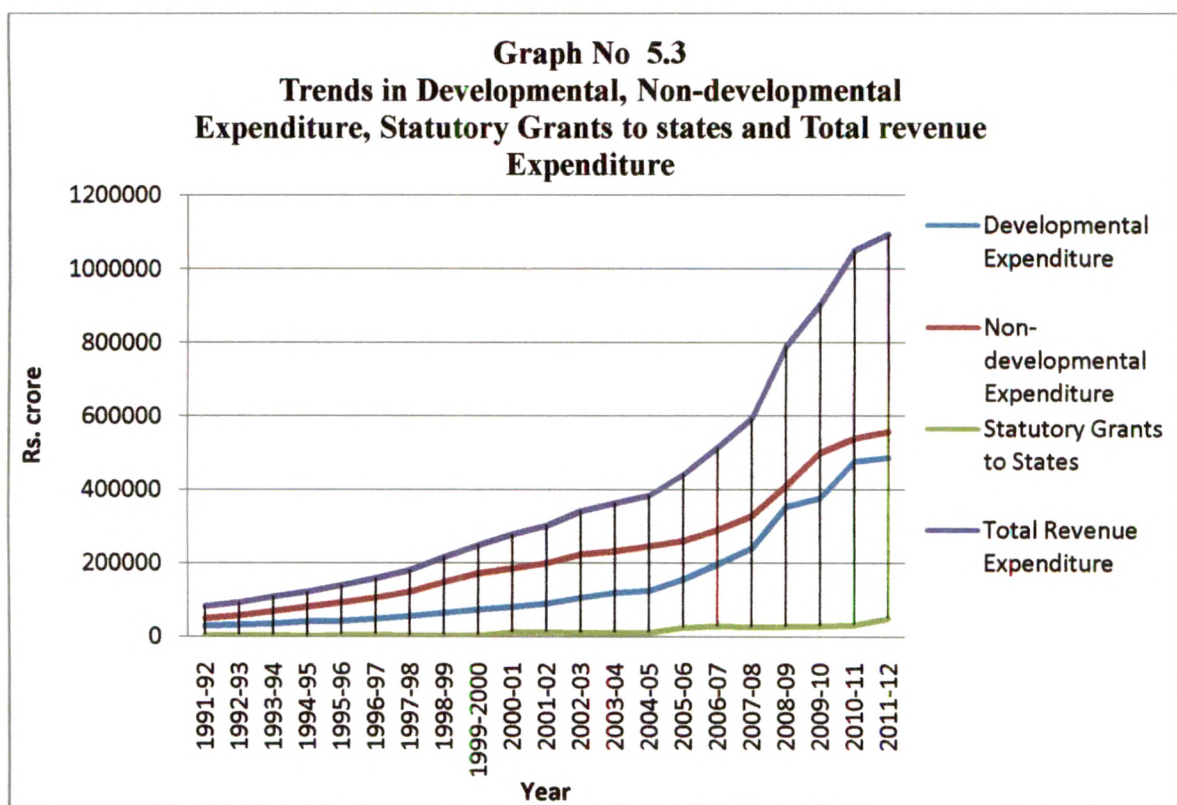


Trend line of developmental expenditure, non-developmental expenditure and statutory grants to states with the help of three year moving average method is shown in graph 5.2.





- (iv) It has been observed that expenditure on developmental and non-developmental activities has increased during the period under study and developmental revenue expenditure has grown at higher rate (CAGR was 15.1 per cent) as compared to non-developmental revenue expenditure (CAGR was 12.8 per cent). It is good sign of revenue expenditure of central government. Trends in developmental, non-developmental expenditure, statutory grants to states and total revenue expenditure are shown in graph no. 5.3.



- (v) Other expenditure in revenue expenditure i.e. statutory grants to states increased to Rs. 49298.62 crore in 2011-12 from Rs. 3447.98 crore in 1991-92. The relative share of these grants continuously declined and reached to the lowest level of 1.52 per cent during 1999-2000 from 4.19 per cent during 1991-92. It is only after this period that the relative share has increased to 3 to 5 per cent reflecting the impact of implementation of the 11<sup>th</sup> and 12<sup>th</sup> Finance Commission Award.



Thus, it can be concluded that developmental revenue expenditure as well as non-developmental revenue expenditure of the central government has been growing. But the non-developmental expenditure is a major component of total revenue expenditure. Moreover, share of developmental revenue expenditure is increasing and the share of non-developmental revenue expenditure is greater but is declining.

Table No. 5.2

**Mean, Standard Deviation and Coefficient of Variation of  
Relative Share of Developmental, Non-developmental Expenditure  
and Statutory Grants to States**

(per cent)

<b>Statistical Techniques</b>	<b>Developmental Expenditure</b>	<b>Non-developmental Expenditure</b>	<b>Statutory Grants to States</b>
Arithmetic Mean	34.80	61.72	3.49
Standard Deviation	5.33	5.81	1.17
Coefficient of Variation	15.0	9.0	33.0

Source: Computed by the researcher

Table No. 5.2 shows arithmetic mean, standard deviation and coefficient of variation of relative share of developmental expenditure, non-developmental expenditure and statutory grants to states of government of India. The data shows following observations:

- (i) The arithmetic mean of relative share of non-developmental expenditure has shown highest value of 61.72 per cent as compared to mean of relative share of developmental expenditure and statutory grants to states. It implies that non-developmental expenditure is a major component of total revenue expenditure of the central government.
- (ii) Standard deviation shows higher variations in relative share of developmental expenditure (5.33 per cent) and non-developmental

expenditure (5.81 per cent) than the statutory grants to states (1.17 per cent) during the period under study.

- (iii) Coefficient of variation of relative share of non-developmental expenditure shows lower value of 9.0 per cent as compared to developmental expenditure value of 15.0 per cent and statutory grants to states value of 33.0 per cent showing highest variations in statutory grants.

## **5.2 FUNCTIONAL CLASSIFICATION OF DEVELOPMENTAL EXPENDITURE:**

Developmental expenditure consists of expenditure on social and community services and economic services. This type of expenditure helps to raise the national income. Expenditure on social services comprises expenditure on education, research, art and culture, health, social security measures, etc. Expenditure on social services is essential and important for improving the quality of life of the citizens. Expenditure on the social services by the governments (centre and states) has shown increase in recent years reflecting the higher priority given to this sector.<sup>1</sup> Expenditure on economic services comprises expenditure on agriculture and allied activities, industry, trade, power, transportation, etc. The expenditure on economic services is considered important for increasing productivity in the nation. The economic services are the most important category so far as government capital investment is concerned. It means that the expenses on both of these services are essential and important for economic development of the country. Table No. 5.3 shows functional classification of developmental expenditure of central government.

Table No. 5.3

**Functional Classification of Developmental Expenditure**

(Rs. Crore)

<b>Year</b>	<b>Social Services</b>	<b>Economic Services</b>	<b>Developmental Expenditure</b>
1991-92	9513.18 (32.70)	19576.62 (67.30)	29089.80 (100.0)
1992-93	12138.76 (37.94)	19857.90 (65.06)	31996.66 (100.0)
1993-94	14402.08 (40.81)	20890.81 (59.19)	35294.89 (100.0)
1994-95	18304.96 (44.97)	22399.45 (55.03)	40704.41 (100.0)
1995-96	22503.95 (53.06)	19906.75 (46.94)	42410.70 (100.0)
1996-97	26348.11 (54.94)	21610.20 (45.06)	47958.31 (100.0)
1997-98	30511.82 (55.63)	24338.14 (44.37)	54849.96 (100.0)
1998-99	36132.37 (56.30)	28046.24 (43.70)	64178.61 (100.0)
1999-2000	39654.90 (54.05)	33717.12 (45.95)	73372.02 (100.0)
2000-01	41370.00 (51.25)	39359.27 (48.75)	80729.27 (100.0)
2001-02	46422.48 (52.03)	42792.31 (47.97)	89214.79 (100.0)
2002-03	50712.20 (48.13)	54660.46 (51.87)	105372.66 (100.0)
2003-04	57476.90	61886.40	119363.30

	(48.15)	(51.85)	(100.0)
2004-05	68279.81	56716.30	124996.11
	(54.63)	(45.37)	(100.0)
2005-06	80298.89	74804.76	155103.65
	(51.77)	(48.23)	(100.0)
2006-07	97989.70	98494.32	196484.02
	(49.87)	(50.13)	(100.0)
2007-08	121931.70	117239.53	239171.23
	(50.98)	(49.02)	(100.0)
2008-09	156531.86	196464.37	352996.23
	(44.34)	(55.66)	(100.0)
2009-10	176970.16	198579.26	375549.42
	(47.12)	(52.88)	(100.0)
2010-11	201755.26	274654.49	476409.75
	(42.35)	(57.65)	(100.0)
2011-12	228717.33	257727.00	486444.33
	(47.02)	(52.98)	(100.0)
Growth in 2011-12 Over 1991-92 (times)	24.04	13.17	16.72
CAGR (%) 1991- 92 To 2011-12	17.2	13.8	15.1

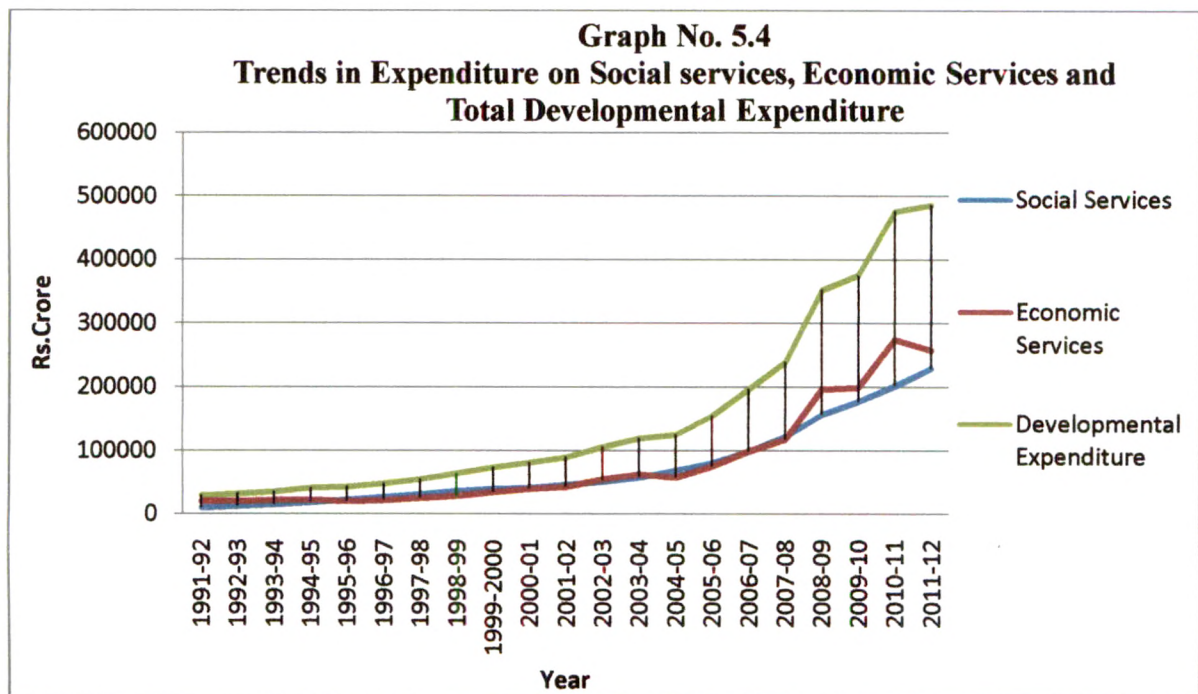
- Note: 1. Data for 2010-11 are revised estimates and data for 2011-12 are budget estimates.  
2. Figures in bracket indicate share of the particular items to total developmental expenditure  
3. CAGR: Compound Annual Growth Rate

Source: 1. Indian Public Finance Statistics, 1998-99, 2004-05, 2011-12, Ministry of Finance, Government of India, New Delhi.

The Table No. 5.3 shows the trends of growth of expenditure on social and economic services in the central government during the period under study.

The data shows that-

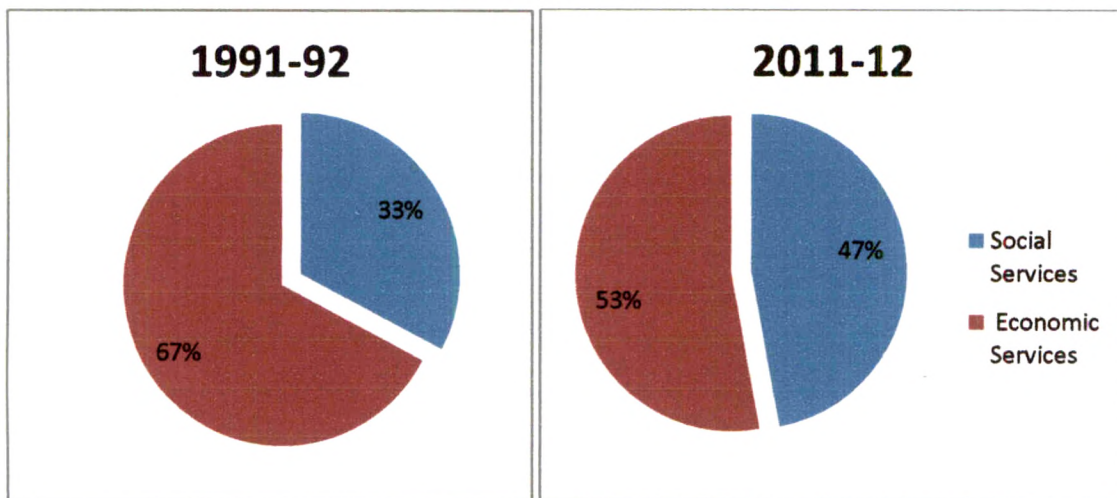
- (i) The developmental expenditure on social services of central government has increased more than 24 times during the period between 1991-92 and 2011-12. In 1991-92, it was Rs. 9513.18 crore and increased to Rs. 228717.33 crore. The important thing is that the large increase in the quantum of developmental expenditure on social services in the last 21 years. The compound annual growth rate of it was 17.2 per cent. It reflects the rapid growth in the developmental expenditure on social services of central government.
- (ii) The developmental expenditure on economic services of central government has increased more than 13 times during the same period. In 1991-92, it was Rs. 19576.62 crore and increased to Rs. 257727.00 crore in 2011-12. The compound annual growth rate of developmental expenditure on economic services of central government was 13.8 per cent.
- (iii) It has been observed that developmental expenditure on social and economic services of central government has increased during the period under study and developmental expenditure on social services has grown at higher rate (CAGR was 17.2 per cent) as compared to developmental expenditure on economic services (CAGR was 13.8 per cent). Trends in developmental expenditure on social services, economic services and total developmental expenditure of the central government are shown in graph no. 5.4.



- (iv) The data also reveals the percentage share of developmental expenditure on social services and economic services to total developmental expenditure. It shows that expenditure on economic services is major component of total developmental expenditure. The relative share of developmental expenditure on social services increased from 32.70 per cent in 1991-92 to 56.30 per cent in 1998-99, but thereafter it has been more or less decreasing. In 2011-12, it fell to 47.02 per cent of total developmental expenditure. The share of developmental expenditure on economic services declined and reached to the lowest level of 43.70 per cent during 1998-99 from 67.30 per cent during 1991-92, but thereafter it has been showing a positive trend upto 52.98 per cent in 2011-12. The reason behind this was the high priority was given to the development of transport and communication. The expenditure of the central government on these items has increased from Rs. 2992.15 crore in 1998-99 to Rs. 44828.99 crore in 2011-12. This is shown in graph no. 5.5.



**Graph No. 5.5**  
**Functional Classification of Developmental Expenditure in 1991-92 and 2011-12**



Trend line of percentage share of developmental expenditure on social and economic services to total developmental expenditure is shown in graph 5.6 with the help of three year moving average method.

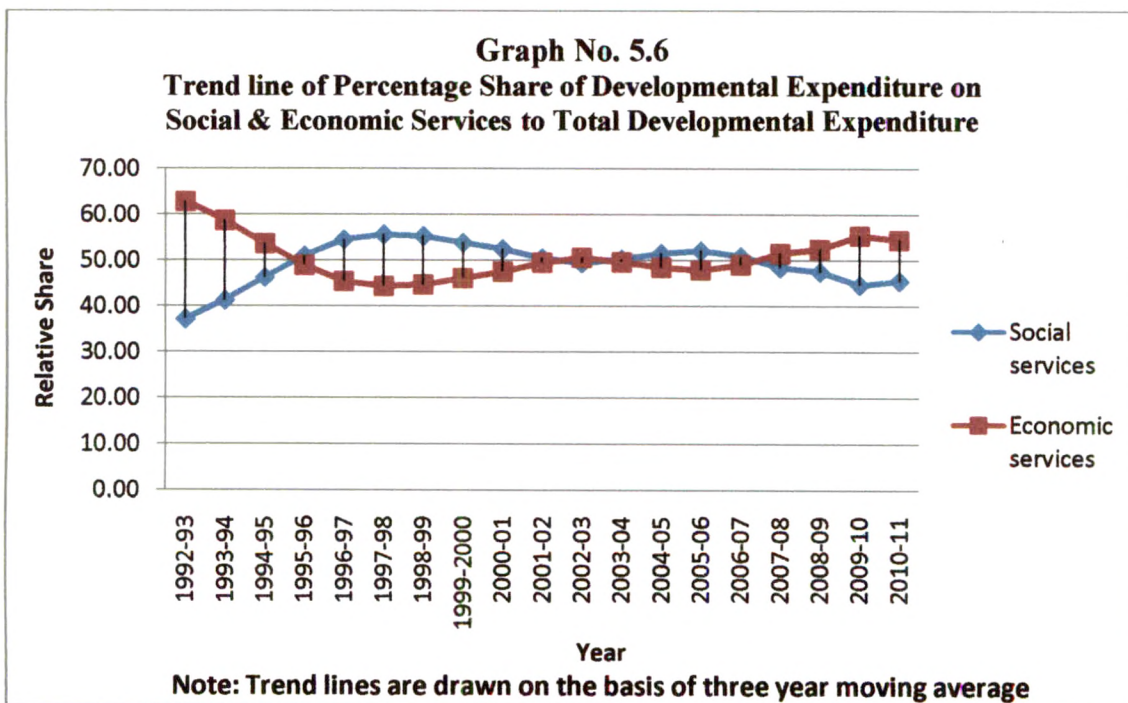


Table No. 5.4 depicts mean, standard deviation and coefficient of variation of relative share of developmental expenditure on social and economic services.



Table No. 5.4

**Mean, Standard Deviation and Coefficient of Variation of  
Relative Share of Developmental Expenditure on Social and  
Economic Services**

Statistical Techniques	Social Services	Economic Services
Arithmetic Mean	48.48	51.52
Standard Deviation	6.06	6.06
Coefficient of Variation	12.0	11.0

Source: Computed by the researcher

Table No. 5.4 shows arithmetic mean, standard deviation and coefficient of variation of relative share of developmental expenditure of central government of India. The data shows following observations:

- (i) The arithmetic mean of relative share of developmental expenditure on economic services has shown highest value of 51.52 per cent as compared to mean of relative share of developmental expenditure on social services (mean was 48.48 per cent). It implies that expenditure on economic services is a major component of total developmental expenditure.
- (ii) Standard deviation shows equal variations in relative share of expenditure on economic services and expenditure on social services of central government during the period under study.
- (iii) Coefficient of variation of relative share of expenditure on social services shows value of 12.0 per cent and relative share of expenditure on economic services shows value of 11.0 per cent indicating larger variations in social services.

### 5.3 MAJOR HEADS OF DEVELOPMENTAL EXPENDITURE (REVENUE) ON SOCIAL SERVICES:

As already observed that the share of developmental expenditure on social services in the total developmental revenue expenditure has increased and there is rapid growth in the developmental expenditure on social services of central government. Let us examine the growth of expenditure on major heads of social services and their relative positions. The Table No. 5.5 depicts the trends of expenditure on major heads of social services during the period under study and Table No. 5.6 depicts mean, standard deviation and coefficient of variation of relative share of it.

Table No. 5.5

#### Major Heads of Developmental Expenditure (Revenue ) on Social Services (Rs. Crore)

Year	ERC & PH	Welfare	HUBLI	Grants to States & UTs	Total Expenditure on Social Services
1991-92	1741.09 (18.30)	965.14 (10.15)	1069.67 (11.24)	5737.28 (60.31)	9513.18 (100.0)
1992-93	3228.88 (26.60)	1190.23 (9.81)	1219.46 (10.05)	6500.19 (53.55)	12138.76 (100.0)
1993-94	4267.74 (29.63)	1318.63 (9.16)	1302.25 (9.04)	7513.46 (52.17)	14402.08 (100.0)
1994-95	5844.20 (31.93)	1680.28 (9.18)	1679.96 (9.18)	9100.52 (49.72)	18304.96 (100.0)
1995-96	7124.32 (31.66)	1946.37 (8.65)	1896.01 (8.43)	11537.25 (51.27)	22503.95 (100.0)
1996-97	7921.06 (30.06)	2290.42 (8.69)	3063.65 (11.63)	13072.98 (49.62)	26348.11 (100.0)
1997-98	9812.80 (32.16)	2775.90 (9.10)	3517.32 (11.53)	14405.80 (47.21)	30511.82 (100.0)

1998-99	12362.57 (34.21)	3326.09 (9.21)	4140.44 (11.46)	16303.27 (45.12)	36132.37 (100.0)
99-2000	13974.48 (35.24)	2967.01 (7.48)	4347.87 (10.96)	18365.54 (46.31)	39654.90 (100.0)
2000-01	15430.20 (37.30)	4315.67 (10.43)	4054.84 (9.80)	17569.29 (42.47)	41370.00 (100.0)
2001-02	16565.48 (35.68)	4192.92 (9.03)	4437.50 (9.56)	21226.58 (45.72)	46422.48 (100.0)
2002-03	18580.02 (36.64)	3198.74 (6.31)	4402.15 (8.68)	24531.29 (48.37)	50712.20 (100.0)
2003-04	20472.10 (35.62)	3302.86 (5.75)	4859.57 (8.45)	28842.37 (50.18)	57476.90 (100.0)
2004-05	25806.90 (37.80)	3783.36 (5.54)	6302.25 (9.23)	32387.30 (47.43)	68279.81 (100.0)
2005-06	32125.17 (40.01)	6352.42 (7.91)	6281.85 (7.82)	35539.45 (44.26)	80298.89 (100.0)
2006-07	39998.66 (40.82)	5687.95 (5.80)	6891.68 (7.03)	45411.41 (46.34)	97989.70 (100.0)
2007-08	46262.81 (37.94)	9955.28 (8.16)	8186.59 (6.71)	57527.02 (47.18)	121931.70 (100.0)
2008-09	59483.55 (38.00)	11524.39 (7.36)	14139.08 (9.03)	71384.84 (45.60)	156531.86 (100.0)
2009-10	71693.89 (40.51)	13063.64 (7.38)	14760.46 (8.34)	77452.17 (43.77)	176970.16 (100.0)
2010-11	87002.13 (43.12)	14660.98 (7.27)	16053.06 (7.96)	84039.09 (41.65)	201755.26 (100.0)
2011-12	98568.74 (43.10)	17918.31 (7.83)	16005.68 (7.00)	96224.60 (42.07)	228717.33 (100.0)
Growth in 2011-12	56.61	18.57	14.96	16.77	24.04

Over 1991-92 (times)					
CAGR (%) 1991-92 To 2011-12	17.2	15.7	14.5	15.1	17.2

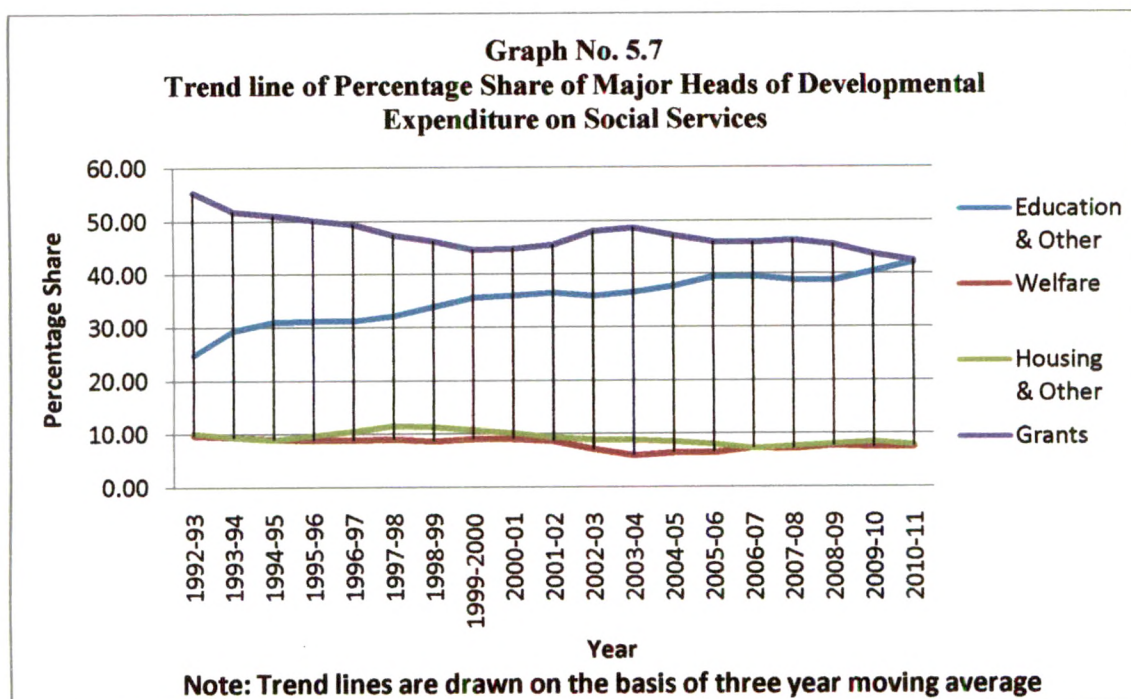
- Note: 1. Data for 2010-11 are revised estimates and data for 2011-12 are budget estimates.
2. Figures in bracket indicate share of the particular items to total expenditure on social services.
3. CAGR: Compound Annual Growth Rate
4. ERC & PH= Education, Research, Culture & Public Health; Welfare= Social Security and Family welfare; HUBLI= Housing, Urban Development, Broadcasting, Labour & Employment, Information & Publicity.

Source: 1. Indian Public Finance Statistics, 1998-99, 2004-05, 2011-12, Ministry of Finance, Government of India, New Delhi.

The Table No. 5.5 shows the trends of expenditure on major heads of social services during the period under study. The broad conclusions are-

- (i) The role of education, research and public health in development has been recognised ever since the days of Plato. Major contribution to the discussion on the relationship between education and economic development was made first by Adam Smith, who emphasized that the most valuable of all capital is that invested in human being. Expenditure on these items helps in increasing productivity of the nation. The importance a country gives to its educational programme is reflected on the amount the government spends on this head. The expenditure on education, scientific services and research, art and culture and public health of the central government has increased more than 56 times during the period between 1991-92 and 2011-12. It was Rs. 1741.09 crore in 1991-92 and increased to Rs. 98568.74 crore in 2011-12. The relative importance of this item of expenditure increased from 18.30 per cent in 1991-92 to 43.10 per cent in 2011-12. Trend line of

percentage share of major heads of developmental expenditure (revenue) on social services is shown in graph no. 5.7 with the help of three year moving average method. The CAGR of it was 17.2 per cent. The impact of this increased expenditure on these items is reflected into increase in the literacy rate and life expectancy and reduce the infant mortality rate.



- (ii) More recently the share of social sector expenditure in expenditure of the central government has shown an increase. However, relative share of family welfare and social security decreased from 10.15 per cent in 1991-92 to 7.83 per cent in 2011-12. Expenditure of central government on these items was Rs. 965.14 crore in 1991-92 and increased to Rs. 17918.31 crore in 2011-12. The CAGR of these items was 15.7 per cent.
- (iii) Expenditure of the central government on housing, urban development, broadcasting, labour and employment, information and publicity was Rs. 1069.67 crore in 1991-92 and increased to Rs. 16005.68 crore in 2011-12. As compared to the growth rate of urbanisation, expenditure on these items is less during reform

period. The compound annual growth rate of these items during the period under study was 14.5 per cent. The relative share of these items in total social sector expenditure decreased from 11.24 per cent in 1991-92 to 7.00 per cent in 2011-12.

- (iv). Public expenditure of the central and state governments on social services is undertaken to ensure a basic minimum to those who are not in a position to fend for themselves. It is meant for improving the physical quality of life of the people. During the post reform period, developmental social expenditure of the central government has increased tremendously during the period under study. Grants are also given to the states and UTs for some specific purposes such as meeting the natural calamities, rural water supply scheme, gainful employment in rural areas, welfare of backward classes and special central assistance to scheduled casts, etc. Central governments's grants to states and UTs has increased by about 17 times. It's annual compound growth rate has been about 15 per cent. It's relative share in total social services expenditure decreased from 60.31 per cent in 1991-92 to 42.07 per cent in 2011-12. Expenditure of central government on this item was Rs. 5737.28 crore in 1991-92 to Rs. 96224.60 crore in 2011-12. Trends in major heads of developmental expenditure on social services are shown in graph no. 5.8.



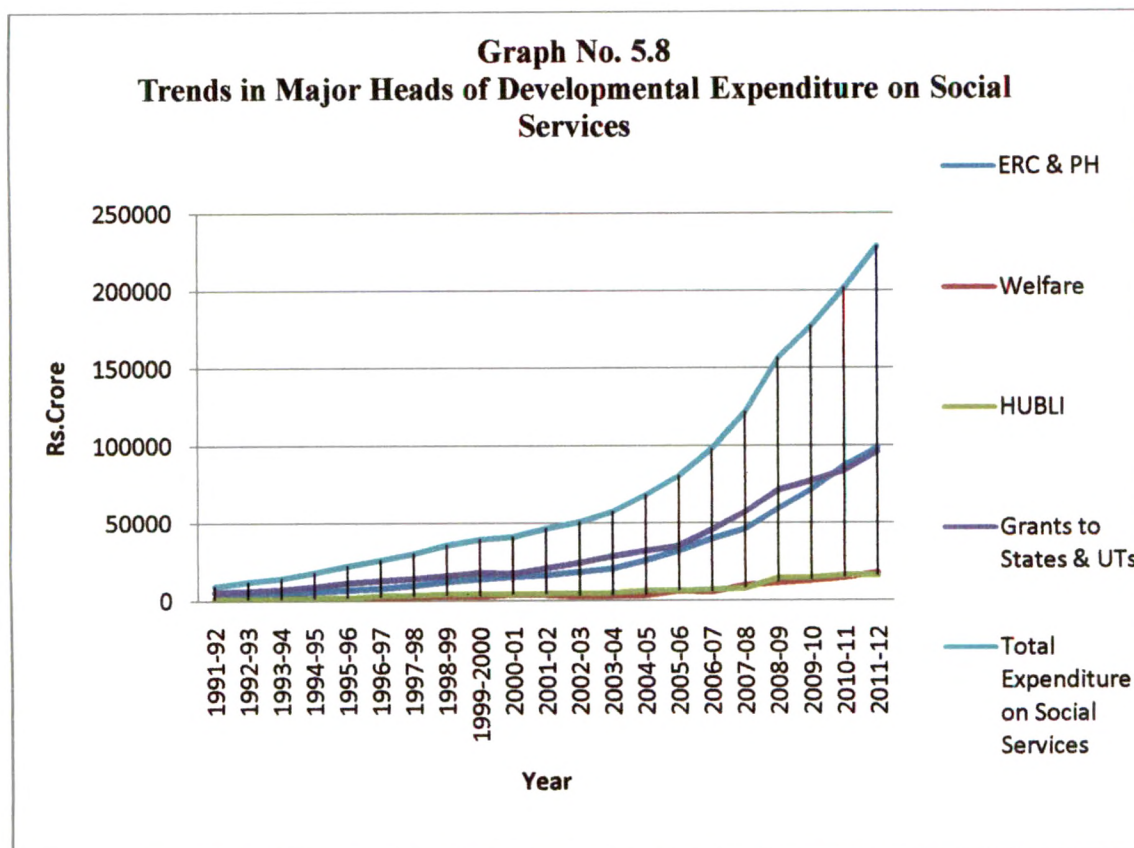


Table No. 5.6

**Mean, Standard Deviation and Coefficient of Variation of Relative Share of Major Heads of Developmental Expenditure on Social Services**  
(per cent)

Statistical Techniques	ERC & PH	Welfare	HUBLI	Grants to States & UTs
Arithmetic Mean	35.06	8.10	9.20	47.63
Standard Deviation	5.71	1.40	1.48	4.26
Coefficient of Variation	16.0	17.0	16.0	9.0

Source: Computed by the researcher

Table No. 5.6 shows arithmetic mean, standard deviation and coefficient of variation of relative share of major heads of developmental expenditure on social services of central government of India. The data shows following observations:

- (i) The arithmetic mean of relative share of developmental expenditure on grants to states and union territories has shown highest value of



47.63 per cent as compared to mean of relative share of developmental expenditure on education, research, culture and public health (mean was 35.06 per cent), housing, urban development, broadcasting, labour, information and publicity (mean was 9.20 per cent) and welfare (mean was 8.10 per cent). It implies that central government is spending more on grants to states and union territories for developmental expenditure on social services.

- (ii) Standard deviation shows higher variations in relative share of expenditure on education, research, culture and public health (5.71 per cent) than relative share of expenditure on other heads of developmental expenditure on social services. It also shows higher variations in relative share of expenditure on grants to states (4.26 per cent).
- (iii) Coefficient of variation of relative share of grants to states shows lower value of 9.0 per cent as compared to relative share of other developmental expenditure on social services indicating lowest variations in grants to states

The above analysis shows that expenditure of the central government on education and public health has increased substantially. However, in case of public expenditure on social sectors in India, 4.5 per cent of GDP on education and less than 2 per cent of GDP on health is less as compared to the size and nature of population of the country.

#### **5.4 MAJOR HEADS OF DEVELOPMENTAL EXPENDITURE (REVENUE) ON ECONOMIC SERVICES:**

As earlier said that developmental revenue expenditure comprises expenditure on social services and expenditure on economic services. In recent years, expenditure of the central government on economic services is given highest importance under the developmental revenue expenditure. The important heads of expenditure under the economic services are – (i)

agriculture and allied services - This includes fertiliser subsidy and power, irrigation and flood control (ii) industry and minerals, (iii) transport and communications, and (iv) general economic services. Now we will examine how the increasing developmental revenue expenditure on economic services has been distributed among the above heads of economic services and what is the change regarding their relative share in the total developmental revenue expenditure on economic services during the period under study. Table No. 5.7 depicts major heads of developmental expenditure on economic services (revenue expenditure).

Table No. 5.7

**Major Heads of Developmental Expenditure (Revenue ) on Economic Services**

(Rs. Crore)

Year	Agri. & Allied Services	Industry & Minerals	Transport & Communication	General Economic Services	Total Expenditure on Economic Services
1991-92	14201.02 (72.54)	1525.78 (7.79)	1131.67 (5.78)	2718.15 (13.88)	19576.62 (100.0)
1992-93	14635.36 (73.70)	1683.90 (8.48)	1325.00 (6.67)	2213.64 (11.15)	19857.90 (100.0)
1993-94	15894.51 (76.08)	1718.54 (8.23)	1548.95 (7.41)	1730.81 (8.28)	20892.81 (100.0)
1994-95	17769.32 (79.33)	1613.37 (7.20)	1699.02 (7.59)	1317.74 (5.88)	22399.45 (100.0)
1995-96	15488.52 (77.81)	1819.15 (9.14)	1809.04 (9.09)	790.04 (3.97)	19906.75 (100.0)
1996-97	15534.36 (71.88)	3083.90 (14.27)	1991.87 (9.22)	1000.07 (4.63)	21610.20 (100.0)
1997-98	18550.87 (76.22)	2218.75 (9.12)	2433.26 (10.00)	1135.26 (4.66)	24338.14 (100.0)
1998-99	21095.48	2564.29	2992.15	1394.32	28046.24

	(75.22)	(9.14)	(10.67)	(4.97)	(100.0)
99-2000	23696.61	3788.45	5066.98	1165.08	33717.12
	(70.28)	(11.24)	(15.03)	(3.46)	(100.0)
2000-01	24111.86	3319.51	10414.16	1513.74	39359.27
	(61.26)	(8.43)	(26.46)	(3.85)	(100.0)
2001-02	25516.9	3843.12	12752.94	679.35	42792.31
	(59.63)	(8.98)	(29.80)	(1.59)	(100.0)
2002-03	29484.41	10973.43	12688.25	1514.37	54660.46
	(53.94)	(20.08)	(23.21)	(2.77)	(100.0)
2003-04	31072.25	15910.73	12853.28	2050.14	61886.40
	(50.21)	(25.71)	(20.77)	(3.31)	(100.0)
2004-05	34187.44	8223.02	12167.19	2138.65	56716.30
	(60.28)	(14.50)	(21.45)	(3.77)	(100.0)
2005-06	46496.49	8853.45	16907.32	2547.50	74804.76
	(62.16)	(11.84)	(22.60)	(3.41)	(100.0)
2006-07	62221.84	10966.51	22040.98	3264.99	98494.32
	(63.17)	(11.13)	(22.38)	(3.31)	(100.0)
2007-08	82073.35	7209.89	23834.06	4122.20	117239.53
	(70.00)	(6.15)	(20.33)	(3.52)	(100.0)
2008-09	149493.71	15323.56	26271.96	5375.17	196464.37
	(76.09)	(7.80)	(13.37)	(2.74)	(100.0)
2009-10	131698.62	26108.59	35922.02	4850.07	198579.26
	(66.32)	(13.15)	(18.09)	(2.44)	(100.0)
2010-11	145355.01	54987.29	46043.10	28269.10	274654.49
	(52.92)	(20.02)	(16.76)	(10.29)	(100.0)
2011-12	142412.93	38850.17	44828.99	31634.91	257727.00
	(55.26)	(15.07)	(17.39)	(12.27)	(100.0)
Growth in 2011-12 Over 1991-92	10.03	25.46	39.61	11.64	16.72

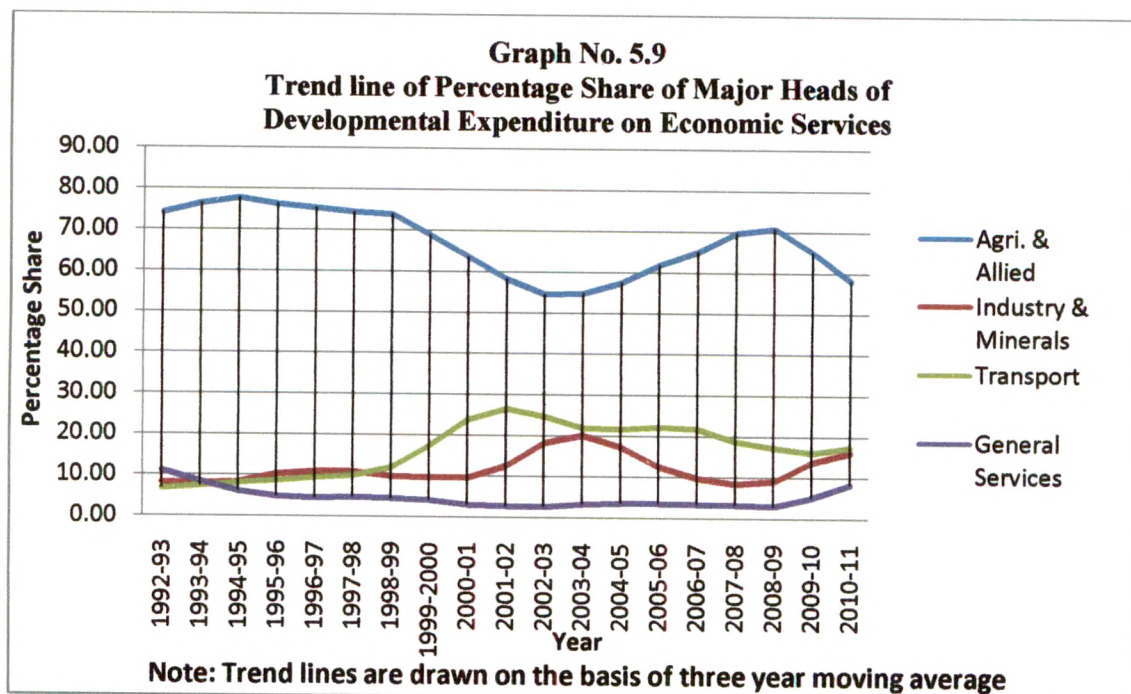
(times)					
CAGR (%)					
1991-92 To 2011-12	13.8	17.6	20.2	13.1	15.1

- Note:
1. Data for 2010-11 are revised estimates and data for 2011-12 are budget estimates.
  2. Figures in bracket indicate share of the particular items to total expenditure on economic services.
  3. CAGR: Compound Annual Growth Rate

Source: 1. Indian Public Finance Statistics, 1998-99, 2004-05, 2011-12, Ministry of Finance, Government of India, New Delhi.

Table No. 5.7 shows the growth of developmental revenue expenditure on major heads of economic services. The broad conclusions from the data are—

- (i) After independence, tremendous efforts were made to boost the economy through agriculture as one of the tool for the development. The data since 1991 shows that the agriculture and allied services, fertiliser subsidy has remained the head on which the highest proportion of developmental revenue expenditure on economic services has been spent. However, the share of expenditure on these items in total developmental revenue expenditure on economic services has decreased from 72.54 per cent in 1991-92 to 52.26 per cent in 2011-12. Trend line of percentage share of major heads of developmental expenditure (revenue) on economic services is shown in graph 5.9 with the help of three year moving average method. But the expenditure on these items has increased about 10 times during the period between 1991-92 and 2011-12. It was Rs. 14201.02 crore in 1991-92 and increased to Rs. 142412.93 crore in 2011-12. The compound annual growth rate of it was 13.8 per cent.



For sustained agriculture growth and to promote balanced nutrient application, it is imperative that fertilisers are made available to farmers at affordable prices. The amount of fertiliser subsidy provided by the central government during 1995-96 was Rs. 6235.00 crore in 1995-96, which has increased upto Rs. 49997.87 crore in 2011-12. It means that fertiliser subsidy has the important place (about 35 per cent share) in total developmental expenditure on agriculture and allied services.

- (ii) Industrialisation has a major role to play in the economic development of the underdeveloped economies. In the initial phase of planned development the public sector played a pioneering role but its principle weakness was its extremely poor performance. So, after new industrial policy of July 1991, the role of the public and private sector was reviewed. Under the head of expenditure on economic services, the expenditure of the central government on industry and minerals was Rs. 1525.78 crore in 1991-92 and reached to Rs. 38850.17 crore in 2011-12, representing more than 25 times increase over the period under study. The data shows that the expenditure on these items from 1991-92 to 2011-12 is up and

down trend. The compound annual growth rate of developmental revenue expenditure on industry and minerals during the period under study was 17.6 per cent. The relative share of expenditure on these items in total developmental expenditure on economic services increased from 7.79 per cent in 1991-92 to 15.07 per cent in 2011-12. It means that the government has given so much attention on these items because of importance of industry in economic development of the country.

- (iii) In Indian planning high priority was given to the development of infrastructure. A huge amount of fund was allocated in different plans for building various infrastructure facilities. The development of transport, especially road transport is one of the most important and dynamic sectors in the global economy. Development of roads, bridges, civil aviation, ports, lighthouses and shipping and communication brings multiple socio-economic benefits to the country. The quickly visible benefits are increased mobility, increased productivity, saving in cost of transportation and communication and speedier flow of commodities. It means that it is the most important sector for the economic development of the country.

Thus, after the new economic reforms, central government has given more importance to the development of transport and communication. The data shows that the relative share of the expenditure on these items in total developmental expenditure on economic services has increased from 5.78 per cent in 1991-92 to 17.39 per cent in 2011-12. The expenditure of the central government on these items has increased about 40 times during the period between 1991-92 and 2011-12. It was Rs. 1131.67 crore in 1991-92 and increased to Rs. 44828.99 crore in 2011-12. The compound annual growth rate of it was 20.2 per cent.



- (iv) Expenditure on general economic services of the central government includes expenditure on foreign trade and export promotion, co-operation, secretariat economic services, etc. The expenditure on these items in 1991-92 was Rs. 2718.15 crore and increased to Rs. 31634.91 crore in 2011-12, representing 11.64 times increase over period under study. The relative share of expenditure on general economic services declined and reached to the lowest level of 2.44 per cent during 2009-10 from 13.88 per cent during 1991-92, but thereafter it has been showing a positive trend upto 12.27 per cent in 2011-12. The CAGR of these items during the period under study was 13.1 per cent. Over the period the expenditure on these items shows increasing trend. Trends in major heads of developmental expenditure on economic services are shown in graph 5.10.

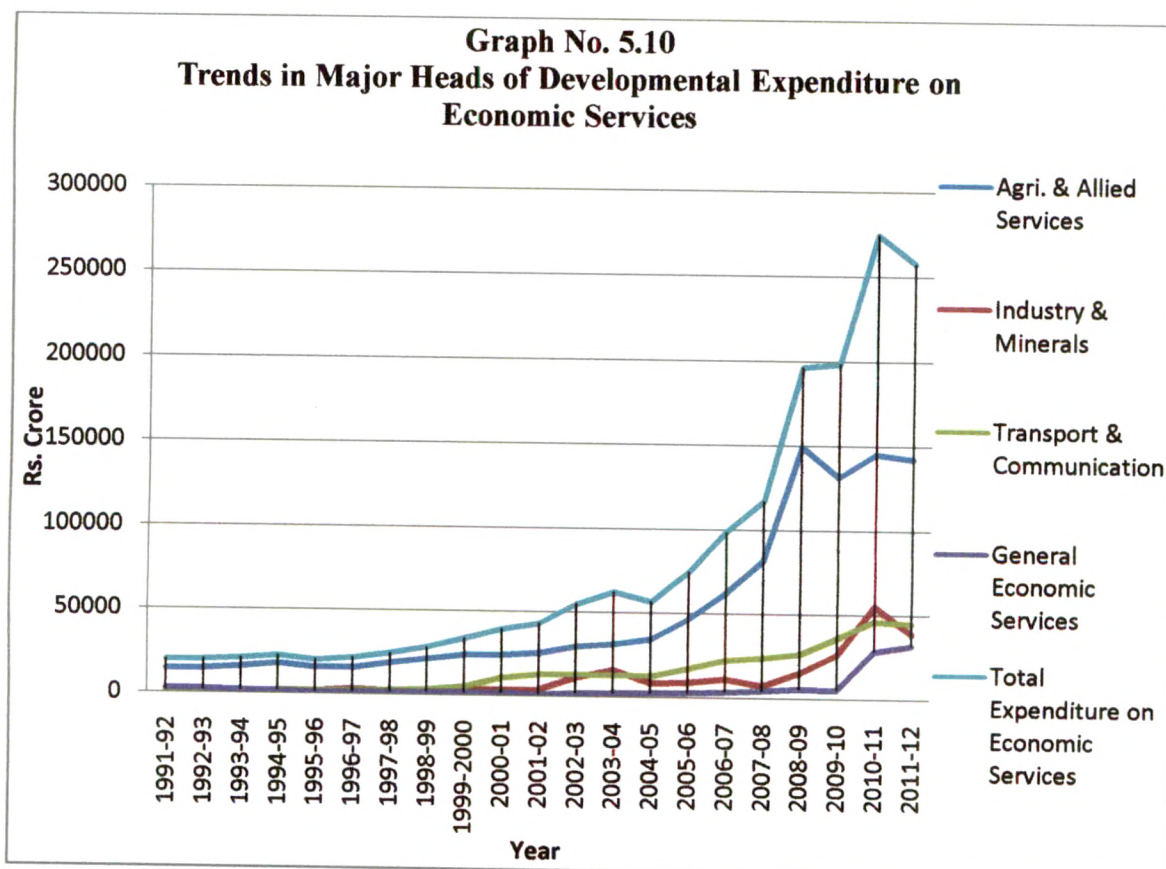


Table No. 5.8 depicts mean, standard deviation and coefficient of variation of major heads of developmental expenditure on economic services.



Table No. 5.8

**Mean, Standard Deviation and Coefficient of Variation of Relative Share of Major Heads of Developmental Expenditure on Economic Services (per cent)**

<b>Statistical Techniques</b>	<b>Agri. &amp; Allied Services</b>	<b>Industry &amp; Minerals</b>	<b>Transport &amp; Communication</b>	<b>General Economic Services</b>
Arithmetic Mean	66.87	11.78	15.91	5.44
Standard Deviation	8.90	4.90	6.95	3.45
Coefficient of Variation	13.0	41.0	43.0	63.0

Source: Computed by the researcher

Table No. 5.8 shows arithmetic mean, standard deviation and coefficient of variation of relative share of major heads of developmental expenditure on economic services of central government of India. The data shows following observations:

- (i) The arithmetic mean of relative share of developmental expenditure on agriculture and allied services has shown highest value of 66.87 per cent as compared to mean of relative share of developmental expenditure on industry and minerals (mean was 11.78 per cent), transport and communication (mean was 15.91 per cent), and general economic services (mean was 5.44 per cent). It implies that expenditure on agriculture and allied services is a major component of total developmental expenditure on economic services.
- (ii) However, standard deviation shows higher variation in relative share of expenditure on agriculture and allied services (8.90 per cent) than expenditure on industry and minerals (4.90 per cent), transport and communications (6.95 per cent) and general economic services (3.45 per cent) during the period under study.

- (iii) Coefficient of variation of relative share of developmental expenditure on agriculture and allied services shows lower value of 13 per cent indicating lowest variations as compared to relative share of other developmental expenditure on economic services.

### 5.5 MAJOR HEADS OF NON-DEVELOPMENTAL EXPENDITURE (REVENUE) OF INDIA:

The another expenditure which has nothing to do with any developmental activities, is classified as non-developmental expenditure. Non-developmental expenditure consists of expenditure on interest payments, defence services, administrative services, pension and other retirement benefits, fiscal services etc. This type of expenditure does not help to raise the national income. As observed that the share of non-developmental revenue expenditure was more than developmental revenue expenditure of the centre and has remained 50 - 60 per cent. There has been a large increase in the non-developmental expenditure of the central government during the period between 1991-92 to 2011-12. Table No. 5.9 depicts the major heads of non-developmental expenditure (revenue) of government of India.

Table No. 5.9

#### Major Heads of Non-developmental Expenditure (Revenue ) of Government of India

(Rs. Crore)

Year	Interest Payments	Defence Services	Admini- stration	Pension & other	Others	Total Non- developmental Expenditure
1991-92	27681.36 (55.64)	11940.55 (24.00)	5318.01 (10.69)	2515.38 (5.06)	2297.72 (4.62)	49753.02 (100.0)
1992-93	32668.72 (57.48)	13615.66 (23.96)	6247.90 (10.99)	2993.43 (5.27)	1311.92 (2.31)	56837.63 (100.0)
1993-94	37662.79 (54.45)	15055.36 (21.77)	7018.03 (10.15)	3413.09 (4.93)	6019.16 (8.70)	69168.43 (100.0)
1994-95	42813.41	17013.18	8143.25	3867.97	8090.64	79928.45

	(53.56)	(21.29)	(10.19)	(4.84)	(10.12)	(100.0)
1995-96	50045.03	18841.17	9184.69	4287.95	9658.70	92017.54
	(54.39)	(20.48)	(9.98)	(4.66)	(10.50)	(100.0)
1996-97	59478.41	20996.70	10267.34	5094.20	9678.73	105515.38
	(56.37)	(19.90)	(9.73)	(4.83)	(9.17)	(100.0)
1997-98	65637.27	26174.57	12386.07	6881.20	10970.69	122049.80
	(53.78)	(21.45)	(10.15)	(5.64)	(8.99)	(100.0)
1998-99	77882.38	29861.64	14190.47	10056.78	16859.10	148850.37
	(52.32)	(20.06)	(9.53)	(6.76)	(11.33)	(100.0)
99-2000	90249.32	35215.94	16044.10	14285.92	15914.68	171709.96
	(52.56)	(20.51)	(9.34)	(8.32)	(9.27)	(100.0)
2000-01	99314.21	37237.99	18034.34	14219.88	16860.93	185667.37
	(53.49)	(20.06)	(9.71)	(7.66)	(9.08)	(100.0)
2001-02	107460.24	38058.83	18540.81	11555.08	24054.13	199669.09
	(53.82)	(19.06)	(9.29)	(5.79)	(12.05)	(100.0)
2002-03	117803.67	40708.98	19825.32	12196.10	33439.87	223973.94
	(52.60)	(18.18)	(8.85)	(5.45)	(14.93)	(100.0)
2003-04	124087.82	43203.19	21364.88	13605.22	30417.85	232678.96
	(53.33)	(18.57)	(9.18)	(5.85)	(13.07)	(100.0)
2004-05	126933.67	43862.11	23702.45	18300.14	33119.32	245917.69
	(51.62)	(17.84)	(9.64)	(7.44)	(13.47)	(100.0)
2005-06	132630.50	48211.11	25494.95	20255.45	33459.55	260051.56
	(51.00)	(18.54)	(9.80)	(7.79)	(12.87)	(100.0)
2006-07	150271.62	51681.36	26893.28	22103.75	38425.14	289375.15
	(51.93)	(17.86)	(9.29)	(7.64)	(13.28)	(100.0)
2007-08	169179.24	54219.32	28178.78	24261.00	52284.54	328122.88
	(51.56)	(16.52)	(8.59)	(7.39)	(15.93)	(100.0)
2008-09	192204.46	73304.80	39359.09	32940.55	72529.45	410338.35
	(46.84)	(17.86)	(9.59)	(8.03)	(17.68)	(100.0)
2009-10	213093.47	90668.72	49481.68	56148.63	90833.63	500226.13
	(42.60)	(18.13)	(9.89)	(11.22)	(18.16)	(100.0)
2010-11	240756.75	90748.43	52763.48	53261.79	102391.28	539921.73
	(44.59)	(16.81)	(9.77)	(9.86)	(18.96)	(100.0)

2011-12	267986.17 (48.11)	95216.68 (17.09)	55254.64 (9.92)	54520.98 (9.79)	84022.01 (15.08)	557000.48 (100.0)
Growth in 2011-12 Over 1991-92 (times)	9.68	7.97	10.39	21.68	11.20	11.20
CAGR (%) 1991-92 To 2011-12	12.8	10.9	12.4	16.6	12.8	12.8

Note: 1. Data for 2010-11 are revised estimates and data for 2011-12 are budget estimates.

2. Figures in bracket indicate share of the particular items to total non-developmental expenditure.

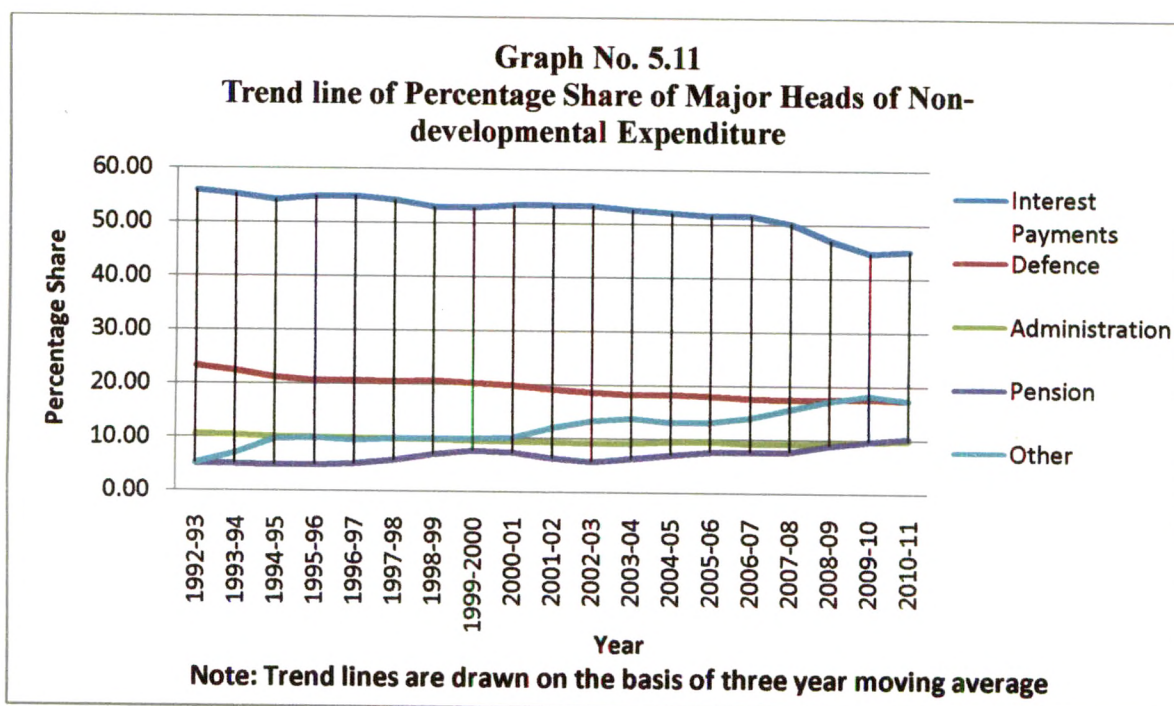
3. CAGR: Compound Annual Growth Rate

Source: 1. Indian Public Finance Statistics, 1998-99, 2004-05, 2011-12, Ministry of Finance, Government of India, New Delhi.

The Table No. 5.9 shows the trends of expenditure on major heads of non-developmental expenditure (revenue) during the period under study. The broad conclusions are –

- (i) The expenditure on interest payments of the central government consists of interest payment on loans from the internal and external debt, interest payment on small savings, provident funds and other, etc. It is observed that the expenditure on interest payments and servicing of debt is a large part of expenditure to non-developmental expenditure (revenue) of the central government. The relative share of non-developmental expenditure on interest payments decreased from 55.64 per cent in 1991-92 to 48.11 per cent in 2011-12. Trend line of percentage share of major heads of non-developmental expenditure (revenue) of government of India is shown in graph 5.11 with the help of three year moving average method. The expenditure on it has increased more than 9 times during the period between 1991-92 and 2011-12. It was Rs.

27681.36 crore in 1991-92 and increased to Rs. 267986.17 crore in 2011-12. The CAGR of it was 12.8 per cent. It means that the expenditure on interest payments is major component of non-developmental revenue expenditure of the central government. The adverse effects of increase in interest payments are significantly stronger in India. Social expenditures and capital expenditures are more sensitive in India, mainly because they are more severely affected by increase in interest payments.



- (ii) While presenting the Union Budget 2013-14 to Parliament on 28 February, the Finance Minister hiked the defence allocation by 5.3 per cent to Rs. 203672.10 crore.<sup>2</sup> This is not the first time that the defence budget has been subject to a modest growth. It is said that the defence expenditure has many growth-promoting aspects. There are the short-term 'multiplier' effects of expenditure. It is widely acknowledged that many defence projects accelerated the development of technologies that then had direct or indirect non-military applications.

The data shows that the expenditure of the central government services has increased more than 7.97 times during the period between 1991-92 and 2011-12. It was Rs. 11940.55 crore in 1991-92 and increased to Rs. 95216.68 crore in 2011-12. The relative importance of this item of expenditure decreased from 24.00 per cent in 1991-92 to 17.09 per cent in 2011-12. The CAGR of it was 10.9 per cent. It means that the expenditure on this item shows increasing trend.

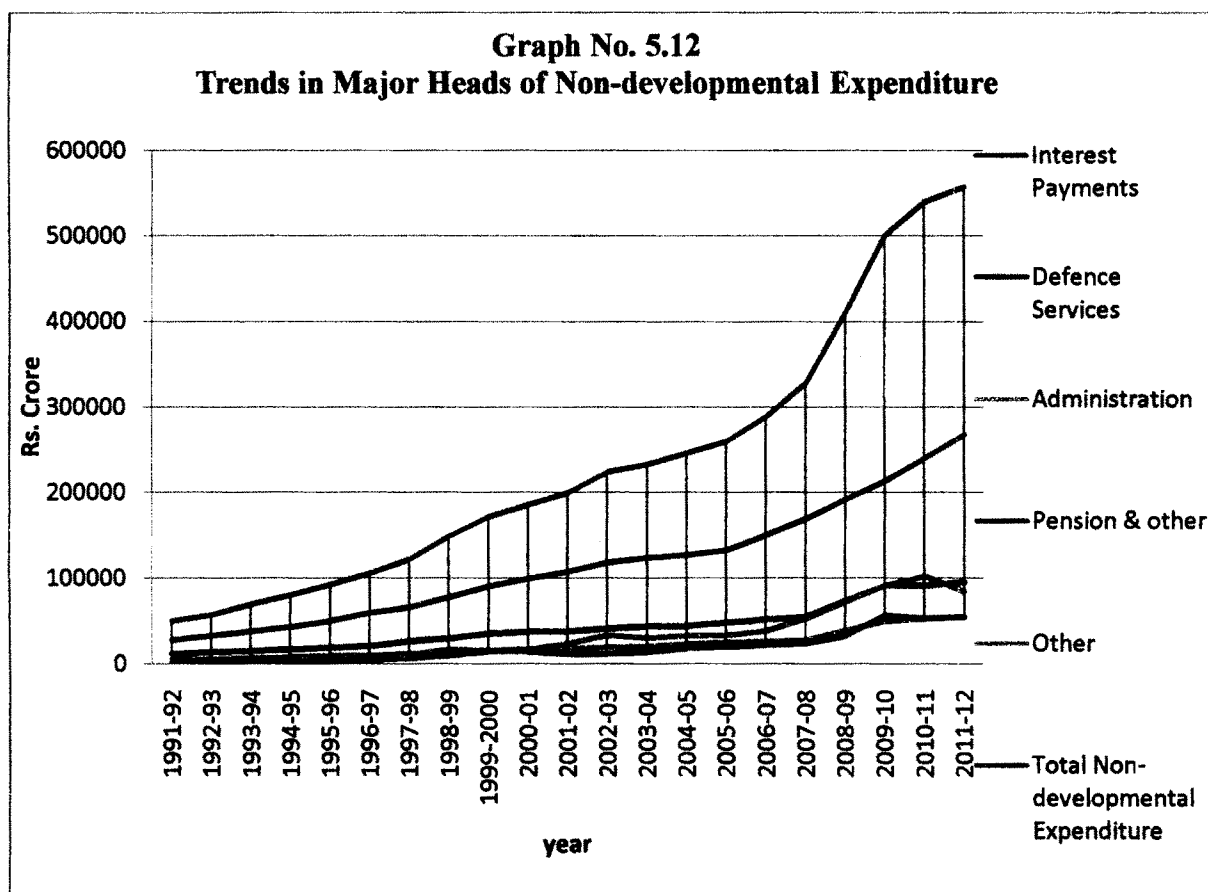
- (iii) The expenditure on administrative services means expenditure on police, stationary and printing, external affairs, etc. In our table data, it also includes expenditure on fiscal services (i.e. expenditure on tax collection charges, currency, coinage, etc) and expenditure on organs of state (i.e. expenditure on justic, elections, audit, etc.). The data shows that the expenditure on these items was Rs. 5318.01 crore in 1991-92 and increased to Rs. 55254.64 crore in 2011-12, representing 10.39 times increase over period under study. The expenditure on these items has been increasing during the period under study. The compound annual growth rate of these items was 12.4 per cent. The relative share of expenditure on these items to total non-developmental revenue expenditure of the central government was 10.69 per cent in 1991-92, which decreased to 9.92 per cent in 2011-12. The percentage share of these items over period is fluctuating.
- (iv) It is argued that under performance of provident fund schemes due to investment restrictions and financial difficulties in administering unfunded public pension programs have rendered the current system uneffective and unsustainable. Pension schemes of the central as well as various state governments are facing acute financial crisis due to lavish benefit provisions.<sup>3</sup> It means that the spiraling expenditure pattern of the non-contributory unfunded public

pension programs are putting increasing pressure on government's budgetary allocations.

Expenditure of the central government on these items was Rs. 2515.38 crore in 1991-92 and substantially increased to Rs. 54520.98 crore in 2011-12, representing 21.68 times increase over period under study. The compound annual growth rate of these items was 16.6 per cent. The relative share of expenditure on these items to total non-developmental revenue expenditure of the central government was 5.06 per cent in 1991-92, which increased to 9.79 per cent in 2011-12. In 2009-10, it was 11.22 per cent. The percentage share of these items over period is fluctuating.

- (v) Other non-developmental expenditure of the central government include expenditure on technical and economic co-operation with other countries, subsidy to Food Corporation of India (FCI), grants to union territories and social security and welfare, etc. The data shows that the expenditure of the central government on these items has increased more than 11 times during the period between 1991-92 and 2011-12. It was Rs. 2297.72 crore in 1991-92 and increased to Rs. 84022.01 crore in 2011-12. The relative importance of this item of expenditure increased from 4.62 per cent in 1991-92 to 15.08 per cent in 2011-12. The CAGR of it was 12.8 per cent. It means that the expenditure on these items shows increasing trend. Trends in major heads of non-developmental expenditure of the central government are shown in graph no. 5.12.





Following are the reasons of growth in non-developmental revenue expenditure of the central government:

1. The phenomenal increase in the expenditure of the central government on the interest payments (CAGR was 12.8 per cent) has taken place. It is unproductive expenditure of the government.
2. Committed expenditure is a major component of non-developmental revenue expenditure, comprising expenditure on interest payments, administrative services and pension. The central government has failed to curb these items expenditure over the years.
3. There has been enormous increase in defence expenditure in India during the period under study. The defence expenditure has increased tremendously due to modernisation of defence equipment used by army and airforce. Another important thing is that India's neighbouring countries are buying the latest defence equipments from developed

countries of the world (e.g. Pakistan is buying it from China and other countries). So, India cannot postpone modernisation in defence.

Table No. 5.10 depicts mean, standard deviation and coefficient of variation of major heads of non-developmental expenditure (revenue) of government of India.

Table No. 5.10

**Mean, Standard Deviation and Coefficient of Variation of  
Relative Share of Major Heads of Non-developmental Expenditure**  
(per cent)

Statistical Techniques	Interest Payments	Defence Services	Admini- stration	Pension	Other
Arithmetic Mean	52.00	19.52	9.73	6.87	11.88
Standard Deviation	3.61	2.07	0.54	1.84	4.11
Coefficient of Variation	6.0	10.0	5.0	26.0	34.0

Source: Computed by the researcher

Table No. 5.10 shows arithmetic mean, standard deviation and coefficient of variation of relative share of major heads of non-developmental expenditure of central government of India. The data shows following observations:

- (i) The arithmetic mean of relative share of non-developmental expenditure on interest payments has shown highest value of 52.00 per cent as compared to mean of relative share of non-developmental expenditure on defence services (mean was 19.52 per cent), administration (mean was 9.73 per cent), pensions (mean was 6.87 per cent) and other expenditure (mean was 11.88 per cent). It implies that interest payments is a major component of total non-developmental expenditure of central government.

- (ii) Standard deviation shows lesser variations in relative share of expenditure on administration (0.54 per cent) than relative expenditure on other heads of non-developmental expenditure of central government. It also shows more variations in relative share of expenditure on interest payments (3.61 per cent).
- (iii) Coefficient of variation of relative share of expenditure on administration shows lower value of 5.0 per cent indicating less variations as compared to relative share of expenditure on other non-developmental expenditure of the central government.

In conclusion, data reveals that the rise in total expenditure of the central government is mainly due to rapid increase in revenue expenditure, which has also resulted in increasing revenue account deficit. This has affect on developmental expenditure growth and capital expenditure growth. Secondly, non-developmental expenditure has been increasing considerably with every annual budget of the Government of India, which is a matter of concern, and it is a major component of total revenue expenditure. This has increased revenue account deficits in the annual budgets, which consequently has added to the inflationary pressure in India.

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