# C H A P T E R - III

## AN ANALYTICAL STUDY OF INDIAN ANNUAL BUDGETS

# CHAPTER-III

## AN ANALYTICAL STUDY OF INDIAN ANNUAL BUDGETS

### 3.1.1 INTRODUCTION :

This chapter is devided in two sections, Section A and Section B. Section A deals with interpretation of receipts of the Central Government and Section B deals with interpretation of expenditure of the Government. Percentage method has been applied for the interpretation of receipts and expenditure of the Government.

## SECTION-A

## RECEIPTS OF THE CENTRAL GOVERNMENT

### 3.1.2 Tax Revenue of Central Government :

The tax revenue of Central Government come from direct and indirect taxes. Direct taxes include income tax, corporation tax, wealth tax, gift tax, estate duties, interest tax, expenditure tax etc. While indirect taxes include central excise duties, custom duties and other commodity taxes. Other commodity taxes relate to sales tax, state excise duty, taxes on vehicles etc. of Union Territories, proceeds of Foreign Exchange Conservation [Travel] Tax, Foreign Travel Tax, Inland Air Travel Tax etc.

Table No.3.1.1

Share of Tax Revenue in Total Revenue
(Rs.in Crores)

| Year | Total Revenue | Total Tax Revenue | % of Total Tax Revenue to Total Revenue |
|---|---|---|---|
| 1985-86 | 42,740 | 19,230 [-] | 44.99% |
| 1986-87 | 49,210 | 22,700 [18.04] | 46.13% |
| 1987-88 | 57,260 | 27,710 [22.07] | 48.39% |
| 1988-89 | 66,000 | 31,890 [15.08] | 48.32% |
| 1989-90 | 74,820 | 38,390 [20.38] | 51.30% |
| 1990-91 | 93,969 | 42,978 [11.95] | 45.74% |
| 1991-92 | 1,06,070 | 50,006 [16.35] | 47.14% |
| 1992-93 | 1,13,698 | 56,456 [12.90] | 49.65% |
| 1993-94 | 1,27,009 | 62,739 [11.13] | 49.40% |

( Figures in bracket indicate percentage change over previous year)

Source : Compiled from

1 H.L.Bhatia-Public finance, Vikas Publishing house Private Limited,New Delhi(1993)P.No.636 and 637.

2 Datt and Sundharam-Indian Economy;S.Chand and Company Limited, New Delhi;Revised Editions of the Year 1985 to 1994.

3 The Daily Economic times Dated 28.2.1993 and 1.3.1994.

The above table shows that the revenue from taxes has increased from Rs. 19,230/- crores to Rs. 62,739/- crores during the period under study. [i.e. from 1985-86 to

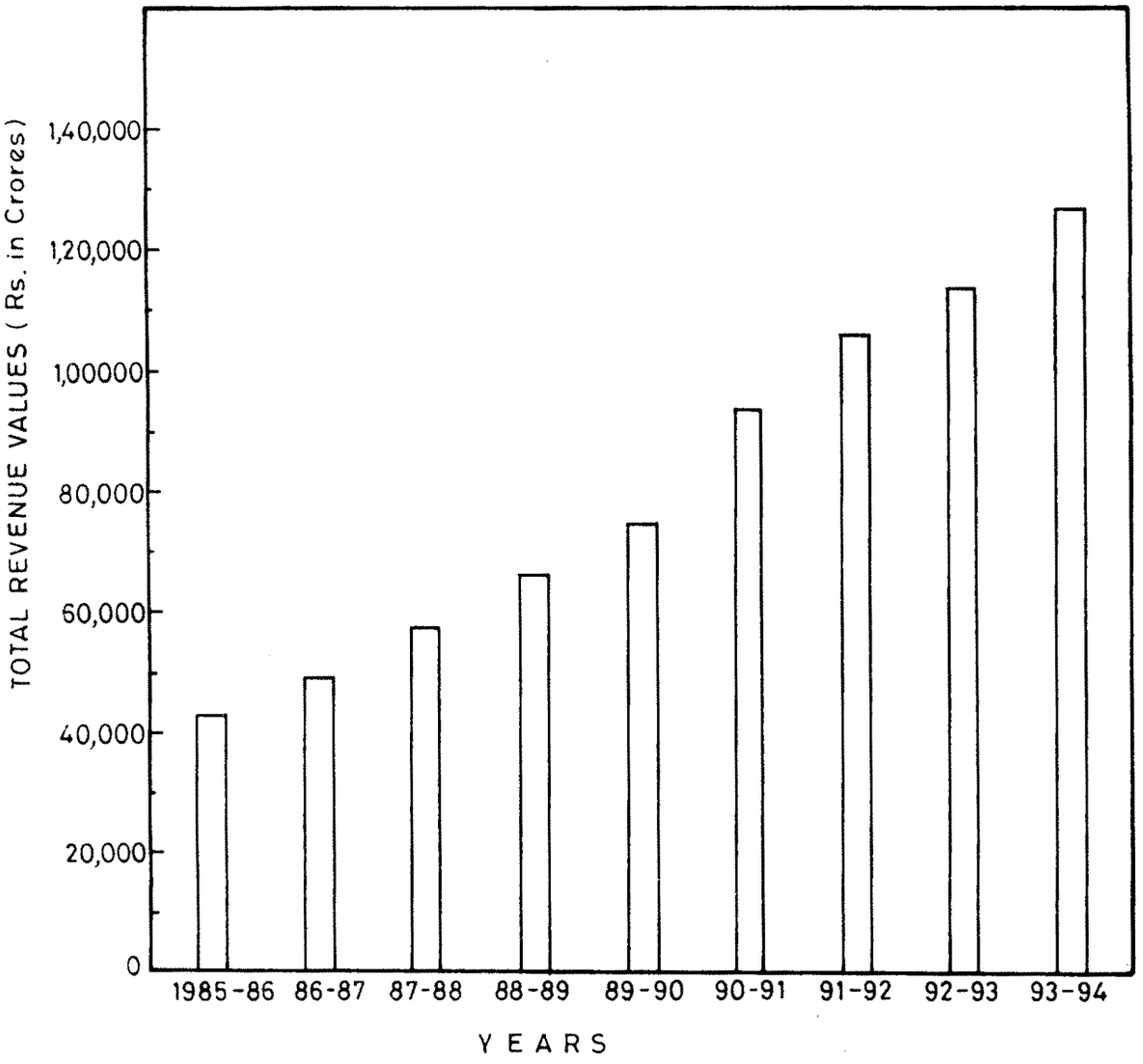


FIG. 1 – TOTAL REVENUE.

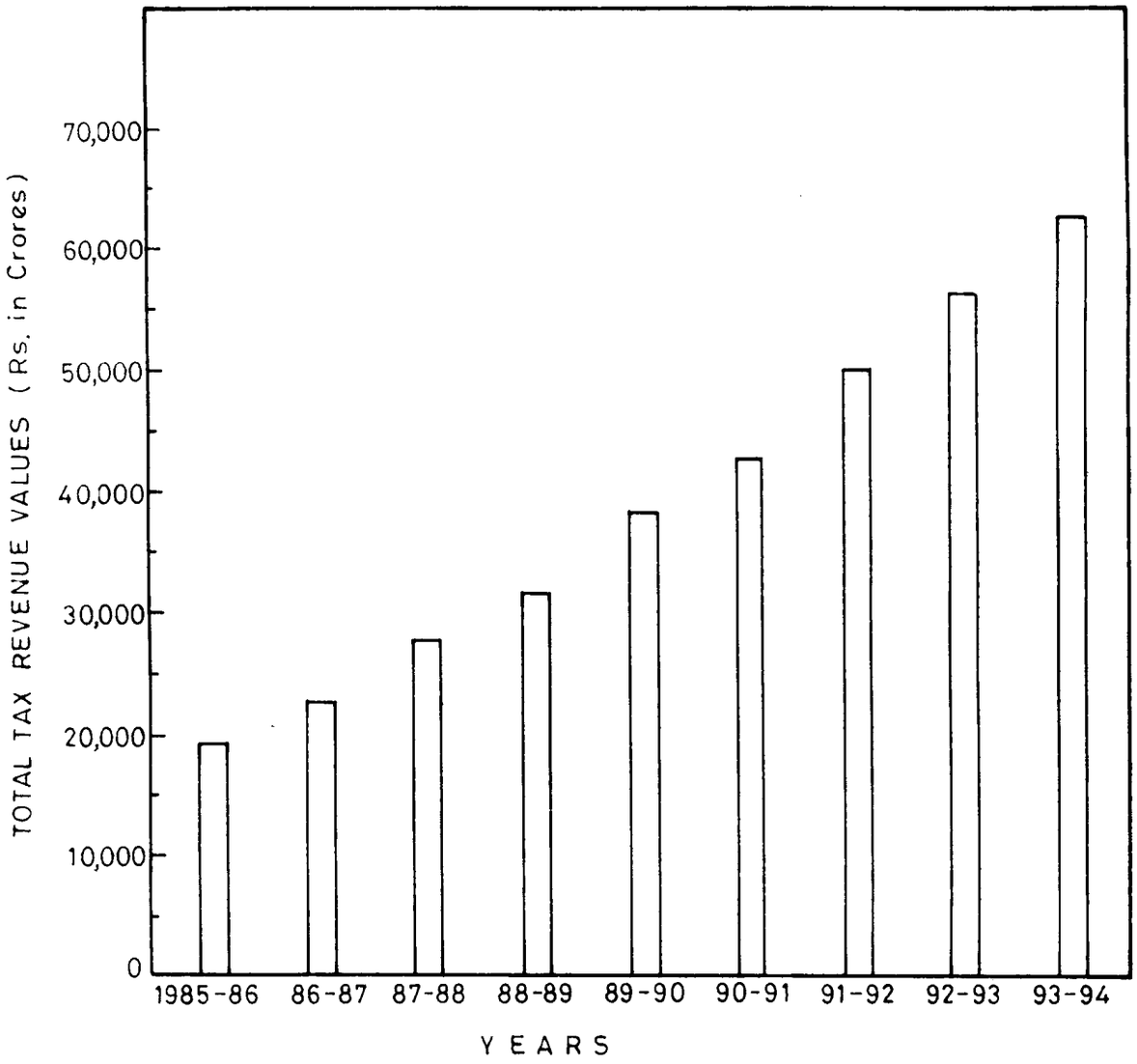


FIG. 2 – SHARE OF TAX REVENUE IN TOTAL REVENUE .

1993-1994]. It means that the total revenue from central taxes has increased by 226.26% during this period. It seems from the above table that the total tax revenue has increased to greater extent in the year 1987-88.

As shown in the above table No.3.1.1 there is increasing trend in the percentage share of total tax revenue of the Government to total revenue. The percentage share of tax revenue has increased by 44.99% to 51.30% during the period under study. In the year 1985-86 it has increased by 44.99% but in the year 1989-90 it has increased by 51.30%.

**3.1.3 Revenue From Income Tax :**

Personal income tax is levied on individuals by the Central Government and proceeds are shared between the Centre and the States according to recommendation of Finance Commission. It is based on principle of "ability to pay". The income tax is progressive that is the tax is not uniform but rises progressively with the rise in money income. The income tax is also elastic.

Table No.3.1.2

Share of Income Tax in Total Revenue

(Rs.in Crores)

| Year | Total Tax Revenue | Total Income Tax Revenue | State's Share in Income Tax | Net Income Tax Revenue | % of net Income Tax Revenue to Total Tax Revenue |
|---|---|---|---|---|---|
| 1985-86 | 19,230 | 1,760 [-] | 1,340 | 420 [-] | 2.18% |
| 1986-87 | 22,700 | 2,590 [47.16] | 2,020 | 570 [35.71] | 2.51% |
| 1987-88 | 27,710 | 2,845 [08.85] | 2,225 | 620 [08.77] | 2.24% |
| 1988-89 | 31,890 | 3,660 [28.65] | 2,770 | 890 [43.55] | 2.79% |
| 1989-90 | 38,390 | 4,260 [16.39] | 3,130 | 1,130 [26.97] | 2.94% |
| 1990-91 | 42,978 | 5,371 [26.08] | 4,121 | 1,250 [10.62] | 2.91% |
| 1991-92 | 50,006 | 8,788 [63.62] | 5,108 | 3,680 [94.4] | 7.36% |
| 1992-93 | 56,456 | 7,870 [10.45] | 5,869 | 2,001 [45.64] | 3.54% |
| 1993-94 | 62,739 | 9,500 [20.71] | 7,140 | 2,360 [17.94] | 3.78% |

[Figures in bracket indicate percentage change over previous year)

Source : Compiled from

1 H.L.Bhatia-Public Finace -Vikas Publishing House Private Limited, New Delhi, (1993) P.No.636 and 637.

2 Dutt and Sundharam-Indian Economy S.Cnand and Company Limited,New Delhi,Revised Editions of the years 1985 to 1994.

3 Daily The Ecomomic Times Dated 28.2.1993 and 1.3.1994.

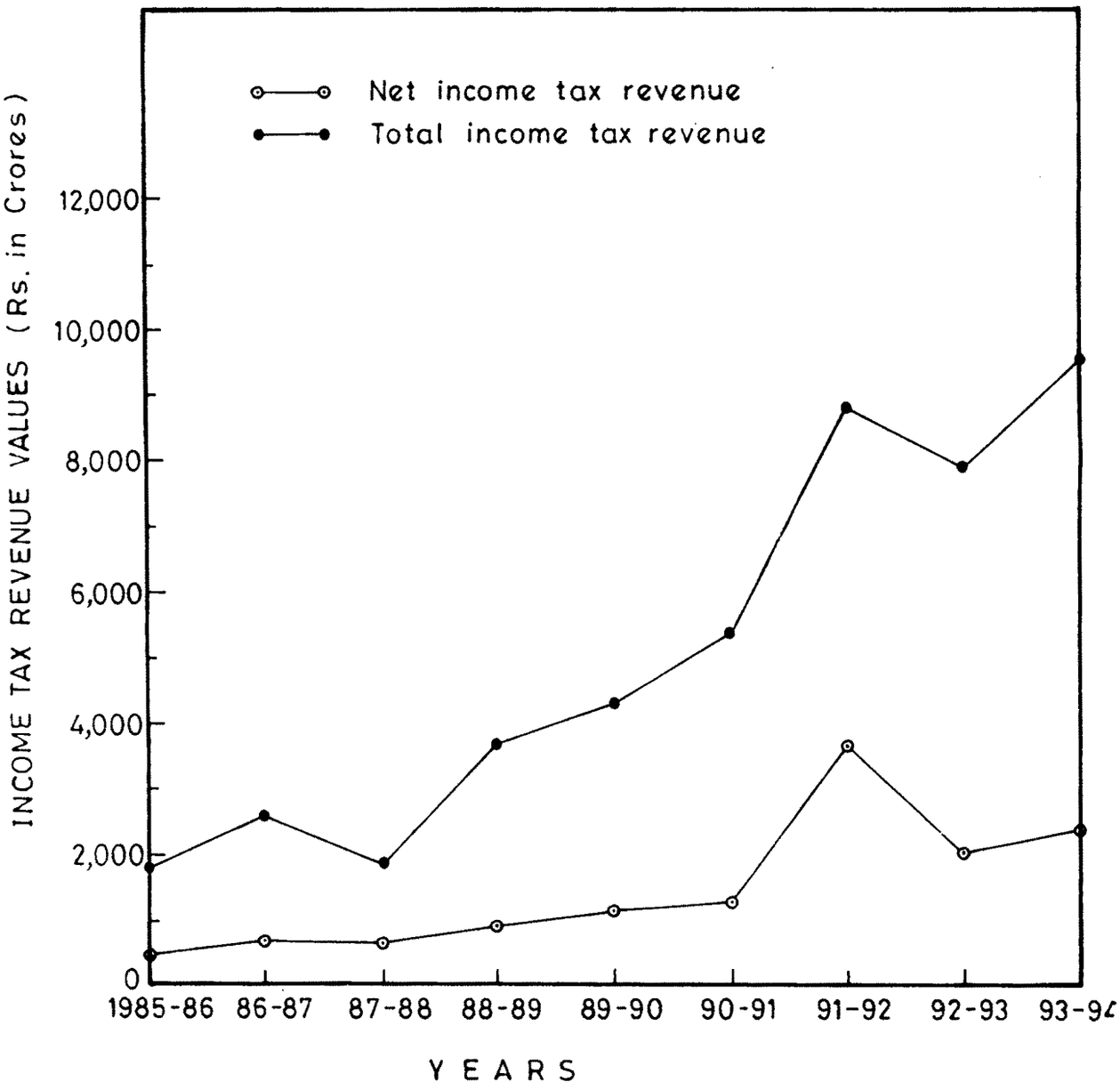


FIG. 3 – SHARE OF INCOME TAX IN TOTAL TAX REVENUE

The above table reveals two facts. First, even though the rate of income tax has been reduced and a high percentage of people have let out of the income tax, the volume of total revenue collected from personal income tax has been steadily increasing since 1985-86.

And Second fact is that, the Central Government shares the proceeds of the personal income tax with the states.

The above table No.3.1.2 shows that the revenue from income tax has increased from Rs. 1,760/- Crore to Rs. 9,500/- Crore during the period under study. It means that the total revenue from income tax has increased by 439.77% during this period. The total income tax revenue has increased to greater extent in the year 1991-92 and to smaller extent in the year 1992-93.

As shown in the above table No.3.1.2 there is increasing trend in percentage share of total income tax revenue of the Government to total tax revenue. The percentage share of net income tax revenue to that tax revenue has increased by 2.18% to 7.36% during the period under study. In the year 1985-86 it has increased by 2.18% but it has increased by 7.36% in the year 1991-92.

With more industrialisation and the consequent rise in income the amount of income collected from income tax also increases.

### 3.1.4 Revenue From Corporation Tax :

The corporation tax is a tax on revenue of the company. The Central Government has been imposing corporation tax on the profits of the large and small companies.

Table 3.1.3

Share of Corporation Tax in Total Tax Revenue

(Rs. in Crores)

| Year | Total Tax Revenue | Total Corporation Tax | % of Total Corporation Tax to Total Tax Revenue |
|---|---|---|---|
| 1985-86 | 19,230 | 3,050[-] | 15.86% |
| 1986-87 | 22,700 | 3,130 [2.62] | 13.79% |
| 1987-88 | 27,710 | 3,540 [13.10] | 12.78% |
| 1988-89 | 31,890 | 4,100 [15.82] | 12.86% |
| 1989-90 | 38,390 | 4,760 [06.10] | 12.40% |
| 1990-91 | 42,978 | 5,335 [20.08] | 12.41% |
| 1991-92 | 50,006 | 7,300 [36.83] | 14.60% |
| 1992-93 | 56,456 | 8,125 [11.30] | 14.39% |
| 1993-94 | 62,739 | 10,500 [29.23] | 16.74% |

Figures in bracket indicate percentage change over previous year

Source : Compiled from

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2 Datt and Sundharam -Indian Economy-S.Chand and Company Limited,New Delhi,Revised Editions of the years 1985 to 1994

3 Daily "The Economic Times" Dated 28.2.93 and 1.3.1994.

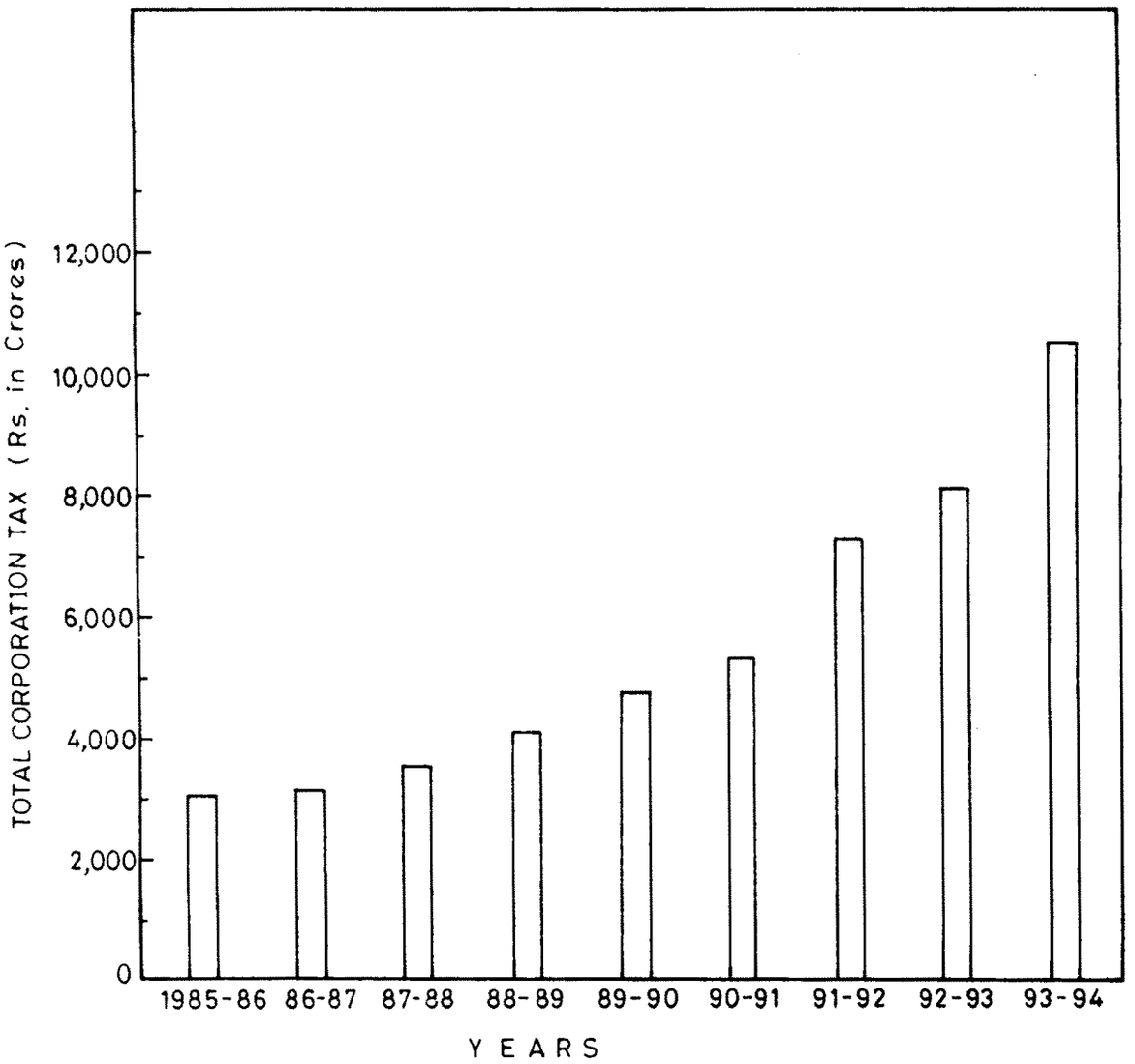


FIG. 4 – SHARE OF CORPORATION TAX IN TOTAL TAX REVENUE.

The above table shows that the revenue from corporation tax has increased from Rs. 3,050/- crore to Rs. 10,500/- Crore during the period under study. It means that the total revenue from corporation tax increased by 244.26% over during this period. The total corporation tax revenue has increased to greater extent in the year 1991-92 and it has increased to smaller extent in the year 1986-87.

As shown in the above table No.3.1.3 there is increasing trend in percentage share of total corporation tax of the Government to total tax revenue. The percentage share of corporation tax to total tax revenue has increased by 12.40% to 16.74% during the period under study. Initially it was 15.86% in the year 1985-86. In the year 1989-90 it has decreased upto 12.40% but it has increased by 16.74% in the year 1993-94.

**3.1.5 Revenue from Union Excise Duty :**

Union excise duties are levied on commodities which are produced witnin the country. But commodities on which State Governments impose excise duties are exempted from Central Excise Duty. Sugar, Cotton, Mill Cloth, Tobacco, Moter Spirit, Matches, Cement etc., are the goods which yield most by way of exceise duties.

Table 3.1.4

Share of Revenue from Union Excise Duty in Total Tax Revenue

(Rs.in Crores)

| Year | Total Revenue | Revenue from Union Excise Duty | State's Share in Union Excise Duty | Net Revenue from Union Excise Duty | % of Revenue From Union Excise Duty to Total Tax Revenue |
|---|---|---|---|---|---|
| 1985-86 | 19,230 | 12,310 [-] | 5,370 | 6,940 [-] | 36.09% |
| 1986-87 | 22,700 | 14,140 [18.87] | 6,230 | 7,910 [13.98] | 34.85% |
| 1987-88 | 27,710 | 16,830 [19.02] | 6,970 | 9,860 [24.65] | 35.58% |
| 1988-89 | 31,890 | 18,170 [07.96] | 7,890 | 10,280 [04.26] | 32.24% |
| 1989-90 | 38,390 | 22,700 [24.93] | 9,310 | 13,390 [30.25] | 34.88% |
| 1990-91 | 42,978 | 24,515 [07.96] | 10,414 | 14,101 [05.31] | 32.81% |
| 1991-92 | 50,006 | 27,696 [12.98] | 12,093 | 15,603 [01.65] | 31.20% |
| 1992-93 | 56,456 | 32,211 [16.30] | 14,123 | 18,088 [15.93] | 32.04% |
| 1993-94 | 62,739 | 33,750 [04.78] | 14,910 | 18,840 [04.16] | 30,03% |

[Figures in bracket indicate percentage change over previous Year]

Source : Compiled from

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2 Datt and Sundharam-Indian Economy-S.Chand and company Limited,New Delhi,Reviseed Editions of the years 1985 to 1994.

3 Daily "The Economic Times Dated 28.2.93 & 1.3.94

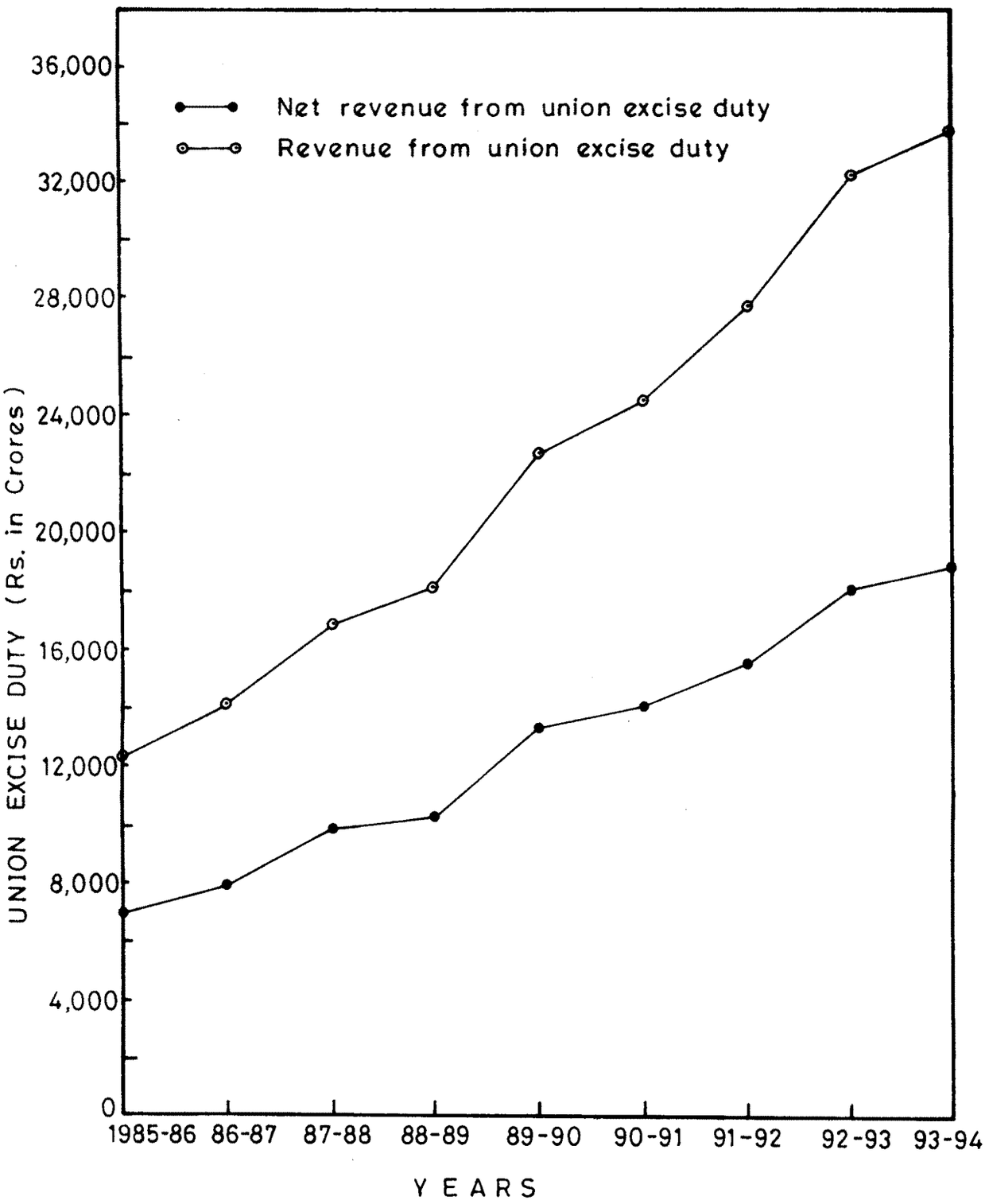


FIG. 5 – SHARE OF REVENUE FROM UNION EXCISE DUTY IN TOTAL TAX REVENUE.

The above table reveals that the revenue from Union Excise Duty has increased from Rs. 12,310/- Corore to Rs. 33,750/- Crore during the period under study. It means that the total revenue from central excise duty has increased by 174.17% during this period. The total excise duty has increased to smaller extent in the year 1993-94 and it has increased to greater extent in the year 1989-90.

The above table No.3.1.4 shows that the revenue from central excise duties has been shared between the centre and the states. Under the terms of Nineth Finance Commisison, 45% of the proceeds of excise duty are transferred to the states.

As shown in the above table No.3.1.4 there is decreasing trend in percentage share of total revenue from excise duty to total tax revenue of the Govt. The rate of the growth of revenue from excise duty to total tax revenue has decreased by 36.09% to 30.03% during the period under study. In the year 1985-86 it was 36.09% and it has decreased upto 30.03% in the year 1993-94.

**3.1.6 Revenue from Custom Duties :**

These are duties or taxes imposed on commodities imported into India i.e. import duties or on those exported from India i.e. export duty. Import duties are more important than export duties (Govt.collects revenue from import duties).

Table 3.1.5

Share of Custom Duties in total Tax Revenue

(Rs.in Crores)

| Year | Total Tax Revenue | Total Revenue From Custom Duties | % of Custom Duties to Total Tax Revenue |
|---|---|---|---|
| 1985-86 | 19,230 | 8,170 [-] | 42.49% |
| 1986-87 | 22,700 | 10,400 [27.29] | 45.81% |
| 1987-88 | 27,710 | 12,870 [23.75] | 46.45% |
| 1988-89 | 31,890 | 15,630 [21.45] | 49.01% |
| 1989-90 | 38,390 | 17,880 [14.40] | 46.58% |
| 1990-91 | 42,978 | 20,644 [15.46] | 48.03% |
| 1991-92 | 50,006 | 22,895 [10.90] | 45.78% |
| 1992-93 | 56,456 | 25,212 [10.12] | 44.66% |
| 1993-94 | 62,739 | 27,730 [19.99] | 44.20% |

[Figures in bracket indicate percentage change over previous year]

Source : Compiled from :

1 H.L.Bhatia-Public finance-Vikas Publishing House Private Limited, New Delhi, (1993) P.No.636 and 637.

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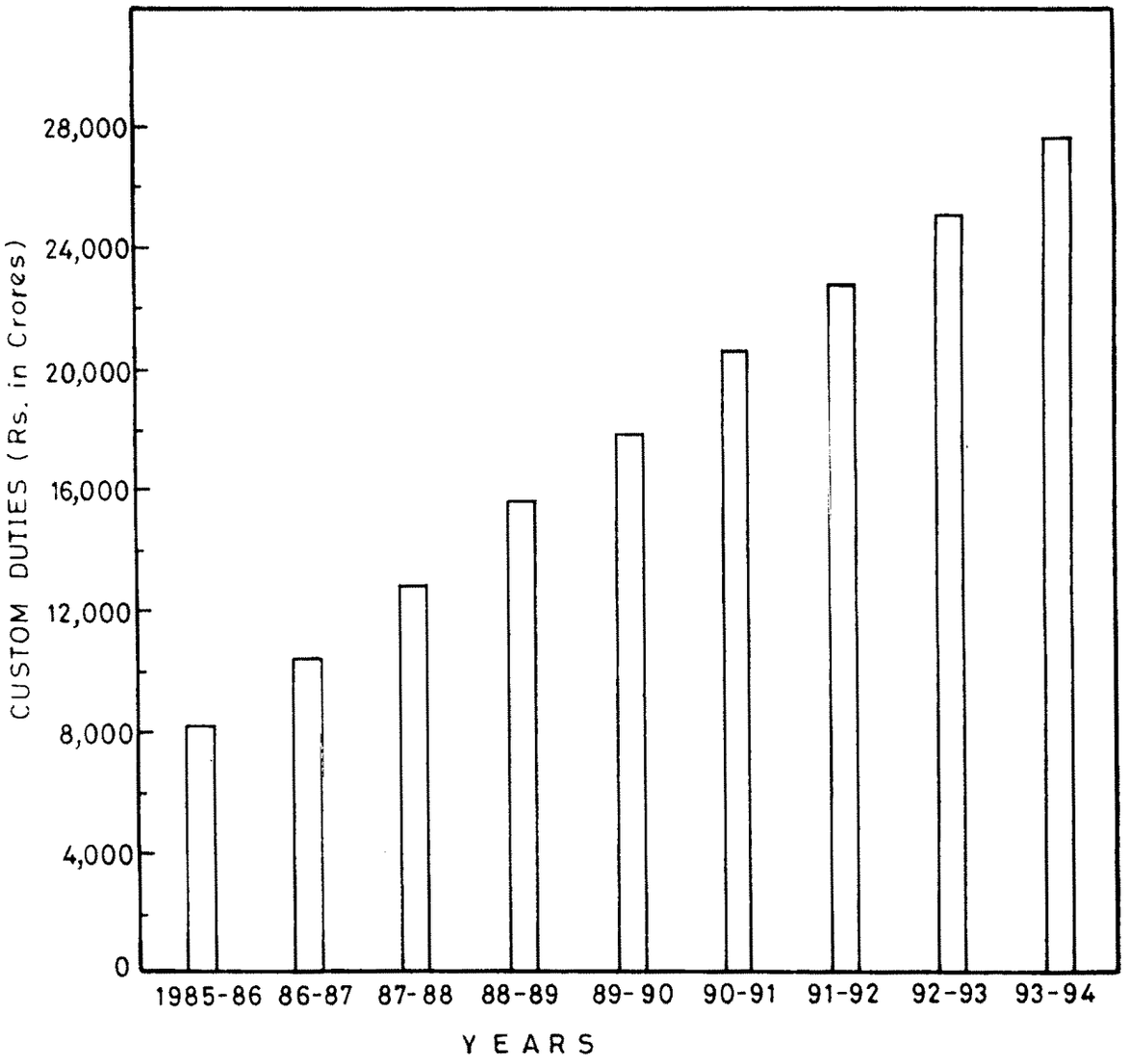


FIG. 6 - SHARE OF CUSTOM DUTIES IN TOTAL TAX REVENUE.

The above table shows that the revenue from custom duty has increased from Rs. 8,170/- Crore to Rs. 27,730/- Crorer during the period under study. It means that the total revenue from custom duty has increased by 239.41% during this period. The total revenue from custom duty has increased to greater extent in the year 1986-87 and it has increased to smaller extent in the year 1992-93.

As shown in the above table No.3.1.5 there is increasing trend in growth rate of total revenue from custom duties to total tax revenue from 1985-86 to 1988-89. But the growth rate of revenue from custom duties has been decreasing from 1990-91 to 1993-94. The percentage share of revenue from custom duty to total tax revenue has increased by 42 .49% in the year 1985-86 to 49.01% in the year 1988-89. But thereafter 1989-90 to 1993-94 it has been decreased.

### 3.1.7 Revenue from other Direct and Indirect Taxes

The revenue from other direct taxes include wealth tax, gift tax, estate duties, interest tax and expenditure tax. The revenue from indirect taxes include sales tax, states excise duty, taxes on vehicle etc., of Union Territories, proceeds of Foreign Exchange Conservation (travel) Tax, Foreign Tavel Tax, Inland Air Travel Tax etc.

Table 3.1.6

Share of Other Direct and Indirect Taxes in Total Revenue

(Rs.in Crores)

| Year | Total Tax Revenue | Revenue From other Direct and Indirect Taxes | % of other direct and Indirect Tax Revenue to Total Tax Revenue |
|---|---|---|---|
| 1985-86 | 19,230 | 730 [-] | 3.80% |
| 1986-87 | 22,700 | 707 [3.15] | 3.11% |
| 1987-88 | 27,710 | 845 [19.52] | 3.05% |
| 1988-89 | 31,890 | 975 [15.38] | 3.06% |
| 1989-90 | 38,390 | 1,230 [26.15] | 3.20% |
| 1990-91 | 42,978 | 1,713 [39.27] | 3.99 |
| 1991-92 | 50,006 | 4,020 [34.68] | 8.03% |
| 1992-93 | 56,456 | 3,106 [-22.74] | 5.50% |
| 1993-94 | 62,739 | 3,389 [09.11] | 5.40% |

[Figures in bracket indicate percentage change over previous year]

Source : Compiled from

1 H.L.Bhatia-Public Finance-Vikas Publishing House Private Limited, New Delhi, (1993) p.no.636 and 637.

2 Datt and Sundharam -Indian Economy-S.Chand and Company Limited, New Delhi, Revised Editions of the years 1985 to 1994.

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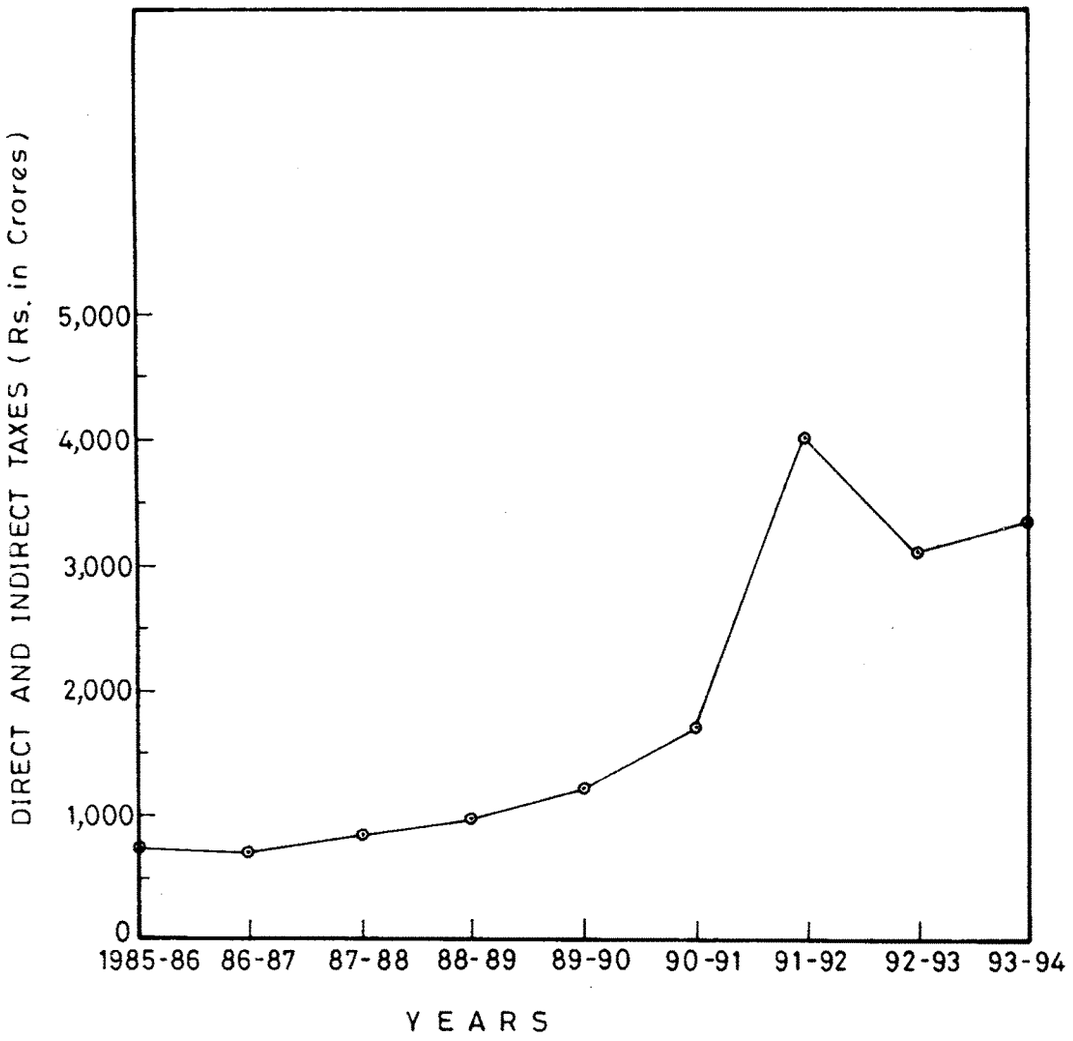


FIG. 7 – SHARE OF OTHER DIRECT AND INDIRECT TAXES IN TOTAL REVENUE.

The above table shows that the revenue from other direct and indirect taxes has increased from Rs. 730/- Crore to Rs. 4,020/- Crorer during the period under study. It means that the total revenue from other direct and indirect taxes have increased by 450.68% during this period. The total revenue from other direct and indirect tax has increased to greater extent in the year 1991-92 and it has increased to smaller extent in the year 1992-93.

The above table No.3.1.6 shows that initially from 1985-86 to 1988-89 the percentage share of other direct and indirect taxes to total tax revenue has decreased from 3.80% to 3.06%. Then from 1989-90 to 1991-93 it has increased from 3.20% to 8.03%. But thereafter it has been decreasing in the year 1993-94 it was 5.40%.

### 3.1.8 Non-Tax Revenue of Central Government

Non-tax revenues include fiscal services from currency, coinage and mint and other fiscal services relating to India Security Press, Nasik, Hyderabad etc., Non-tax revenues also consist of interest receipts, devidends and profits of Government Enterprises, generaal services etc.

General services relate to grants in aid and contributions. Interest receipts are comprised of interest on loans to states and union territories, interest payable by Railway and postal services and other interest receipts. Profits and dividends relate to profit of Reserve Bank of

India, profits of nationalised banks, Life Insurance corporation of India and Public Enterprise etc.

Table 3.1.7

Share of Non-Tax Revenue in Total Revenue
(Rs.in Crores)

| Year | Total Revenue | Total Non-Tax Revenue | % of Non-Tax Revenue to Total Revenue. |
|---|---|---|---|
| 1985-86 | 42,740 | 6,090 [-] | 14.25% |
| 1986-87 | 49,210 | 6,840 [23.32] | 13.90% |
| 1987-88 | 51,260 | 8,980 [31.29] | 15.68% |
| 1988-89 | 66,000 | 10,910 [21.49] | 16.53% |
| 1989-90 | 74,820 | 14,240 [30.52] | 19.03% |
| 1990-91 | 93,960 | 11,976 [-15.90] | 12.75% |
| 1991-92 | 1,06,070 | 16,543 [38.13] | 15.60% |
| 1992-93 | 1,13,698 | 19,232 [16.25] | 16.91% |
| 1993-94 | 1,27,009 | 21,470 [11.64] | 16.90% |

[Figures in bracket indicate percentage change over previous year]

Source :Compiled from

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2 Datt and Sundharam-Indian Economy-S.Chand and Company Limited, New Delhi,Revised Editions of the year 1985 to 1994.

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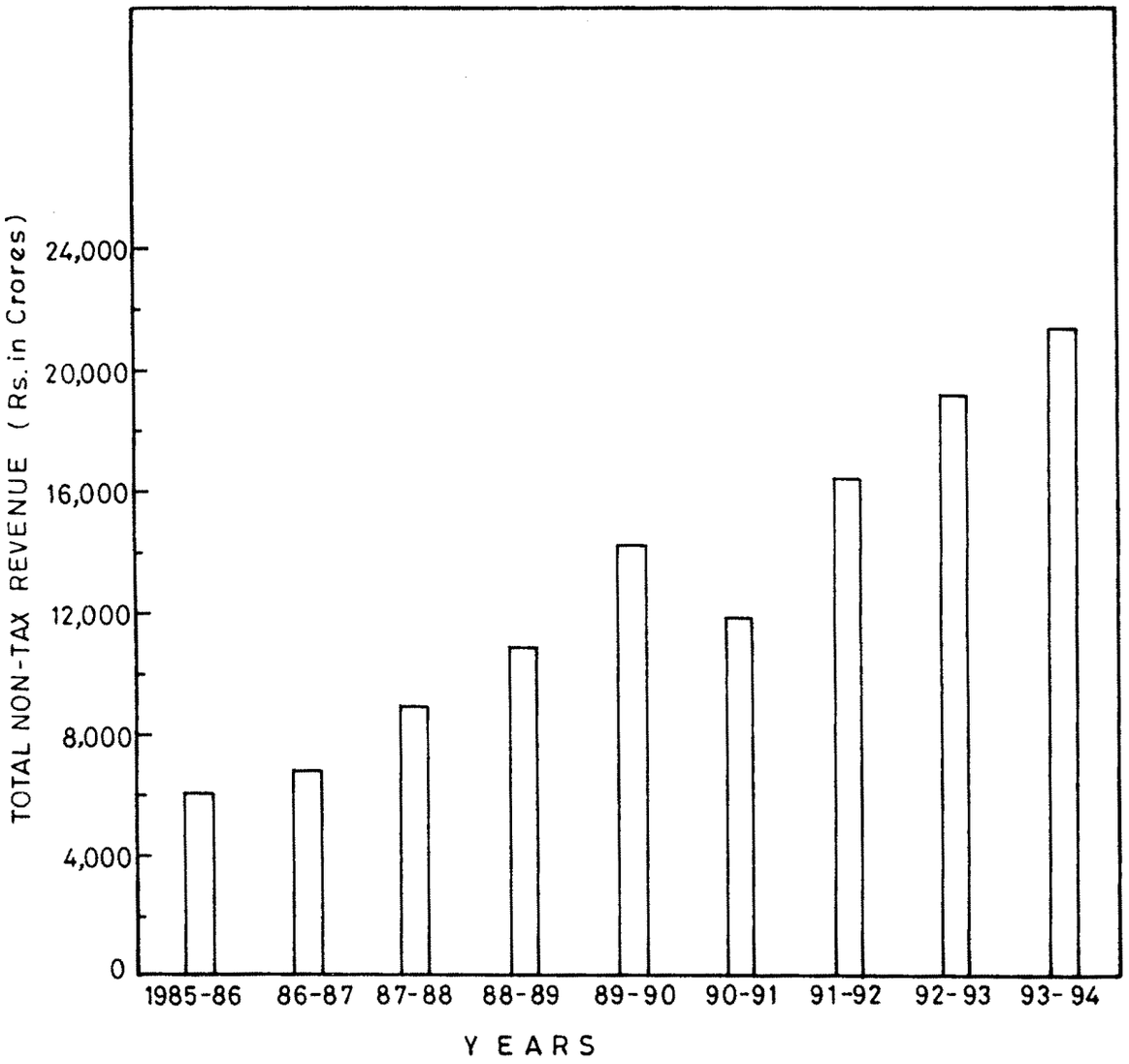


FIG. 8 — SHARE OF NON-TAX REVENUE IN TOTAL REVENUE.

The above table shows that the non-tax revenue has increased from Rs.6,090/- Crore to Rs. 21,470/- Crorer during the period under study. It means that the total non-tax revenue of the Government has increased by 252.55% during this period. The total non-tax revenue has increased to greater extent in the year 1991-92 and it has increased to smaller extend in the year 1990-91.

As shown in the above table No.3.1.7 there is zigzag trend in percentage share of total non-tax revenue of the Government to total revenue. The percentage share was non-tax revenue to total revenue was 14.25% in 1985-86. After this year it has increased upto 19.03% in 1989-90. But it went on decreasing upto 16.90% in the year 1993-94.

Non-tax revenues are becoming important. If the public enterprises could make resonable returns in the from of profits, tnis source would bring in much larger revenue than that of at present.

### 3.1.9 Captial Receipts of Central Government

The capital receipts of the Government consist of loan recoveries net market loans, net external loans and other receipts which include the small savings, provident fund receipts and borrowings fromthe Reserve Bank of India.

Table 3.1.8

Snare of Capital Receipts in Total Revenue

(Rs.in Crores)

| Year | Total Revenue | Total Capital Revenue | % of Total Capital Revenue to Total Revenue |
|---|---|---|---|
| 1985-86 | 42,740 | 17,420 [-] | 40.76% |
| 1986-87 | 49,210 | 19,690 [13.03] | 40.01% |
| 1987-88 | 57,260 | 20,560 [4.42] | 35.91% |
| 1988-89 | 66,000 | 23,280 [13.23] | 35.27% |
| 1989-90 | 74,820 | 22,190 [-4.68] | 29.66% |
| 1990-91 | 93,960 | 39,015 [75.82] | 41.52% |
| 1991-92 | 1,06,070 | 39,521 [1.30] | 37.25% |
| 1992-93 | 1,13,698 | 38,010 [-3.82] | 33.43% |
| 1993-94 | 1,27,009 | 42,800 [12.60] | 33.70% |

(Figures in bracket indicate percentage change over previous year)

Souce : Compiled from

1 H.L.Bhatia-Public Finance-Vikas Publishing House private Limited,New Delhi (1993) p.no,.636 & 637.

2 Datt and Sundharam-Indian Economy-S.Chand and Company Limited, New Delhi,Revised Editions of the years 1985 to 1994.

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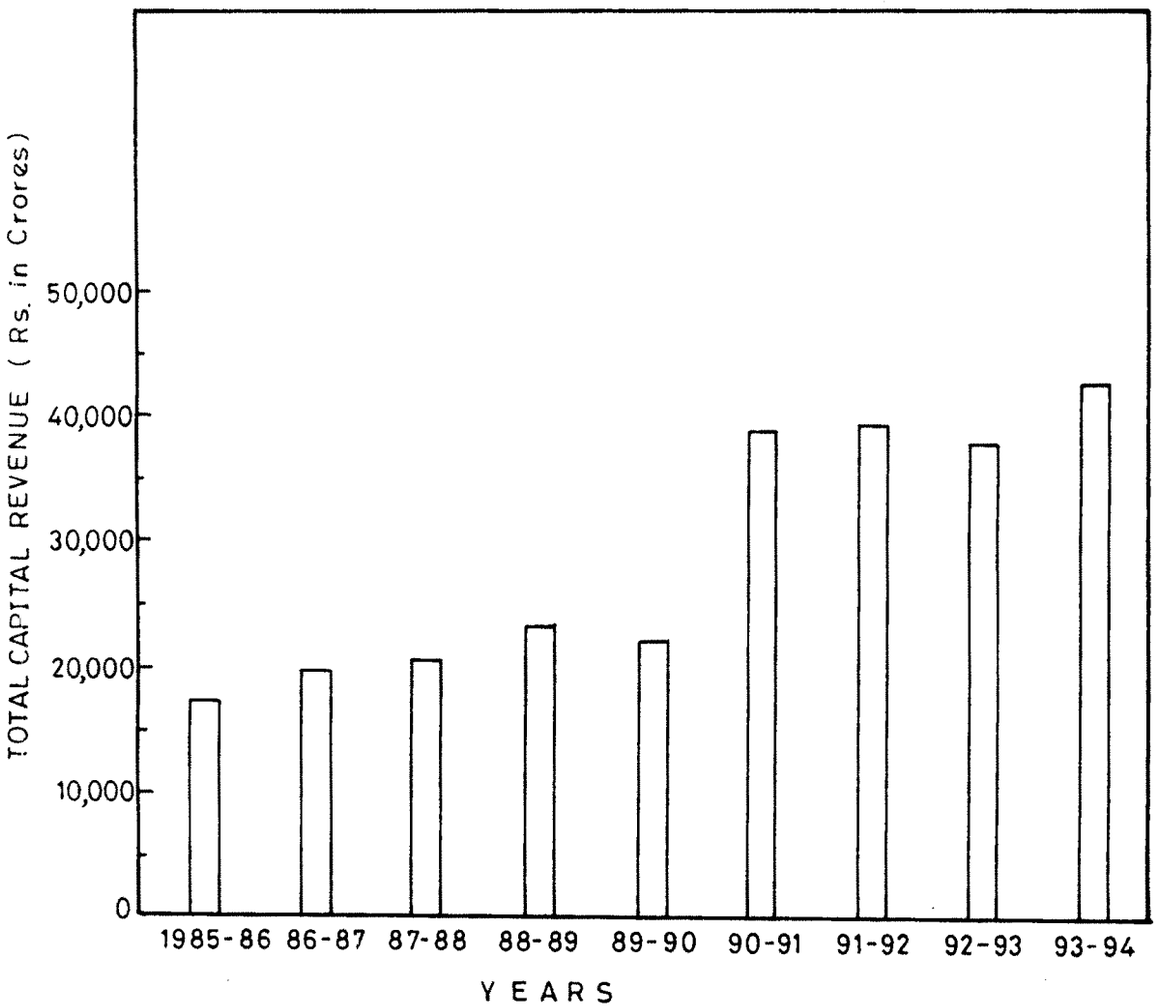


FIG. 9 — SHARE OF CAPITAL RECEIPTS IN TOTAL REVENUE.

The above table shows that the revenue from capital receipts has increased from Rs. 17,420/- Crores to Rs.42,800/- Crores during the period under study. It means that the total capital revenue has increased by 145.69% during the period. The total capital revenue has increased to greater extent in the year 1990-91 and it has increased to smaller extent in the year 1989-90.

As shown in the above table No.3.1.8 there is decreasing trend in the percentage share of capital revenue to total revenue except in the year 1990-91. The percentage share of the revenue from caapital receipts to total revenue was 41.52% in the year 1990-91 but it was 29.66% in the year 1989-1990.

12726
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CHAPTER-III

SECTION-B

## EXPENDITURE OF THE CENTRAL GOVERNMENT

### 3.2.1 Revenue Expenditure of the Central Government :

Before 1986-87 the revenue expenditure of the Central Government was classified into three categories viz. Civil expenditure, Defence expenditure and Grants-in-aid to the States.

The civil expenditure of the Government includes expenditure on general services, social and community services and economic services. Expenditure on general services consists of expenditure on organs of states, fiscal services, interest payments, administrative services, pensions and miscellaneous general services. The expenditure on community and social services includes expenditure on education, public health, welfare schemes for workers etc.

The economic services consists of expenditure on agriculture and allied services, industries, export promotion, multi-purpose river schemes and other irrigation works, public works, transports and communications etc.

Defence expenditure on armed forces includes pensions given to the retired army personnel.

The Union Government helps states by way of general grants-in-aid to overcome financial difficulties or for purpose of economic development.

Table 3.2.1

Share of Revenue Expenditure in total Expenditure
(As an old Classification) (Rs.in Crores)

| Year | Total Expenditure | Civil Expenditure | Defence Expenditure | Grants-in-aid to States etc. | Total Revenue Expenditure |
|---|---|---|---|---|---|
| 1985-86 | 46,060 | 16,970 | 7,690 | 6,720 | 31,380 |
| 1986-87 | 52,860 | 20,480 | 8,730 | 7,640 | 36,850 |

Source : Compiled from

1 Datt and Sundharam-'Indian Economy'-S.Chand and Company Limited, New Delhi,Revised Edition of the years 1985 and 1986.

### 3.2.2 New Classification of Revenue Expenditure of the Central Government :

On the advice of the comptroller and Auditor General of India, the president of India has prescribed revised accounting classification of budget estimates since 1987-88. Under the new classification there are plan expenditure and non-plan expenditure. The financing of these expenditure is managed through tax and non-tax revenue.

Table 3.2.2

Share of Revenue Expenditure in Total Expenditure
(As A new Classification) (Rs.in Crores)

| Year | Total Expenditure | Total Revenue Expenditure | % of Total Revenue Expenditure to Total Expenditure |
|---|---|---|---|
| 1987-88 | 62,950 | 43,430 [-] | 68.99% |
| 1988-89 | 73,560 | 52,640 [21.20] | 71.56% |
| 1989-90 | 82,160 | 59,640 [13.30] | 72.59% |
| 1990-91 | 1,05,316 | 73,516 [23.27] | 69.81% |
| 1991-92 | 1,13,102 | 83,630 [13.76] | 73.94% |
| 1992-93 | 1,19,087 | 89,570 [07.10] | 75.21% |
| 1993-94 | 1,31,327 | 1,01,839 [13.70] | 77.55% |

[Figures in bracket indicate percentage change over previous year]

Source : Compiled from

1 H.L.Bhatia-Public Finace-Vikas Publishing House Private Limited,New Delhi(1993)p.no.636 & 637.

2 Datt and Sundharam-Indian Economy-S.Chand and Company Limited,New Delhi,Revised Editions of the year 1987 to 94

3 Daily "The Economic Times" Dated 28.2.93 & 1.3.1994

The above table reveals that the revenue expenditure has increased from Rs,43,430/- Crores to Rs.1,01,839/- Crore since new classification of expenditure has been adopted from 1987-88 to 1993-94. It means that the total revenue expenditure has increased by 134.49% during this

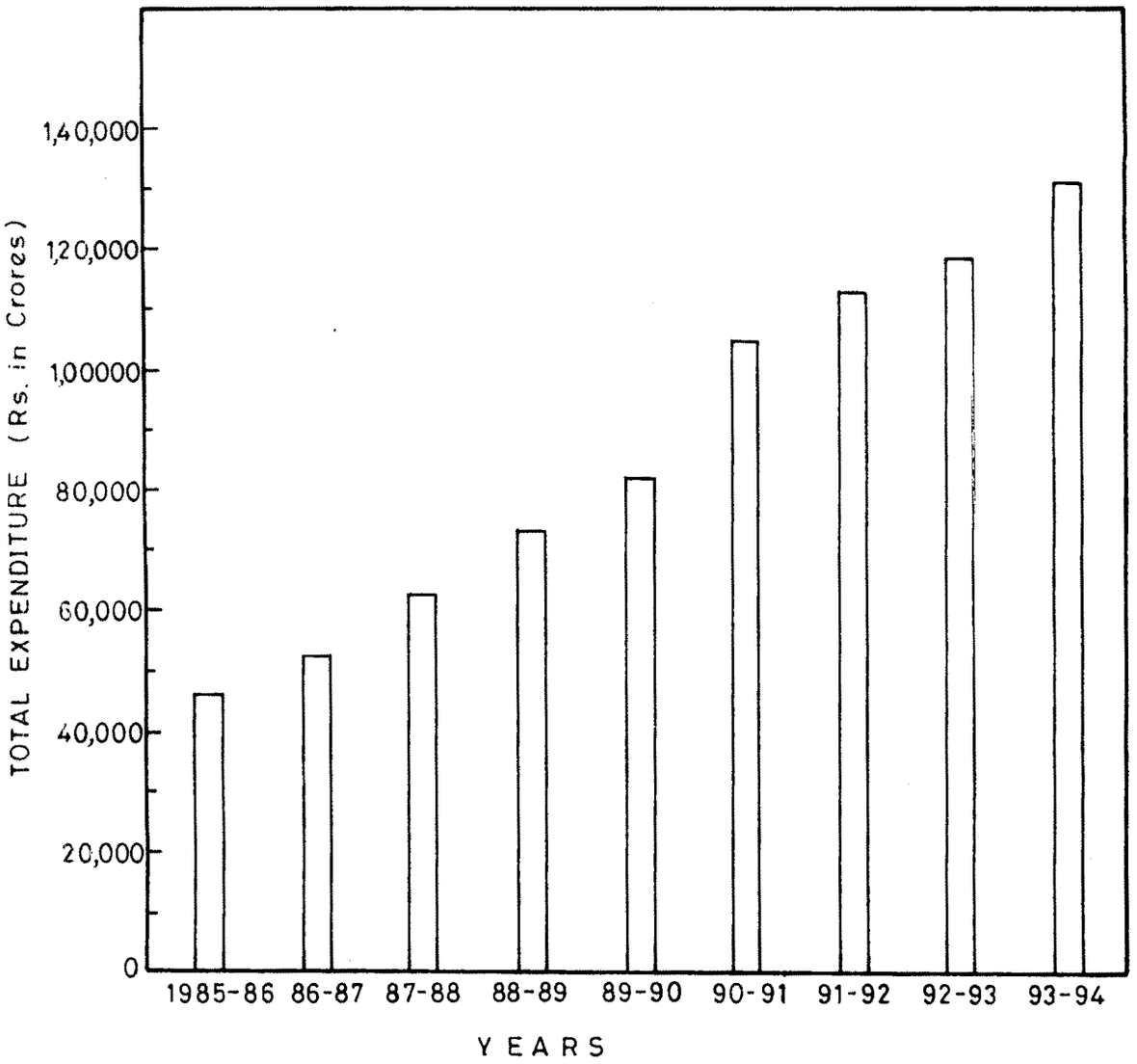


FIG. 10 – SHARE OF REVENUE EXPENDITURE IN TOTAL EXPENDITURE.

period. It seems from the above table that the total revenue expenditure has increased to greater extent in the year 1990-91 and to smaller extent in the year 1992-93.

As shown in the above table No.3.2.2 there is increasing trend in percentage share of total revenue expenditure of the Govt. to total expenditure in the year 1990-91. The percentage share of total revenue expenditure to total expenditure has increased from 68.99% to 77.55% during the period under study.

In this way, revenue expenditure of Government has been rising in recent years. Revenue expenditure has been rising because of increased defence commitements, expansion of administration, the working of democratic institutions like the Parliament, the Government's International commitments, increase in Government's particiipation in nation building activities like education and public health, rise in prices etc.

**3.2.3 Plan Revenue Expenditure :**

Under the new classification of public expenditure various projects, programmes and schemes are included in plan revenue expenditure. These are :

a) Agriculture and allied activities,

b) Rural Development,

c) Irrigation and Flood control,

d) Energy

e) Industry and Mineral,

f) Transport

g) Science, Technology and Environment

h) General Economic Services

i) Social Services and

j) General Securities.

Table 3.2.3

Share of Plan Revenue Expenditure in Total Revenue Expenditure

(Rs.in Crores)

| Year | Total Revenue Expenditure | Plan Revenue Expenditure | % of Plan Revenue Expenditure to Total Revenue Expenditure |
|---|---|---|---|
| 1987-88 | 43,430 | 9,620 [-] | 22.15% |
| 1988-89 | 52,640 | 10,700 [12.22] | 20.33% |
| 1989-90 | 59,640 | 11,770 [10.0] | 19.74% |
| 1990-91 | 73,516 | 12,666 [07.61] | 17.33% |
| 1991-92 | 83,630 | 16,934 [33.70] | 20.23% |
| 1992-93 | 89,570 | 18,337 [08.28] | 20.47% |
| 1993-94 | 1,01,839 | 24,185 [31.89] | 23.75% |

[Figures in bracket show percentage change over previous year]

Source : Compiled from

1 H.L.Bhatia-Public Finance-Vikas Publishing House Private Limited, New Delhi,(1993) p.no.636 & 637.

2 Datt and Sundharam-"Indian Economy" S.Chand and Company Limited, New Delhi,Revised Editions of the year 1987 to 1994.

3 Daily "The Economic Times" Dated 28.2.93 & 1.3.1994

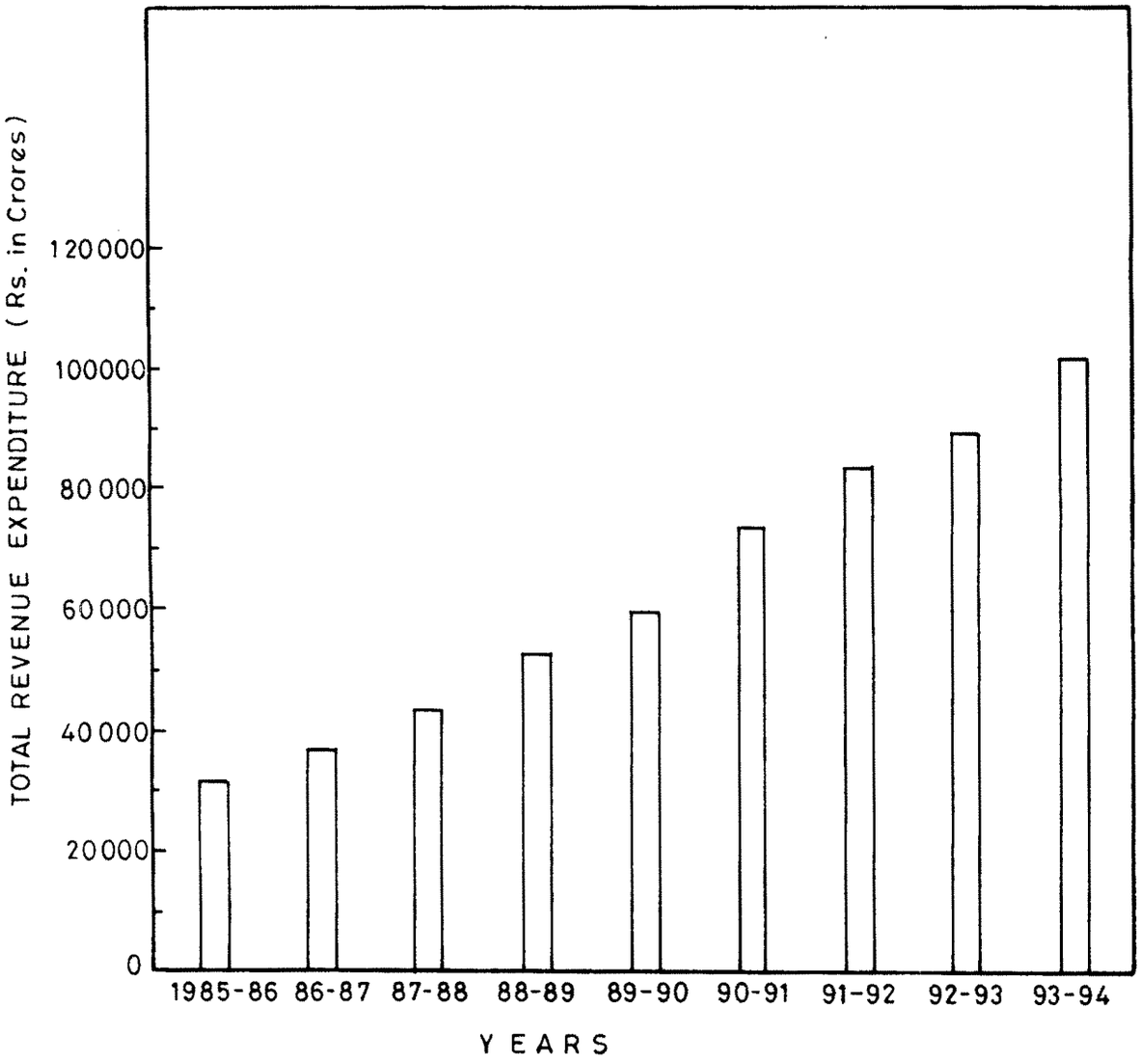


FIG. 11 – SHARE OF REVENUE EXPENDITURE IN TOTAL EXPENDITURE.

The above table shows that the plan revenue expenditure has increased from Rs.9,620/- Crorer to Rs.24,185/- Crore since new classification of expenditure has been adopted from 1987-88 to 1993-94. It means that the total plan revenue expenditure has increased by 151.40% during this period. It seems from the above table that, the total plan revenue expenditure has increased to greater extent in the year 1991-92 and it has increased to smaller extent in the year 1990-91.

As shown in the above table No.3.2.3 there is decreasing trend in percentage share of total plan revenue expenditure to total revenue expenditure from 1987-88 to 1990-91. But it has increased from 1991-92 to 1993-94. The percentage share of total plan revenue expenditure to total revenue expenditure has increased from 17.33% in the year 1990-91 to 23.75% in the year 1993-94.

The plan revenue expenditure of he Government has been rising because of increase in grants-in-aid to the states and Union territories. This shows the measure of dependence of the states on the Central Government and the enormous pressure which the centre can wield on the states.

### 3.2.4 Non-Plan Revenue Expenditure of Central Government

The term non-plan expenditure is used to cover all expenditures of the Government that are not included in the plan. It includes both developmental and non-developmental expenditure. Part of the expenditure is obligatory in nature and part of the expenditure is obligatory in nature and part of the expenditure is an essential obligation of the Government.

Expenditure on maintaining the assets created in previous plans is also treated as non-plan expenditure. Expenditure on continuing services and activities at levels are also shifted to non-plan in next plan.

The major non-plan expenditures are interest payments, defence, subsidies for food, fertilisers and export promotion and general services viz. the organs of state, tax collection, policies pension etc.

Table 3.2.4

Share of Non-plan Revenue Expenditure in Total Revenue Expenditure

(Rs.in Crores)

| Year | Total Revenue Expenditure | Total Non-plan Revenue Expenditure | % of Total Non-plan Revenue Expenditure to Total Revenue Expenditure |
|---|---|---|---|
| 1987-88 | 43,430 | 33,810 [-] | 77.85% |
| 1988-89 | 52,640 | 41,940 [24.04] | 79.67% |
| 1989-90 | 59,640 | 47,870 [14.14] | 80.26% |
| 1990-91 | 73,516 | 60,850 [27.12] | 82.77% |
| 1991-92 | 83,630 | 66,696 [09.60] | 79.75% |
| 1992-93 | 89,570 | 71,233 [06.80] | 79.53% |
| 1993-94 | 1,01,839 | 77,654 [09.01] | 76.25% |

[Figures in bracket indicate percentage change over previous year]

Source : Compiled from

1 H.L.Bhatia-Public Fiance-Vikas Publishing House Private Limited, New Delhi (1993) p.no.636 & 637

2 Datt and Sudharam-Indian Economy-S.Chand and Company Limited New Delhi,Revised Editions of the year 1987 to 1994.

3 Daily "The Ecoomic Times" Dated 28.2.1993 & 1.3.1994

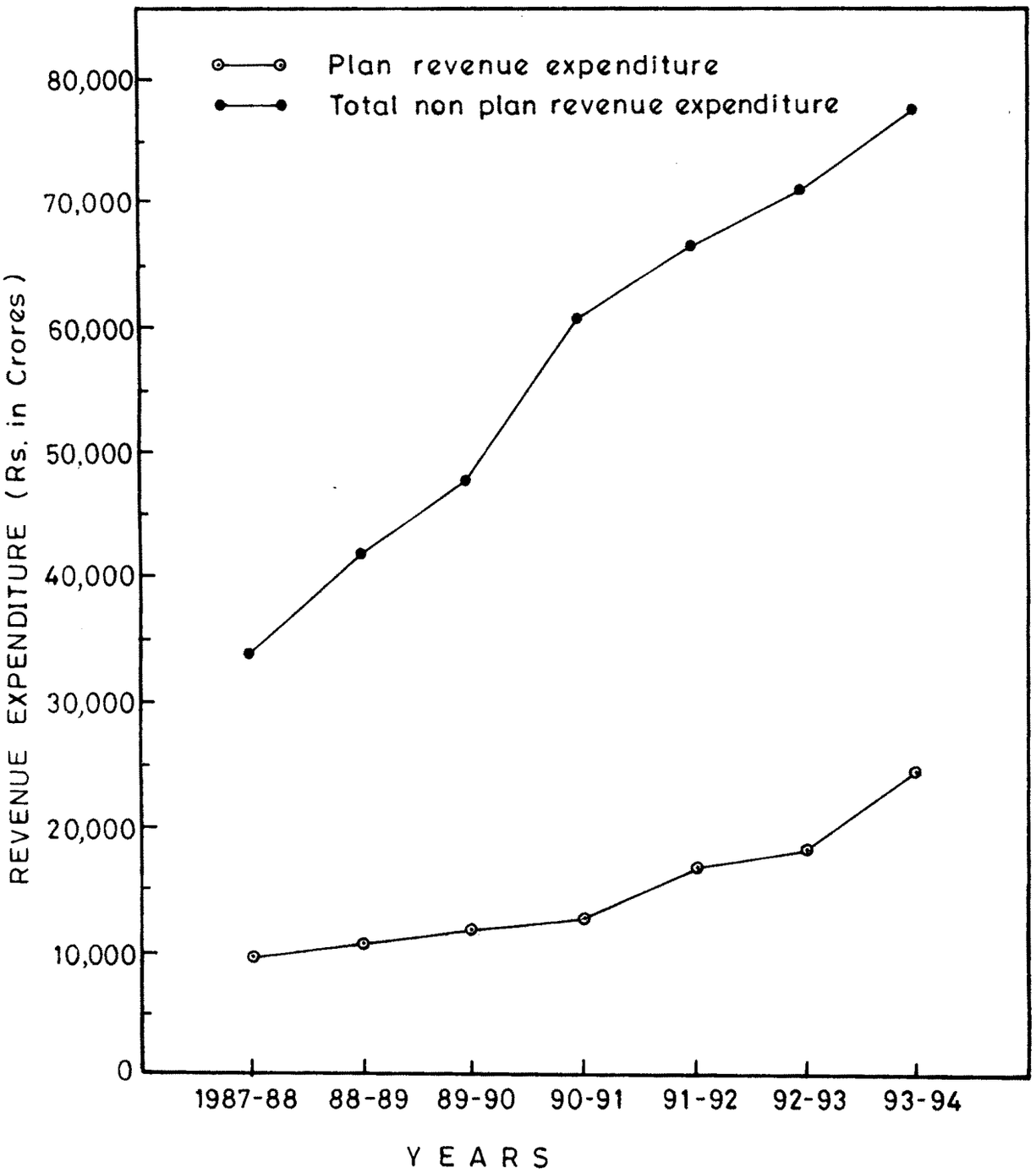


FIG. 12 – SHARE OF PLAN AND NON-PLAN REVENUE EXPENDITURE IN TOTAL REVENUE EXPENDITURE.

The above table shows that the non-plan revenue expenditure has increased from Rs. 33,180/- Crore to Rs. 77,654/- Crore since new classification has been adopted by the Government (i.e. from 1987-88 to 1993-94). It means that the total non-plan revenue expenditure has increased by 129.68% during this period. It seems from the above table that the total non-plan expenditure has increased to greater exteent in the year 1990-91 and it has increased to smaller extent in the year 1992-93.

As shown in the above table No.3.2.4 there is an increasing trend in percentage share of total non-plan revenue expenditure to total revenue expenditure from 1987-88 to 1990-91, but it has decreased from 1991-92 to 1993-94. The percentage share of total non-plan revenue expenditure to total revenue expenditure has increased from 77.85% in 1987-88 to 82.77% in 1990-91. But it has decreased thereafter in the year 1993-94 it was 76.25%.

The above tabl No.3.2.4 shows that the non-plan revenue expenditure has been rising very fast in recent years, because of increase in expenditure of interest payments, defence, subsidies and general securities and there is absolutely no change to keep them under check.

### 3.2.5 Capital Expenditure of Central Government :

Capital expenditure consists of four broad heads these are general services, social and community services, economic services and loans and advances. The most important head is loans and advances by the centre to the states, Union Territories, foreign Governments and Government Servents for house building for purchase of conveyances, for festival advances etc. Next in importance to loans and advances is the economic services.

Table No.3.2.5

Share of Capital Expenditure in Total Expenditure
(As an old classification)
(Rs.in Crores)

| Year | Total Expenditure | General services | Social and commu-nity services | Economic services | Loans advan-ces | Total capital expendi-ture |
|---|---|---|---|---|---|---|
| 1985-86 | 46,060 | 1,110 | 380 | 6,050 | 7,140- | 14,680 |
| 1986-87 | 52,860 | 1,320 | 610 | 6,340 | 7,740 | 16,010 |

Source : Compiled from

1 Datt and Sundharam-Indian Economy-S.Chand and Company Limited, New Delhi, Revised Editions of the year 1985 and 1986.

Since 1987-88 Government has adopted new classification of expenditure. Under the new classification there are plan and non-plan expenditure. So new capital expenditure includes paying off revenue dificits plan expenditure and non-plan expenditure. That means capital disbursements of Government consists of developmental expenditure on capital and predominantelly loans made to State Governments and other for development purposes. The Government is very much interested in Capital projects because they are essential for the development of country.

Table 3.2.6

Share of Captial Expenditure in Total Expenditure
(As A new Classification)

(Rs.in Crores)

| Year | Total Expenditure | Total Capital Expenditure | % of Total Capital Expenditure to Total Expenditure |
|---|---|---|---|
| 1987-88 | 62,950 | 19,520 [-] | 31.01% |
| 1988-89 | 73,560 | 20,920 [07.17] | 28.44% |
| 1989-90 | 82,160 | 22,520 [07.65] | 27.41% |
| 1990-91 | 1,05,316 | 31,860 [41.21] | 30.19% |
| 1991-92 | 1,13,102 | 29,472 [-7.32] | 26.06% |
| 1992-93 | 1,19,081 | 29,517 [0.15] | 24.79% |
| 1993-94 | 1,31,327 | 29,488 [-0.10] | 22.45% |

[Figures in bracket indicate percentage change over previous year]

Source : Compiled from

1 H.L.Bhatia-Public Finace-Vikas Publishing House, Private Limited,New Delhi(1993)p.no.636 & 637.
2 Datt and Sundharam-Indian Economy-S.Chand S.Chand and. Company Limited New Delhi,Revised Editions of tne year 1987 to 1994.
3 Daily "The Ecojnomic Times" datced 28.2.93 & 1.3.94.

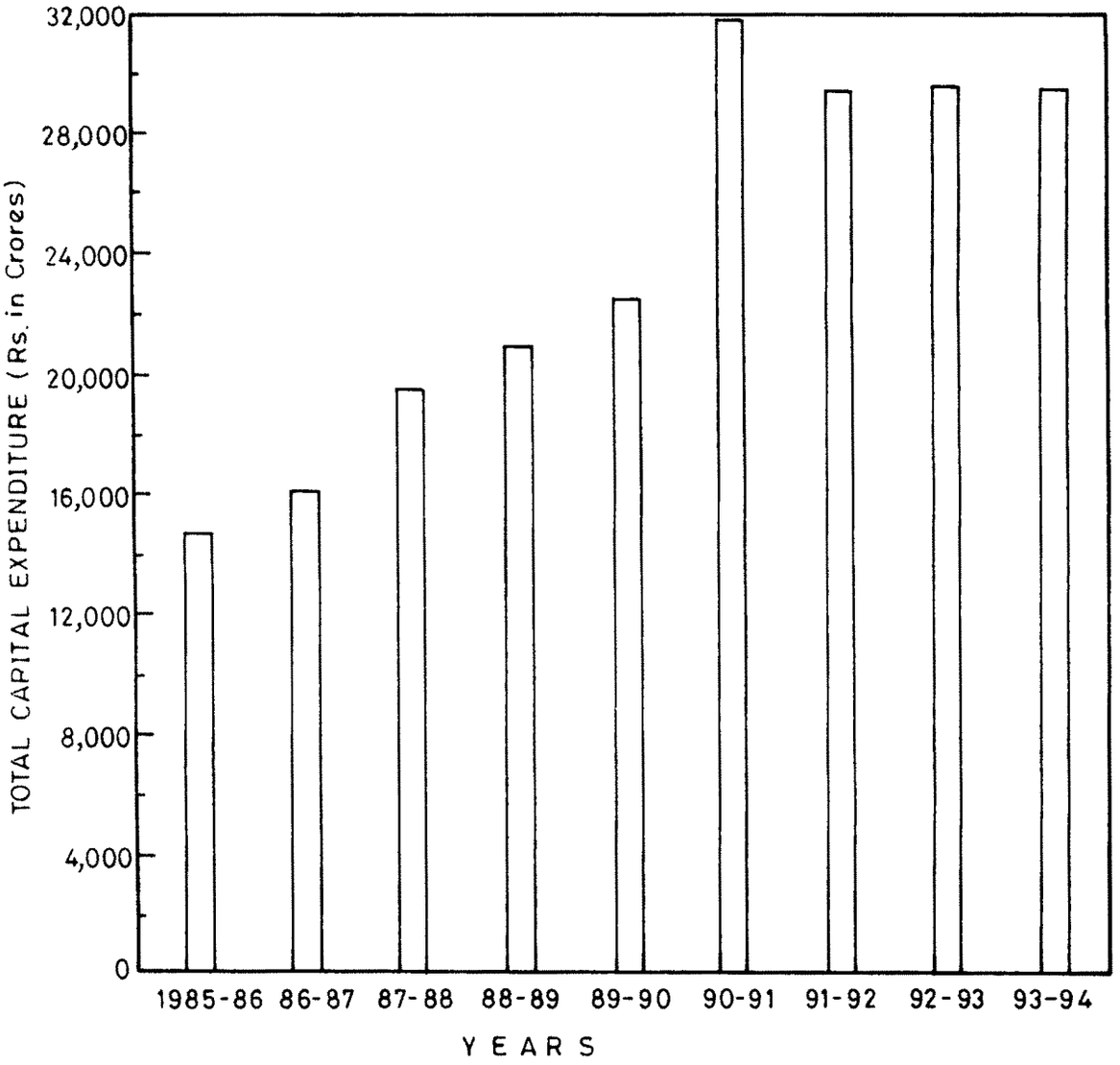


FIG. 13 - SHARE OF CAPITAL EXPENDITURE IN TOTAL EXPENDITURE.

The above table shows that the total capital expenditure has increased from Rs. 19,520/- Crorer to Rs.29,488/- Crorer since new classification of expenditure has been adopted by the Government (i.e. from 1987-88 to 1993-94). It means the total capital expenditure has increased by 50.07% during this period. It seems from the above table that the total capital expenditure has increased in greater extent in the year 1990-91 and it has increased in smaller extent in the year 1991-92.

As shown in the above table No.3.2.6 there is decreasing trend in percentage share of total capital expenditure to total expenditure except during 1990-91. The percentage share of total capital expenditure to total expenditure was 31.01% in the year 1987-88 which has decreased upto 31.01% in the year 1993-94.

**3.2:6 PLAN CAPITAL EXPENDITURE OF CENTRAL GOVERNMENT :**

Plan capital expenditure includes central plan outlay and central assistance to states and Union Territories.

Table 3.2.7

Share of Plan Capital Expenditure in Capital Expenditure

(Rs.in Crores)

| Year | Total Captial Expenditure | Total Plan Captial Expenditure | % to Total Plan Captial Expenditure to Total Capital Expenditure |
|---|---|---|---|
| 1987-88 | 19,520 | 14,050 [-] | 71.98% |
| 1988-89 | 20,920 | 15,010 [06.83] | 71.75% |
| 1989-90 | 22,520 | 16,050 [06.93] | 71.27% |
| 1990-91 | 31,800 | 16,452 [02.52] | 51.74% |
| 1991-92 | 29,472 | 16,098 [-2.13] | 54.62% |
| 1992-93 | 29,517 | 16,275 [01.10] | 55.14% |
| 1993-94 | 29,488 | 17,066 [04.86] | 57.87% |

[Figures in bracket indicate percentage change over previous year]

Source : Compiled from :

1 H.L.Bhatia-Public Finance-Vikas Publishing House Private Limited, New Delhi(1993) p.no.636 & 637.
2 Datt and Sundharam -Indian Economy-S.Chand and Company Limited, New Delhi,Revised Editions of the year 1987 to 1994.
3 Daily "The Economic Times" dated 28.2.1993 and 1.3.1994.

The above table shows that total plan capital expenditure has increased from Rs. 14,050/- Crorer to Rs. 17,066/- Crorer since Government has adopted new classification of expenditure (i.e. from 1987-88 to 1993-94).

It means the total plan capital expenditure has increased by 21.47% during this period. It seems from the above table that the total plan capital expenditure has increased to greater extent in the year 1989-90 and it has increased to smaller extent in the year 1991-92.

As shown in the above table No.3.2.7 there is decreasing trend in percentage share of total plan capital expenditure to total capital expenditure from 1987-88 to 1991-92 and it has increased from 1992-93 to 1993-94. The percentage share of total plan capital expenditure to total capital expenditure was 71.98% in 1987-88 which has decreased upto 57.87% in 1993-94.

### 3.2.7 NON-PLAN CAPITAL EXPENDITURE OF CENTRAL GOVERNMENT :

Non-plan capital expenditure of Government consists of defence capital, loans to public enterprises, loans to states and Union territories etc.

Table 3.2.8

Share of Non-Plan Captial Expenditure in Total Capital Expenditure

(Rs.in Crores)

| Year | Total Capital Expenditure | Total Non-plan Capital Expenditure | % of Non-plan Capital Expenditure to Total Capital Expenditure |
|---|---|---|---|
| 1987-88 | 19,520 | 5,470 [-] | 28.02% |
| 1988-89 | 20,920 | 5,910 [08.04] | 28.25% |
| 1989-90 | 22,520 | 6,470 [09.48] | 28.73% |
| 1990-91 | 31,800 | 15,348 [37.22] | 48.26% |
| 1991-92 | 29,472 | 13,374 [-12.86] | 45.38% |
| 1992-93 | 29,517 | 13,242 [-0.79] | 44.86% |
| 1993-94 | 29,488 | 12,422 [-6.19] | 42.13% |

[Figures in bracket indicate percentage\over previous year] change

Source : Compiled from :

1 H.L.Bhatia-Public Finace-Vikas Publishing House Private Limited, New Delhi(1993) p.no.636 & 637.
2 Datt and Sundaram -Indian Economy-S Chand and Company Limited, New Delhi,Revised Editions of the Years 1987 to 1994.
3 Daily "The Economic Times" dated 28.2.93 & 1.3.94.

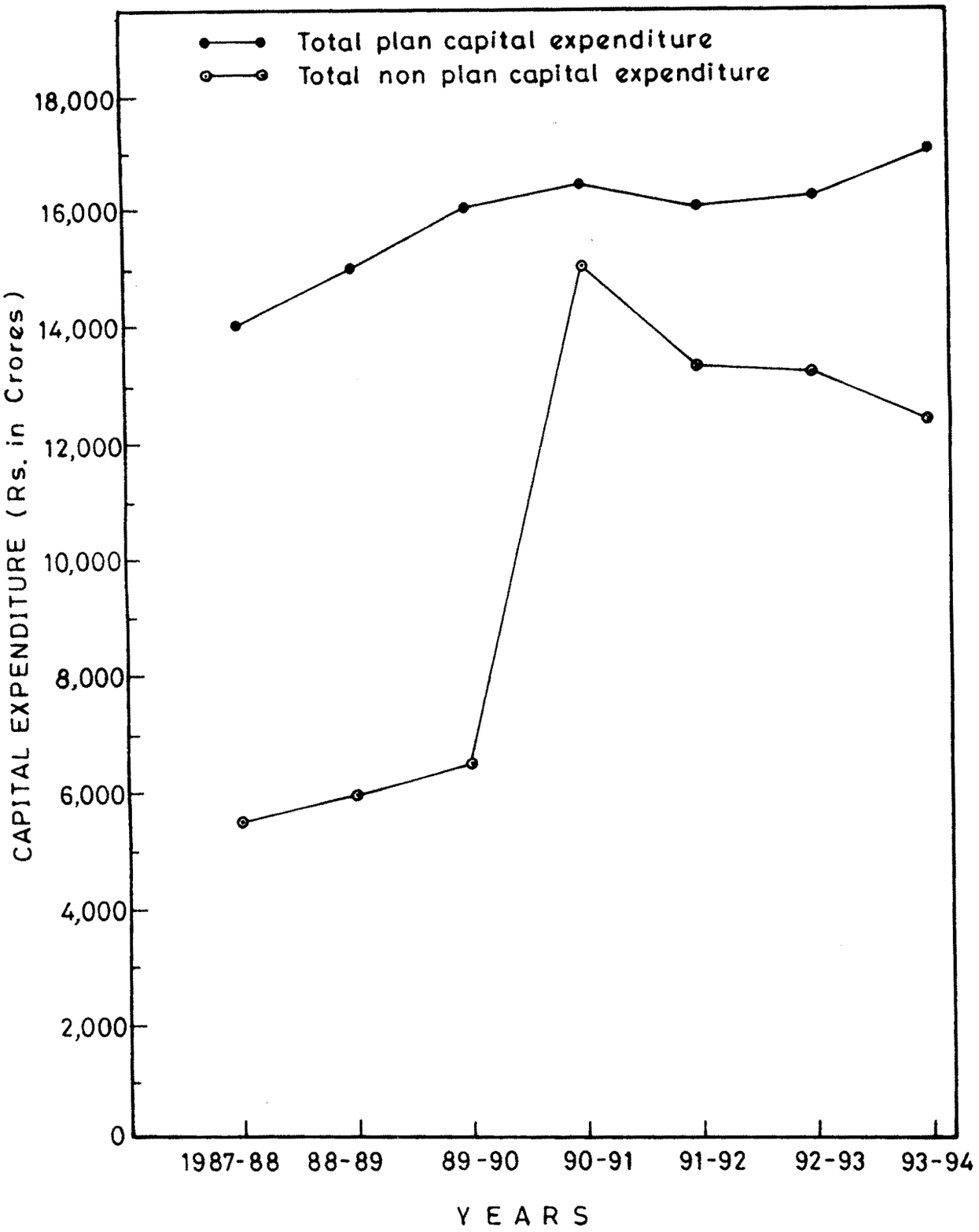


FIG. 14 – SHARE OF TOTAL PLAN AND NON PLAN CAPITAL EXPENDITURE IN TOTAL CAPITAL EXPENDITURE.

The above table shows that the total non-plan capital expenditure has increased from Rs. 5,470/- Crorer to Rs. 12,422/- Crorer since new classification of expenditure has been adopted by Government(i.e. from 1987-88 to 1993-94). It means the total non-plan capital expenditure has increased by 27.09% during this period. It seems from the above table that the total non-plan capital expenditure has increased to greater extent in the year 1990-91 and it has increased to smaller extent in the year 1991-92.

As shown in the above table No.3.2.8 there is increasing trend in percentage share of total non-plan capital expenditure from 1987-88 to 1990-91 but it has decreased from 1991-92 to 1993-94. The percentage share of total non-plan capital expenditure to total capital expenditure has increased from 28.02% in the year 1987-88 to 48.26% in the year. But it has decreased upto 42.13% in 1993-94.