

CHAPTER 4

THE STRUCTURE OF CENTRAL GOVERNMENT EXPENDITURE IN INDIA

4.1. INTRODUCTION

As observed in the earlier chapter, the growth in the expenditure cannot be explained by the influence of wars alone in the Indian situation. Hence, in order to discover the nature and characteristics of the expenditure growth, the data will have to be analysed from a different perspective. To achieve this purpose, the government expenditure is classified by economic and functional categories. A study of the economic-cum-functional classification of the government expenditure is also undertaken to achieve the dual purpose of getting an idea about the economic significance of various functional categories. For instance, the expenditure on the functional category 'defence' under the economic category 'consumption expenditure' indicates the proportion of consumption expenditure going to defence.

The classification of expenditure into economic and functional categories is adopted from "An Economic-cum-Functional Classification of the Central Government Budget" published by the Ministry of Finance, Government of India. The data on economic classification of the expenditure is available for the entire period of the study 1950-51 to 1989-90. However, the data on the functional classification of the expenditure is not available for the period prior to 1966-67 from any of the official sources since this type of classification was not undertaken until then. A study undertaken by National Council of Applied Economic Research (NCAER) attempted an economic-cum-functional

classification of the Central Government expenditure for the year 1957-58. However, the data are not included in the present work as the concepts and methodology employed for derivation of various items of expenditure in the above study are different.

The present analysis on economic categories of Central Government expenditure is carried out both at current and 1970-71 prices to view the effect of inflation on the government expenditure. The methodology of converting the series on economic categories at current prices into constant prices with 1970-71 as the base year is elaborated in Appendix IIA. As far as the functional categories are concerned, the analysis is done only at current prices in the absence of any proper deflators. It may be added here that, for calculating the growth rates of various categories of expenditure, the procedure followed is the same as discussed in Section 3.2.1. in Chapter 3 on "The Growth of Government Expenditure and National Income in India."

4.2. ECONOMIC CLASSIFICATION

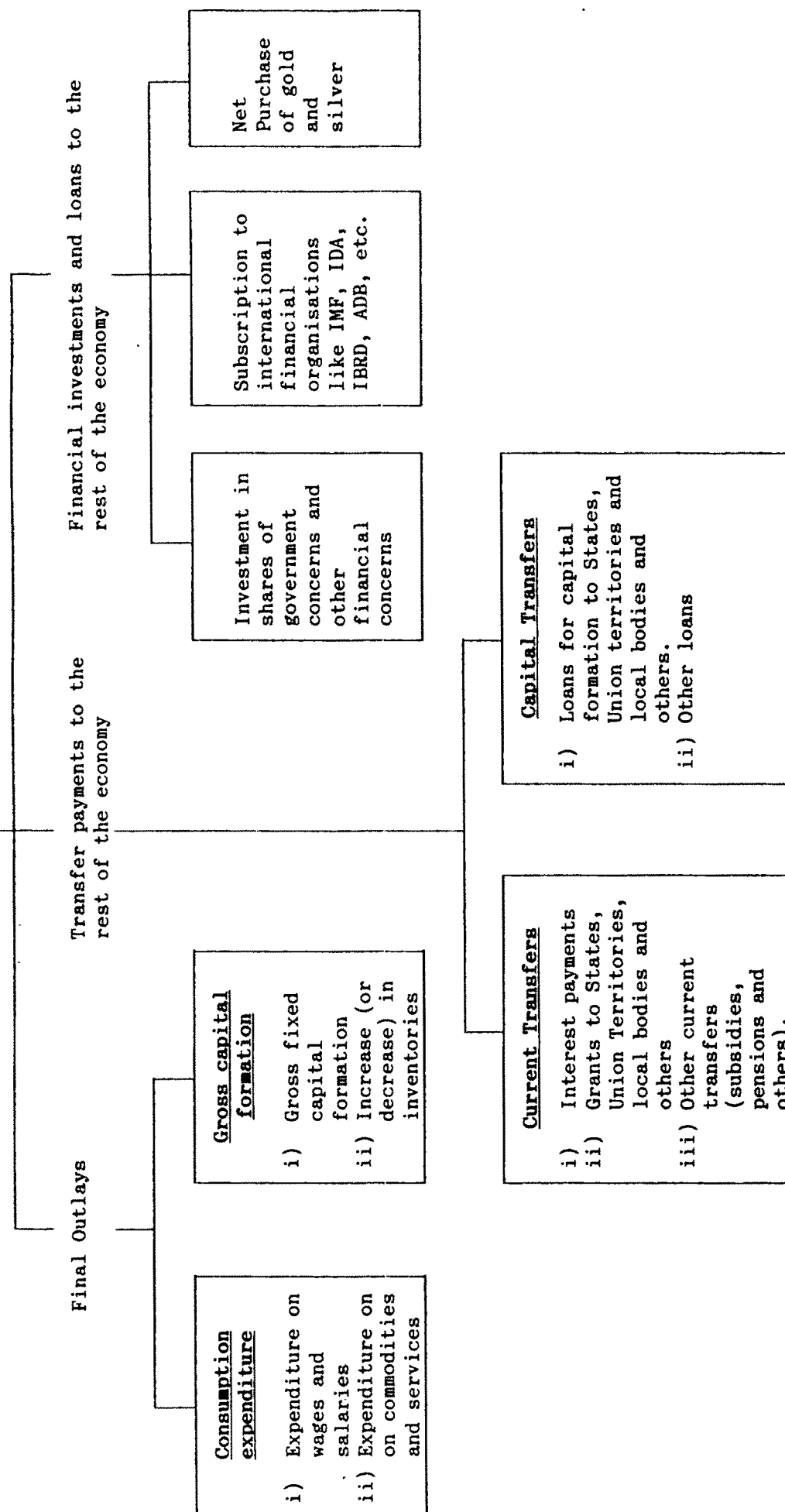
The government expenditure can be classified into three broad economic categories as follows: (1) Final outlays (2) Transfer Payments to the rest of the economy (3) Net financial investments and loans to the rest of the economy. The sub-classification of each of the above categories is given in Chart 4.1.

4.2.1. Final Outlays

The Final Outlays can be broadly divided into two heads, namely (a) Consumption Expenditure and (b) Gross Capital Formation. The constituents of each of these heads are shown in

Chart 4.1

Economic Classification of the Central Government Expenditure in India



Source : 'An Economic-cum-Functional Classification of Central Government Budget', Ministry of Finance, Government of India (various annual issues).

Chart 4.1. The consumption expenditure, which includes expenditure on wages & salaries and purchases of commodities & services, is sometimes termed as a "non-developmental" expenditure since it is not growth oriented at face value. However, it promotes growth indirectly, in the sense that such an expenditure helps in the smooth functioning of the government machinery. For instance, most of the defence capital outlay, which is a necessity to meet any eventuality arising out of an external threat, also appears under this head.

The gross capital formation consists of expenditure on buildings and other construction (for Railways, Post & Telegraph, Power and other capital projects), machinery and equipment. Hence, such expenditure leads to physical asset formation, thereby accelerating the process of economic growth and development.

Table 4.1. indicates the percentage distribution of the Central Government expenditure by economic categories during various Five Year Plans. As seen from Table 4.1., the proportion of final outlays in the total expenditure at current prices declined from 50.2% during the Ist Five Year Plan to 31.2% in the VIIth Five Year Plan showing a continuously declining trend. The trend was also found to be similar at constant prices (declining from 46.8% to 29.9% during the respective Plans).

The decline in the proportion of final outlays can be on account of a decline in the proportion of its constituents (consumption expenditure and gross capital formation) in the total government expenditure. A fall in the consumption

TABLE 4.1

PERCENTAGE DISTRIBUTION OF CENTRAL GOVERNMENT EXPENDITURE OF INDIA BY ECONOMIC CATEGORIES DURING VARIOUS FIVE YEAR PLANS AT CURRENT PRICES AND AT CONSTANT 1970-71 PRICES

Economic Categories		FIVE YEAR PLANS							
		Pre-plan year	I	II	III	IV	V	VI	VII
		1950-51	1951-52 to 1955-56	1956-57 to 1960-61	1961-62 to 1965-66	1969-70 to 1973-74	1974-75 to 1978-79	1980-81 to 1984-85	1985-86 to 1989-90
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Final Outlays	Current prices	62.5	50.2	44.1	43.7	38.4	35.6	32.2	31.2
	1970-71 prices	62.2	46.8	42.4	41.9	39.2	34.8	31.4	29.9
Transfer payments	Current prices	23.2	25.1	22.9	23.2	28.3	33.3	37.8	43.6
	1970-71 prices	23.4	26.7	23.6	23.8	28.1	33.5	38.0	44.0
Financial investments and loans to the rest of the economy	Current prices	14.3	24.7	33.0	33.1	33.3	31.1	30.0	25.1
	1970-71 prices	14.3	26.5	33.8	34.1	32.6	31.6	30.5	25.9
Total govt. expenditure		100.00	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : Based on Table 4.4 and Table 4.5.

Notes : 1) Percentages may not tally to 100% due to rounding off.

2) The above figures are calculated on the basis of simple average of the percentages for the five years of each Five Year Plan.

expenditure again can be on account of a fall in the expenditure on wages & salaries and expenditure on purchases of commodities & services. A declining trend in the amount of wages and salaries would mean that the public sector which was earlier labour-intensive was now adopting capital-intensive techniques. Hence, the proportion of the total wage-bill was on the decline. However, this can have adverse repercussions for a developing country like India, which is labour surplus and a growing need is felt for employment generation.

According to Ernst Engel, the periods of rising and declining share of public sector in the capital formation may alternate. This is because, during the initial stages of development the government provides services related to the basic needs such as sanitation, elementary education, primary health services and also creation of overhead capital such as roads, harbours, power-installations etc. Hence, the government expenditure has a tendency to rise. Once these basic facilities are built up and capital markets are developed, the capital formation of the manufacturing type takes place and the industrialisation in the private sector can progress. Hence, the share of the public sector in the capital formation has a tendency to decline with economic development, thereby allowing the private sector to develop side by side and take over the lead later on. However, industrial development generates problems of its own like urbanisation and the resulting congestion calls for increased level of public investment, aimed at meeting social diseconomies created by the private sector. Moreover, as income rises an increasing share of investment is made on higher

education, improved health services and also luxury type of public goods like parks, marinas, high-speed highways, space explorations etc., leading to a rise in the share of public expenditure in the capital formation. In line with the above observation, the share of gross capital formation has declined in the total government expenditure leading to an overall fall in the final outlays.

The final outlays increased from Rs.3148 million in 1950-51 to Rs.289203 million in 1989-90, an increase of nearly 92 times, at current prices. This can be seen from Table 4.2. which depicts the Central Government expenditure by economic categories at current prices for the study period. Table 4.3. gives the economic categories of government expenditure at 1970-71 prices. It is evident from Table 4.3 that the final outlays at constant 1970-71 prices, increased from Rs.6544.7 million in 1950-51 to Rs.58144.3 million in 1989-90, an increase of only 9 times. The annual growth rate of the final outlays was 11.96% in nominal terms and 5.61% in real terms. This implies that most of the rise in government expenditure at current prices is on account of the inflationary pressures.

The constituents of final outlays are separately discussed below.

Consumption Expenditure: The consumption expenditure consists of expenditure on wages & salaries and expenditure on commodities & services. The consumption expenditure forms, on an average, nearly 70% of the total final outlays. It increased from Rs. 2347 million in 1950-51 to Rs.207837 million in 1989-90 (see

TABLE 4.2

**CENTRAL GOVERNMENT EXPENDITURE OF INDIA BY ECONOMIC CATEGORIES
AT CURRENT PRICES (1950-51 TO 1989-90)**

(Rs. in millions)

Year	Final Outlays		
	Consumption Expenditure	Gross Capital Formation	Final Outlays (Total)
	(1)	(2)	(3)
1950-51	2347	801	3148
1951-52	2322	1054	3376
1952-53	2381	685	3066
1953-54	2471	859	3330
1954-55	2548	1998	4546
1955-56	2691	1527	4218
1956-57	3161	2478	5639
1957-58	3982	3277	7259
1958-59	4119	3247	7366
1959-60	4023	2369	6392
1960-61	4330	3074	7404
1961-62	4778	3431	8209
1962-63	6602	4321	10923
1963-64	10028	5518	15546
1964-65	10061	5977	16038
1965-66	11091	5204	16295
1966-67	12121	5002	17123
1967-68	12798	4671	17469
1968-69	13856	2759	16615
1969-70	14769	3931	18700
1970-71	16694	5192	21886
1971-72	20545	5974	26519
1972-73	22621	6771	29392
1973-74	23125	7823	30948
1974-75	28668	12274	40942
1975-76	34492	12043	46535
1976-77	36059	11118	47177
1977-78	36782	11072	47854
1978-79	39755	13005	52760
1979-80	45024	15276	60300
1980-81	51740	19075	70815
1981-82	60963	25519	86482
1982-83	70569	28843	99412
1983-84	81300	33557	114857
1984-85	94282	41233	135515
1985-86	112104	45577	157681
1986-87	146647	59050	205697
1987-88	165512	59606	225118
1988-89	187636	70562	258198
1989-90	207837	81366	289203

.....(Table 4.2 continued)

.....(Table 4.2 continued)

(Rs. in millions)

Year	Transfer Payments			Financial Investments & Loans to the Rest of the Economy	Total Central Government Expenditure
	Current Transfers	Capital Transfers	Transfer Payments (Total)		
	(4)	(5)	(6)	(7)	(8)
1950-51	1109	60	1169	718	5035
1951-52	1684	108	1792	933	6101
1952-53	1454	86	1540	1245	5851
1953-54	1370	115	1485	1795	6610
1954-55	1556	433	1989	2670	9205
1955-56	2028	485	2513	3014	9745
1956-57	1968	484	2452	3084	11175
1957-58	2795	319	3114	5137	15510
1958-59	2929	422	3351	5675	16392
1959-60	3714	581	4295	6406	17093
1960-61	4265	687	4952	5700	18056
1961-62	4571	740	5311	6872	20392
1962-63	5329	907	6236	8166	25325
1963-64	5677	970	6647	9873	32066
1964-65	6714	1073	7787	11064	34889
1965-66	7538	1319	8857	14784	39936
1966-67	10539	1417	11956	17575	46654
1967-68	11121	1371	12492	15011	44972
1968-69	10480	1281	11761	16882	45258
1969-70	11630	1917	13547	17000	49247
1970-71	12392	1933	14325	19555	55766
1971-72	17227	2838	20065	20513	67096
1972-73	18515	4286	22801	26300	78493
1973-74	20595	3563	24158	26202	81308
1974-75	24498	3750	28248	28659	97849
1975-76	30177	5357	35534	38296	120365
1976-77	39447	5019	44466	39858	131501
1977-78	46779	7546	54325	47677	149856
1978-79	56826	10627	67453	56959	177172
1979-80	60638	12196	72834	51909	185043
1980-81	69116	13022	82138	71995	224948
1981-82	77282	15248	92530	74998	254010
1982-83	95898	17879	113777	91748	304937
1983-84	114363	23371	137734	107286	359877
1984-85	149381	29577	178958	124316	438789
1985-86	183474	38251	221725	151718	531124
1986-87	212428	44078	256506	178028	640231
1987-88	253802	54741	308543	169382	703043
1988-89	313987	57495	371482	184343	814023
1989-90	378770	68352	447122	214169	950494

Sources: (1) "An Economic-Cum-Functional Classification of Central Government Budget," Ministry of Finance, Govt. of India (various annual issues). (2) 'Macroeconomic Aggregates at Current and 1980-81 Prices,' from "INDIA DATABASE: The Economy," Vol.I, by H.L.Chandhok and The Policy Group, Living Media India Ltd., 1990.

TABLE 4.3

**CENTRAL GOVERNMENT EXPENDITURE OF INDIA BY ECONOMIC CATEGORIES
AT 1970-71 PRICES (1950-51 TO 1989-90)**

(Rs. in millions)

Year	Final Outlays		
	Consumption Expenditure	Gross Capital Formation	Final Outlays (Total)
	(1)	(2)	(3)
1950-51	4661.4	1883.4	6544.7
1951-52	3789.8	2323.6	6113.4
1952-53	4628.8	1530.4	6159.2
1953-54	4089.2	1900.4	5989.6
1954-55	4163.5	4190.4	8353.9
1955-56	4988.1	3275.4	8263.5
1956-57	5709.8	5113.5	10823.3
1957-58	7183.7	6745.6	13929.2
1958-59	7261.6	5845.2	13106.7
1959-60	6894.5	4198.1	11092.7
1960-61	6666.4	5223.4	11889.8
1961-62	7187.9	5683.3	12871.1
1962-63	9630.5	6801.5	16432.0
1963-64	13702.1	8595.0	22297.2
1964-65	13449.8	8538.6	21988.3
1965-66	14112.8	7101.5	21214.4
1966-67	14371.4	6249.4	20620.7
1967-68	13984.4	5415.0	19399.4
1968-69	14576.5	3102.4	17678.9
1969-70	15148.2	4242.4	19390.6
1970-71	16694.0	5192.0	21886.0
1971-72	19374.1	5585.3	24959.4
1972-73	20283.8	6589.1	26873.0
1973-74	18988.3	5937.3	24925.6
1974-75	18587.9	7776.7	26364.6
1975-76	20733.8	7043.1	27776.9
1976-77	20843.9	6418.1	27261.9
1977-78	20652.7	5925.9	26578.6
1978-79	21571.2	6623.0	28194.2
1979-80	22320.6	6770.7	29091.3
1980-81	22849.4	7668.3	30517.8
1981-82	23728.9	9279.0	33007.9
1982-83	25542.0	9597.1	35139.1
1983-84	26790.5	10261.1	37051.7
1984-85	29244.8	11702.0	40946.7
1985-86	32137.5	11487.3	43624.8
1986-87	38985.8	13806.1	52791.9
1987-88	41019.3	12902.0	53921.3
1988-89	42392.5	13919.2	56311.7
1989-90	43336.1	14808.1	58144.2

.....(Table 4.3 continued)

.....(Table 4.3 continued)

Year	Transfer Payments				Total Central Government Expenditure
	Current Transfers	Capital Transfers	Transfer Payments (Total)	Financial Investments & Loans to the Rest of the Economy	
	(4)	(5)	(6)	(7)	(8)
1950-51	2325.9	141.1	2467.0	1505.9	10517.6
1951-52	3423.5	238.1	3661.6	1896.7	11671.7
1952-53	3081.8	192.1	3274.0	2638.8	12072.0
1953-54	2830.0	254.4	3084.4	3707.9	12782.0
1954-55	3566.4	908.1	4474.5	6119.6	18948.0
1955-56	4692.3	1040.3	5732.6	6973.6	20969.8
1956-57	4031.1	998.8	5029.9	6317.1	22170.3
1957-58	5531.4	656.6	6188.0	10166.2	30283.5
1958-59	5575.9	759.7	6335.5	10803.3	30245.6
1959-60	6879.1	1029.6	7908.6	11865.2	30866.5
1960-61	7726.4	1167.4	8893.8	10326.1	31109.7
1961-62	8090.3	1225.8	9316.0	12162.8	34350.0
1962-63	9007.8	1427.7	10435.4	13803.2	40670.7
1963-64	8818.0	1510.9	10328.9	15335.5	47961.5
1964-65	9606.5	1532.9	11139.4	15830.6	48958.3
1965-66	9922.3	1799.9	11722.3	19460.3	52397.0
1966-67	12311.9	1770.4	14082.3	20531.5	55234.6
1967-68	11954.2	1589.4	13543.6	16135.7	49078.6
1968-69	10962.3	1440.5	12402.8	17659.0	47740.7
1969-70	11783.2	2068.9	13852.0	17223.9	50466.5
1970-71	12392.0	1933.0	14325.0	19555.0	55766.0
1971-72	16356.8	2653.3	19010.1	19476.8	63446.4
1972-73	15929.6	4170.9	20100.5	22627.5	69601.0
1973-74	15115.6	2704.2	17819.8	19230.8	61976.2
1974-75	15454.2	2376.0	17830.2	18079.1	62273.9
1975-76	19535.8	3132.9	22668.8	24791.9	75237.5
1976-77	24054.5	2897.3	26951.8	24305.1	78518.9
1977-78	26861.3	4038.7	30900.1	27377.0	84855.7
1978-79	32032.7	5412.0	37444.7	32107.7	97746.6
1979-80	29693.9	5405.5	35099.5	25419.4	89610.2
1980-81	30350.0	5235.0	35584.9	31614.2	97716.9
1981-82	30825.3	5544.3	36369.6	29914.2	99291.7
1982-83	35478.4	5949.0	41427.3	33943.0	110509.4
1983-84	39137.3	7146.4	46283.7	36715.4	120050.8
1984-85	47525.1	8394.0	55919.1	39550.8	136416.6
1985-86	54446.6	9640.8	64087.4	45022.9	152735.0
1986-87	58842.7	10305.6	69148.3	49313.9	171254.1
1987-88	64733.8	11849.0	76582.8	43202.0	173706.1
1988-89	73586.7	11341.6	84928.3	43203.0	184443.0
1989-90	83098.2	12439.6	95537.8	46986.5	200668.5

Source: Based on APPENDIX Table 4.2 and Table IIA-3 in Appendix IIA.

Table 4.2.), an increase of nearly 89 times with an annual growth rate of 11.8% at current prices. In real terms, it increased from Rs. 4661.4 million to Rs. 43336.1 million during the same period, as seen from Table 4.3, an increase of only 9 times with a growth rate of 5.73% per annum. The percentage share of consumption expenditure in the total government expenditure declined overall from 46.61% in 1950-51 to 21.87% in 1989-90 at current prices as evidenced from Table 4.4, which gives the percentage distribution of Central Government expenditure by economic categories at current prices. The corresponding decline at constant prices was from 44.32% to 21.60% (see Table 4.5.). The decline in the percentage share of consumption expenditure was not continuous both at current and constant 1970-71 prices as fluctuations could be observed from Tables 4.2 and 4.3. The share of expenditure in wages & salaries and on commodities & services is almost equal in the consumption expenditure, both at current and constant prices. Their proportion in the total government expenditure almost halved during the study period of 40 years. The declining trend in the Central Government expenditure on wages & salaries is indicative of a shift from labour intensive technique of production in the public sector to a capital intensive one.

Gross Capital Formation: It consists of the gross fixed capital formation and the changes in inventories. The gross capital formation at current prices increased from Rs.801 million in 1950-51 to Rs.81366 million 1989-90 (see Table 4.2.) indicating an increase of nearly 102 times at an annual growth rate of 12.24%. From Table 4.3., it is clear that, in real terms, it

TABLE 4.4

**PERCENTAGE DISTRIBUTION OF CENTRAL GOVERNMENT EXPENDITURE
OF INDIA BY ECONOMIC CATEGORIES AT CURRENT PRICES
(1950-51 TO 1989-90)**

Year	Final Outlays		
	Consumption	Gross Capital	Final Outlays
	Expenditure	Formation	(Total)
	(1)	(2)	(3)
1950-51	46.61	15.91	62.52
1951-52	38.06	17.28	55.34
1952-53	40.69	11.71	52.40
1953-54	37.38	13.00	50.38
1954-55	27.68	21.71	49.39
1955-56	27.61	15.67	43.28
1956-57	28.29	22.17	50.46
1957-58	25.67	21.13	46.80
1958-59	25.13	19.81	44.94
1959-60	23.54	13.86	37.40
1960-61	23.98	17.02	41.01
1961-62	23.43	16.83	40.26
1962-63	26.07	17.06	43.13
1963-64	31.27	17.21	48.48
1964-65	28.84	17.13	45.97
1965-66	27.77	13.03	40.80
1966-67	25.98	10.72	36.70
1967-68	28.46	10.39	38.84
1968-69	30.62	6.10	36.71
1969-70	29.99	7.98	37.97
1970-71	29.94	9.31	39.25
1971-72	30.62	8.90	39.52
1972-73	28.82	8.63	37.45
1973-74	28.44	9.62	38.06
1974-75	29.30	12.54	41.84
1975-76	28.66	10.01	38.66
1976-77	27.42	8.45	35.88
1977-78	24.54	7.39	31.93
1978-79	22.44	7.34	29.78
1979-80	24.33	8.26	32.59
1980-81	23.00	8.48	31.48
1981-82	24.00	10.05	34.05
1982-83	23.14	9.46	32.60
1983-84	22.59	9.32	31.92
1984-85	21.49	9.40	30.88
1985-86	21.11	8.58	29.69
1986-87	22.91	9.22	32.13
1987-88	23.54	8.48	32.02
1988-89	23.05	8.67	31.72
1989-90	21.87	8.56	30.43

.....(Table 4.4 continued)

.....(Table 4.4 continued)

Year	Transfer Payments			Financial Investments & Loans to the Rest of the Economy	Total Central Government Expenditure
	Current Transfers	Capital Transfers	Transfer Payments (Total)		
	(4)	(5)	(6)	(7)	(8)
1950-51	22.03	1.19	23.22	14.26	100.00
1951-52	27.60	1.77	29.37	15.29	100.00
1952-53	24.85	1.47	26.32	21.28	100.00
1953-54	20.73	1.74	22.47	27.16	100.00
1954-55	16.90	4.70	21.61	29.01	100.00
1955-56	20.81	4.98	25.79	30.93	100.00
1956-57	17.61	4.33	21.94	27.60	100.00
1957-58	18.02	2.06	20.08	33.12	100.00
1958-59	17.87	2.57	20.44	34.62	100.00
1959-60	21.73	3.40	25.13	37.48	100.00
1960-61	23.62	3.80	27.43	31.57	100.00
1961-62	22.42	3.63	26.04	33.70	100.00
1962-63	21.04	3.58	24.62	32.24	100.00
1963-64	17.70	3.03	20.73	30.79	100.00
1964-65	19.24	3.08	22.32	31.71	100.00
1965-66	18.88	3.30	22.18	37.02	100.00
1966-67	22.59	3.04	25.63	37.67	100.00
1967-68	24.73	3.05	27.78	33.38	100.00
1968-69	23.16	2.83	25.99	37.30	100.00
1969-70	23.62	3.89	27.51	34.52	100.00
1970-71	22.22	3.47	25.69	35.07	100.00
1971-72	25.68	4.23	29.90	30.57	100.00
1972-73	23.59	5.46	29.05	33.51	100.00
1973-74	25.33	4.38	29.71	32.23	100.00
1974-75	25.04	3.83	28.87	29.29	100.00
1975-76	25.07	4.45	29.52	31.82	100.00
1976-77	30.00	3.82	33.81	30.31	100.00
1977-78	31.22	5.04	36.25	31.82	100.00
1978-79	32.07	6.00	38.07	32.15	100.00
1979-80	32.77	6.59	39.36	28.05	100.00
1980-81	30.73	5.79	36.51	32.01	100.00
1981-82	30.42	6.00	36.43	29.53	100.00
1982-83	31.45	5.86	37.31	30.09	100.00
1983-84	31.78	6.49	38.27	29.81	100.00
1984-85	34.04	6.74	40.78	28.33	100.00
1985-86	34.54	7.20	41.75	28.57	100.00
1986-87	33.18	6.88	40.06	27.81	100.00
1987-88	36.10	7.79	43.89	24.09	100.00
1988-89	38.57	7.06	45.64	22.65	100.00
1989-90	39.85	7.19	47.04	22.53	100.00

Source: Based on Table 4.2.

TABLE 4.5

**PERCENTAGE DISTRIBUTION OF CENTRAL GOVERNMENT EXPENDITURE
OF INDIA BY ECONOMIC CATEGORIES AT 1970-71 PRICES
(1950-51 TO 1989-90)**

Year	Final Outlays		
	Consumption Expenditure	Gross Capital Formation	Final Outlays (Total)
	(1)	(2)	(3)
1950-51	44.32	17.91	62.23
1951-52	32.47	19.91	52.38
1952-53	38.34	12.68	51.02
1953-54	31.99	14.87	46.86
1954-55	21.97	22.12	44.09
1955-56	23.79	15.62	39.41
1956-57	25.75	23.06	48.82
1957-58	23.72	22.27	46.00
1958-59	24.01	19.33	43.33
1959-60	22.34	13.60	35.94
1960-61	21.43	16.79	38.22
1961-62	20.93	16.55	37.47
1962-63	23.68	16.72	40.40
1963-64	28.57	17.92	46.49
1964-65	27.47	17.44	44.91
1965-66	26.93	13.55	40.49
1966-67	26.02	11.31	37.33
1967-68	28.49	11.03	39.53
1968-69	30.53	6.50	37.03
1969-70	30.02	8.41	38.42
1970-71	29.94	9.31	39.25
1971-72	30.54	8.80	39.34
1972-73	29.14	9.47	38.61
1973-74	30.64	9.58	40.22
1974-75	29.85	12.49	42.34
1975-76	27.56	9.36	36.92
1976-77	26.55	8.17	34.72
1977-78	24.34	6.98	31.32
1978-79	22.07	6.78	28.84
1979-80	24.91	7.56	32.46
1980-81	23.38	7.85	31.23
1981-82	23.90	9.35	33.24
1982-83	23.11	8.68	31.80
1983-84	22.32	8.55	30.86
1984-85	21.44	8.58	30.02
1985-86	21.04	7.52	28.56
1986-87	22.76	8.06	30.83
1987-88	23.61	7.43	31.04
1988-89	22.98	7.55	30.53
1989-90	21.60	7.38	28.98

.....(Table 4.5 continued)

.....(Table 4.5 continued)

Year	Transfer Payments			Financial Investments & Loans to the Rest of the Economy	Total Central Government Expenditure
	Current Transfers	Capital Transfers	Transfer Payments (Total)		
	(4)	(5)	(6)	(7)	(8)
1950-51	22.11	1.34	23.46	14.32	100.00
1951-52	29.33	2.04	31.37	16.25	100.00
1952-53	25.53	1.59	27.12	21.86	100.00
1953-54	22.14	1.99	24.13	29.01	100.00
1954-55	18.82	4.79	23.61	32.30	100.00
1955-56	22.38	4.96	27.34	33.26	100.00
1956-57	18.18	4.50	22.69	28.49	100.00
1957-58	18.27	2.17	20.43	33.57	100.00
1958-59	18.44	2.51	20.95	35.72	100.00
1959-60	22.29	3.34	25.62	38.44	100.00
1960-61	24.84	3.75	28.59	33.19	100.00
1961-62	23.55	3.57	27.12	35.41	100.00
1962-63	22.15	3.51	25.66	33.94	100.00
1963-64	18.39	3.15	21.54	31.97	100.00
1964-65	19.62	3.13	22.75	32.33	100.00
1965-66	18.94	3.44	22.37	37.14	100.00
1966-67	22.29	3.21	25.50	37.17	100.00
1967-68	24.36	3.24	27.60	32.88	100.00
1968-69	22.96	3.02	25.98	36.99	100.00
1969-70	23.35	4.10	27.45	34.13	100.00
1970-71	22.22	3.47	25.69	35.07	100.00
1971-72	25.78	4.18	29.96	30.70	100.00
1972-73	22.89	5.99	28.88	32.51	100.00
1973-74	24.39	4.36	28.75	31.03	100.00
1974-75	24.82	3.82	28.63	29.03	100.00
1975-76	25.97	4.16	30.13	32.95	100.00
1976-77	30.64	3.69	34.33	30.95	100.00
1977-78	31.66	4.76	36.41	32.26	100.00
1978-79	32.77	5.54	38.31	32.85	100.00
1979-80	33.14	6.03	39.17	28.37	100.00
1980-81	31.06	5.36	36.42	32.35	100.00
1981-82	31.05	5.58	36.63	30.13	100.00
1982-83	32.10	5.38	37.49	30.72	100.00
1983-84	32.60	5.95	38.55	30.58	100.00
1984-85	34.84	6.15	40.99	28.99	100.00
1985-86	35.65	6.31	41.96	29.48	100.00
1986-87	34.36	6.02	40.38	28.80	100.00
1987-88	37.27	6.82	44.09	24.87	100.00
1988-89	39.90	6.15	46.05	23.42	100.00
1989-90	41.41	6.20	47.61	23.41	100.00

Source: Based on Table 4.3.

increased from Rs.1883.3 million to Rs.14808.1 million during the same period, which shows an increase of almost 8 times, at an annual growth rate of 5.29%. As a proportion of the total government expenditure, it declined from 15.91% in 1950-51 to 8.56% in 1989-90 at current prices (see Table 4.4.) and from 17.91% to 7.38% during the respective years at constant prices (see Table 4.5.). A noteworthy feature of the decline in the proportion of gross capital formation in the total government expenditure was that, it was far from being continuous, rather it showed two distinct periods of decline. Between 1950-51 and 1967-68, the share ranged between 10.39% (1967-68) and 22.17% (1956-57) at current prices. After that till 1989-90 it never exceeded 10% except in the years 1974-75, 1975-76 and 1981-82. At constant prices, the share of gross capital formation was between 11.03% (1967-68) and 23.06% (1956-57) during the period 1950-51 to 1967-68. Thereafter it was less than 10% except in the year 1974-75, when it was 12.49%. The gross fixed capital formation (which includes expenditure on building and other construction, machinery and equipment) forms the major portion of the gross capital formation (greater than 70%). An important point to be noted here is that, though the proportion of the gross capital formation in the total government expenditure has declined, it does not indicate a fall in the amount of capital formation undertaken by the Centre. This is due to the fact that the substantial amount of disbursements are made by the Centre to the State Governments, Union Territories, local authorities and non-departmental commercial undertakings towards building up of physical assets.

4.2.2. Transfer Payments to the Rest of the Economy

The Transfer Payments consist of (a) Current Transfers and (b) Capital Transfers. The Transfer Payments do not involve direct demand on goods & services, but are intended to add to incomes of others. The head 'Current Transfers' is composed of the interest payments (on national debt), grants to States and Union Territories, local authorities and other non-profit-making institutions (CSIR, ICAR etc.), subsidies and pensions. A mention may be made here of the fact that an increase in the interest payments indicates a rise in national debt. Mostly, national debt has been incurred to meet plan-needs, largely for developmental purposes.

In India, the subsidies have been used for the dual purpose of promoting growth and redistribution of income. Within this framework, subsidies have been introduced from time to time to serve some specific objectives, the important ones being listed below.

- (a) For stimulating investment e.g., export subsidies, subsidy for agriculture, subsidy for indigenous fertilizers, subsidy for rail-cum-sea transport of coal, interest subsidy for small scale industries, subsidy for new industrial units located in selected backward areas etc.
- (b) For helping consumption of certain goods and/or specified class of consumables e.g., subsidy for controlled cloth, food subsidy, subsidy for housing of the plantation workers etc.

Pensions are included in the transfers on the grounds that no increase in current output accrues to the economy from retired personnel (receiving pensions) and it be considered as expenditure on welfare. The grants to States and Union Territories and local authorities include the statutory grants as well as plan and non-plan grants. The expenditure on rehabilitation of displaced persons is also shown under this head.

The proportion of transfer payments at current prices in the total expenditure, which was 23.2% in 1950-51, increased to 25.1% in Ist Five Year Plan and further to 43.6% in VIIth Five Year Plan showing a continuously increasing trend. A similar trend was visible at constant prices (see Table 4.1.). Since the interest payments form the major item of current transfers, a rising trend in the national debt (on which the interest payments are to be made) is an indicator of an increase in the liabilities of the government. As the national debt is incurred mainly for financing plan-expenditure for developmental purposes, the greater the magnitude of national debt, the larger are the resources acquired by the government. Hence, an increase in the interest payments would mean a rise in the amount of national debt. An increasing trend in the transfer payments also shows the government's policy towards welfare measures through increased expenditure on pensions and subsidies (especially the consumption subsidies) and more resources transferred to States & Union Territories and local authorities.

The transfer payments registered an increase of nearly 382 times, from Rs.1169 million in 1950-51 to Rs.447122 million in 1989-90, in nominal terms (see Table 4.2.). In real terms, the increase was nearly 39 times, from Rs.2467 million to Rs.95537.8 million (see Table 4.3.). The growth rate was 6.02% per annum in nominal terms and 9.57% per annum in real terms. However, the increase in the transfer payments was not continuous as it showed fluctuations both at current and constant prices.

The sub-categories of transfer payments are individually discussed below:

Current Transfers: These account for more than 80% of the total transfer payments to the rest of the economy. The current transfers in nominal terms increased from Rs.1109 million in 1950-51 to Rs.378770 million in 1989-90 (see Table 4.2.), an increase of nearly 342 times at an annual growth rate of 15.7%. In comparison, these transfers increased from Rs.2325.9 million to Rs.83098.2 million in real terms (see Table 4.3.), the increase being only about 36 times, with a growth rate of 9.35% per annum. Their share in the total government expenditure increased from 22.03% to 39.85% in nominal terms and from 22.11% to 41.41% in real terms during the period of study, as can be seen from Table 4.4. and Table 4.5., respectively. The increase in current transfers is entirely on account of the interest payments, which forms a major portion (around 60% to 70%) of the current transfers. This is indicative of the government's increasing dependence on internal borrowing for mobilizing resources for undertaking a higher volume of investment.

Bhatia [1993] has observed that the "interest payments of the Centre are increasing very rapidly and the rate of this increase itself is going up. The government has got into a very difficult situation which is very close to an internal debt trap". A debt trap represents a situation in which the debtor is unable to meet the cost of debt servicing without borrowing afresh or without rescheduling of the payment obligations. Since the debt servicing obligations (interest payment on internal debt) are increasing at a rapid rate without a commensurate addition to its repayment capacity, the government is forced to borrow more and more to service its growing debt. This could have adverse effects on the economy for giving rise to inflationary tendencies.

Capital Transfers: These transfers are intended to assist the capital expenditure and include loans for capital formation and other loans to States & Union Territories, departmental commercial undertakings and others. These transfers increased from Rs.60 million to Rs.68352 million (see Table 4.2.), an increase of nearly 1139 times, with a growth rate of 19.2% per annum during the study period in nominal terms. The corresponding increase in real terms was from Rs.141.1 million to Rs.12439.6 million (see Table 4.3.), indicating an increase of almost 88 times at an annual growth rate of 11.84%. From Table 4.4. and Table 4.5., it is clear that the percentage share of capital transfers in the total government expenditure increased from 1.19% in 1950-51 to 7.19% in 1989-90 at current prices and from 1.34% to 6.20% at 1970-71 prices during the same period. The rapid increase in the capital transfers indicates an

increasing Central Government assistance for capital formation to States & Union Territories, local authorities and departmental commercial undertakings, thereby making available more resources to them for strengthening the capital base of the economy.

4.2.3. Financial Investment & Loans to the Rest of the Economy

The expenditure on financial investments and loans to the rest of the economy is concerned with the transactions in the financial assets i.e. investment in the share capital of industrial and commercial concerns and loans and advances granted to States & Union Territories, Local Authorities and Non-departmental Commercial Undertakings. Investment in shares includes the investment in share capital of Non-departmental Commercial Undertakings of the government and also acquisition of shares as a result of nationalization of banks, general insurance etc. Loans given by the Central Government comprise of the loans for creation of capital assets and also for other purposes like short-term agricultural loans, loans for natural calamities and loans for meeting non-plan gaps. It also includes subscription to international financial organizations like International Monetary Fund (IMF), International Development Authority (IDA), International Bank for Reconstruction and Development (IBRD) and Asian Development Bank (ADB), and net purchase of gold and silver.

As can be seen from Table 4.1., the financial investments and loans to the rest of the economy at current prices constituted 14.3% of the total government expenditure in 1950-51, which increased to 24.7% during the Ist Five Year Plan. It

maintained an increasing trend upto the IVth Five Year Plan during which the average proportion was 33.3%. However, a declining trend was observed subsequently and the proportion was reduced to 25.1% during VIIth Five Year Plan, which is close to that during Ist Five Year Plan. At constant prices, their proportion increased from 14.3% in 1950-51 to 34.1% during the IIIrd Five Year Plan. Thereafter, it showed a declining trend and it finally declined to 25.9% in IIIrd Five Year Plan.

During the initial stages of planning, the government promoted capital formation by acquiring shares of the non-departmental commercial undertakings like ONGC, FCI, etc. and also through nationalisation of banks. Also, Centre made resource transfers to States and Union Territories and local authorities by way of loans for creation of capital assets, short-terms agricultural loans and also loans for meeting non-plan gaps. As the capital base of the economy strengthened and the States' dependence on Centre for resources slightly declined, the capital formation promoted by the Central Government also registered a fall.

Judging from the above pattern of expenditure, it can be said that, during the first two decades of planning, the Central Government promoted capital formation in the rest of the economy through financial assistance in addition to the capital formation directly undertaken by it. The amount of capital formation promoted by the government declined during the subsequent two decades of planning (1970's and 1980's).

The financial investments and loans to the rest of the economy at current prices increased by 298 times, from Rs.718 millions to Rs.214169 million (see Table 4.2.) with an annual growth rate of 15.3% during the period 1950-51 to 1989-90. However, at constant prices, they increased by only 31 times, from Rs.1505.9 million to Rs.46986.5 million (see Table 4.3.), at an annual growth rate of 2.88% during the same period. Their share in the government expenditure increased from 14.26% to 22.53% at current prices and from 14.32% to 23.41% at 1970-71 prices between 1950-51 and 1989-90 as can be seen from Table 4.4. and Table 4.5, respectively.

The above trend-analysis of economic categories has brought out some significant findings. The proportion of final outlays in the total government expenditure has declined, which indicates reduction in consumption expenditure like wages & salaries and purchases of commodities & services. This is a healthy sign as this would mean a greater proportion of expenditure being made available for other developmental purposes. Also, an increasing proportion of expenditure on transfer payments is indicative of the government's concern towards welfare through pensions, subsidies etc. The proportion of financial investments (in share capital of non-departmental commercial undertakings , financial concerns etc.) and loans to States and Union Territories for meeting non-plan gaps in the initial stages of planning was higher, meaning that the Centre promoted capital formation. However, as the states' dependence on the Centre for resources slightly declined, the proportion of government expenditure disbursed in the form of loans also reduced slightly.

As regards the composition of the economic categories, the overall change in the government expenditure brings out the following points. from Table 4.4 it can be seen that at current prices, the final outlays in 1950-51 cornered the highest share (62.5%) of the government expenditure on account of the huge investment undertaken for establishing the administrative structure and large defence outlay after India became independent in 1947. The proportion of transfer payments at current prices was 23.2% and that of the financial investments and loans to the rest of the economy was 14.3%. In 1960-61 the proportion of final outlays dropped drastically (but it remained the highest) to 41.01% and that of the transfer payment and financial investments increased to 27.43% and 31.57%, respectively.

In 1970-71 the proportion of final outlays dropped slightly to 39.25% and that of transfer payments to 25.69%, while the proportion of financial investments and loans slightly increased to 35.07%. The share of final outlays in 1980-81 declined further to 31.48% and that of financial investments to 32.01% . The transfer payments for the first time claimed the highest share of the government expenditure at 36.51% . Finally in 1989-90, the share of final outlays reduced to 30.43% and that of financial investments to 22.53%. The share of transfer payments increased to 47.04% which again was the highest. The changes in the composition of the government expenditure by economic categories were similar at constant prices.

Hence, in short it can be said that the structure of the government expenditure has undergone a change in the sense that,

in the beginning (1950-51) the final outlays claimed the major share. The government was slowly becoming aware of the welfare aspect through more resource allocation to transfer payments and hence the transfer payments cornered more resources at the end of the forty-year period in 1989-90.

4.3. FUNCTIONAL CLASSIFICATION

To view the changes in the structure of the economy differently, an analysis of the functional categories of the Central Government expenditure is also undertaken. The period covered is from 1966-67 to 1989-90 only, for reasons stated earlier in the chapter. In the absence of any appropriate deflators for various functional categories, the analysis is carried out only at current prices.

The four main functional categories of the Central Government expenditure are

- (i) General Services
- (ii) Social Services
- (iii) Economic Services
- (iv) Unallocable Services.

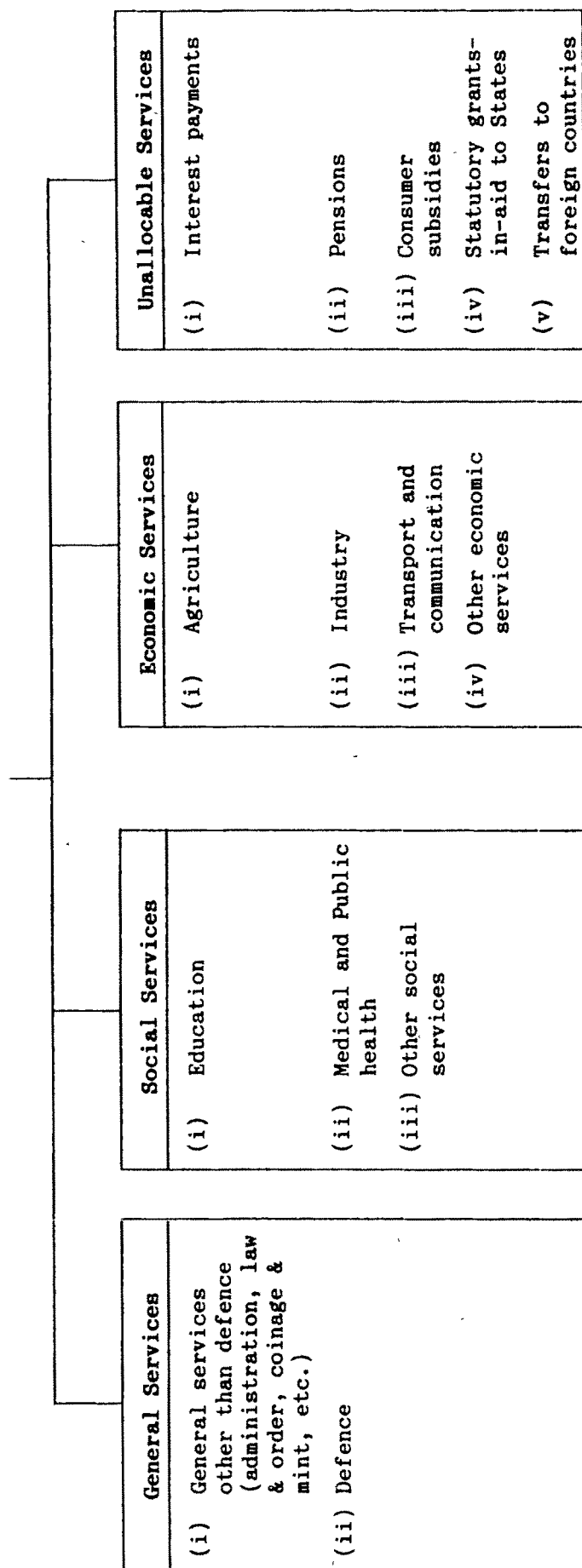
The constituents of each of the above is given in Chart 4.2. The above functional classification is designed to group the main items of government expenditure in terms of broad purposes to be served i.e., defence, administration, health, education, agriculture, industry, transport & communication etc.

4.3.1. General Services

The expenditure on General Services, like law and order, does not lead to development directly but it is nevertheless important to carry out various developmental programmes

Chart 4.2

Functional Classification of the Central Government Expenditure in India



Source : 'An Economic-cum-Functional Classification of Central Government Budget', Ministry of Finance, Government of India (various annual issues).

efficiently and smoothly and, thus, promotes development indirectly. The expenditure on defence has to be incurred in order to maintain the territorial integrity of a country and also to meet any eventuality arising out of wars or conflicts. The general services cover both civil and defence services and include the expenditure incurred for provision of general administration, tax collection, police, currency & the mint, conduct of external relations, and the non-plan provision against natural calamities.

Table 4.6 shows the Central Government expenditure by functional categories for the period 1966-67 to 1989-90. This table reveals that the expenditure on general services at current prices increased from Rs.14140 million in 1966-67 to Rs.198116 million in 1989-90, an increase of 14 times during the 24 year period at an annual growth rate of 11.62%. However, the increase was not continuous as variations could be observed. As indicated from Table 4.7, which gives the percentage distribution of government expenditure during various Five Year Plans, the proportion of general services in the total expenditure maintained a declining trend during the various plans. During the three Annual Plans, the proportion of general services was 30.1% which, during the successive plans, went on declining from 30.4% in the IVth Plan, to 24.5% in the Vth Plan, 21.8% in the VIth Plan and finally to 21.7% in the VIIth Plan.

Though the proportion of general services in the total government expenditure showed a continuously declining trend through various Five Year Plans, the proportion of defence and other general services in the total expenditure on general

TABLE 4.6

**CENTRAL GOVERNMENT EXPENDITURE OF INDIA BY FUNCTIONAL CATEGORIES
AT CURRENT PRICES (1966-67 TO 1989-90)**

(Rs. in millions)

Year	General Services	Social Services	Economic Services	Unallocable Services	Block Grants & Loans	Total Central Govt. Expenditure
	(1)	(2)	(3)	(4)	(5)	(6)
1966-67	14140	3044	20864	8606	--	46654
1967-68	13053	2717	14111	9242	5849	44972
1968-69	14021	2746	13292	8889	6310	45258
1969-70	14921	3039	14002	10809	6476	49247
1970-71	17779	3640	16312	11403	6631	55766
1971-72	20172	4520	19509	15660	7235	67096
1972-73	23294	6642	25124	15710	7723	78493
1973-74	24518	6011	23854	19250	7675	81308
1974-75	26177	5922	34845	21918	8987	97849
1975-76	33439	7837	45415	22205	11469	120365
1976-77	33013	8999	49638	26747	13104	131501
1977-78	32712	9702	55099	32768	19575	149856
1978-79	37416	11984	63211	35986	28575	177172
1979-80	40568	12444	72344	33341	26336	185043
1980-81	51658	14421	88476	39793	30600	224948
1981-82	55842	15451	104064	46689	31964	254010
1982-83	65569	21354	118828	58415	40771	304937
1983-84	80533	25568	143403	68509	41864	359877
1984-85	89666	31623	203950	86350	27191	438789
1985-86	107730	38819	207511	114871	62193	531124
1986-87	148155	50972	243496	133361	64247	640231
1987-88	163186	71403	234537	160166	73751	703043
1988-89	178695	75437	285745	190836	83310	814023
1989-90	198116	90678	346706	230601	84393	950494

Source: An Economic-cum-Functional Classification of Central Government Budget, Ministry of Finance, Govt. of India (various annual issues).

Notes: (1) The Block Grants & Loans are a part of the sub-category "Other Economic Services" (included under Economic Services) but shown separately.

(2) '---' denotes data not available

TABLE 4.7

PERCENTAGE DISTRIBUTION OF CENTRAL GOVERNMENT EXPENDITURE OF INDIA BY FUNCTIONAL CATEGORIES DURING VARIOUS FIVE YEAR PLANS AT CURRENT PRICES

Plans	General Services (1)	Social Services (2)	Economic Services (3)	Block Grants & Loans (4)	Unallocable Services (5)	Total Govt. expenditure (6)
Annual Plans 1966-67 1967-68 1968-69	30.1	6.2	35.2	8.9	19.5	100.0
IVth 1969-70 to 1973-74	30.4	7.1	29.6	11.1	21.8	100.0
Vth 1974-75 to 1978-79	24.5	6.5	36.7	11.6	20.7	100.0
VIth 1980-81 to 1984-85	21.8	6.5	41.1	11.5	18.6	100.0
VIIth 1985-86 to 1989-90	21.7	8.8	36.4	10.4	22.7	100.0

Source : Based on Table IVA-1 in Appendix IVA.

- Note : 1) The above figures are calculated on the basis of simple average of the percentages for the five years of each Five Year Plan.
 2) Totals may not tally to 100% due to rounding off.
 3) The percentage of block grants and loans is calculated on the basis of two year average for the Annual Plans.

services showed variations. The defence services forms the major portions (above 60%) of the general services. Its proportion in the general services overall showed a tendency to rise (though not continuously). This can be on account of the continued tensions across the borders, because of which the defence expenditure had to be incurred on an increasing scale. As far as the general services (like administration, police, justice, coinage & mint, etc.) are concerned, their proportion in the total general services showed a declining tendency, although not continuously. After having built a sound administrative set-up through basic infrastructure and capital overheads, only the recurring expenditure (on maintenance, salaries, etc.) has to be incurred along with some new expenditure (on buildings etc.). Hence, in the initial stages the expenditure on general services (excluding defence) was higher which later on showed a declining tendency. This is a good sign as it means channeling of resources for other developmental purposes.

General Services Other than Defence: Table 4.8 gives the break-up of the Central Government expenditure under general services and social services at current prices. As seen from this table, the expenditure on general services excluding defence increased from Rs.5330 million in 1966-67 to Rs.55134 million in 1989-90, an increase of nearly 10 times at an annual growth rate of 10.2%. Table 4.9 gives the proportion of the sub-categories of general services and social services in the total government expenditure. This table reveals that the general services other than defence constituted 11.42% of the total government expenditure in 1966-67, which later on declined to 5.80% in

TABLE 4.8

**BREAK-UP OF CENTRAL GOVERNMENT EXPENDITURE OF INDIA
UNDER GENERAL SERVICES AND SOCIAL SERVICES AT CURRENT PRICES
(1966-67 TO 1989-90)**

Year	GENERAL SERVICES		SOCIAL SERVICES		
	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	5330	8810	892	629	1523
1967-68	3650	9403	874	638	1205
1968-69	4039	9982	817	769	1160
1969-70	4337	10584	905	856	1278
1970-71	6263	11516	1093	863	1684
1971-72	5435	14737	1096	1341	2083
1972-73	7368	15926	1602	1617	3423
1973-74	8353	16165	1467	997	3547
1974-75	5978	20199	1810	1116	2996
1975-76	9840	23599	2152	2263	3422
1976-77	8745	24268	2413	2600	3986
1977-78	7787	24925	2650	2298	4754
1978-79	10345	27071	3006	2552	6426
1979-80	9115	31453	3120	2416	6908
1980-81	15952	35706	3398	2597	8426
1981-82	12572	43270	3862	3518	8071
1982-83	15388	50181	4745	4862	11747
1983-84	22306	58227	5472	6090	14006
1984-85	23196	66470	6842	6931	17850
1985-86	28114	79616	8061	7961	22797
1986-87	43762	104393	9533	8655	32784
1987-88	44440	118746	15525	9649	46229
1988-89	46329	132366	20272	10889	44276
1989-90	55134	142982	20034	11491	59153

Source: Same as for Table 4.6.

TABLE 4.9

**GENERAL SERVICES AND SOCIAL SERVICES BY SUB-CATEGORIES AS
PROPORTION OF CENTRAL GOVERNMENT EXPENDITURE OF INDIA
AT CURRENT PRICES (1966-67 TO 1989-90)**

Year	GENERAL SERVICES		SOCIAL SERVICES		
	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	11.42	18.88	1.91	1.35	3.26
1967-68	8.12	20.91	1.94	1.42	2.68
1968-69	8.92	22.06	1.81	1.70	2.56
1969-70	8.81	21.49	1.84	1.74	2.60
1970-71	11.23	20.65	1.96	1.55	3.02
1971-72	8.10	21.96	1.63	2.00	3.10
1972-73	9.39	20.29	2.04	2.06	4.36
1973-74	10.27	19.88	1.80	1.23	4.36
1974-75	6.11	20.64	1.85	1.14	3.06
1975-76	8.18	19.61	1.79	1.88	2.84
1976-77	6.65	18.45	1.83	1.98	3.03
1977-78	5.20	16.63	1.77	1.53	3.17
1978-79	5.84	15.28	1.70	1.44	3.63
1979-80	4.93	17.00	1.69	1.31	3.73
1980-81	7.09	15.87	1.51	1.15	3.75
1981-82	4.95	17.03	1.52	1.38	3.18
1982-83	5.05	16.46	1.56	1.59	3.85
1983-84	6.20	16.18	1.52	1.69	3.89
1984-85	5.29	15.15	1.56	1.58	4.07
1985-86	5.29	14.99	1.52	1.50	4.29
1986-87	6.84	16.31	1.49	1.35	5.12
1987-88	6.32	16.89	2.21	1.37	6.58
1988-89	5.69	16.26	2.49	1.34	5.44
1989-90	5.80	15.04	2.11	1.21	6.22

Source: Based on Table 4.6 and Table 4.8.

1989-90. No clear trend was visible as the proportion was less than 12% throughout, varying between a low of 4.93% in 1979-80 and a high of 11.42% in 1966-67. Year-to-year variations can be attributed to the increase in expenditure in some years on maintenance of law and order and restoration of the damage caused to government property during communal riots, bandh and cessationist movements (like those in Punjab, Kashmir and Assam). The declining proportion of expenditure on general services is suggestive of the fact that resources are being diverted for various developmental programmes, which is a welcome sign.

Defence Services: The expenditure on defence increased from Rs.8810 million in 1966-67 to Rs.142982 million in 1989-90 (see Table 4.8), the increase being 16 times at the rate of 12.3% per annum. During the 24-year period, the share of defence services declined from 18.88% in 1966-67 to 15.04% in 1989-90, with fluctuations ranging from 14.99% (1985-86) to 22.06% (1968-69) in the intervening years (see Table 4.9). As the defence expenditure forms the major part of the general services (around 62-77%), the increase in expenditure on the general services is almost entirely on account of increased expenditure on defence. The proportion of defence expenditure in the general services is on the increase on account of the hostile atmosphere prevailing with the neighbouring countries and so India has to be in a state of defence preparedness.

4.3.2. Social Services

The expenditure on Social Services is incurred for the provision of basic social amenities or, viewed from the

developmental angle, it improves upon the human capital through education, art, culture, health facilities etc. The Social Services also cover the expenditure on housing, labour welfare, slum improvement, rural water supply, nutrition programmes for children etc. which can be viewed as an investment on human resources development.

The expenditure on social services increased from Rs.3044 million in 1966-67 to Rs.90678 million in 1989-90 (see Table 4.6), an increase of nearly 30 times, at a growth rate of 15% per annum. The share of the social services in the total government expenditure was between 6% during the Annual Plans and 9% during the VIIth Five Year Plan, as seen from Table 4.7. Since the provision of medical and public health, education, etc. is predominantly the states' responsibility, the proportion of social services in the total government expenditure is very low. Hence, it can be said that the Centre makes little contribution towards human resources development, though the proportion has slightly increased between 1966-67 to 1989-90. However, the increase in the share of government expenditure on social services also means that the Centre is slowly interfering in the state subjects, thereby reflecting a tendency towards centralisation of economic power which might not be called for.

Education: This category includes expenditure on general and technical education (engineering and medical colleges and also basic research). The expenditure on education increased from Rs.892 million to Rs.20034 million during 1966-67 to 1989-90 (see Table 4.8), an increase of about 22 times at an annual growth

rate of 13.84%. As a proportion of the total government expenditure, education constituted 2% on an average (see Table 4.9). Education falls predominantly under states' jurisdiction as far as the provision of general and technical education is concerned. Hence, the Central Government spends a meagre proportion of its total expenditure on education.

Medical & Public Health: This type of expenditure can be taken to be an investment in human capital, through improving the physical fitness of the people. It covers the family welfare programmes also. The expenditure on this head increased from Rs.629 million in 1966-67 to Rs.11491 million in 1989-90 (see Table 4.8), an increase of about 18 times at the rate of 12.86% per annum. Though the expenditure on medical & public health increased in absolute terms, it fluctuated between 1.14% (1974-75) and 2.06% (1972-73) of the total government expenditure as seen from Table 4.9. Again the proportion of government expenditure on medical and public health did not show any appreciable changes, it being states' responsibility.

Other Social Services: This category includes expenditure on housing, labour welfare and other welfare schemes, museums, archaeology, public libraries and expenditure on broadcasting & other publicity media. The expenditure on these services increased from Rs.1523 million to Rs.59153 million (see Table 4.8) during the 24-year period from 1966-67 to 1989-90. The increase was almost 39 times at a growth rate of 16.47% per annum. The proportion of these services in the total government expenditure increased from 3.26% in 1966-67 to 6.22% in 1989-90,

though not continuously, as observed in Table 4.9.

The increased proportion of government expenditure on other social services could be mainly on account of the extensification of the television and broadcasting media and also on account of increased expenditure on the archaeological surveys. The government in recent years has become conscious of its responsibility towards preservation of historical monuments like (Taj Mahal, ancient temples etc.) and also to bring forth the rich architectural and cultural past through historical excavations. All this had lead to an increase expenditure on archaeology. Hence, an increase in expenditure on other social services can be viewed as an expenditure on enrichment of cultural life of the people.

4.3.3. Economic Services

The expenditure on Economic Services promotes productive activity within the country, directly or indirectly, or in other words it promotes building up of economic infrastructure to accelerate the pace of economic development. Producers' subsidies (for fertilizers, coal, railways etc.), assistance for export promotion and market development are included here. The subdivision into agriculture, industry, transport and communication and other economic services is done according to the type of the economic activity.

The expenditure on economic services increased from Rs.20864 million in 1966-67 to Rs.346706 million in 1989-90 (see Table 4.6), an increase of almost 17 times, at an annual growth rate of 12.4%. The share of economic services slightly increased

from 35.2% during the Annual Plans to 36.4% in the VIIth Five Year Plan. However, no clear trend was visible in the proportion of economic services in the government expenditure as the values fluctuated as seen in Table 4.7. Since the proportion of economic services in the government expenditure is very high, it shows the large scale emphasis accorded towards building up of infrastructure and strengthening of the capital base by developing core industries.

Agriculture: It includes irrigation, animal husbandry, fisheries, forestry, cooperation and community development. Table 4.10, which represents the break-up of government expenditure under economic services at current prices, reveals that the expenditure on agriculture increased from Rs.5023 million in 1966-67 to Rs.64036 million in 1989-90. This corresponds to an increase of almost 13 times at an annual growth rate of 11.2%. The proportion of agriculture in the total government expenditure declined from 10.77% to 6.73% during the period of the study. This is seen in Table 4.11 which depicts the economic services by sub-categories as proportion of Central Government expenditure. Agriculture constituted around 3-10% of the total government expenditure and 17-24% of the total expenditure on economic services. Since agriculture is mostly carried out in the private sector, the Centre's responsibility is limited only towards provision of facilities like irrigation, warehousing, marketing, subsidy on fertilisers etc. Hence, the proportion of the agriculture is low in the total Central Government expenditure.

TABLE 4.10

**BREAK-UP OF CENTRAL GOVERNMENT EXPENDITURE OF INDIA UNDER
ECONOMIC SERVICES AT CURRENT PRICES (1966-67 TO 1989-90)**

(Rs. in millions)

Year	ECONOMIC SERVICES			
	Agriculture	Industry	Transport and Communication	Other Economic Services
	(1)	(2)	(3)	(4)
1966-67	5023	7286	5046	3509
1967-68	2507	5962	4842	800
1968-69	1556	6101	4460	1175
1969-70	2432	6166	4231	1173
1970-71	2115	5737	6224	2236
1971-72	3268	7838	6406	1997
1972-73	5474	9272	7603	2775
1973-74	3840	8101	7957	3956
1974-75	7030	15226	9365	3224
1975-76	8140	22830	10853	3592
1976-77	7326	27821	10674	3817
1977-78	9753	29917	11290	4139
1978-79	12519	31362	13122	6208
1979-80	17389	30821	16219	7915
1980-81	18391	39925	21162	8998
1981-82	17185	48565	25873	12441
1982-83	21072	55541	27434	14781
1983-84	29450	63048	30924	19981
1984-85	45623	41340	80837	36150
1985-86	37233	89740	43108	37430
1986-87	43934	97585	50481	51496
1987-88	49486	92064	53437	39550
1988-89	59340	104632	66876	54897
1989-90	64036	128366	84767	69537

Source: Same as for Table 4.6.

TABLE 4.11

**ECONOMIC SERVICES BY SUB-CATEGORIES AS PROPORTION OF
CENTRAL GOVERNMENT EXPENDITURE OF INDIA AT CURRENT PRICES
(1966-67 TO 1989-90)**

Year	Agriculture	Industry	Transport and Communication	Other Economic Services
	(1)	(2)	(3)	(4)
1966-67	10.77	15.62	10.82	7.52
1967-68	5.57	13.26	10.77	1.78
1968-69	3.44	13.48	9.85	2.60
1969-70	4.94	12.52	8.59	2.38
1970-71	3.79	10.29	11.16	4.01
1971-72	4.87	11.68	9.55	2.98
1972-73	6.97	11.81	9.69	3.54
1973-74	4.72	9.96	9.79	4.87
1974-75	7.18	15.56	9.57	3.29
1975-76	6.76	18.97	9.02	2.98
1976-77	5.57	21.16	8.12	2.90
1977-78	6.51	19.96	7.53	2.76
1978-79	7.07	17.70	7.41	3.50
1979-80	9.40	16.66	8.76	4.28
1980-81	8.18	17.75	9.41	4.00
1981-82	6.77	19.12	10.19	4.90
1982-83	6.91	18.21	9.00	4.85
1983-84	8.18	17.52	8.59	5.55
1984-85	10.40	9.42	18.42	8.24
1985-86	7.01	16.90	8.12	7.05
1986-87	6.86	15.24	7.88	8.04
1987-88	7.04	13.10	7.60	5.63
1988-89	7.29	12.85	8.22	6.74
1989-90	6.74	13.51	8.92	7.32

Source: Based on Table 4.6 and Table 4.10.

Industry: It covers both large and small scale & village industries, power development, exploitation of mineral resources and trade & export promotion. The expenditure on industry increased from Rs.7286 million in 1966-67 to Rs.128366 million in 1989-90 (see Table 4.10), nearly a 18-fold increase at the rate of 12.6% per annum. However, because of fluctuations the rise was not continuous. Throughout the 24-year period, the proportion of industry in the total government expenditure was double or more than that of agriculture except in 1984-85. It ranged between 9.42% (1984-85) to 21.16% (1976-77) as seen in Table 4.11. Since there is a large scale participation by the government in the core industrial sector and also on account of major thrust of the economic development programmes on the industrial advancement since the IInd Five Year Plan, the allocation of resources is more to industry as compared to agriculture.

Transport & Communication: The expenditure on this category increased from Rs.5046 million to Rs.84767 million during the period 1966-67 to 1989-90 (see Table 4.10). The increase in expenditure (not continuously) was nearly 17 times at an annual growth rate of 12.4%. It constituted 7.41% (1978-79) to 11.16% (1970-71) of the total government expenditure, except in 1984-85 when it suddenly increased from 8.59% in the previous year (1983-84) to 18.42% (see Table 4.11). The increasing the proportion of government expenditure spend on transport and communication is indicative of the emphasis accorded towards development of a strong communication network through railways, roads, civil aviation, sea travel etc. so that remote corners of

the country could be linked to bring about a balanced regional development. Also, development airways, ports and ship-building can give a fillip to international trade.

Other Economic Services: It is a residual category which includes items like outlays on multi-purpose projects and states' share in small savings. The expenditure on these services increased from Rs.3509 million to Rs.69537 million during the 24-year period from 1966-67 to 1989-90 (see Table 4.10), an increase of almost 20 times at the rate of 7.75% per annum. Its proportion varied between 1.78% (1967-68) and 8.24% (1984-85) of the total government expenditure as evident from Table 4.11. The expenditure on other economic services is mainly incurred to bring about an all-round development of the country through giving block grants and loans to States and Union Territories for developmental purposes. The multi-purpose river schemes could be utilised for generation of electricity as well as irrigation thereby enhancing economic prosperity of respective regions and the nation as a whole.

The block grants & loans granted by the Centre to the States for plan assistance, although shown separately in Table 4.6, also belong to this residual sub-category within the Economic Services. From Table 4.6, it is seen that the block grants & loans increased by nearly 14 times from Rs.5849 million in 1967-68 to Rs.84393 million in 1989-90, the growth rate being 12.3% per annum. The block grants & loans formed 8.9% of the total government expenditure during the Annual Plans, which later increased (with fluctuations) to 10.4% in VIIth Five Year Plan.

This reflects more resource transfer to states by the Centre for plan-assistance.

4.3.4. Unallocable Services

The unallocable services include the expenditure which can not be related to specific purposes. The main type of expenditure included are interest payments, pensions, consumer subsidies (such as on food, edible oils and controlled cloth), transfers to State Governments as statutory grants-in-aid and special loans. It also includes transfers to foreign countries, technical credits and other loans to foreign countries. In other words, the expenditure on the Unallocable Services is a residual category and, hence, generalization regarding the developmental or non-developmental character of the expenditure can not be made. Pensions and consumer subsidies can be said to promote social welfare while the interest payments and the statutory grants-in-aid and loans to the State Governments lead to an increase in the funds acquired by the government for developmental purposes. Transfers and loans to the foreign countries is an expenditure on the maintenance of international relations.

The expenditure on unallocable services increased from Rs.8606 million in 1966-67 to Rs.230601 million in 1989-90 (see Table 4.6), an increase of 267 times, at the rate of 14.6% per annum. The unallocable services constituted 19.5% of the total government expenditure during the Annual Plans, which increased to 22.7% in the VIIth Five Year Plan. This rise can be traced to the higher expenditure on interest payments (on national debt),

thereby indicating the government's increasing dependence on internal borrowing for mobilizing resources and a tendency to be caught in the 'internal debt trap'. An unchecked increase in the interest payments also leads to inflationary pressures.

The above trend-analysis of functional categories leads us to conclude that the proportion of general services in the total government expenditure is on the decline, while that on the economic services is on the increase. This means that the government is trying to cut down its administrative expenditure so that more resources are made available for other economically important developmental heads of expenditure. Through increased expenditure on economic services, the all-round development of the economy is brought about by more investment in the area of agriculture , industry, transport and communication (roads, railways, sea-travel, civil-aviation, ports, harbours, etc.). However, industry is given more importance as compared to agriculture which indicates that the emphasising feature of our development process is rapid industrialisation of the economy.

As regards the composition of the functional categories, the overall change in the government expenditure indicates the following points. In 1970-71 the general services claimed 31.88% of the total government expenditure followed by the economic services at 29.25% and unallocable services at 20.45% as can be seen from the Appendix Table IVA-1 in Appendix IVA. The social services were allocated 6.53% of the total government expenditure. Hence, this shows that the government had to incur a large part of its expenditure on administration, defence,

justice, police, etc. along with the expenditure on economic services for development of infrastructure, industry, agriculture, etc. However, in 1980-81 there was a welcome change towards decline in the proportion of general services to 22.96% and rise in that of the economic services to 39.33%, the latter claiming the highest share of government expenditure. The share of unallocable services declined slightly to 17.69% and that of the social services to 6.41%. Finally, in 1989-90, the percentage share of general services decreased further to 20.84% . However, decline in the proportion of economic services in the total expenditure in 1989-90 to 36.48% is a cause of concern, because this might adversely effect the developmental process. The proportion of unallocable services increase to 24.26% and that of the social services to 9.54%. Though an increase in the share of social services indicates higher expenditure on human resources development, it also reflects that the Centre is slowly encroaching upon the state subjects of providing education, medical and public health etc. and a tendency towards centralisation of economic power. An increase in proportion of unallocable services is reflective of a growing concern in the area of broadcasting media, archaeology, museum, primary education etc. aimed at enhancing general awareness and therefore denotes government's concern about enrichment of cultural life. The declining share of general services is a welcome sign since this type of expenditure is considered 'wasteful 'on account of reducing the proportion of resources for other developmental purposes.

4.4. ECONOMIC-CUM-FUNCTIONAL CLASSIFICATION

The cross-classification of the total government expenditure into economic-cum-functional categories shows the expenditure as broken down into consumption, gross capital formation, current and capital transfers, loans for capital formation and other loans as related to their broad administrative, social and economic purposes. For instance, the economic-cum-functional classification helps to see the break-up of the economic category "consumption expenditure" as related to various functional categories, administrative services, defence services, medical & public health, education, agriculture, industry, transport & communication etc.

The percentage distribution of various economic categories like consumption expenditure, current transfers, capital transfers etc. by functional categories such as defence, education, agriculture etc. is presented in Tables 4.12 through 4.17 and in Appendix Tables IVA-2 through IVA-7 in Appendix IV A. The trends and fluctuations in each category are discussed below.

4.4.1. Consumption Expenditure

Table 4.12 gives the percentage distribution of consumption expenditure. From Table 4.12 it can be seen that the consumption expenditure on defence is the highest amongst various functional heads. It constituted between 67.30% (1976-77) and 73.47% (1967-68) of the total consumption expenditure. This can be due to huge pay bill and the defence capital outlay. No clear trend was visible because of fluctuations. The proportion of general services (excluding defence) ranged between 17.11%

TABLE 4.12

**PERCENTAGE DISTRIBUTION OF "CONSUMPTION EXPENDITURE"
IN CENTRAL GOVERNMENT EXPENDITURE OF INDIA
BY FUNCTIONAL CATEGORIES AT CURRENT PRICES (1966-67 TO 1989-90)**

Year	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	17.11	72.68	0.87	0.79	3.17
1967-68	16.94	73.47	0.96	0.78	2.77
1968-69	18.13	72.04	0.92	0.84	2.76
1969-70	18.50	71.66	0.94	0.95	2.80
1970-71	20.35	68.98	1.10	0.96	3.53
1971-72	17.73	71.73	0.93	1.96	3.14
1972-73	18.60	70.40	1.14	1.96	3.02
1973-74	19.21	69.90	1.24	0.65	3.30
1974-75	18.49	70.46	1.34	0.73	3.59
1975-76	20.16	68.42	1.18	0.91	3.68
1976-77	20.06	67.30	1.18	1.35	4.10
1977-78	19.08	67.76	1.26	1.46	3.67
1978-79	19.01	68.09	1.30	1.30	3.59
1979-80	17.49	69.88	1.25	1.12	3.77
1980-81	17.43	69.01	1.37	1.12	4.42
1981-82	17.44	70.98	1.20	1.29	2.72
1982-83	17.15	71.11	1.25	1.10	3.10
1983-84	17.34	71.62	1.19	1.41	2.55
1984-85	18.02	70.50	1.33	1.15	2.83
1985-86	17.99	71.02	1.09	1.08	2.77
1986-87	18.39	71.19	1.02	0.98	2.53
1987-88	17.39	71.74	1.17	1.21	2.73
1988-89	17.54	70.54	1.18	1.35	2.94
1989-90	19.32	68.80	1.25	1.39	3.12

.....(Table 4.12 continued)

.....(Table 4.12 continued)

Year	Agriculture	Industry	Transport & Communication	Other Economic Services	Unallocable Services	Block Grants & Loans
	(6)	(7)	(8)	(9)	(10)	(11)
1966-67	1.12	2.34	1.65	0.26	--	--
1967-68	0.82	1.95	1.58	0.73	--	--
1968-69	0.93	1.98	1.89	0.51	--	--
1969-70	0.84	1.85	1.93	0.52	--	--
1970-71	0.89	1.77	1.92	0.50	--	--
1971-72	0.79	1.48	1.62	0.61	--	--
1972-73	0.92	1.69	1.41	0.86	--	--
1973-74	1.16	2.13	2.05	0.34	--	--
1974-75	0.77	2.50	1.50	0.62	--	--
1975-76	1.05	2.61	1.47	0.53	--	--
1976-77	1.09	2.27	1.49	1.16	--	--
1977-78	1.11	2.74	1.62	1.30	--	--
1978-79	1.07	2.72	1.51	1.42	--	--
1979-80	0.95	2.75	1.49	1.30	--	--
1980-81	0.89	3.10	1.56	1.10	--	--
1981-82	0.97	2.54	1.56	1.31	--	--
1982-83	1.27	2.02	1.71	1.29	--	--
1983-84	1.04	2.38	1.08	1.39	--	--
1984-85	1.13	2.60	1.05	1.39	--	--
1985-86	0.86	2.43	1.20	1.55	--	--
1986-87	1.37	2.01	0.99	1.51	--	--
1987-88	1.26	2.00	0.89	1.60	--	--
1988-89	0.94	2.16	1.06	2.30	--	--
1989-90	0.85	1.83	1.09	2.36	--	--

Source: "An Economic-Cum-Functional Classification of Central Government Budget," Ministry of Finance, Govt. of India (various annual issues).

Note: '--' denotes data not available

(1966-67) to 20.35% (1970-71). Here, also, no clear-cut trend was visible. The consumption expenditure on education, medical & public health and other economic services showed an overall increasing trend, the increase being 0.87% to 1.25%, 0.79% to 1.39% and 0.26% to 2.36% respectively during the period 1966-67 to 1989-90. The proportion of other social services ranged between 2.72% (1981-82) and 4.42% (1980-81) with no definite trend. The proportion of agriculture kept on fluctuating between 0.77% (1974-75) and 1.37% (1986-87). The proportion of industry which was 2.34% in 1966-67, remained between 1.48% and 1.98% during 1967-68 to 1972-73. Thereafter, its proportion remained between 2.01% to 3.10% till 1986-87, and it finally declined to 1.83% in 1989-90. The proportion of transport and communication declined from 1.65% in 1966-67 to 1.09% in 1989-90 never going below 1% except in the years 1986-87 and 1987-88.

Appendix Table IVA-2 in Appendix IVA gives the consumption expenditure by functional categories as proportion of total government expenditure. From Appendix Table IVA-2 it is clear that the consumption expenditure on defence services as a proportion of total government expenditure ranged between 14.99% (1985-86) and 22.06% (1968-69). There was a slight overall decline in the proportion of defence from 18.88% in 1966-67 to 15.04% in 1989-90 on account of a fall in the proportion of defence capital outlay. The proportion of general services slightly declined from 4.45% in 1966-67 to 4.22% in 1989-90, with waverings ranging from 3.80% (1985-86) to 6.09% (1970-71). The falling proportion of general services suggests that, instead of incurring expenditure on these services the government was

diverting resources for other growth-oriented expenditure which is a good sign. The proportion of education ranged between 0.23% (1966-67) and 0.39% (1974-75) and that of medical and public health fluctuated between 0.18% (1973-74) and 0.37% (1976-77) except for the years 1971-72 and 1972-73 when the proportion jumped to 0.60% and 0.56% respectively. Fluctuations were also observed in case of other social services, the proportion ranging between 0.58% (1983-84 and 1986-87) and 1.12% (1976-77). The proportion of agriculture kept hovering between 0.18% (1985-86) and 0.33% (1973-74) and that of industry between 0.4% (1989-90) and 0.75% (1975-76). However, the proportion of agriculture overall declined from 0.29 % in 1966-67 to 0.19 % in 1989-90 and that of industry from 0.61 % to 0.40 % during the respective years. The proportion of transport and communication kept vacillating between 0.21 % (1987-88) and 0.58% (1968-69, 1969-70 & 1973-74), but overall it declined from 0.43 % in 1966-67 to 0.24 % in 1989-90. However, the proportion of other economic services increase from 0.07 % in 1966-67 to 0.52 % in 1989-90 with waverings in between.

From the above analysis of consumption expenditure (which includes wages & salaries and commodities & services) of the Centre on various functional heads, it is evident that government spends the most on defence, as this functional head is entirely under its jurisdiction and more labour-intensive. As far as other categories are concerned, the responsibility rests more with the states and hence the proportion of consumption expenditure on other categories is very low in the Central Government expenditure. However, in case of other economic services the

proportion of government expenditure was slightly on the higher side on account of increased expenditure on archaeology, museums, broadcasting media etc.

4.4.2. Current Transfers

Table 4.13 represents the percentage distribution of current transfers by functional categories. The highest percentage of current transfers was made to the unallocable services, which ranged between 51.45% (1979-80) and 70.36% (1974-75), but showed an overall decline from 63.06% in 1966-67 to 58.55% in 1989-90. This is on account of the interest payments which form a part of current transfers and are included under unallocable services. Though the proportion on unallocable services has declined in the total current transfers made, their proportion in the total government expenditure has increased (see Appendix Table IVA-3 in Appendix IVA) on account of increase in the interest payments. The proportion of other general services showed an overall decline from 3.2% in 1966-67 to 0.24% in 1989-90. Between 1966-67 and 1973-74 their percentage kept on fluctuating between 1.89% (1971-72) to 3.25% (1967-68), reaching the highest at 7.49% in 1973-74. Thereafter, it showed a sudden decline (below 1 %) with fluctuations and the proportion falling to 0.24% in 1989-90.

Education showed an overall decline from 6.71 % in 1966-67 to 4.35 % in 1989-90 , with vacillations ranging from 3.57 % (1985-86) and 6.09 % (1972-73). The decline in the current transfers meant for social services as a whole indicates decreasing resource transfers to the States and Union Territories

TABLE 4.13

**PERCENTAGE DISTRIBUTION OF "CURRENT TRANSFERS"
IN CENTRAL GOVERNMENT EXPENDITURE OF INDIA
BY FUNCTIONAL CATEGORIES AT CURRENT PRICES (1966-67 TO 1989-90)**

Year	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	3.20	--	6.17	2.39	5.21
1967-68	3.25	--	5.28	3.52	3.55
1968-69	2.08	--	5.25	5.10	4.38
1969-70	2.69	--	4.98	5.54	3.40
1970-71	2.60	--	5.83	5.08	3.13
1971-72	1.89	--	4.42	5.09	3.81
1972-73	5.48	--	6.09	5.83	9.28
1973-74	7.49	--	5.40	3.30	7.14
1974-75	0.56	--	5.59	3.58	2.42
1975-76	0.61	--	5.52	6.34	2.49
1976-77	0.62	--	4.77	5.24	2.24
1977-78	0.33	--	4.41	3.65	1.84
1978-79	0.32	--	4.23	3.50	2.56
1979-80	0.69	--	4.04	3.09	3.57
1980-81	0.51	--	3.69	2.85	3.89
1981-82	0.24	--	3.84	3.54	3.15
1982-83	0.18	--	3.83	4.08	4.49
1983-84	0.40	--	3.74	4.30	1.78
1984-85	0.38	--	3.55	3.79	1.97
1985-86	0.34	--	3.57	3.48	2.52
1986-87	0.40	--	3.61	3.19	4.04
1987-88	0.42	--	5.18	2.81	4.16
1988-89	0.27	--	5.57	2.52	3.67
1989-90	0.24	0.10	4.35	2.19	2.26

.....(Table 4.13 continued)

.....(Table 4.13 continued)

Year	Agriculture	Industry	Transport & Communication	Other Economic Services	Unallocable Services	Block Grants & Loans
	(6)	(7)	(8)	(9)	(10)	(11)
1966-67	9.74	9.93	0.20	0.10	63.06	--
1967-68	4.47	7.95	0.59	0.13	64.50	6.76
1968-69	2.79	7.49	1.18	0.80	61.12	9.82
1969-70	2.94	8.39	1.05	0.69	61.75	8.58
1970-71	4.21	9.89	0.61	0.77	59.35	8.52
1971-72	2.75	7.99	0.66	0.63	65.89	6.87
1972-73	5.16	7.93	0.78	1.00	51.91	6.52
1973-74	4.02	7.17	0.78	0.08	58.72	5.91
1974-75	2.75	7.25	0.50	0.53	70.36	6.47
1975-76	3.11	9.54	1.15	0.97	63.48	6.78
1976-77	6.26	11.54	0.94	0.73	61.19	6.40
1977-78	10.16	13.44	0.36	0.83	56.99	7.96
1978-79	11.13	10.65	1.17	0.82	56.31	9.31
1979-80	16.33	9.81	2.07	0.66	51.45	8.30
1980-81	13.56	10.38	2.06	0.70	53.32	9.03
1981-82	9.82	10.96	1.89	1.06	56.62	8.88
1982-83	11.02	10.24	1.75	0.92	54.58	8.91
1983-84	13.81	9.07	1.57	0.91	56.38	8.04
1984-85	17.24	10.08	1.48	1.22	53.46	6.82
1985-86	13.11	8.35	2.00	1.21	58.03	7.40
1986-87	12.45	8.47	1.63	1.17	58.93	6.11
1987-88	11.09	8.18	1.57	1.01	59.59	6.00
1988-89	13.30	8.53	1.48	1.02	58.11	5.53
1989-90	14.36	9.12	3.45	0.74	58.55	4.65

Source: Same as for Table 4.12

Note: '--' denotes data not available

by the Centre for this purpose, it being a state subject. The proportion of medical and public health in 1966-67 was 2.39% which slightly came down to 2.19% in 1989-90. In between it ranged from 2.52% (1988-89) to 6.34% (1975-76). The proportion of other social services declined from 5.21% in 1966-67 to 2.26% in 1989-90, with waverings from 1.78% (1983-84) and 9.28%(1972-73). The current transfers to agriculture (like various subsidies to agriculture) showed an increasing trend from 9.74% to 14.36% during 1966-67 to 1989-90. Till 1976-77, the proportion was less than 10% (2.75% to 6.26%). Thereafter, it became more than 10% ranging between 10.16% (1977-78) and 17.24% (1984-85) except in the year 1981-82 when it was 9.82%. The proportion of industry, at the beginning and at the end of the 24-year period was 9.93% and 9.12% respectively. The proportion of industry remained less than 10% throughout, only with rise above 10% in some of the years (1976-77, 1977-78, 1978-79, 1980-81, 1981-82, 1982-83 and 1984-85). The government made wholehearted efforts towards improvement of agricultural and industrial sectors by increasing the current transfers in form of various subsidies. The current transfers to industry include producer's subsidies for fertilizers, assistance for export promotion and market development, interest subsidy for small scale industry, subsidy for new industrial units located in the selected backward areas, etc. Transport and communication received less than 1% of the current transfers between 1966-67 and 1977-78 except in the years 1968-69, 1969-70 and 1975-76. After that it ranged between 1.17% (1978-79) to 3.45% (1989-90). The proportion of transport and communication increased overall from 0.20% in 1966-67 to 3.45% in

1989-90. The proportion of other economic services increased from 0.10% in 1966-67 to 0.74% in 1989-90. Their proportion remained less than 1% except for the period 1984-85 to 1988-89 and for the years 1972-73 and 1981-82. This shows that the current transfers made to the economic services are greater than those made to the social services, which reflects that the Centre makes little effort towards human resources development in the country and the responsibility predominantly rests with the states. The block grants and loans constituted between 4.65% (1989-90) to 9.82% (1968-69) of the current transfers, with an overall decline from 6.76% in 1967-68 to 4.65% in 1989-90.

Appendix Table IVA-3 in Appendix IVA gives the current transfers by functional categories as a proportion of total government expenditure. The current transfers to unallocable services as proportion of total government expenditure showed an increasing trend overall, the increase being from 14.25% in 1966-67 to 23.33% in 1989-90 with fluctuations in between ranging from 13.19% (1970-71) to 22.41% (1988-89). The current transfers to unallocable services remained at a higher level on account of interest payments (which are on the increase), statutory grants-in-aid to States and Union Territories and also because of the increase in consumer subsidies (such as on food, edible oils, controlled cloth etc.). This indicates Centre's concern towards development of states (through grants and loans) and also welfare (through pensions and subsidies). The proportion of general services (excluding defence) was not only less than 1% throughout (except in 1972-73 and 1973-74 when it was 1.29% and 1.90% respectively), but showed decline with fluctuations from

0.72% in 1966-67 to 0.09% in 1989-90. The proportion of defence services was represented for 1989-90 only when it was 0.04%. The proportion of education swayed between 1.13% (1971-72 and 1980-81) and 2.15%(1988-89) and increased slightly overall from 1.39% in 1966-67 to 1.73% in 1988-89. The proportion of medical and public health registered a slight increase from 0.54% in 1966-67 to 0.87% in 1989-90 with waverings between 0.84% (1973-74) and 1.59% (1975-76). Same was true of other social services, for which the proportion ranged between 0.57% (1983-84) and 2.19% (1972-73), and showed an overall decline from 1.18% in 1966-67 to 0.90% in 1989-90. In case of agriculture, the proportion till 1976-77 was less than 2% except in 1966-67 when it was 2.20%. Thereafter it started increasing, though with fluctuations and finally reached 5.72% in 1989-90. Industry registered a slight increase from 2.24% in 1966-67 to 3.63% in 1989-90 fluctuations ranging from 1.73% (1968-69) to 4.20% (1977-78). The proportion of transport and communication was less than 1% throughout except in 1989-90 (it increased from 0.04% in 1966-67 to 1.37% in 1989-90) and overall showed a rise with fluctuations. The proportion of other economic services was less than 0.5% throughout, wavering between 0.02% (1966-67 & 1973-74) and 0.42% in (1984-85 and 1985-86) with an overall increase from 0.02% in 1966-67 to 0.30% in 1989-90. The current transfers in form of block grants and loans showed two distinct patterns. From 1966-67 to 1976-77 the proportion ranged between 1.50% to 1.92% except in 1968-69 and 1969-70 when it was 2.27% and 2.03% respectively. From 1977-78 to 1988-89 it swayed between 2.13% to 2.99%. Again in 1989-90 it came down to 1.85%.

From the above trends in current transfers it is evident that, the Centre's assistance to States and Union Territories is on the increase for economic services, which reflects the emphasis accorded towards all-round development of agriculture, industry, infrastructure and communication network. The Central assistance for social services has fallen, indicating that the Centre makes meagre contribution towards human resources development.

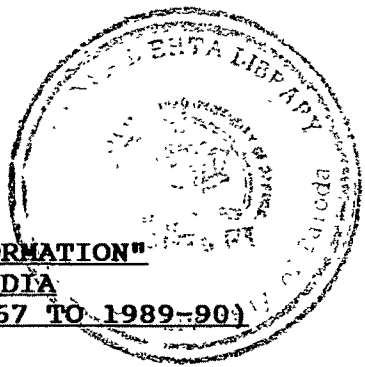
4.4.3. Gross Capital Formation

Table 4.14 brings out the percentage distribution of gross capital formation by functional categories. The proportion of the general services showed fluctuations ranging from 2.09% (1969-70) and 7.36% (1968-69), but on the whole it registered an increase from 3.68% in 1966-67 to 5.47% in 1989-90, with negative value in 1970-71 because of decrease in stores needed for construction work. The increase in gross capital formation and general services implies a rise in the expenditure on buildings and construction for office and residential purposes. This is in line with Wagner's theory that, as an economy develops public expenditure goes up on account of the increased expenditure on traditional functions of the State like administration, police, law and order, currency and mint etc.

In case of education the proportion slightly increased from 0.32% in 1966-67 to 0.45% in 1989-90. However, it remained less than 1% throughout this period. The proportion of medical and public health also slightly increased from 0.66% in 1966-67 to 0.70% in 1989-90. The proportion remained less than 1%

TABLE 4.14

**PERCENTAGE DISTRIBUTION OF "GROSS CAPITAL FORMATION"
IN CENTRAL GOVERNMENT EXPENDITURE OF INDIA
BY FUNCTIONAL CATEGORIES AT CURRENT PRICES (1966-67 TO 1989-90)**



Year	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	3.68	--	0.32	0.66	5.02
1967-68	5.16	--	0.58	0.96	4.84
1968-69	7.36	--	0.98	1.27	4.53
1969-70	2.09	--	0.74	1.07	7.68
1970-71	-0.73	--	0.23	0.58	7.78
1971-72	3.97	--	0.15	0.70	5.22
1972-73	5.54	--	0.16	0.64	5.35
1973-74	4.31	--	0.35	0.63	2.74
1974-75	3.23	--	0.17	0.21	2.98
1975-76	2.40	--	0.34	0.24	3.89
1976-77	3.34	--	0.48	0.40	4.75
1977-78	3.27	--	0.67	0.48	5.29
1978-79	3.46	--	0.29	0.36	4.77
1979-80	3.14	--	0.40	0.26	5.71
1980-81	3.73	--	0.55	0.25	4.31
1981-82	4.07	--	0.45	-0.01	4.16
1982-83	4.75	--	0.53	0.58	4.96
1983-84	5.61	--	0.47	0.08	5.09
1984-85	4.41	--	0.60	0.48	4.83
1985-86	3.84	--	0.55	0.65	5.04
1986-87	7.11	--	0.45	0.58	9.56
1987-88	6.15	--	0.43	0.79	7.41
1988-89	5.77	--	0.52	0.57	5.78
1989-90	5.47	--	0.45	0.70	5.80

.....(Table 4.14 continued)

.....(Table 4.14 continued)

Year	Agriculture	Industry	Transport & Communication	Other Economic Services	Unallocable Services	Block Grants & Loans
	(6)	(7)	(8)	(9)	(10)	(11)
1966-67	5.16	12.02	80.19	0.94	-7.98	--
1967-68	7.02	8.16	80.37	-1.56	-5.52	--
1968-69	-20.84	20.59	116.89	7.47	-38.24	--
1969-70	5.42	13.86	74.66	4.68	-10.20	--
1970-71	0.31	11.69	71.80	2.70	5.64	--
1971-72	-2.48	14.63	76.62	1.77	-0.59	--
1972-73	-1.68	11.64	80.87	1.74	-4.25	--
1973-74	9.04	11.36	71.14	0.52	-0.06	--
1974-75	31.25	11.89	50.03	0.23	--	--
1975-76	21.24	13.90	57.61	0.37	--	--
1976-77	6.52	17.58	65.34	1.61	--	--
1977-78	2.47	15.08	71.23	1.46	--	--
1978-79	2.27	15.29	72.18	1.38	--	--
1979-80	2.60	12.30	74.48	1.11	--	--
1980-81	1.57	9.91	78.22	1.46	--	--
1981-82	1.25	9.72	78.73	1.63	--	--
1982-83	2.22	12.60	72.44	1.92	--	--
1983-84	1.86	14.36	73.02	1.60	--	--
1984-85	0.95	16.80	69.72	2.21	--	--
1985-86	0.92	15.87	70.94	2.19	--	--
1986-87	1.21	13.70	65.38	2.01	--	--
1987-88	0.99	9.73	70.93	3.58	--	--
1988-89	1.17	8.34	74.55	3.30	--	--
1989-90	0.91	7.93	76.36	2.37	--	--

Source: Same as for Table 4.12

Note: '--' denotes data not available

throughout except in the years 1968-69 (1.27%), 1969-70 (1.07%) and 1981-82 (-0.01% due to decrease in stores for construction). The proportion of other social services, wavered between 2.74% (1973-74) and 7.41% (1987-88) with the highest at 9.56% (1986-87) with an overall increase from 5.02% in 1966-67 to 5.80% in 1989-90. This increase can be attributed to a rise in construction work for primary education centers, museums and broadcasting & television media. It showed that though the Centre has not contributed much towards capital formation (for buildings and equipments) in the area of general and technical education, it has undertaken literacy campaign by contributing towards setting up of primary education centres. Also, increased expenditure on museums, broadcasting and television media shows the concern towards enrichment of cultural life. The proportion of agriculture showed wideranging fluctuations (-20.84% to 31.25%) so no definite trend could be observed, however, the proportion declined from 5.16% in 1966-67 to 0.91% in 1989-90. The proportion of industry and transport & communication is on the higher side which indicates that the government is undertaking lot of investment efforts for rapid industrialisation of the economy. The proportion of industry declined (but still was relatively higher than other categories) from 12.02% in 1966-67 to 7.93% in 1989-90, with waverings in between ranging from 8.16% (1967-68) to 20.59% (1968-69). Transport and communication cornered the lion's share in the gross capital formation, with the proportion ranging from 50.03% (1974-75) to 116.89 (1968-69). Its proportion slightly declined over the 24 year period from 80.19% in 1966-67 to 76.36% in

1989-90. The proportion of other economic services increased from 0.94% in 1966-67 to 2.37% in 1989-90. For 1973-74, 1974-75 and 1975-76 the proportion was less than 1% and for the year 1967-68 it was negative because of decrease in stores. The proportion of unallocable services was throughout negative except in 1970-71 when it was 5.64%.

Appendix Table IVA-4 in Appendix IV A gives the gross capital formation by functional categories as proportion of total government expenditure. The proportion of general services (excluding defence) increased slightly from 0.39% in 1966-67 to 0.47% in 1989-90 with fluctuations, and the proportion being less than 1% throughout. The proportion of education increased by a negligible amount (with fluctuations) from 0.03% in 1966-67 to 0.04% in 1989-90, while that of medical & public health declined with fluctuations from 0.07% in 1966-67 to 0.06% in 1989-90. In case of agriculture the proportion declined from 0.55% in 1966-67 to 0.08% in 1989-90, while that of industries declined from 1.29% to 0.68% during the respective years. In both cases waverings were observed. The proportion of transport and communication despite fluctuations showed a declining trend from 8.6% in 1966-67 to 6.54% in 1989-90. The proportion of other economic services slightly increased with fluctuations from 0.10% in 1966-67 to 0.20% in 1989-90. The negative value for 1967-68 denotes the decrease in stores. The proportion of unallocable services was negative for the years for which date is available representing decline in stores for capital formation except in 1970-71 when it was 0.53%.

From the preceding trends and figures it can be said that the government has undertaken capital formation , especially in the industrial sector and setting up a sound infrastructure and communication network. However, the proportion of expenditure on capital formation has declined over the year, which is in accordance with Ernst Engel's reasoning that, once the basic facilities like infrastructure, heavy and core industries are built up, the capital formation activity of the public sector slowly declines and yields the place to capital formation of the manufacturing type and industrial development of the private sector. However, Engel has further suggested that the periods of increase and decrease in capital formation activity of the public sector alternate as economic growth takes place.

4.4.4. Capital Transfers

Table 4.15 represents the percentage distribution of capital transfers by functional categories. The data on capital transfers made to the general services (excluding defence) was available only from 1986-87 onwards, which showed a less than 1% but rising allocation. Education and medical & public health showed irregularity in the grant of capital transfers. The proportion of education was between 2.24% (1972-73) and 5.43% (1970-71) for the period 1966-67 to 1972-73. While the data on education for the period 1973-74 to 1984-85 is not available, from 1985-86 the proportion of education was seen to be less than 1%, but rising. The proportion of medical and public health fluctuated between 0.05% (1970-71 and 1974-75) and 4.89% (1967-68) for the period 1966-67 to 1974-75 for which data is available. It was less than 0.50% between 1986-87 to 1989-90.

TABLE 4.15

**PERCENTAGE DISTRIBUTION OF "CAPITAL TRANSFERS"
IN CENTRAL GOVERNMENT EXPENDITURE OF INDIA
BY FUNCTIONAL CATEGORIES AT CURRENT PRICES (1966-67 TO 1989-90)**

Year	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	--	--	3.60	4.73	5.29
1967-68	--	--	3.50	4.89	5.25
1968-69	--	--	3.36	3.36	5.07
1969-70	--	--	5.16	0.26	0.73
1970-71	--	--	5.43	0.05	0.83
1971-72	--	--	3.24	0.70	7.61
1972-73	--	--	2.24	1.05	8.19
1973-74	--	--	--	3.23	16.90
1974-75	--	--	--	0.05	8.45
1975-76	--	--	--	--	1.46
1976-77	--	--	--	--	1.45
1977-78	--	--	--	--	8.35
1978-79	--	--	--	--	7.83
1979-80	--	--	--	--	7.46
1980-81	--	--	--	--	9.85
1981-82	--	--	--	--	10.09
1982-83	--	--	--	--	11.82
1983-84	--	--	--	--	25.34
1984-85	--	--	--	--	26.58
1985-86	--	--	0.04	--	26.90
1986-87	0.11	--	0.19	0.11	26.48
1987-88	0.15	--	0.28	0.08	30.75
1988-89	0.01	--	0.29	0.08	29.03
1989-90	0.41	--	0.31	**	35.95

.....(Table 4.15 continued)

.....(Table 4.15 continued)

Year	Agriculture	Industry	Transport & Communication	Other Economic Services	Unallocable Services	Block Grants & Loans
	(6)	(7)	(8)	(9)	(10)	(11)
1966-67	15.46	11.15	44.11	3.60	12.07	--
1967-68	13.64	5.69	38.58	1.09	13.64	13.71
1968-69	11.71	7.73	34.97	--	13.82	20.06
1969-70	3.03	6.31	22.01	0.26	10.17	52.06
1970-71	4.04	4.81	24.79	--	5.38	54.66
1971-72	8.81	6.20	16.98	2.33	12.40	41.72
1972-73	9.29	6.93	7.00	1.98	35.14	28.18
1973-74	11.96	8.70	9.04	0.14	15.86	34.18
1974-75	12.64	11.09	10.00	1.81	13.65	42.29
1975-76	11.91	17.45	11.22	7.41	12.34	38.21
1976-77	13.91	14.90	6.42	--	13.05	50.27
1977-78	13.90	10.18	9.70	--	9.82	49.38
1978-79	21.15	6.14	5.33	1.14	8.62	49.80
1979-80	24.38	13.54	3.95	0.81	8.59	41.27
1980-81	20.92	6.15	4.39	1.11	9.65	47.93
1981-82	17.21	11.77	4.78	0.90	10.24	45.01
1982-83	16.85	7.92	4.22	0.84	10.57	47.78
1983-84	19.27	2.80	3.29	0.77	9.17	39.34
1984-85	22.65	5.71	3.43	0.28	6.92	34.43
1985-86	22.73	4.37	3.18	0.26	7.04	35.49
1986-87	26.34	3.45	4.10	**	9.75	29.46
1987-88	25.04	2.67	2.61	0.03	10.57	27.83
1988-89	21.21	2.82	2.68	0.02	13.64	30.21
1989-90	20.06	2.44	1.25	0.78	12.51	25.75

Source: Same as for Table 4.12

Notes: (1) Negligible values are denoted by '***'.
 (2) '--' denotes data not available

The proportion of other social services showed an increasing but fluctuating trend, the increase being from 5.29% in 1966-67 to 35.95% in 1989-90. From 1966-67 to 1980-81, their proportion was less than 10% except for the year 1973-74 when it was 16.90%. After 1980-81, it showed a steady increase.

The proportion of agriculture showed wideranging fluctuations from 3.03% (1969-70) to 26.34% (1986-87) and it overall increased from 15.46% in 1966-67 to 20.06% in 1989-90. The proportion of agriculture was on the higher side as compared to other heads. The grants for capital formation were mainly made for rural works, soil conservation, forestry, minor irrigation etc. which shows that the government is not going in for rapid industrialisation at the cost of neglecting agriculture. The proportion of industry declined from 11.15% in 1966-67 to 2.44% in 1989-90. Its share was never greater than 10% except for the period 1974-75 to 1977-78 and the years 1979-80 and 1981-82. The proportion of transport & communication decreased drastically (with lot of waverings) from 44.11% in 1966-67 to 1.25% in 1989-90. The proportion of other economic services showed great irregularities as the fluctuations ranged from a negligible amount in 1986-87 to 7.41% in 1975-76. The unallocable services also showed wide ranging fluctuations from 5.38% (1970-71) to 35.14% (1972-73), but its overall proportion slightly increase from 12.07% in 1966-67 to 12.51% in 1989-90. The same was also true of block grants & loans whose proportion varied between 13.71% (1966-67) to 50.27% (1975-76), but showed an overall increase from 13.71% in 1966-67 to 25.75% in 1989-90.

Appendix Table IVA-5 in Appendix IVA presents the capital transfers by functional categories as a proportion of total government expenditure. The proportion of general services (excluding defence), education, medical & public health, other economic services, industry and unallocable services was less than 1% throughout except that, in the case of unallocable services, it was 1.92% in 1972-73. The proportion of other social services was less than 1% from 1966-67 to 1982-83. Thereafter, it showed a steady increase from 1.65% in 1983-84 to 2.59% in 1989-90 and, hence, there was an overall increase from 0.16% in 1966-67 to 2.59% in 1989-90. Agriculture showed two distinct periods of variations. From 1966-67 to 1977-78, the proportion was less than 1%, after which it ranged between 0.99% and 1.95% upto 1988-89. However, it suddenly declined to 0.43% in 1989-90, and hence there was an overall decline slightly from 0.47% in 1966-67 to 0.43% in 1989-90. The proportion of transport & communication was 1.34% and 1.18% for the years 1966-67 and 1967-68, respectively. After that, it showed a decline from 0.99% in 1968-69 to 0.09% in 1989-90. The capital transfers in the form of block grants & loans showed an increase from 0.42% in 1967-68 to 1.85% in 1989-90, with the highest being 2.99% in 1978-79. From above analysis, it is evident that the government made capital transfers to States and Union Territories mostly in the form of block grants and loans. Other social services received noticeable amount of capital transfers from 1983-84 onwards mainly on account of large scale expansion of television and broadcasting media undertaken by the Centre.

4.4.5. Loans for Capital Formation

Table 4.16 gives the percentage distribution of loans for capital formation by functional categories. The general services (excluding defence), education and medical & public health showed great irregularity in the allocation of loans for capital formation. The proportion of general services (excluding defence) never exceeded 0.50% for the years for which data is available. The proportion of education overall declined from 0.27% in 1966-67 to a negligible amount in 1989-90, with waverings ranging from 0.01% (1988-89) to 0.39% (1967-68) in the intervening years. The proportion of medical and public health never exceeded 0.50% except in the year 1966-67 when it was 1.72% . This shows that the Central Government does not contribute much towards capital formation in case of human resources development by way of allocating resources for school, college buildings, hospitals, etc. However, this is to be expected since these services are states' responsibility. The proportion of other social services ranged between 0.62% (1968-69) to 8.09% (1987-88), but overall showed an increase from 1.21% in 1966-67 to 2.50% in 1989-90. This is an indication of the Centre's concern towards capital formation in the area of primary education, broadcasting media, museums, archaeology, rural water supply etc. The proportion of agriculture declined but not continuously, from 8.33% in 1966-67 to 1.66% in 1989-90. Its proportion was always less than 10% except in the year 1971-72 and 1972-73 when it was 10.45% and 13.73% respectively. Industry's share overall showed a decline from 37.34% in 1966-67 to 22.19% in 1989-90 with fluctuations in between from 13.8% in 1973-74 and 41.54% in 1976-77. The

TABLE 4.16

**PERCENTAGE DISTRIBUTION OF "LOANS FOR CAPITAL FORMATION"
IN CENTRAL GOVERNMENT EXPENDITURE OF INDIA
BY FUNCTIONAL CATEGORIES AT CURRENT PRICES (1966-67 TO 1989-90)**

Year	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	--	--	0.27	1.72	1.21
1967-68	--	--	0.39	0.33	0.70
1968-69	--	--	0.15	0.37	0.62
1969-70	--	--	0.17	0.32	1.42
1970-71	--	--	0.16	0.48	1.95
1971-72	--	--	0.04	0.01	2.21
1972-73	0.36	--	0.11	0.04	1.95
1973-74	0.01	--	0.06	0.01	1.89
1974-75	--	--	0.02	--	2.85
1975-76	--	--	0.01	0.03	2.91
1976-77	--	--	0.02	**	2.05
1977-78	--	--	0.03	--	3.28
1978-79	--	--	0.03	--	2.65
1979-80	--	--	0.02	--	1.77
1980-81	--	--	0.02	--	1.73
1981-82	--	--	0.02	--	1.77
1982-83	--	--	0.02	--	2.19
1983-84	--	--	0.02	--	2.52
1984-85	--	--	**	--	2.09
1985-86	--	--	--	0.07	1.54
1986-87	0.02	--	--	0.05	1.98
1987-88	0.03	--	**	--	8.09
1988-89	0.14	--	0.01	--	4.48
1989-90	0.03	--	**	--	2.50

.....(Table 4.16 continued)

.....(Table 4.16 continued)

Year	Agriculture	Industry	Transport & Communication	Other Economic Services	Unallocable Services	Block Grants & Loans
	(6)	(7)	(8)	(9)	(10)	(11)
1966-67	8.33	37.34	1.64	32.40	--	--
1967-68	3.42	30.48	2.81	7.92	1.70	52.25
1968-69	3.59	20.14	3.15	7.50	17.69	46.79
1969-70	2.86	15.76	5.31	10.61	3.36	60.18
1970-71	1.60	21.76	11.62	11.18	--	51.25
1971-72	10.45	20.24	5.74	14.85	--	46.46
1972-73	13.73	23.96	7.71	13.72	--	38.42
1973-74	5.79	13.80	9.34	28.25	--	40.85
1974-75	3.55	30.94	11.38	16.59	--	34.67
1975-76	6.18	34.08	10.20	12.07	--	34.50
1976-77	6.06	41.54	7.64	11.15	--	31.55
1977-78	6.35	31.36	6.03	10.46	--	42.50
1978-79	4.53	26.73	4.59	12.74	--	48.73
1979-80	5.81	24.69	5.64	17.62	--	44.45
1980-81	7.07	30.71	4.50	15.88	--	40.07
1981-82	7.59	30.94	3.52	19.07	--	37.08
1982-83	4.82	25.39	2.96	21.17	--	43.46
1983-84	4.64	26.73	2.26	26.49	--	36.78
1984-85	5.57	28.82	3.01	28.47	--	32.03
1985-86	2.09	23.85	3.51	32.89	--	36.06
1986-87	2.27	23.93	3.66	31.65	--	36.44
1987-88	3.80	22.77	2.42	26.63	0.10	36.17
1988-89	1.53	23.87	3.37	31.26	0.17	35.16
1989-90	1.66	22.19	2.47	38.66	0.03	32.45

Source: Same as for Table 4.12

Notes: (1) Negligible values are denoted by '**'
 (2) '--' denotes data not available

proportion of transport and communication ranged between 1.64% (1966-67) and 9.34% (1973-74) but never exceeding 10% except in the year 1970-71, 1974-75 and 1975-76 when it was 11.62%, 11.38% and 10.2% respectively, but overall it increase from 1.64% in 1966-67 to 2.47% in 1989-90. Other economic services showed wideranging fluctuations from 7.50% (1968-69) to 38.66 (1989-90), but on the whole their share increased from 32.40% in 1966-67 to 38.66% in 1989-90. Block grants and loans showed a decline from 52.25% in 1967-68 to 32.45% in 1989-90 with the highest at 60.18% in 1969-70.

Loans for capital formation by functional categories as proportion of total government expenditure is given in Table IV A-6 in Appendix IVA. The proportion of general services (excluding defence) and education was less than 0.1% for the years for which data is available. Same was true of medical and public health, except for the year 1966-67 when it was 0.38%. The proportion of other social services was less than 1% throughout except for the year 1987-88 when it was 1.38%, but on the whole it showed a slight increase from 0.27% in 1966-67 to 0.40% in 1989-90. Agriculture showed waverings between 0.25% (1970-71) and 2.42% (1972-73) with an overall decline from 5.66% in 1966-67 to 0.27% in 1989-90. The proportion of Industry declined from 8.32% in 1966-67 to 3.54% in 1989-90 with fluctuations ranging from 2.18% (1973-74) to 8.07% (1976-77) in the intervening period. The share of transport and communication was between 0.90% (1971-72) and 1.95% (1974-75) during the period 1970-71 to 1980-81, otherwise it was less than 1% for the rest of the period, but showed a slight increase from 0.36% in 1966-67 to

0.39% in 1989-90. Other economic services showed sudden decline from 7.22% in 1966-67 to 1.65% in 1967-68. It continued to vacillate between 1.60% and 6.02% and it finally increased to 6.17% in 1989-90. The proportion of unallocable services was less than 1% except in 1967-68 when it was 4.2%. The block grant and loans showed a decline from 10.92% in 1967-68 to 5.17% in 1989-90. All through, the proportion was between 5.76% (1984-85) and 9.10% (1969-70) except in 1968-69 and 1978-79 when it was 11.10% and 10.15%, respectively. The above analysis shows that the amount of assistance given by the Centre to States and Union Territories, local authorities for capital formation has not being substantial, rather it showed irregularities in allocation of resources to certain heads of expenditure.

4.4.6. Other Loans

Table 4.17 gives the percentage distribution of other loans by functional categories. The proportion of general services (excluding defence), unallocable services and agriculture, declined (with fluctuations) drastically from 15.46% to 0.7%, 58.72% to 1.36% and 18.22% to 1.39% respectively during 1966-67 to 1989-90. The proportion of education declined from 1.13% in 1966-67 to 0.15% in 1989-90, with waverings ranging from 0.09% (1986-87) to 1.33% (1968-69). Medical and public health showed very irregular pattern of allocation and for the few years for which data is available, it was a negligible amount. Other social services showed wideranging fluctuations from 0.03% in 1971-72 to 12.21% in 1978-79, with an overall declined from 3.70% in 1966-67 to 2.58% in 1989-90. This shows that the other loans

TABLE 4.17

PERCENTAGE DISTRIBUTION OF "OTHER LOANS"
IN CENTRAL GOVERNMENT EXPENDITURE OF INDIA
BY FUNCTIONAL CATEGORIES AT CURRENT PRICES (1966-67 TO 1989-90)

Year	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	15.46	--	1.13	--	3.70
1967-68	20.03	--	1.29	0.02	2.23
1968-69	20.83	--	1.33	--	1.53
1969-70	17.92	--	0.71	--	0.65
1970-71	16.30	--	0.92	--	1.41
1971-72	16.60	--	0.52	--	0.03
1972-73	17.33	--	1.01	0.01	0.20
1973-74	18.25	--	0.32	0.03	2.49
1974-75	1.72	--	0.46	--	2.63
1975-76	1.98	--	0.62	--	3.35
1976-77	5.91	--	1.04	--	9.44
1977-78	1.85	--	0.49	--	4.07
1978-79	2.60	--	0.46	--	12.21
1979-80	2.86	--	0.65	--	9.37
1980-81	2.95	--	0.40	--	6.61
1981-82	3.55	--	0.68	--	7.04
1982-83	1.69	--	0.21	--	3.74
1983-84	0.49	--	0.76	--	6.36
1984-85	0.30	--	0.18	--	4.45
1985-86	0.64	--	0.20	--	7.22
1986-87	0.23	--	0.09	--	4.53
1987-88	1.26	--	0.31	--	0.90
1988-89	1.20	--	0.32	--	1.05
1989-90	0.70	--	0.15	0.09	2.58

.....(Table 4.17 continued)

.....(Table 4.17 continued)

Year	Agriculture	Industry	Transport & Communication	Other Economic Services	Unallocable Services	Block Grants & Loans
	(6)	(7)	(8)	(9)	(10)	(11)
1966-67	18.22	2.76	--	--	58.72	--
1967-68	25.97	1.48	--	--	48.97	--
1968-69	26.37	10.34	--	--	36.69	--
1969-70	16.18	9.09	0.08	--	55.38	--
1970-71	13.45	0.44	6.29	1.38	59.81	--
1971-72	14.22	12.55	1.26	--	54.81	--
1972-73	18.75	10.45	0.31	0.04	51.89	--
1973-74	6.23	7.21	0.34	0.48	64.64	--
1974-75	15.48	19.93	2.97	0.33	56.49	--
1975-76	18.62	33.24	1.85	1.24	39.09	--
1976-77	23.72	16.35	1.45	1.51	40.57	--
1977-78	11.73	17.05	0.98	1.32	62.52	--
1978-79	14.66	31.52	1.25	1.65	35.66	--
1979-80	21.34	41.76	2.64	2.69	18.68	--
1980-81	29.02	30.84	4.21	2.09	23.70	--
1981-82	35.18	22.83	4.90	1.74	24.08	--
1982-83	22.80	29.19	2.96	1.28	38.14	--
1983-84	30.93	31.40	6.38	1.54	22.14	--
1984-85	19.49	36.26	5.16	1.86	32.31	--
1985-86	1.19	38.91	6.80	0.91	46.57	--
1986-87	0.40	19.44	3.07	54.42	17.60	--
1987-88	0.10	58.09	7.29	0.27	31.77	--
1988-89	5.79	77.12	9.19	0.93	4.40	--
1989-90	1.39	83.41	10.07	0.26	1.36	--

Source: Same as for Table 4.12

Note: '--' denotes data not available

in the form of ways and means advances to States and Union Territories for social services in general, received a small share in the total government expenditure. Industry showed a considerable increase from 2.76% in 1966-67 to 83.41% in 1989-90, thereby indicating that industry received a preferential treatment as compared to agriculture in the allocation of ways and means advances to States and Union Territories. The transport and communication also showed a substantial increase from 0.08% in 1969-70 to 10.07% in 1989-90. The proportion of other economic services ranged between 0.4% (1972-73) and 2.69% (1979-80) with a sudden rise in 1986-87 when it shot up to 54.24%. However, it showed an overall decline from 1.38% (1970-71) to 0.26% (1989-90).

Other loans by functional categories as proportion of total government expenditure is given in Appendix Table IVA-7 in Appendix IV A. The proportion of general services ranged between 1.23% (1966-67) and 2.36% (1969-70) for the period 1966-67 to 1973-74. Thereafter, it became less than 1% to finally touch 0.01% in 1989-90. In case of agriculture the proportion was more than 1% for the period 1966-67 to 1974-75 except in the year 1973-74 (0.78%). After that it was less than 1% till 1989-90. So, overall the share of agricultural declined from 1.46% in 1966-67 to 0.02% in 1989-90. The proportion of education, other social services declined (with fluctuation) from 0.09% to a negligible amount, 0.30% to 0.04% between 1966-67 to 1989-90, respectively. The proportion of other economic services declined (not continuously) from 0.15% in 1970-71 to a negligible amount in 1989-90. The share of transport and communication increased with

fluctuations from 0.01% in 1969-70 to 0.17% in 1989-90. While industry showed an increase from 0.22% to 1.41%, the unallocable service showed a decline from 4.69% to 0.02% during 1966-67 to 1989-90, respectively.

The above analysis reveals that the proportion of ways and means advances and special loans to meet non-plan gaps form a very small amount in the total government expenditure which indicates that the resource transfer from Centre to States and Union Territories for this purpose is on the decline.

After having considered the trends, fluctuations and range of each economic-cum-functional category, it will be worthwhile to highlight the economic significance of the above exercise. The consumption expenditure on the general services is the highest amongst various functional heads. This is indicative of the fact that, the public sector being labour-intensive, the huge pay-bill and defence capital outlay leads to a high consumption expenditure. The current transfers to unallocable services is on the higher side largely on account of interest payment and also because of pensions and consumer subsidies (such as on food, edible oils and controlled cloth). The gross capital formation undertaken by the centre on transport and communication and also industry is much higher than for other functional heads. This indicates the considerable importance given to the development of a strong communication network (through railways, post and telegraph, ports, shipping, civil aviation, roads, etc.) and a sound industrial base by undertaking increased investment in basic and heavy industry. Block grants and loans accounted for

the highest amount of capital transfers to states for plan assistance. The capital transfers to agriculture like grants for rural works, soil conservation, forests, minor irrigation, etc. were also significant. The highest amount of loans for capital formation to states were granted in the form of block grants and loans and also loans out of small saving. Unallocable services cornered the highest amount of other loans which could be on account of technical credits and loans to foreign countries. Other loans to agriculture is substantial, indicating a larger amount of short-term agricultural loans. Other loans for industry are mainly given for meeting the losses and also repayment of past loans.

In brief, it can be said that the type of expenditure programme undertaken by the government is a step in the right direction in the sense that, the government is trying to cut down on the administrative expenditure and paying more attention towards welfare through increased transfer payments. Also, more emphasis is accorded to rapid industrialisation and strengthening of the capital base and communication network which can help speed up the process of economic growth and development.

APPENDIX TABLE IVA-1

**PERCENTAGE DISTRIBUTION OF CENTRAL GOVERNMENT EXPENDITURE OF INDIA
BY FUNCTIONAL CATEGORIES AT CURRENT PRICES (1966-67 TO 1989-90)**

Year	General Services	Social Services	Economic Services	Unallocable Services	Block Grants & Loans	Total Central Govt. Expenditure
	(1)	(2)	(3)	(4)	(5)	(6)
1966-67	30.31	6.52	44.72	18.45	---	100.00
1967-68	29.02	6.04	31.38	20.55	13.01	100.00
1968-69	30.98	6.07	29.37	19.64	13.94	100.00
1969-70	30.30	6.17	28.43	21.95	13.15	100.00
1970-71	31.88	6.53	29.25	20.45	11.89	100.00
1971-72	30.06	6.74	29.08	23.34	10.78	100.00
1972-73	29.68	8.46	32.01	20.01	9.84	100.00
1973-74	30.15	7.39	29.34	23.68	9.44	100.00
1974-75	26.75	6.05	35.61	22.40	9.18	100.00
1975-76	27.78	6.51	37.73	18.45	9.53	100.00
1976-77	25.10	6.84	37.75	20.34	9.96	100.00
1977-78	21.83	6.47	36.77	21.87	13.06	100.00
1978-79	21.12	6.76	35.68	20.31	16.13	100.00
1979-80	21.92	6.72	39.10	18.02	14.23	100.00
1980-81	22.96	6.41	39.33	17.69	13.60	100.00
1981-82	21.98	6.08	40.97	18.38	12.58	100.00
1982-83	21.50	7.00	38.97	19.16	13.37	100.00
1983-84	22.38	7.10	39.85	19.04	11.63	100.00
1984-85	20.43	7.21	46.48	19.68	6.20	100.00
1985-86	20.28	7.31	39.07	21.63	11.71	100.00
1986-87	23.14	7.96	38.03	20.83	10.03	100.00
1987-88	23.21	10.16	33.36	22.78	10.49	100.00
1988-89	21.95	9.27	35.10	23.44	10.23	100.00
1989-90	20.84	9.54	36.48	24.26	8.88	100.00

Source: Same as for Table 4.6

Notes: (1) The Block Grants & Loans are a part of the sub-category "Other Economic Services" (included under Economic Services) but shown separately.
(2) '---' denotes data not available

APPENDIX TABLE IVA-2

"CONSUMPTION EXPENDITURE" BY FUNCTIONAL CATEGORIES AS PROPORTION
OF TOTAL CENTRAL GOVERNMENT EXPENDITURE OF INDIA
AT CURRENT PRICES (1966-67 TO 1989-90)

Year	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	4.45	18.88	0.23	0.21	0.82
1967-68	4.82	20.91	0.27	0.22	0.79
1968-69	5.55	22.06	0.28	0.26	0.85
1969-70	5.55	21.49	0.28	0.29	0.84
1970-71	6.09	20.65	0.33	0.29	1.06
1971-72	5.43	21.96	0.29	0.60	0.96
1972-73	5.36	20.29	0.33	0.56	0.87
1973-74	5.46	19.88	0.35	0.18	0.94
1974-75	5.42	20.64	0.39	0.21	1.05
1975-76	5.78	19.61	0.34	0.26	1.06
1976-77	5.50	18.45	0.32	0.37	1.12
1977-78	4.68	16.63	0.31	0.36	0.90
1978-79	4.26	15.28	0.29	0.29	0.81
1979-80	4.26	17.00	0.30	0.27	0.92
1980-81	4.01	15.87	0.31	0.26	1.02
1981-82	4.18	17.03	0.29	0.31	0.65
1982-83	3.97	16.46	0.29	0.26	0.72
1983-84	3.92	16.18	0.27	0.32	0.58
1984-85	3.87	15.15	0.29	0.25	0.61
1985-86	3.80	14.99	0.23	0.23	0.59
1986-87	4.21	16.31	0.23	0.22	0.58
1987-88	4.09	16.89	0.28	0.29	0.64
1988-89	4.04	16.26	0.27	0.31	0.68
1989-90	4.22	15.04	0.27	0.30	0.68

.....(APPENDIX Table IVA-2 continued)

.....(APPENDIX Table IVA-2 continued)

Year	Agriculture	Industry	Transport & Communication	Other Economic Services	Unallocable Services	Block Grants & Loans
	(6)	(7)	(8)	(9)	(10)	(11)
1966-67	0.29	0.61	0.43	0.07	--	--
1967-68	0.23	0.56	0.45	0.21	--	--
1968-69	0.29	0.61	0.58	0.15	--	--
1969-70	0.25	0.55	0.58	0.16	--	--
1970-71	0.27	0.53	0.57	0.15	--	--
1971-72	0.24	0.45	0.50	0.19	--	--
1972-73	0.26	0.49	0.41	0.25	--	--
1973-74	0.33	0.61	0.58	0.10	--	--
1974-75	0.22	0.73	0.44	0.18	--	--
1975-76	0.30	0.75	0.42	0.15	--	--
1976-77	0.30	0.62	0.41	0.32	--	--
1977-78	0.27	0.67	0.40	0.32	--	--
1978-79	0.24	0.61	0.34	0.32	--	--
1979-80	0.23	0.67	0.36	0.32	--	--
1980-81	0.20	0.71	0.36	0.25	--	--
1981-82	0.23	0.61	0.37	0.32	--	--
1982-83	0.29	0.47	0.40	0.30	--	--
1983-84	0.23	0.54	0.24	0.31	--	--
1984-85	0.24	0.56	0.23	0.30	--	--
1985-86	0.18	0.51	0.25	0.33	--	--
1986-87	0.31	0.46	0.23	0.35	--	--
1987-88	0.30	0.47	0.21	0.38	--	--
1988-89	0.22	0.50	0.24	0.53	--	--
1989-90	0.19	0.40	0.24	0.52	--	--

Source: Same as for Table 4.12

Note: '--' denotes data not available

APPENDIX TABLE IVA-3

**"CURRENT TRANSFERS" BY FUNCTIONAL CATEGORIES AS PROPORTION
OF TOTAL CENTRAL GOVERNMENT EXPENDITURE OF INDIA
AT CURRENT PRICES (1966-67 TO 1989-90)**

Year	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	0.72	--	1.39	0.54	1.18
1967-68	0.80	--	1.31	0.87	0.88
1968-69	0.48	--	1.22	1.18	1.01
1969-70	0.64	--	1.18	1.31	0.80
1970-71	0.58	--	1.30	1.13	0.70
1971-72	0.48	--	1.13	1.31	0.98
1972-73	1.29	--	1.44	1.38	2.19
1973-74	1.90	--	1.37	0.84	1.81
1974-75	0.14	--	1.40	0.90	0.61
1975-76	0.15	--	1.38	1.59	0.62
1976-77	0.19	--	1.43	1.57	0.67
1977-78	0.10	--	1.38	1.14	0.58
1978-79	0.10	--	1.36	1.12	0.82
1979-80	0.22	--	1.32	1.01	1.17
1980-81	0.16	--	1.13	0.88	1.19
1981-82	0.07	--	1.17	1.08	0.96
1982-83	0.06	--	1.21	1.28	1.41
1983-84	0.13	--	1.19	1.37	0.57
1984-85	0.13	--	1.21	1.29	0.67
1985-86	0.12	--	1.23	1.20	0.87
1986-87	0.13	--	1.20	1.06	1.34
1987-88	0.15	--	1.87	1.01	1.50
1988-89	0.10	--	2.15	0.97	1.42
1989-90	0.09	0.04	1.73	0.87	0.90

.....(Table IVA-3 continued)

.....(APPENDIX Table IVA-3 continued)

Year	Agriculture	Industry	Transport & Communication	Other Economic Services	Unallocable Services	Block Grants & Loans
	(6)	(7)	(8)	(9)	(10)	(11)
1966-67	2.20	2.24	0.05	0.02	14.25	--
1967-68	1.11	1.97	0.15	0.03	15.95	1.67
1968-69	0.65	1.73	0.27	0.19	14.15	2.27
1969-70	0.69	1.98	0.25	0.16	14.58	2.03
1970-71	0.94	2.20	0.14	0.17	13.19	1.89
1971-72	0.71	2.05	0.17	0.16	16.92	1.76
1972-73	1.22	1.87	0.18	0.24	12.25	1.54
1973-74	1.02	1.82	0.20	0.02	14.87	1.50
1974-75	0.69	1.82	0.12	0.13	17.61	1.62
1975-76	0.78	2.39	0.29	0.24	15.91	1.70
1976-77	1.88	3.46	0.28	0.22	18.35	1.92
1977-78	3.17	4.20	0.11	0.26	17.79	2.49
1978-79	3.57	3.42	0.37	0.26	18.06	2.99
1979-80	5.35	3.21	0.68	0.22	16.86	2.72
1980-81	4.17	3.19	0.63	0.22	16.38	2.77
1981-82	2.99	3.33	0.57	0.32	17.23	2.70
1982-83	3.47	3.22	0.55	0.29	17.16	2.80
1983-84	4.39	2.88	0.50	0.29	17.92	2.56
1984-85	5.87	3.43	0.51	0.42	18.20	2.32
1985-86	4.53	2.89	0.69	0.42	20.04	2.56
1986-87	4.13	2.81	0.54	0.39	19.55	2.03
1987-88	4.00	2.95	0.57	0.36	21.51	2.17
1988-89	5.13	3.29	0.57	0.39	22.41	2.13
1989-90	5.72	3.63	1.37	0.30	23.33	1.85

Source: Same as for Table 4.12

Note: '--' denotes data not available

APPENDIX TABLE IVA-4

"GROSS CAPITAL FORMATION" BY FUNCTIONAL CATEGORIES AS PROPORTION
OF TOTAL CENTRAL GOVERNMENT EXPENDITURE OF INDIA
AT CURRENT PRICES (1966-67 TO 1989-90)

Year	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	0.39	--	0.03	0.07	0.54
1967-68	0.54	--	0.06	0.10	0.50
1968-69	0.45	--	0.06	0.08	0.28
1969-70	0.17	--	0.06	0.09	0.61
1970-71	-0.07	--	0.02	0.05	0.72
1971-72	0.35	--	0.01	0.06	0.47
1972-73	0.48	--	0.01	0.05	0.46
1973-74	0.41	--	0.03	0.06	0.26
1974-75	0.41	--	0.02	0.03	0.37
1975-76	0.24	--	0.03	0.02	0.39
1976-77	0.28	--	0.04	0.03	0.40
1977-78	0.24	--	0.05	0.04	0.39
1978-79	0.25	--	0.02	0.03	0.35
1979-80	0.26	--	0.03	0.02	0.47
1980-81	0.32	--	0.05	0.02	0.37
1981-82	0.41	--	0.05	0.00	0.42
1982-83	0.45	--	0.05	0.06	0.47
1983-84	0.52	--	0.04	0.01	0.47
1984-85	0.41	--	0.06	0.04	0.45
1985-86	0.33	--	0.05	0.06	0.43
1986-87	0.66	--	0.04	0.05	0.88
1987-88	0.52	--	0.04	0.07	0.63
1988-89	0.50	--	0.05	0.05	0.50
1989-90	0.47	--	0.04	0.06	0.50

.....(APPENDIX Table IVA-4 continued)

.....(APPENDIX Table IVA-4 continued)

Year	Agriculture	Industry	Transport & Communication	Other Economic Services	Unallocable Services	Block Grants & Loans
	(6)	(7)	(8)	(9)	(10)	(11)
1966-67	0.55	1.29	8.60	0.10	-0.86	--
1967-68	0.73	0.85	8.35	-0.16	-0.57	--
1968-69	-1.27	1.26	7.13	0.46	-2.33	--
1969-70	0.43	1.11	5.96	0.37	-0.81	--
1970-71	0.03	1.09	6.69	0.25	0.53	--
1971-72	-0.22	1.30	6.82	0.16	-0.05	--
1972-73	-0.15	1.00	6.98	0.15	-0.37	--
1973-74	0.87	1.09	6.84	0.05	-0.01	--
1974-75	3.92	1.49	6.28	0.03	--	--
1975-76	2.13	1.39	5.76	0.04	--	--
1976-77	0.55	1.49	5.52	0.14	--	--
1977-78	0.18	1.11	5.26	0.11	--	--
1978-79	0.17	1.12	5.30	0.10	--	--
1979-80	0.21	1.02	6.15	0.09	--	--
1980-81	0.13	0.84	6.63	0.12	--	--
1981-82	0.13	0.98	7.91	0.16	--	--
1982-83	0.21	1.19	6.85	0.18	--	--
1983-84	0.17	1.34	6.81	0.15	--	--
1984-85	0.09	1.58	6.55	0.21	--	--
1985-86	0.08	1.36	6.09	0.19	--	--
1986-87	0.11	1.26	6.03	0.19	--	--
1987-88	0.08	0.82	6.01	0.30	--	--
1988-89	0.10	0.72	6.46	0.29	--	--
1989-90	0.08	0.68	6.54	0.20	--	--

Source: Same as for Table 4.12

Note: '--' denotes data not available

APPENDIX TABLE IVA-5

"CAPITAL TRANSFERS" BY FUNCTIONAL CATEGORIES AS PROPORTION
OF TOTAL CENTRAL GOVERNMENT EXPENDITURE OF INDIA
AT CURRENT PRICES (1966-67 TO 1989-90)

Year	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1967-68	--	--	0.11	0.15	0.16
1968-69	--	--	0.10	0.10	0.14
1969-70	--	--	0.20	0.01	0.03
1970-71	--	--	0.19	**	0.03
1971-72	--	--	0.14	0.03	0.32
1972-73	--	--	0.12	0.06	0.45
1973-74	--	--	--	0.14	0.74
1974-75	--	--	--	**	0.32
1975-76	--	--	--	--	0.06
1976-77	--	--	--	--	0.06
1977-78	--	--	--	--	0.42
1978-79	--	--	--	--	0.47
1979-80	--	--	--	--	0.49
1980-81	--	--	--	--	0.57
1981-82	--	--	--	--	0.61
1982-83	--	--	--	--	0.69
1983-84	--	--	--	--	1.65
1984-85	--	--	--	--	1.79
1985-86	--	--	**	--	1.94
1986-87	0.01	--	0.01	0.01	1.82
1987-88	0.01	--	0.02	0.01	2.39
1988-89	**	--	0.02	0.01	2.05
1989-90	0.03	--	0.02	**	2.59

.....(APPENDIX Table IVA-5 continued)

.....(APPENDIX Table IVA-5 continued)

Year	Agriculture	Industry	Transport & Communication	Other Economic Services	Unallocable Services	Block Grants & Loans
	(6)	(7)	(8)	(9)	(10)	(11)
1966-67	0.47	0.34	1.34	0.11	0.37	--
1967-68	0.42	0.17	1.18	0.03	0.42	0.42
1968-69	0.33	0.22	0.99	--	0.39	0.57
1969-70	0.12	0.25	0.86	0.01	0.40	2.03
1970-71	0.14	0.17	0.86	--	0.19	1.89
1971-72	0.37	0.26	0.72	0.10	0.52	1.76
1972-73	0.51	0.38	0.38	0.11	1.92	1.54
1973-74	0.52	0.38	0.40	0.01	0.69	1.50
1974-75	0.48	0.43	0.38	0.07	0.52	1.62
1975-76	0.53	0.78	0.50	0.33	0.55	1.70
1976-77	0.53	0.57	0.24	--	0.50	1.92
1977-78	0.70	0.51	0.49	--	0.49	2.49
1978-79	1.27	0.37	0.32	0.07	0.52	2.99
1979-80	1.61	0.89	0.26	0.05	0.57	2.72
1980-81	1.21	0.36	0.25	0.06	0.56	2.77
1981-82	1.03	0.71	0.29	0.05	0.61	2.70
1982-83	0.99	0.46	0.25	0.05	0.62	2.80
1983-84	1.25	0.18	0.21	0.05	0.60	2.56
1984-85	1.53	0.38	0.23	0.02	0.47	2.32
1985-86	1.64	0.31	0.23	0.02	0.51	2.56
1986-87	1.81	0.24	0.28	**	0.67	2.03
1987-88	1.95	0.21	0.20	**	0.82	2.17
1988-89	1.50	0.20	0.19	**	0.96	2.13
1989-90	0.43	0.18	0.09	0.06	0.90	1.85

Source: Same as for Table 4.12

Notes: (1) Negligible values are denoted by '**'
 (2) '--' denotes data not available

APPENDIX TABLE IVA-6

"LOANS FOR CAPITAL FORMATION" BY FUNCTIONAL CATEGORIES AS
PROPORTION OF TOTAL CENTRAL GOVERNMENT EXPENDITURE OF INDIA
AT CURRENT PRICES (1966-67 TO 1989-90)

Year	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	--	--	0.06	0.38	0.27
1967-68	--	--	0.08	0.07	0.15
1968-69	--	--	0.04	0.09	0.15
1969-70	--	--	0.03	0.05	0.22
1970-71	--	--	0.03	0.08	0.31
1971-72	--	--	0.01	**	0.34
1972-73	0.06	--	0.02	0.01	0.34
1973-74	**	--	0.01	**	0.30
1974-75	--	--	**	--	0.49
1975-76	--	--	**	0.01	0.52
1976-77	--	--	**	**	0.40
1977-78	--	--	0.01	--	0.62
1978-79	--	--	0.01	--	0.55
1979-80	--	--	**	--	0.35
1980-81	--	--	**	--	0.35
1981-82	--	--	**	--	0.34
1982-83	--	--	**	--	0.39
1983-84	--	--	**	--	0.45
1984-85	--	--	**	--	0.38
1985-86	--	--	--	0.01	0.28
1986-87	**	--	--	0.01	0.33
1987-88	**	--	**	--	1.38
1988-89	0.02	--	**	--	0.76
1989-90	**	--	**	--	0.40

.....(APPENDIX Table IVA-6 continued)

.....(APPENDIX Table IVA-6 continued)

Year	Agriculture	Industry	Transport & Communication	Other Economic Services	Unallocable Services	Block Grants & Loans
	(6)	(7)	(8)	(9)	(10)	(11)
1966-67	5.66	8.32	0.36	7.22	--	--
1967-68	0.71	6.37	0.59	1.65	0.36	10.92
1968-69	0.85	4.78	0.75	1.78	4.20	11.10
1969-70	0.43	2.38	0.80	1.60	0.51	9.10
1970-71	0.25	3.44	1.84	1.77	--	8.10
1971-72	1.63	3.16	0.90	2.32	--	7.25
1972-73	2.42	4.22	1.36	2.41	--	6.76
1973-74	0.91	2.18	1.47	4.46	--	6.44
1974-75	0.61	5.30	1.95	2.84	--	5.94
1975-76	1.10	6.05	1.81	2.14	--	6.13
1976-77	1.18	8.07	1.48	2.17	--	6.13
1977-78	1.21	5.97	1.15	1.99	--	8.09
1978-79	0.94	5.57	0.96	2.66	--	10.15
1979-80	1.15	4.88	1.12	3.49	--	8.79
1980-81	1.42	6.17	0.91	3.19	--	8.05
1981-82	1.47	5.99	0.68	3.69	--	7.18
1982-83	0.86	4.54	0.53	3.78	--	7.77
1983-84	0.82	4.74	0.50	4.70	--	6.52
1984-85	1.00	5.18	0.54	5.12	--	5.76
1985-86	0.38	4.36	0.64	6.02	--	6.60
1986-87	0.37	3.93	0.60	5.19	--	5.98
1987-88	0.65	3.88	0.41	4.53	0.02	6.16
1988-89	0.26	4.05	0.57	5.31	0.03	5.97
1989-90	0.27	3.54	0.39	6.17	0.01	5.17

Source: Same as for Table 4.12

Notes: (1) Negligible values are denoted by '**'
 (2) '--' denotes data not available

APPENDIX TABLE IVA-7

"OTHER LOANS" BY FUNCTIONAL CATEGORIES AS PROPORTION
OF TOTAL CENTRAL GOVERNMENT EXPENDITURE OF INDIA
AT CURRENT PRICES (1966-67 TO 1989-90)

Year	General Services Other Than Defence	Defence Services	Education	Medical & Public Health	Other Social Services
	(1)	(2)	(3)	(4)	(5)
1966-67	1.23	--	0.09	--	0.30
1967-68	1.80	--	0.12	**	0.20
1968-69	1.83	--	0.12	--	0.13
1969-70	2.36	--	0.09	--	0.09
1970-71	1.78	--	0.10	--	0.15
1971-72	1.80	--	0.06	--	**
1972-73	2.08	--	0.12	**	0.02
1973-74	2.29	--	0.04	**	0.31
1974-75	0.13	--	0.03	--	0.20
1975-76	0.10	--	0.03	--	0.17
1976-77	0.22	--	0.04	--	0.35
1977-78	0.11	--	0.03	--	0.23
1978-79	0.13	--	0.02	--	0.59
1979-80	0.09	--	0.02	--	0.30
1980-81	0.09	--	0.01	--	0.21
1981-82	0.08	--	0.02	--	0.16
1982-83	0.06	--	0.01	--	0.13
1983-84	0.01	--	0.02	--	0.15
1984-85	0.01	--	0.01	--	0.14
1985-86	0.01	--	**	--	0.17
1986-87	0.01	--	**	--	0.16
1987-88	0.02	--	**	--	0.01
1988-89	0.01	--	**	--	0.01
1989-90	0.01	--	**	**	0.04

.....(APPENDIX Table IVA-7 continued)

.....(APPENDIX Table IVA-7 continued)

Year	Agriculture	Industry	Transport & Communication	Other Economic Services	Unallocable Services	Block Grants & Loans
	(6)	(7)	(8)	(9)	(10)	(11)
1966-67	1.46	0.22	--	--	4.69	--
1967-68	2.33	0.13	--	--	4.40	--
1968-69	2.32	0.91	--	--	3.23	--
1969-70	2.13	1.19	0.01	--	7.28	--
1970-71	1.47	0.05	0.69	0.15	6.55	--
1971-72	1.54	1.36	0.14	--	5.95	--
1972-73	2.25	1.25	0.04	0.01	6.22	--
1973-74	0.78	0.91	0.04	0.06	8.11	--
1974-75	1.17	1.50	0.22	0.02	4.26	--
1975-76	0.95	1.69	0.09	0.06	1.98	--
1976-77	0.87	0.60	0.05	0.06	1.49	--
1977-78	0.67	0.98	0.06	0.08	3.58	--
1978-79	0.71	1.53	0.06	0.08	1.73	--
1979-80	0.68	1.32	0.08	0.09	0.59	--
1980-81	0.91	0.97	0.13	0.07	0.74	--
1981-82	0.79	0.51	0.11	0.04	0.54	--
1982-83	0.82	1.05	0.11	0.05	1.37	--
1983-84	0.73	0.74	0.15	0.04	0.52	--
1984-85	0.61	1.14	0.16	0.06	1.02	--
1985-86	0.03	0.90	0.16	0.02	1.08	--
1986-87	0.01	0.67	0.11	1.88	0.61	--
1987-88	**	0.79	0.10	**	0.43	--
1988-89	0.05	0.62	0.07	0.01	0.04	--
1989-90	0.02	1.41	0.17	**	0.02	--

Source: Same as for Table 4.12

Notes: (1) Negligible values are denoted by '**'
 (2) '--' denotes data not available