

CHAPTER-III

GROWTH AND PATTERNS OF PUBLIC EXPENDITURE IN GUJARAT STATE

3.1.0 INTRODUCTION

In 1947 India attained independence from the British rule. The popular ministries were formed both at the Centre and in the States. A large number of problems confronted the nation and the leaders. Some of the notable problems were the maintenance of law and order, rehabilitation of the displaced persons from Pakistan after partition of the country, rebuilding of the War-shattered and exploited economy, implementation of the policy of prohibition and reorganization of the whole administrative structure to suit the changed environments. On economic front the leaders faced a hard time to control the inflationary trend caused by II world War, to implement the policy of full employment and to undertake the task of upliftment of the people belonging to the Backward castes; scheduled castes and Scheduled tribes. All these called for a judicious operation of fiscal resources in a planned way. Such problems were common to all the States of Indian Union and so were with the State of Gujarat. Against this background, the Gujarat Government's budgets were prepared and the economic policies were drafted during the plan period. The financial Statement and the demands for grants in a Government budget are drawn up in accordance with the provision of the constitution and the needs of the legislative control. The expenditure in the Government Budget is generally classified department-wise in order to secure legislative control and administrative accountability. Since 1957-58, the Economic Division of the Ministry of Finance, Government of India has been preparing an economic classification of Central Government budgetary transactions as useful tool of Economic Analysis. On similar lines, the study of the State Government budgetary transactions is undertaken by this Directorate every year and a set of six accounts containing the reclassified data from the State Government Budget is prepared as detailed below: Account – 1 Transactions in Commodities and Services

and Transfers: Current Account of Government administration ,.Account– II Transactions in Commodities and services and Transfers: Current Account of Departmental Enterprises, Account – III Transactions in Commodities and Services and Transfers: Capital Account of Government administration and Departmental Enterprises, .Account–IV Changes in Financial Assets: Capital Account of Government Administration and Department Enterprises., Account –V Changes in Financial Liabilities : Capital Account of Government Administration and Departmental Enterprises., Account–VI Cash and Capital Reconciliation of Government Administration and Department Enterprises. Budget is just like a looking-glass in which the fiscal face of the State is clearly reflected. It is not only the financial statement that exposes the receipts and expenditure of the state but more than that, it reflects the objectives of economic policy and the way to achieve those objectives. The trend analysis of Gujarat Government's budgets undertaken herein is an attempt to spell out such objectives and to determine the economic goal reflected from it. The present study of the budgetary structure of the government of Gujarat deals with critical appreciation of the budgets during the plan period of 1986-87 to 2005-06 and the period of economic planning in India with special reference to Gujarat. The financial position of the government of Gujarat during the plan period (1986-87 to 2005-06) is explained here on the basis of the analysis of the trend of receipts and expenditure of the State. This work has been extensively undertaken in the report of Directorate of Economics and Statistics Government of Gujarat, Gandhinager 1986 to 2005.

In chapter-I, we have understood the theoretical concepts of public expenditure and economic development. In this chapter, we will discuss growth and patterns of public expenditure in Gujarat State during the plan period. This will include budgetary position of the State, Government revenues and expenditure, Developmental and Non-

Developmental expenditure of the State as discussed in the subsequent sections.

3.2.0 BUDGET DURING THE PLAN PERIOD OF 1986-87 TO 2005-06.

Since Independence, the main aim of the popular government has been the acceleration of the growth rate of the economy. The first bold step in this direction was the setting up of the Planning Commission in March 1950, with the prime Minister as its Chairman. The First Five Year Plan which covered the period from 1951 to 1956 was launched with a view to strengthen the National economy at the base and to initiate the constitutional changes which would facilitate more rapid development in the future. It also aimed at meeting some urgent problems caused by the war and the partition of the country, namely, inflation, rehabilitation of displaced persons, food crisis, foreign exchange crises etc. Consequent upon the devaluation of the Indian rupee, an eight-point, programme was announced by the Government of India with a view to improve the external payments position and countering the possible inflationary impact of devaluation on the domestic economy which was already characterized by growing costs and prices.

There is no exaggeration in saying that the entire fiscal operation of public revenue and expenditure has undergone vast changes during the period of planned economic development. Greater emphasis laid on security services now has been economized to a great extent and the income saved has been channelised into developmental activities. The whole picture of financial position of the Government of Gujarat state during the plan period of 1986-87 to 2005-06 can be clearly seen in the Table 3.2.1.1

3.2.1 ANALYSIS OF GOVERNMENT RECEIPTS

The figures shown in Table 3.2.1.1 reveals that, the public revenue receipts has the highest growth rates of 84.27% during 1994-95, 82.42% - 1995-96, 80.87% -1996-97, 79.16% -1997-98, and 78.48% - 1998-99 during the Ninth plan period. This is followed by 75.88% -1989-90, 74.75% -2000-01, 72.42% -1999-00, 71.70% -1990-91, 70.62% -1992-93, 69.93% -1991-92, 68.35% -2004-05, 67.65% - 1987-88, 65.34% -1988-89, 64.30% -1986-85, during, the Seventh plan, Eight, Ninth, Tenth and Eleventh plan periods respectively. While the other remaining years have lower percentage growth rates as follows, 45.71% -2003-04, 42.06% -2002-03, and 36.64% -2001-02 between actual and budgets in the whole of Gujarat State, India.

Similarly, the public revenue expenditure has highest growth rates of 81.05% during 1998-99, 81.04% -1995-96, 80.96% -2000-01, 80.28% -1997-98, 79.46% -1996-97, 78.67% -1999-2000, 78.48% - 1994-95, 76.83% -2004-05, 76.78% -1997-98, 74.87% -1989-90, 72.29% -2005-06, 71.93% -1992-93, 71.45% -1990-91, 69.31% -1991-92, 68.96% -1987-88, and 65.88% -1988-89, 64.96% -1986-87, during the Seventh, Eight, Ninth, Tenth and Eleventh plan periods respectively. Whereas the other remaining periods have lowest percentage growth rates as follows, 52.57% -2001-02, 52.11% -2003-04, and 50.82% - 2002-03 during the Tenth plan period.

On capital account, the growth rates of capital receipts have the highest percentages of 63.35% during the period of 2001-02, 57.94% -2002-03, 54.29% -2003-04, 35.69% -1986-87, 34.65% -1988-89, 31.65% -2005-06, during the Tenth and Seventh plan period respectively. This is followed by 29.38% -1992-93, 28.29% -1990-91, 25.25% -2000-01, 24.12% -1989-90, 23.51% -1998-99, 21.59% -1999-00, 21.53% -1997-98, and 20.84% -1997-98. Whereas the other

remaining years have lower percentage growth rates as what follows, 19.13% 1996-97, 17.58% -1996-96, and 15.73% -1994-95.

On the other hand, public capital expenditure has the highest growth rates of 49.19% -2002-03, 47.89% -2003-04, 47.42% -2001-02, during the Tenth plan period. This is followed by 34.12% -1988-89, 31.04% -1987-88, 30.68% -1991-92, 28.55% -1991-91, 28.07% -1992-93, 27.70% -2005-06, 25.13% -1989-90, 23.22% -1997-98, 23.17% -2004-05, 21.52% -1994-95, 21.33% -1999-00, and 20.54% -1996-97. The remaining other years have lowest percentage growth rates as what follows, 19.72% -1997-98, 19.04% -2000-01, 18.95% -1998-99, 18.91% -1995-96.

Table 3.2.1.1 reveals that from the period 1986-2005 the budgetary position of the state Government has been showing increasing trends. Total expenditure has increased from Rs.3801.22 crores in 1986-87 to Rs. 35219.43 crores in 2005-06 whereas total receipts in the same period were Rs.3358.50 crores and Rs. 35934.49 during the Seventh, Eight, Ninth, Tenth and Eleventh plan period respectively and this also 10 times during the last 20 years.

The growth rate of revenue was the highest in the Ninth plan and that of expenditure in the Ninth and Tenth Plan. Several measures were taken to improve the resource position in the Ninth plan to meet the challenge of the bold and daring Eight Plan. The sizeable growth in expenditure during the Tenth Plan period was caused by the big size of the Plan and tremendous growth in non-development expenditure.

Averages of both the expenditure and revenue calculated for all the years covered in respective plans show a continuous rising trend. A big jump was visible from the Seventh Plan to the Ninth Plan. It is found that the averages of the revenue and expenditure had

increased about 3 times from the Seventh Plan to Eleventh Plan. This shows the growing responsibilities shouldered by the State and the result of the rising cost.

It can be seen in the Table 3.2.1.1 that in all the Plans both revenue and expenditure are the lowest in the first year of the Tenth Plans and the highest in the concluding year of the Plans. This shows a slow start but hectic efforts at last both for raising revenue and incurring expenditure. There is no uniform trend in revenue raising and expenditure incurring.

Table 3.2.1.1 Growth of General Budgetary position in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)

Sr. No.	Item	Year-wise	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92 R.E	1992-93 B.E	1993-94	1994-95	1995-96
I Revenue Account												
	Revenue Receipts	1	2159.72	2806.47	3235.69	3601.24	3379.27	5023.06	4981.17		7806.39	8544.05
	Growth %		64.30	67.05	65.34	75.88	71.70	69.73	70.62	8	84.27	82.42
	Revenue expenditure		2469.24	3093.07	3362.40	3727.35	4081.92	5307.78	5343.18		7544.22	8766.09
	Growth %		64.96	68.96	65.88	74.87	71.45	69.31	71.93		78.48	81.09
	Surplus(+) Or Deficit (-) Within Consulated Fund		-309.52	-286.60	-126.71	-126.11	-702.65	-284.72	-362.01		+262.17	-222.04
II Capital Account												
	Capital Receipts		1198.78	1379.27	1715.97	1144.86	1333.49	2180.34	2072.04		1456.74	1822.90
	Growth %		35.69	32.95	34.65	24.12	28.29	30.27	29.38		15.73	17.58
	Capital expenditure		1331.98	1392.19	1741.11	1251.38	1630.92	2349.61	2085.68		2068.48	2044.49
	Growth %		35.04	31.04	34.12	25.13	28.55	30.68	28.07		21.52	18.91
	Surplus(+) Or Deficit (-) Within Consulated Fund		-133.20	-12.92	-25.14	-106.52	-297.43	-169.27	-13.64		-611.74	-221.59
	Total Receipts		3358.5	4185.74	4951.66	4746-1	4712.76	7203.4	7053.21		9263.13	10366.95
	Total Expenditure		3801.22	4485.26	5103.51	4978.73	5712.84	7657.39	7428.86		9612.70	10810.58
	Surplus(+)Or Deficit (-)		-442.72	-299.52	-151.85	-232.53	-1000.08	-453.99	-375.65		-349.57	-443.63
	Contingency Fund(Net)		+15.99	+13.04	+0.08	+32.38	+1.27	---	---		+2.72	-18.93
	Public account(Net)		+438.08	+303.76	+106.41	+400.48	+861.70	+388.87	+293.60		+354.92	+525.11
	Overall surplus(+) or Deficit(-)		+11.35	+17.28	-45.36	+200.23	-137.11	-65.12	-82.05		+8.07	+62.55

Source: Budgets in brief Gujarat State, An Analytical Summary, Directorate of Economics and Statistics, Government of Gujarat, Gandhinagar.

Note: Growth% are Obtained by calculating ratio of each item to total expenditure multiplied by hundred.

Contd... Table 3.2.1.1 Growth of General Budgetary position in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)

Sr. No.	Item	Year-wise	1996-97 B.E	1997-98 B.E	1998-99	1999-00 R.E	2000-01 B.E	2001-02	2002-03	2003-04 R.E	2004-05 M.E	2005-06
			11	12	13	14	15	16	17	18	19	20
I Revenue Account												
	Revenue Receipts		8938.46	11125.39	12742.74	14488.72	16267.58	15986.06	17875.33	20145.83	20813.67	25128.54
	Growth %		80.87	78.48	76.49	72.42	74.75	36.64	42.06	45.71	68.35	69.93
	Revenue expenditure		9138.18	12143.14	15606.16	17247.95	18959.37	22717.60	21440.13	23607.43	23786.33	25463.13
	Growth %		79.46	76.78	81.05	77.46	80.96	52.57	50.82	52.11	76.83	72.29
	Surplus(+) Or Deficit (-) Within Consulated Fund		-199.72	-1017.75	-2863.42	-2759.23	-2691.79	-6731.54	-3564.80	-3461.60	-2972.66	-334.59
II Capital Account												
	Capital Receipts		2114.15	2929.80	3915.84	5517.82	5494.22	27640.02	24624.19	23928.71	9639.81	10805.95
	Growth %		19.13	21.53	23.51	27.58	25.25	63.35	57.94	54.29	31.65	30.07
	Capital expenditure		2362.06	2983.23	3649.83	5018.48	4458.30	20496.35	20752.38	21696.21	7171.95	9756.36
	Growth %		20.54	23.22	18.95	22.54	19.04	47.42	49.19	47.89	23.17	27.70
	Surplus(+) Or Deficit (-) Within Consulated Fund		-247.91	-53.43	+266.01	+499.34	+1035.92	+7143.67	+3871.81	+2232.50	+2467.86	+1049.60
	Total Receipts		11052.61	14055.19	16658.58	20006.54	21761.8	43626.08	42499.52	44074.54	30453.48	35934.49
	Total Expenditure		11500.24	15126.37	19255.99	22266.43	23417.67	43213.95	42192.51	45303.64	30958.20	35219.48
	Surplus (+)Or Deficit (-)		-447.63	-1071.18	-2597.41	-2259.89	-1655.87	+412.13	+307.01	-1229.10	-504.80	+715.01
	Contingency Fund(Net)		---	+127.33	+36.98	----	----	+102.54	-5.01	---	----	----
	Public account(Net)		+372.77	+1023.55	+2417.16	+1668.06	+970.96	-962.58	-310.85	+822.48	+278.73	-150.00
	Overall surplus(+) or Deficit(-)		-74.86	+79.70	-143.27	-591.83	-684.91	-387.91	-8.85	-406.62	-226.07	+565.01

Source: Budgets in brief Gujarat State , An Analytical Summary, Directorate of Economics and Statistics, Government of Gujarat, Gandhinagar.

Note: Growth% is Obtained by calculating ratio of each item to total expenditure multiplied by hundred.

3.2.2 ANALYSIS OF GOVERNMENT REVENUES

Table 3.2.2.1 shows growth pattern of government revenues receipts during the plan period of 1986-87 to 2005-06. It is evident that Union Excise Duties has the highest growth rates of 13.07% -1987-88, 12.48% -1992-93, 12.19% -1988-89, 11.69% -1991-92, 11.57% -1996-97, 10.98% -1997-98, 10.82% -1998-99, 10.54% -1995-96, 10.44% -1989-90, 10.29% -1994-95, 9.47% -1997-98, 9.16% -1999-2000, 8.75% -2000-01, while the other remaining years have lowest growth percentage rates as what follows, 6.86% -1990-91, 6.26% -1986-87, 5.28%-2005-06, 4.99%-2001-02, 4.69%-2003-04, 4.11%-2002-03, and 4.07%-2004-05 during the Seventh, Eighth, Ninth, Tenth and Eleventh plan periods respective.

Income tax has the highest growth percentage rates of 9.82%-1997-98, 7.18%-1997-98, 7.09%-1995-96, 6.93%-1999-2000, 6.90%-1998-99, 6.81%-1994-95, 6.52%-1996-97, 6.19%-1992-93, 6.12%-1989-90, and 6.07%-2000-01. This is followed by 5.89%-1991-92, 5.34%-1988-89, and 3.59%-1990-91. While the other remaining years have lowest growth percentage rates as follows, 2.64%-2005-06, 2.63%-2001-02, 2.59%-1986-87, 2.44%-2003-04, 2.07%-2002-03, and finally 0.26%-2004-03, Estate Duty has yielded the lowest growth percentage rates of 0.03%-1986-87, 0.002%-1987-88, 0.004%-1988-98, during the Seventh plan period. Later on, it was abolished as a share in central taxes, during the Eighth, Ninth, Tenth and Eleventh plan periods

During the Tenth plan period, corporation tax, tax on wealth, custom Duties, and services tax were introduced as a share in central taxes of tax revenue to the state Government of Gujarat Corporation tax has the highest growth percentage rates of 18.30% during 2005-06, 14.90%-2003-04, 14.82%-2000-01, 14.63%-2004-05, 13.97%-2001-02, and 12.45%-2002-03 respectively during the Tenth and Eleventh plan

periods. Tax on wealth has lowest growth percentage rates of 0.35%-2005-06, 0.29%-2002-03, 0.014%-2003-04, and 0.007%-2001-02. Custom Duties yielded growth percentage rates of 3.75%-2005-06, 3.19%-2003-04, 3.03%-2001-02, 2.95%-2002-03, and 2.94%-during 2004-05 of the Tenth and Eleventh plan periods.

Services tax yielded growth percentage rates of 1.49%-2005-06, 0.78%-2004-05, 0.56%-2003-04, 0.34%-2002-03, and 0.28%-2001-02.

Taxes on profession / Income and Expenditure has yielded growth percentage rates of 1.73%-1989-90, 1.55%-1986-87, 1.42%-1990-91, 1.34%-1988-89, 1.17%-1991-92, 1.15%-1992-93 during the Eight plan period. Whereas the other remaining years have lowest growth percentage rates as follows, 0.99%-2000-01, 0.89%-2002-03, 0.87%-2004-05, 0.87%-2001-02, 0.81%-1998-99, 0.81%-2005-06, 0.77%-1999-2000, 0.71%-1995-96, and 0.68%-1996-97.

Land revenue has yielded high growth percentage rates of 2.05%-2005-06, 1.77%-1999-2000, 1.55%-2004-05, 1.52%-2005-06, 1.28%-1990-91, 1.20%-1995-96, 1.18%-1989-90, 1.13%-1988-89, 1.06%-1994-95, Whereas the other remaining years have lower growth percentage rates as follows, 0.99%-1987-89, 0.96%-2003-04, 0.93%-1991-92, 0.92%-1997-98, 0.88%-2002-03, 0.86%-1992-93, 0.81%-1996-97, during the study period respectively.

Stamps and Registration has highest growth percentage rates of 6.48%-2005-06, 6.34%-2004-05, 6.28%-2003-04, 5.97%-2002-03, 5.50%-1995-96, 5.47%-1998-99, 5.06%-2000-01, 5.03%-1997-98, 5.02%-2001-02, 4.73%-1994-95, 4.69%-1999-2000, 4.67%-1990-91, 4.26%-1989-90,. This is followed by 3.94%-1992-93, 3.92%-1991-92, and 3.81%-1988-9, 3.80%-1986-87, and 3.58%-1987-88 during the plan period respectively.

State Excise has yielded growth percentage rates of 0.51%-1989-90, 0.47%-1986-87, 0.46%-1988-89, 0.45%-1987-88, 0.45%-1990-91, 0.44%-2001-02, 0.43%-2002-03, .39%-1992-93, .38%-1991-92, 0.38%-2000-01, 0.37%-1994-95, 0.37%-1996-97, 0.35%-2003-04, 0.34%-1999-2000, 0.33%-1995-96, 0.31%-2004-05, 0.29%-1997-98, 0.29%-1998-99, 0.29%-2005-06.

State Sales tax has yielded the highest growth percentage rates of 64.92%-1990-91, 62.30%-1986-87, 60.57%-1992-93, 59.28%-1989-90, 57.09%-1996-97, 57.44%-2002-03, 56.40%-1991-92, 55.69%-1994-95, 55.60%-1995-96, 54.74%-2004-05, 54.56%-2001-02, 54.01%-1987-88, 53.96%-2005-06, 53.90%-1997-98, 51.92%-1987-88, 53.96%-2005-06, 53.90%-1997-98, 51.92%-1999-2000, 51.84%-1998-99, While the other remaining years have lowest growth percentage rates as follows, 19.42%-2000-01, 12.98%-1988-89, and 1.29%-2003-04.

Central Sales tax has highest growth percentage rates of 38.62%-1996-97, 35.75%-1994-95, and 35.70%-1995-96. This is followed by 15.43%-1988-89, 12.59%-1986-87, 11.56%-1990-91, 10.63%-2002-03, 10.63%-2003-04, 10.62%-1989-90, 10.59%-2004-05, 10.56%-1987-88, 10.25%-2005-06, 10.17%-1992-93, and 10.07%-1991-92. While the other remaining years have lowest growth percentage rates as follows, 9.90%-2000-01, 9.46%-2001-02, 8.30%-1997-98, 8.10%-1998-99, and 7.45%-1999-2000.

State Sales tax has the highest growth percentage rates of 47.55%-1989-90, 46.28%-1986-87, 42.47%-1987-88, 42.21%-1992-93, 38.62%-1996-97, 37.41%-2001-02, 36.39%-1988-89, 35.70%-1995-96, 35.22%-2002-03, 35.18%-2000-01, 35.13%-1994-95, 34.41%-2004-05, 34.07%-2003-04, 33.98%-2004-05, 33.22%-1987-88, 32.95%-1998-99, 32.19%-1999-2000, whereas the other remaining year has lowest growth percentage rate as follows, 10.41%-1991-92.

Others has yielded the highest growth percentage rates of 12.38%-1997-98, 11.58%-2002-03, 11.34%-1999-2000, 11.34%-1996-97, 11.31%-1995-96, 11.16%-1990-91, 10.99%-2001-02, 10.87%-2000-01, 10.76%-1998-99, 10.58%-2002-03, 9.91%-2003-04, 9.74%-2004-05, 9.73%-2005-06, 8.93%-1992-93, 8.38%-1992-93, 7.52%-1988-89, 7.02%-1991-93, while the other remaining years have lowest growth percentage rates of 4.21%-1996-97, 3.34%-1986-87, 1.70%-1987-88, and 1.71%-1989-90.

Taxes on Vehicle has yielded the growth percentage of 7.43%-2002-03, 7.13%-2003-04, 6.99%-2004-05, 6.30%-2001-02, 6.21%-2005-06, 5.91%-2000-01, 5.40%-1987-88, 4.75%-1995-96, 3.99%-1996-97, 3.85%-1986-87, 3.64%-1994-95, 3.57%-1990-91, 3.36%-1989-90, 3.17%-1991-92, 3.07%-1988-98, 3.01%-1992-93,

Taxes on Goods and Passengers have high growth rates of 24.51% during 2000-01. This is followed by 4.68%-1987-88, 4.45%-1988-89, 3.94%-1990-91, 3.89%-1986-87, 3.61%-1989-90, 2.92%-1992-93, 2.89%-1991-92, and 2.04%-1996-97. While the other remaining years have lowest percentage rates as follows, 1.66%-1995-96, 1.31%-2003-04, 1.14%-1994-95, 1.05%-2004-05, 0.92%-2001-02, and 0.10%-2002-03

Electricity Duties has yielded growth percentage rates of 15.43%-2001-02, 14.32%-2000-01, 13.83%-1994-95, 12.73%-2002-03, 12.12%-2003-04, 12.05%-2004-05, 11.62%-1991-92, 10.79%-1996-97, and 10.76%-1995-96. This is followed by 8.25%-1986-87, 7.09%-1987-88, 6.99%-1989-90, 6.99%-1990-91, 6.47%-1992-93, 4.76%-2005-06, 3.26%-1988-89, Entertainment tax has yielded growth percentage rates of 2.72%-1986-87, 2.01%-1987-88, 1.54%-1988-89, 1.37%-1989-90, 1.17%-1990-91, 1.06%-1991-92, 0.98%-1992-93, 0.89%-1995-96, 0.88%-1996-97, 0.73%-1997-98, 0.72%-1994-95, 0.68%-1998-

99,0.64%-1999-2000, 0.60%-2001-02, 0.49%-2000-01, 0.37%-2002-03, 0.35%-2005-06, 0.33%-2004-05, 0.32%-2003-04.

Other Taxes & Duties has yielded growth percentage rates of 2.79%-1986-87, 1.34%-2002-03, 1.31%-2003-04, 1.23%-1988-89, 1.23%-1999-2000, 1.21%-1997-98, 1.15%-1987-88, 1.15%-1998-99, 1.12%-2001-02, 1.14%-1990-91, 1.06%-2000-01, and 0.97%-1992-93, 0.98%-1995-96, 0.95%-1994-95, 0.89%-1996-97, 0.83%-1991-92, 0.78%-2005-06, 1.01%-1989-90.

The yield from income tax, excises and other sources also increased substantially. The sources of revenue like the Sales-tax and the Income-tax, were becoming more and more lucrative. It can be seen from table 3.2.3.1, that the yield from sales-tax increased from the Rs.864.50 crores in 1986-87 at 62.30 percent to Rs.10000.00 crores in 2005-06, thus registering a growth of 53.96 percent. During the same period contribution of agricultural income tax was more than doubled and it increased from Rs. 35.94 crores to Rs.488.55 crores. From the analysis of the figures of the revenue for the plan period, it is apparent that sales tax emerged as the most expanding source followed by taxes on Vehicles, tax on goods and passengers, Electricity Duties, Entertainment tax, and hence other taxes and duties. The contribution of Union Excise Duties was moderate and increased substantially from Rs.86.26 crores at 6.26 percent in 1986-87 to Rs. 977.75 crores, registering growth rate of 5,28 percent. The new yield from corporation tax, tax on wealth, Custom Duties and services tax have been increasing gradually, 4.30 percent, 0.85 percent, 3.75 percent, and 1.49 percent respectively in 2005-06. Stamps and Registration as a source of revenue to the Government of Gujarat has been rising substantially from Rs.52.84 crores in 1986-87 at the rate of 3.80 percent to Rs.1200.36 in 2005-06, registering growth rate of 6.48 percent. The revenue from this source increased considerably upto 1990-91. After

1990- 91 there was a tendency in this source to fall on account of fall in the value of land, abolition of Zamindari system, floods and droughts etc. Again it rose up to 2005-06.

So far as the revenue from land is concerned, it is of the nature of a regressive tax. The yield from this source contributed a small portion to the total revenue of the Gujarat Government. The contribution made by entertainment tax was nominal as it was a temporary source of revenue. The yield derived from non-tax source was satisfactory. It was at Rs. 557.13 crores in 1986-87, which increased to Rs. 3162.336.70 crores in 2005-06 (25.70%, 12.58%). Likewise, taxes on income occupied the second position in the budget of the Government during plan period due to advocacy of greater share in the Central taxes. Likewise, the income from sources under the head 'Non-Tax Revenue' has continually increased from Rs. 557.43 crores in 1986-87 to Rs. 209.76 crores in 2005-06 (RE), its percentage to total revenue has also a tendency to alternatively increase or decrease year after year and finally it showed a diminishing trend i.e. from 25.79 % in 1986-87 to 12.58 % in 2005-06. The growth of public revenue from both the tax and non-tax sources indicates clearly that the Government of Gujarat has relied more upon the additional taxation and revision of existing taxes after the Seventh plan period. The Table 3.2.2.1 reflects that the interesting features in the increase in revenue during the period under review has been that although the income from sources under the head 'Tax Revenue' has increased reasonably from Rs. 35.94 crores in 1986-87 to Rs 488.56 crores in 2005-06.

Table 3.2.2.1 Growth and Trends of Government Revenue in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)

Sr. No	Item	Year-wise	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93 B	1993-94	1994-95	1995-96
		1	2	3	4	5	6	7	8	9	10	
Income Tax Revenue Account												
	A Share in Central Taxes I.Income Tax	35.94	113.69	121.22	158.35	96.36	203.29	229.50	NA	389.47	457.98	
	Growth %	2.59	6.03	5.34	6.12	3.59	5.89	6.19	NA	6.81	7.09	
	2.Union Excise Duties	86.89	246.60	276.52	270.34	183.90	403.87	462.57	NA	589.16	681.28	
	Growth %	6.26	13.07	12.19	10.44	6.86	11.69	12.48	NA	10.29	10.54	
	Total-A	123.21	360.62	397.81	428.69	280.26	607.16	692.07	NA	978.63	1139.26	
	Growth %	8.88	19.11	17.53	16.56	10.46	17.58	18.67	NA	17.10	17.63	
B .State Taxes												
	1 Taxes on profession, e	21.51	26.68	30.43	44.74	38.06	40.34	42.76	NA	44.24	45.65	
	Growth %	1.55	1.42	1.34	1.73	1.42	1.17	1.15	NA	0.77	0.71	
	2 Land Revenue	21.14	18.83	25.62	30.62	34.19	32.00	32.00	NA	60.75	77.48	
	Growth %	1.52	0.99	1.13	1.18	1.28	0.93	0.86	NA	1.06	1.20	
	3.Stamp and Registration	52.84	67.69	86.39	110.14	125.26	135.28	146.10	NA	270.68	355.48	
	Growth %	3.80	3.58	3.81	4.26	4.67	3.92	3.94	NA	4.73	5.50	
	4 State Excise	6.47	8.45	10.50	13.29	12.00	13.20	14.52	NA	21.08	21.36	
	Growth %	0.47	0.45	0.46	0.51	0.45	0.38	0.39	NA	0.37	0.33	
	5 Sales Tax	864.50	1020.36	294.62	1534.57	1739.98	1950.00	2245.00	NA	3185.99	3593.37	
	Growth %	62.30	54.09	12.98	59.28	64.90	56.46	60.57	NA	55.69	55.60	
	a. Central Sales Tax	174.77	199.16	304.78	275.18	309.76	347.98	377.00	NA	516.45	555.25	
	Growth %	12.59	10.56	13.43	10.63	11.56	10.07	10.17	NA	9.03	8.59	

Contd.....Table 3.2.2.1 Growth and Trends of Government Revenue in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)

Sr. No.	Item	Year-wise	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93 B	1993-94	1994-95	1995-96
			1	2	3	4	5	6	7	8	9	10
	b. State Sales Tax		642.04	801.01	818.95	1225.55	1131.25	1359.43	1557.32	NA	2158.60	2307.13
	Growth %		46.28	42.47	36.09	47.35	42.21	45.41	42.02	NA	35.73	35.70
	c. Others		47.69	20.19	170.89	33.84	298.97	242.59	310.68	NA	510.94	730.99
	Growth %		3.44	1.70	7.52	1.31	11.16	7.02	8.38	NA	8.93	11.31
	6.Taxes on Vehicles		53.40	101.89	70.16	87.09	95.75	109.52	111.68	NA	208.17	305.69
	Growth %		3.85	5.40	3.04	3.36	3.57	3.17	3.01	NA	3.64	4.75
	7.Taxes on Goods and Passengers		53.92	88.27	100.94	93.35	105.51	100.00	110.00	NA	65.40	107.30
	Growth %		3.89	4.68	4.45	3.61	3.94	2.89	2.97	NA	1.14	1.66
	8 Electricity Duties		113.92	133.88	189.61	180.97	187.39	401.31	239.84	NA	791.21	695.58
	Growth %		8.21	7.09	8.36	6.99	6.99	11.62	6.47	NA	13.83	10.76
	9 Entertainment Tax		37.77	37.80	34.84	35.41	31.26	36.50	36.50	NA	41.00	57.21
	Growth %		2.72	2.01	1.54	1.37	1.17	1.06	0.98	NA	0.72	0.89
	10 Other Taxes and Duties		38.74	21.72	27.90	29.55	30.43	28.72	35.86	NA	54.34	63.75
	Growth %		2.79	1.15	1.23	0.01	1.14	0.83	0.97	NA	0.95	0.98
	TOTAL-B		1264.21	1525.57	1871.01	2159.73	2399.83	2846.87	3014.26	NA	4742.86	5322.87
	Growth %		90.39	80.88	82.49	83.44	89.54	82.42	81.33	NA	82.89	82.37
	TOTAL-I		1387.42	1886.19	2268.82	2588.43	2680.09	3454.03	3706.33	NA	5721.49	6462.13
	Growth %		64.24	67.21	70.12	71.88	79.31	68.76	74.41	NA	73.29	75.63
	II State Non-Tax Revenue		557.03	454.87	572.90	812.10	403.36	1124.89	748.67	NA	1488.11	1601.17
	Growth %		25.79	16.20	17.71	22.55	11.94	22.39	15.03	NA	18.42	18.74
	III Other Revenue		215.27	465.41	393	200.72	295.82	444.14	526.17	NA	596.79	480.75
	Growth %		9.99	16.58	12.18	5.57	8.75	8.84	10.56	NA	7.64	5.63
	GRAND TOTAL(I+II+III)		2159.72	2806.47	3235.69	3601.24	3379.27	5023.06	4981.17	NA	7806.39	8544.05

Contd.....Table 3.2.2.1 Growth and Trends of Government Revenue in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)

Sr. No.	Item	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-2005	2005-2006
	Income Revenue Account										
	A Share in Central Taxes 1.Income Tax	460.92	605.97	639.49	768.32	644.90	283.20	225.33	320.65	406.64	488.55
	Growth %	6.52	7.18	6.90	6.93	6.06	2.63	2.07	2.44	0.26	2.64
	3.Union Excise Duties	817.85	925.90	1002.11	1014.52	928.85	535.96	446.71	616.39	617.34	977.75
	Growth %	11.57	10.98	10.82	9.16	8.75	4.99	4.11	4.69	4.07	5.28
	Total-A	1278.77	1531.87	1641.60	1782.84	1573.75	1493.33	1354.85	1957.82	2220.68	3391.65
	Growth %	18.08	18.16	17.73	16.09	13.98	13.97	12.45	14.90	14.63	18.50
	B.State Taxes										
	1 Taxes on profession, etc.	48.30	55.55	75.33	82.00	104.80	93.31	95.64	99.55	132.76	150.00
	Growth %	0.68	0.66	0.81	0.74	0.99	0.87	0.89	0.76	0.87	0.81
	2 Land Revenue	68.05	69.49	71.98	199.00	81.53	86.95	95.19	126.79	234.69	380.00
	Growth %	0.76	0.82	0.78	1.79	0.77	0.81	0.88	0.96	1.55	2.05
	3.Stamp and Registration	297.72	450.84	506.23	520.00	537.42	539.41	649.88	824.67	962.80	1200.36
	Growth %	4.21	5.35	5.47	4.69	5.06	5.02	5.97	6.28	6.34	6.48
	4 State Excise	26.27	28.89	27.25	34.96	40.37	47.32	47.11	46.25	47.09	54.69
	Growth %	0.37	0.34	0.29	0.32	0.38	0.44	0.43	0.25	0.31	0.29
	5 Sales Tax	4037.60	4620.00	4795.84	5750.00	5942.73	5857.40	6252.13	169.58	8308.62	10000.00
	Growth %	57.09	54.78	51.81	51.92	55.32	54.56	57.44	1.29	54.74	53.96
	a. Central Sales Tax	656.00	696.00	749.88	880.00	1051.66	1015.71	1157.13	1397.00	1607.40	1900.00
	Growth %	7.28	8.25	8.10	7.95	9.90	9.46	10.63	10.63	10.59	10.25

Contd.... Table 3.2.2.1 Growth and Trends of Government Revenue in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)

Sr. No.	Item	Year-wise	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-2005	2005-2006
	Income Revenue Account											
	b. State Sales Tax		11	12	13	14	15	16	17	18	19	20
	Growth %		2731.25	3145.50	3049.94	3588.00	3736.32	3661.74	3834.14	4470.28	5222.87	6297.00
			38.62	36.11	32.95	32.69	35.18	34.11	35.23	34.02	34.41	33.98
	c. Others		650.35	778.50	996.02	1282.00	1154.75	1179.95	1260.86	1302.30	1478.35	1803.00
	Growth %		4.21	9.25	10.76	11.57	10.87	10.99	11.58	9.91	9.74	9.73
	6. Taxes on Vehicles		281.99	369.90	460.21	650.00	627.28	676.63	808.11	966.39	1060.93	1150.00
	Growth %		3.99	4.39	4.97	5.87	5.91	6.30	7.43	7.13	6.99	6.21
	7. Taxes on Goods and Passengers		144.58	148.90	62.14	150.00	26.09	99.11	11.09	171.79	160.11	189.49
	Growth %		2.04	1.77	0.67	1.35	0.55	0.92	0.10	1.31	1.05	1.02
	8 Electricity Duties		763.06	1012.77	1447.17	1700.00	1521.00	1656.52	1383.84	1592.19	1829.07	1808.21
	Growth %		10.79	35.72	15.63	15.35	14.32	15.43	12.73	12.12	12.05	9.76
	9 Entertainment Tax		62.00	71.00	62.71	70.68	53.00	64.80	40.09	41.38	51.19	65.00
	Growth %		0.88	0.84	0.68	0.64	0.49	0.60	0.37	0.32	0.33	0.35
	10 Other Taxes and Duties		63.32	74.80	106.92	136.12	112.66	120.08	145.94	172.50	168.86	144.00
	Growth %		0.89	0.89	1.15	1.23	1.06	1.12	1.34	1.31	1.12	0.78
	TOTAL-B		5792.89	6902.14	7615.78	9292.75	9046.82	9241.53	9529.02	11181.09	12956.32	15141.75
	Growth %		81.92	81.84	83.27	83.90	85.18	86.09	87.55	85.08	85.32	81.69
	TOTAL-I		7071.66	8434.01	9257.38	11075.59	10620.57	10734.86	10883.87	13138.91	15177.00	18533.40
	Growth %		79.11	78.41	72.65	79.29	67.48	67.15	60.89	72.00	74.89	73.45
	II State Non-Tax Revenue		1159.85	1423.38	2766.49	1925.14	3349.15	3760.94	3995.88	3271.95	3090	3162.33
	Growth %		12.98	13.23	21.71	13.77	21.28	23.53	22.35	17.23	15.25	12.53
	III Other Revenue		706.95	398.19	718.87	983.48	1768.87	1490.26	2995.88	1836.65	1997.45	3432.81
	Growth %		7.90	3.70	5.64	6.48	11.23	9.32	22.35	10.07	9.87	13.66
	GRAND TOTAL(I+II+III)		8938.46	10755.88	12742.74	13984.21	15738.59	15986.06	17875.33	18247.52	20264.94	25128.54

Source: Budgets in brief Gujarat State, An Analytical Summary, Directorate of Economics and Statistics, Government of Gujarat, Gandhinagar.

Note: Growth% is Obtained by calculating ratio of each item to total expenditure multiplied by hundred.

3.2.3 ANALYSIS OF GOVERNMENT EXPENDITURE

Likewise, the revenue receipts of the Gujarat government, the expenditure also touched a new height during this period, especially on primary and secondary functions of the State including administration, law and order, land revenue, excise, stamps, debt services, social services consisting of education, public health and medical and developmental services consisting of agriculture, forests, industries, rural development, irrigation, co-operative credit and civil works, leaving apart large expenditure incurred on miscellaneous and extraordinary heads. The grand total expenditure On revenue account has increased from Rs.2469.24 in 1986-87 to Rs. 25463.13 crores in 2005-06 during the Seventh and Eleventh plan period respectively. In the same period grand total expenditure on capital account were Rs..1331.98 crores and Rs.9756.35 which is much less than expenditure on revenue account The price spiral caused by Economic Reforms of different segments of the economy and liberalization, expansion of rehabilitation programmes after earthquake, and redevelopment of the affected towns and areas, the expansion of social and security services from communal divide, and other supply schemes were responsible for rapid growth in the expenditure during the Tenth plan period as shown in Table 3.2.1.1

It is quite apparent from the Table 3.2.3.1 that there was a phenomenal rise in the expenditure of the State Government during plan period. The expenditure on debt services was moderate and had increasing tendency. Direct demands on revenue increased by 9.88 %

during the period 1986-87 to 25.39 percent in 2005-06. Expenditure on security services including general administration, administration of justice, Jails and convict settlements, police, ports and politage and miscellaneous departments increased from Rs. 572.12 crores to Rs.11277.98 crores between the period 1986-87 to 2005-06 at 23.12 percent and 44.25 percent respectively. The percentage growth of expenditure on administrative services was 8.28 % in 1986-87 and 4.68 percent in 2005-06. Social services include scientific departments, education, medical and public health, agriculture, rural development, veterinary, co-operation, civil aviation and industries. The expenditure on social services was almost doubled during the period. Another important characteristics of trend of public expenditure was that through out the entire period from 1986-87 to 2005-06 social services, economic services and security services claimed major share of the total expenditure. The highest growth rate of nearly 22.34 % was witnessed in expenditure on education. Thus, there had been a significant shift in the public expenditure of Gujarat Government.

The post-Economic Reform levels of high expenditure and revenue were maintained during the Eight, Ninth, Tenth and Eleventh plan period (1989-90 to 1994-95,1995-1999,2000-2005). The budgetary position of the State indicated an increase both in revenue and expenditure. as shown on Table 3.2.1.1 The percentage growth of revenue and expenditure during the period was at the rate of 64.96 % and 72.25 % respectively which showed a slight difference of percentage growth between the two, recording a deficit oriented budgetary pattern. The overall budgetary position of the Government of Gujarat was potentially sound during the plan period.

On the expenditure side, owing to the schemes of all-round socio-economic development under the Plans, the total amount of public

expenditure of the Gujarat Government, as already mentioned in the Table 3.2.2.1, has tremendously increased from Rs. 2469.24 crores in 1986-87 to Rs. 3093.07 crores in 1987-88 and Rs. 15393.94 crores in 1999-2000 (BE) to Rs. 18959.37 crores in 2000-2001 (B.E).

In utilizing the public money, the Government of Gujarat seems to have been very cautious in diverting larger shares of money to the development activities. The expenditure on development schemes concerned with the development of irrigation, civil works, electricity schemes, agriculture, rural development, community projects, social services etc., has substantially increased from Rs. 1882.53 crores in 1986-87 at 76.23 percent to Rs. 14077.10 crores in 2005-06, recording a growth rate of 55.28 percent. Table 3.3.1 shows that there has been a continued rise in the amount of 'Developmental Expenditure' from Rs. 1882.53 crores to Rs. 14077.10 crores in 1986-2005 (BE) and its percentage to total expenditure has also a tendency to alternatively increase or decrease year after year and finally it showed a diminishing trend i.e. from 76.23 % in 1986-87 to 55.28 % in 2005-06.

The expenditure on 'Non-Development' heads like Civil administration, direct demand on revenue, debt services, etc. has no doubt increased simultaneously from Rs. 572.12 crores in 1986-87 to Rs. 11277.98 crores in 2005-06 which has an uninterrupted increasing trend. Also, the percentage to total expenditure has been gradually rising at increasing trend from 23.17 percent of 1986-87 to 44.25 percent in 2005-06 (RE) during the plan period. It is really a peculiar look of the non-development expenditure. But the overall expenditure on such items when compared with the total public expenditure incurred by the Gujarat Government has actually decreased on the basis of percentage. While in the year 1986-87 the Government of Gujarat spent 23.17 % of its total expenditure on the non-development heads as shown in the Table 3.2.3.1, it proposed to spend only 44.23 % of the

estimated total expenditure in 2005-06. This is really an uncommendable situation in the sphere of the budgetary position of the Government. The most important trend comes out from Table 3.2.3.1 is that the percentage growth of development expenditure has a gradual increasing trend at decreasing rate from 76.23 % in 1986-87 to 55.28 % in 2005-06, while on the contrary the percentage growth of non-development expenditure is increasing gradually from 23.17 % in 1986-87 to 44.23 percent in 2005-06. It means development expenditure is decreasing proportionally and non-development expenditure is vice-versa.

3.2.4 OVERALL BUDGETARY POSITION OF THE STATE DURING 1986-2005

Table 3.2.1.1 shows that from the period 1986-87 to 2005-06 the budgetary position of the state Government has been showing increasing trends. In absolute terms both the total receipts and disbursements of the State on the combined revenue and capital accounts had shown a substantial rise during the period 1986-87 to 2003-04, the rate of increase in expenditure being greater. Total receipts which amounted to Rs.3358.5 crores in 1986-87, have increased to Rs. 44074.54 crores in 2003-04, total disbursements show a rise from Rs.3801.22 crores in 1986-87 to Rs. 45303.64 crores in 2003-04. The percentage growth of both receipts and expenditure was 45.71 and 52.11 respectively during the period 1986-05. Though, the increase was not so impressive in both the revenue and expenditure sides of the budgets. There were many ups and downs in the trends of the growth of public revenue and expenditure of the Government. As in 2004-05 both revenue and expenditure on the combined account had fallen from Rs. 44074.54 crores to Rs. 35219.48 crores and from Rs. 45303.64 crores to Rs. 35219.48 crores respectively during 2003-06 generating only a small portion of the surplus on the front of budgetary

structure. The decline in terms of percentage was 31.65 and 23.17 both in receipts and expenditure respectively. During the period 1986-05 the capital account of the State at first showed a deficit for thirteen years and then a surplus up to 2005-06. From 1986-87 to 2005-06 there was a deficit of Rs. 133.20 crores and 2691.79 crores respectively. The salient feature of the capital account was that there was a deficit in capital receipts too in 1999-00, which amounted at Rs. 4238.94 crores.

Owing to the recovery of the State from the natural calamity of earthquake at richer scale 9.5 which had damaged most regions of the state including kutch. The revised estimates for 1991-92 as compared with the actuals for 1990-91, showed a deficit in the aggregate budgetary position by Rs. 5.12 crores due to large increase in expenditure on revenue account and marginal surplus on capital account as shown in the overall statement of the Budgetary position of the State. Similar was the position in the budget estimates for 1999-200 with slight changes. In the budget estimate there was a sharp decline in the deficit of the revised estimates of the previous year from Rs. 74.26 crores in 1996-97 to Rs. (+)79.70 crores in 1997-98 owing to smaller increase in revenue account and larger increase in receipts on capital account recorded an increase from Rs. 39.24 crores to Rs. 42.87 crores on revenue account and from Rs. 39.24 crores to Rs. 42.87 crores on revenue account and from Rs. 28.73 crores to Rs. 49.54 crores on capital account. the position of disbursements in this year was greater on revenue account. The overall budgetary position during 1988-89, 1989-90, 1990-91, and 1992-93, 1996-97, 1998-99, 1999-2000 (R.E), 2000-01 (B.E), 2001-02, 2002-03, 2003-04 (R.E), 2004-05 (M.E), of the State was on the verge of deficit at Rs.45,36 crores, Rs.137.11 crores , Rs.65.11 crores, Rs.82.05 crores, Rs.74.26, Rs.143.27 crores, Rs.591.83 crores, Rs.684.91 crores, Rs.387.91 crores, Rs.8.85 crores , Rs.406.62 crores, Rs.226.07 crores, due to heavy concentration on revenue expenditure as shown on Table 3.2.1

The financial position of the State, as a whole, reflected the growing strain, arising among other things, from stepping up the plan outlay, economic reforms, particularly in the last two years of the Eight plan period, while an overall surplus emerged in 2005-06 in place of the continued deficit in the preceding seven years. The tendency of aggregate surplus growth abruptly increased from a marginal increase of Rs. 79.70 crores in 1997-98 (B.E) to a sizeable increase of Rs. 565.01 crores in 2005-06.

Over the periods 1986-87 to 1987-88, 1994-95 to 1995-96 and 1997-98 the overall budgetary position showed a substantial growth in surplus. In other words, the combined revenue and capital account of State revealed a surplus position in each of the five years from 1986-87 to 2005-06. The aggregate surplus in 1986-87 was Rs. 11.25 crores, which subsequently decreased to Rs. 17.28 crores in 1987-88 and then decreased and increased to Rs. 565.11 crores in 2005-06. The sudden fall in the aggregate surplus was due to the implementation of social security measures contemplated by the Government to upward revision of pensions and liberalization of family pension rules. But the Government had taken a step to recover the fiscal situation of the State during these periods and for this announced 10 % cut in traveling allowance and contingencies, no new posts to be created unless the need becomes inevitable.

The year 1990-91 which marks the end of the Seventh Plan was perhaps the most difficult one for the country as well as the states due to continued pressure on prices and the inadequate performance of the economy. The failure of late monsoons resulting in drought conditions in several parts of the country and the Indo-Pak conflict, placed additional burdens on the economy particularly in the spheres of production, prices and agriculture. These developments have severely strained the budgetary operations of the State Governments. The State of Gujarat

budget for 2000-01, a year of transition from the Tenth Plan to the Eleventh Plan, was faced with the difficult situation particularly because of the rising expenditure in recent years and its expansionary impact on the economy.

3.3 GROWTH AND TRENDS OF DEVELOPMENT EXPENDITURE IN GUJARAT DURING PLAN PERIOD 1986-87 TO 2005-06

Economic planning with developmental and welfare programmes has given the birth of voluminous public expenditure in the State. In other words, growing public expenditure is a direct off-shoot of planned economic development. Revenue and capital expenditure of the Government of Gujarat increased tremendously in course of plan period. Since the inception of planning in the country, revenue expenditure is divided into two parts development expenditure and non-development expenditure. The present section deals with the Revenue Expenditure.

3.3.1 Growth And Trends Of Development Revenue Expenditure During Planning Period 1986-87 to 2005-06

Table 3.3.1 reflects a clear picture and recent trend of development expenditure in Gujarat from the period 1986-87 to 2005-06. Table No.3.3.1 vividly exhibits that during the period of twenty years of planned economic development there has been a steady and fast growth in the volume of the total revenue expenditure at current prices.

Revenue Expenditure on Social Services

Expenditure on Social Services Education has yielded the highest growth percentage of 22.34%-1990-91, 21.68%-1989-90, 21.35%-1995-96, 21.14%-1996-97, 20.69%-1994-95, 20.69%-1997-98, 20.02%-1998-99, 19.71%-1991-92, 19.64 %-1992-93, 19.26%-1999-2000, 18.98%1997-98, .This is followed by 16.90%-2002-03, 16.04%-2005-

06, 15.57%-2003-04, 15.55%-2004-05, and 14.34%-2001-02, during the plan periods.

Public Health and family welfare yielded the highest growth percentage growth rates of 6.59%-1986-87, 6.39%-1998-99, 6.37%-1989-90, 6.15%-1990-91, 6.03%-1999-2000, 5.81%-1997-98, 5.68%-1987-88, 5.68%-1988-89, 5.53%-1992-93, 5.48%-1994-95, 5.34%-1995-96, 5.15%-1991-92, 5.15%-1997-98, While the other remaining years have the lowest growth percentage rate as follows, 4.84%-2000-2001, 3.95%-2002-03, 3.76%-2004-05, 3.71%-2003-04, 3.15%-2001-02, during the Tenth plan period.

Water Supply, sanitation, housing and Urban Development has yielded the highest growth percentage rates of 4.44%-2003-04, 4.27%-1999-2000, 4.25%-1987-88, 4.23%-1986-87, 3.92%-2005-06, 3.89%-2000-2001, 3.54%-2004-05, 3.49%-1992-93, 3.38%-1998-99, 3.27%-1997-98, 3.26%-1989-90, 3.26%-2002-03, 3.24%-2002-03, 3.21%-1990-91, 2.85%-1994-95, 2.82%-1997-98, 2.79%-1996-97, 2.23%-2001-02, 2.71%-1991-92, 2.50%-1988-89, whereas the other remaining year has the lowest growth percentage rate of 0.31%-1995-96 in Gujarat during the plan period 1986-87 to 2005-06.

Information and Broadcasting yielded growth percentage rates of 0.28%-1990-91, 0.28%-1992-93, 0.22%-1991-92, 0.21%-1989-90, 0.20%-1986-87, 0.19%-1988-89, 0.18%-1996-97, 0.17%-1987-88, 0.16%-1997-98, 0.16%-1999-2000, 0.15%-1995-96, 0.15%-2000-01, 0.14%-1994-95, 0.14%-1998-99, 0.13%-2003-04, 0.11%-2004-05, 0.10%-2002-03, 0.09%-2001-02, 0.09%-2005-06 during the plan period.

Welfare of Scheduled Castes, Tribes and other Backward Classes has experienced growth percentage rates of 2.91%-1999-2000, 2.73%-1992-03, 2.64%-2000-01, 2.63%-1990-91, 2.58%-2005-06, 2.55%-1989-90, 2.50%-1996-97, 2.48%-1995-96, 2.41%-1991-92, 2.39%-1994-95, 2.20%-1997-98, 2.36%-1997-98, 2.28%-1998-99, 2.13%-2003-04, 2.09%-1986-87, While the other remaining years have

lower growth percentage rates as follows, 1.97%-2004-05, 1.96%-1988-89, 1.94%-1987-88, 1.86%-2002-03, 1.52%-2001-02.

Labour and Labour welfare has yielded growth percentage rate of 1.71%-1986-87, 1.48%-1988-89, 1.30%-1987-88, 1.15%-1989-90, 0.79%-1991-92, 0.76%-1992-93, 0.75%-1994-95, 0.75%-1997-98, 0.74%-1996-97, 0.74%-1990-91, 0.73%-1995-96, 0.73%-2000-01, 0.68%-1999-2000, 0.62%-1998-99, 0.64%-1997-98, 0.52%-2005-06, 0.57%-2002-03, 0.52%-2003-04, 0.51%-2004-05, 0.44%-2001-02

Social welfare and Nutrition has yielded highest growth percentage rate of 41.52%-2004-05, This is followed by 12.14%-2001-02, 6.74%-1987-88, 5.49%-1986-87, 5.22%-2005-06, 4.39%-1997-98, 4.17%-1988-89, 3.96%-1991-92, 3.94%-1992-93, 3.76%-2002-03, 3.54%-2003-04, 3.49%-1989-90, 3.18%-1999-2000, 2.91%-1995-96, 2.79%-2000-01, 2.78%-1998-99, 2.53%-1996-97, 2.41%-1994-95, 2.39%-1997-98, 1.43%-1990-91, during the plan period.

Others has yielded growth rate of 0.16%-1989-90, 0.16%-2005-06, 0.13%-1986-87, 0.13%-1987-88, 0.13%-1990-91, 0.13%-1991-92, 0.13%-1992-93, 0.12%-1995-96, 0.12%-1988-89, 0.11%-1996-97, 0.11%-1997-98, 0.10%-1994-95, 0.11%-2000-01, 0.10%-1999-2000, whereas the other remaining years have the lowest growth percentage rates as follows, 0.09%-2002-03, 0.09%-2003-04, 0.09%-2004-05, 0.08%-2001-02.

Revenue Expenditure on Economics Services

Agriculture and Allied Activities has yielded the highest growth percentage rates of 7.53%-1988-89, 6.67%-1987-88, 6.19%-1990-91, 6.37%-1991-92, 5.58%-1992-93, 5.39%-1989-90, 5.19%-1986-87, This is followed by 4.69%-1997-98, 4.39%-1995-96, 4.26%-1996-97, 3.94%-2001-02, 3.87%-1999-2000, 3.76%-1997-98, 3.68%, 3.64%-1998-99, 3.61%-2005-06, 3.56%-1994-95, 3.56%-2004-05, 3.21%-2003-04, while the other remaining year has lower growth percentage rate as what

follows, 2.94%-2002-03 in Gujarat during the plan period 1986-87 to 2005-06 respectively.

Rural Development has yielded the highest growth percentage rates of 6.64%-1990-91, 6.05%-1986-87, 5.91%-1987-88, 5.91%-1992-93, 5.61%-1991-92, 5.29%-1988-89. This is followed by 4.88%-1989-90, 4.15%-2000-01, 4.11%-1997-98, 4.08%-1991-92, 4.02%-1995-96, 3.95%-1996-97, 3.93%-1998-99, 3.93%-1999-2000, 3.51%-1997-98, 3.29%-2004-05, 3.00%-2005-06, while the other remaining years have the lowest growth percentage as follows, 2.70%-2002-03, 2.65%-2003-04, and 1.67%-2001-02 during the Tenth plan period .

Special Area Programmes has yielded the growth percentage rates of 0.31%-1986-87, 0.31%-1990-91, 0.30%-1989-90, 0.28%-1988-89, 0.27%-1987-88, 0.27%-1992-93, 0.26%-1991-92, 0.26%-1995-96, 0.25%-1994-95, 0.23%-1996-97, 0.23%-1997-98, 0.17%-1997-98, 0.17%-1998-99, 0.14%-1999-2000, 0.13%-2000-2001, 0.12%-2002-03, 0.12%-2003-04, 0.12%-2004-05, 0.11%-2001-02, 0.11%-2005-06, during the Seventh, Eighth, Ninth, Tenth and Eleventh plan period.

Irrigation and Flood control has yielded the highest growth percentage of 16.05%-1987-88, 15.72%-1986-87, 12.58%-1988-89, 11.31%-1989-90, 10.16%-2000-01. This is followed by 9.74%-1998-99, 9.69%-2004-05, 9.68%-2003-04, 9.56%-1994-95, 9.45%-1997-98, 9.05%-2002-03, 8.54%-1991-92, 7.95%-2001-02, 6.86%-1997-98, 6.59%-1996-97, 5.69%-1999-2000. Whereas the other remaining years have the lowest growth percentage rates as follows, 3.38%-1992-93, 3.23%-1995-96, 2.91%-1990-91, and 1.39%-2005-06 during the plan period.

Table 3.3.1 reveals that Gujarat's revenue expenditure on irrigation has been increasing at a decreasing trend from one Plan to another till the Annual Plans, both in absolute terms as well as in its percentage, to total development expenditure. Expenditure on irrigation fell down from Rs 388.19 crores (15.72 % of development expenditure)

in 1986-87 to Rs354.33 crores (1.39 % of development expenditure) in 2005-06.

Table 3.3.1 indicates that higher attention was given to the facilities of irrigation in Gujarat during the Seventh and Eighth Plan periods on account of the experience gained by the Government during 1986-87 and 1990-92 in which failure of monsoon put the whole economy of Gujarat in a condition of severe drought, (and brought) planning to a dead halt by immensely damaging the farm sector which still accounts for about 56 % of the Gujarat's total national income. Irrigation is the kingpin of agricultural productivity, however sincere efforts have not yet been made so far in Gujarat towards conjuncture use of surface and ground water resources.

Revenue expenditure on Energy has the highest growth percentage rates of 15.63%-2001-02, 11.26%-1997-98, 11.19%-2003-04, 10.35%-1998-99, 10.35%-2002-03, 9.44%-1994-95, 8.91%-1999-2000, 8.48%-2004-05, 8.15%-2005-06, 8.07%-1991-92, 7.87%-1995-96, and 7.59%-2000-01. This is followed by 5.78%-1997-98, 3.96%-1990-91, 3.84%-1996-97, while the other years have the lowest growth percentage rates as follows, 1.72%-1989-90, 1.30%-1992-93, 0.23%-1986-87, 0.11%-1987-88, and 0.10%-1988-89 during the Seventh, Eighth, Ninth, Tenth and Eleventh plan period respectively between the budget and actual.

The development expenditure on energy schemes under revenue Account during Seventh Five Year Plan was Rs.5.60 crores in 1986-87 that accounted for 0.23 % of the total development expenditure. It increased to Rs. 3551.10 crores in 2001-02 during the Tenth Plan period, which recorded a rise in percentage growth (15.63 percent) of the total development expenditure. And Rs.2074.37 crores in 2005-06, which account for 8.15 percent of the total development expenditure. Table 3.3.1 reveals that Gujarat's revenue expenditure on energy has been increasing at a decreasing trend from one Plan to another till the

Annual Plans, both in absolute terms as well as in its percentage.. Expenditure on energy fell down from Rs.2219.36 crores in 2002-03 (10.35 percent) to Rs.2074.37 crores in 2005-06 (8.15 percent) of the total development expenditure. Energy/Power is one of the most important infrastructure for economic development in the present century. It is a barometer of economic development of a country. In fact the level of economic development of a country can be measured by the volume of production and consumption of energy. It is a vital input for agriculture as well as industry and it is needed for all segments of economy for their respective development. That's why a high priority has been given by the Government of Gujarat to the expansion and strengthening of the electricity generating capacity and the transmission and distribution system to carry through the programme of agricultural and industrial development.

Industry and minerals has yielded the highest growth percentage rates of 3.09%-1991-92, 2.99%-1990-91, and 2.08%-1989-90. This is followed by 1.82%-1992-93, 1.82%-1994-95, 1.79%-2000-01, 1.78%-1995-96, 1.74%-1986-87, 1.72%-1987-88, 1.49%-1996-97, 1.49%-1998-99, 1.43%-1997-98 and 1.37%-1988-89, while the other remaining years have the lowest growth percentage rates as follows, 1.24%-2002-03, 1.15%-2004-05, 1.10%-1997-98, 1.05%-2003-04, and 0.94%-2005-06 in Gujarat during the plan period 1986-87 to 2005-06.

Transport has yielded the high growth percentage rates of 6.99%-1990-90, 6.42%-1986-87, 6.35%-1987-88, 6.03%-1989-90, during the Seventh and Eighth plan period. This is followed by 4.12%-1997-98, 4.08%-1995-96, 4.05%-1988-89, 3.99%-1992-93, 3.93%-2005-06, 3.89%-1991-92, 3.86%-1998-99, 3.75%-1994-95, 3.68%-1997-98, 3.23%-1999-2000, 3.07%-2002-03, while the other remaining years have the lower growth percentage rates as follows, 2.87%-2000-01, 2.70%-2004-05, 2.64%-2003-04, 2.60%-2001-02, and 1.72%-1996-97 during the plan period respectively. Communication, Science, Technology and Environment, and General Economic Services have

the lowest growth percentage rates throughout the plan period 1986-87 to 2005-06 in Government of Gujarat.

It was found that increase in the percentage of expenditure on social services (39.44%) was greater than that in the case of expenditure on economic services (36.80%). The most remarkable observation is that the percentage growth of economic services to the total development expenditure (42.81%) was higher in comparison to social services (33.22%) in the Tenth Five Year Plan, which took a reverse turn in the Eleventh Five Year Plan.

An examination of the constituent heads of expenditure in the Table 3.3.1, Education (in social services group) recorded the highest percentage increase (22.34%) in the Eighth Plan over the Seventh plan, whereas Irrigation and Flood control (in the economic services group) occupied the second position with 16.31 % increase and Energy (in the economic services group) the third position with 15.63 % increase during the Tenth plan period. Agriculture (in the economic services group) the fourth position with 7.53 % increase during the Seventh plan period. This finding clearly shows that the State Government Provided a very high priority to the expansion of academic facilities in the State; on social services head and the achievements of Energy, Agricultural and Irrigation and Flood control projects and rural development on economic services front.

As regards the magnitude of expenditure, Education accounted for the largest proportion (22.34%) of development expenditure throughout the Ninth plan period under study. Next to Education, Energy Development recorded the highest proportion (15.63 %) of the total development expenditure. Agricultural Development recorded the moderate proportion (7.53%) of the total development expenditure. This may be one reason for the poor agricultural development in Gujarat and growing poverty in the rural areas.

Table 3.3.1 Growth of Development Revenue Expenditure during the plan period 1986-87 to 2005-06 (Rs. in Crores)										
Sr.No.	Item Year wise	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
1	2	3	4	5	6	7	8	9	10	11
Development Expenditure										
A. Social Services		973.80	1199.62	1279.16	144.94	1606.74	1862.30	1952.69	NA	2626.22
Grwoth %		39.44	38.78	34.93	38.77	37.36	35.09	36.54	NA	26.86
1. Education, sports, Art and Culture		468.76	574.50	689.47	804.30	911.86	1046.13	1051.18	NA	1560.97
Grwoth %		18.98	18.57	18.83	21.58	22.34	19.71	19.62	NA	20.69
2. Heath and Family Welfare		162.78	175.63	207.96	237.51	251.08	273.56	295.53	NA	413.20
Grwoth %		6.59	5.68	5.68	6.37	6.15	5.15	5.53	NA	5.48
3. Water supply, sanitation, housing and urban development		104.34	131.42	91.61	121.37	130.88	143.72	186.76	NA	214.99
Grwoth %		4.23	4.25	2.50	3.26	3.21	2.71	3.49	NA	2.85
4. Information and Broadcasting		5.04	5.22	6.98	7.78	11.37	11.86	14.92	NA	10.70
Grwoth %		0.20	0.17	0.19	0.21	0.28	0.24	0.28	NA	0.14
5. Welfare of Scheduled Castes, Scheduled Tribes and other backward classes		51.52	60.05	71.77	95.20	107.51	127.80	146.02	NA	180.12
Grwoth %		2.09	1.94	1.96	2.55	2.63	2.41	2.73	NA	2.39
6. Labour and Labour Welfare		42.30	40.22	54.09	42.76	30.24	42.02	40.89	NA	56.24
Grwoth %		1.71	1.30	1.48	1.15	0.74	0.79	0.76	NA	0.75
7. Social Welfare and Nutrition		135.75	208.54	152.85	129.99	158.46	210.44	210.49	NA	181.98
Grwoth %		5.49	6.74	4.17	3.49	1.43	3.96	3.94	NA	2.41
8. Others.		3.31	4.04	4.43	6.03	5.34	6.77	6.90	NA	8.02
Grwoth %		0.13	0.13	0.12	0.16	0.13	0.13	0.13	NA	0.10

Contd... Table 3.3.1 Growth of Development Revenue Expenditure during the plan period 1986-87 to 2005-06											(Rs. in Crores)	
Sr.No.	Item Year wise	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95		
1	2	3	4	5	6	7	8	9	10	11		
B. Economic Services		908.73	1185.31	1183.88	1226.71	1273.28	1896.32	1552.11	NA	2604.87		
Growth %		36.80	38.32	32.33	32.91	6.69	35.73	29.05	NA	33.34		
1. Agriculture and Allied Activities		128.29	206.41	275.76	200.98	248.32	338.17	297.99	NA	368.63		
Growth %		5.19	6.67	7.53	5.39	31.19	6.37	5.58	NA	3.56		
2. Rural Development		149.50	182.66	194.06	181.78	271.21	301.18	315.65	NA	307.91		
Growth %		6.05	5.91	5.29	4.88	6.64	5.67	5.91	NA	4.08		
3. Special Area Programmes		7.66	8.27	10.17	11.26	12.56	14.10	14.47	NA	19.10		
Growth %		0.31	0.27	0.28	0.30	0.31	0.26	0.27	NA	0.25		
4. Irrigation and Flood Control		388.19	496.58	460.91	421.51	118.70	442.56	480.52	NA	721.11		
Growth %		15.72	16.05	12.58	11.31	2.91	8.34	3.38	NA	9.56		
5. Energy		5.60	3.40	3.76	63.96	161.66	438.98	69.43	NA	712.54		
Growth %		0.23	0.11	0.10	1.72	3.96	8.27	1.30	NA	9.44		
6. Industry and Minerals		42.96	53.20	50.10	77.71	122.07	116.34	97.28	NA	136.97		
Growth %		1.74	1.72	1.37	2.08	2.99	2.19	1.82	NA	1.82		
7. Transport		158.16	196.33	148.37	224.66	285.59	180.15	213.51	NA	282.99		
Growth %		6.41	6.35	4.05	6.03	6.999	3.39	3.99	NA	3.75		
8. Communication		0.02	0.03	0.04	0.02	0.01	0.01	0.01	NA	0.01		
Growth %		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
9. Science, Technology and Environment		0.01	0.06	0.13	0.69	0.24	0.86	1.05	NA	0.70		
Growth %		0.00	0.001	0.003	0.002	0.01	0.03	0.00	NA	0.00		
10. General Economics Services		28.34	38.37	40.58	44.14	52.92	63.97	62.20	NA	54.91		
Growth %		1.15	1.24	1.10	1.18	1.29	1.17	1.16	NA	0.73		
Total - I		76.23	77.10	67.25	71.68	70.75	70.81	68.96	NA			

Contd..... Table 3.3.1 Growth of Development Revenue Expenditure during the plan period 1986-87 to 2005-06 (Rs. in Crores)													
Sr.No.	Item	Year wise	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1	2		12	13	14	15	16	17	18	19	20	21	22
Development Expenditure													
A. Social Services													
1.	Education, sports, Art and Culture		3129.62	3209.62	3798.79	5436.67	5634.78	6298.86	7722.19	6539.20	7108.81	7011.26	8312.60
			39.03	35.12	35.39	34.63	36.60	33.22	33.99	30.49	30.11	29.48	32.65
			1871.17	1932.10	2221.14	3124.63	2964.90	3427.01	3258.15	3623.97	3675.42	3699.46	4093.07
			21.35	21.14	20.69	20.02	19.26	18.7	14.34	16.90	15.57	15.55	16.04
2.	Health and Family Welfare		467.87	468.23	623.16	840.59	936.69	917.27	715.48	846.86	874.82	894.78	1033.53
			5.34	5.05	5.81	5.39	6.08	4.84	3.15	3.95	3.71	3.76	4.06
3.	Water supply, sanitation, housing and urban development		270.07	255.32	302.78	543.91	650.43	739.05	507.50	699.57	1047.83	842.10	998.13
			0.31	2.79	2.82	3.38	4.23	3.89	2.23	3.26	4.44	3.54	3.92
4.	Information and Broadcasting		13.55	16.75	16.90	21.16	24.31	27.42	19.89	21.81	29.87	25.12	25.26
			0.15	0.18	0.16	8.14	0.16	0.15	0.09	0.10	0.13		0.09
5.	Welfare of Scheduled Castes, Scheduled Tribes and other backward classes		217.23	228.51	286.14	356.90	447.82	501.05	344.84	397.81	502.78	NA	657.45
			2.48	2.50	2.20	2.28	2.91	2.64	1.52	1.86	2.13	NA	2.58
6.	Labour and Labour Welfare		63.85	67.31	80.42	97.19	105.24	137.97	100.54	122.68	122.61	NA	133.49
			0.73	0.74	0.75	0.62	0.68	0.73	0.44	0.57	0.52	NA	0.52
7.	Social Welfare and Nutrition		214.96	231.26	256.26	434.14	489.37	528.54	2757.51	806.87	834.75	NA	1329.39
			2.91	2.53	2.39	2.78	3.18	2.79	12.14	3.76	3.54	NA	5.22
8.	Others.		10.87	10.24	11.99	18.15	16.02	20.55	18.28	19.63	20.73	NA	42.28
			0.12	0.11	0.11	0.12	0.10	0.11	0.08	0.09	0.09	NA	0.16

Contd....Table 3.3.1 Growth of Development Revenue Expenditure during the plan period 1986-87 to 2005-06													(Rs. in Crores)		
Sr.No.	Item	Year wise	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06		
1	2	12	13	14	15	16	17	18	19	20	21	22			
B. Economic Services		3009.24	2356.68	2979.86	5367.96	4457.53	6117.17	7810.10	6568.58	7598.56	NA	NA	5764.50		
		34.36	25.79	27.76	34.39	28.96	42.81	3438	30.64	32.19	NA	NA	22.64		
1.	Agriculture and Allied Activities	385.02	388.43	503.38	568.52	595.12	698.23	895.88	630.52	756.51	NA	NA	919.73		
		4.39	4.26	4.69	3.64	3.87	3.68	3.94	2.94	3.21	NA	NA	3.61		
2.	Rural Development	352.42	361.07	440.59	612.61	605.26	787.59	379.14	578.91	625.77	NA	NA	764.52		
		4.02	3.95	4.11	3.93	3.93	4.15	1.67	2.70	2.65	NA	NA	3.00		
3.	Special Area Programmes	22.77	21.18	24.42	26.65	21.15	25.42	24.13	25.23	29.05	NA	NA	28.12		
		0.26	0.23	0.23	0.17	0.14	0.13	0.11	0.12	0.12	NA	NA	0.11		
4.	Irrigation and Flood Control	883.45	602.02	736.76	1520.57	875.51	1926.47	1850.53	1939.50	2286.34	NA	NA	354.33		
		3.23	6.59	6.86	9.74	5.69	10.16	7.95	9.05	9.68	NA	NA	1.39		
5.	Energy	690.02	351.26	610.41	1646.82	1371.93	1439.18	3551.10	2219.36	2641.08	NA	NA	2074.37		
		7.87	3.84	5.78	10.55	8.91	7.59	15.63	10.35	11.19	NA	NA	8.15		
6.	Industry and Minerals	159.28	136.80	153.30	233.90	256.39	340.27	365.23	266.73	248.32	NA	NA	240.28		
		1.78	1.49	1.43	1.49	1.67	1.79	1.61	1.24	1.05	NA	NA	0.94		
7.	Transport	397.00	357.10	355.43	601.67	504.18	544.29	591.36	658.32	623.16	NA	NA	1000.44		
		4.08	1.72	3.68	3.86	3.28	2.87	2.60	3.07	2.64	NA	NA	3.39		
8.	Communication	0.00	0.01	0.01	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.00		
9.	Science, Technology and Environment	0.68	1.29	2.49	3.10	17.09	4.32	3.31	28.61	28.61	34.67	42.76			
		0.0	0.01	0.02	0.02	0.11	0.02	0.02	0.12	0.12	0.15	0.017			
10.	General Economics Services	118.56	137.52	153.07	154.10	210.88	351.38	194.41	359.71	359.71	339.34	339.95			
		1.34	1.50	1.47	0.99	1.37	1.85	0.86	1.52	1.52	1.43	1.34			
Total - I		6138.86	5566.40	6778.65	10804.63	10092.31	12416.03	15532.29	14707.37	14707.37	14283.78	14077.10			
		70.03	60.91	63.16	69.23	65.56	65.49	68.37	62.29	62.29	5.39	55.28			

Source: Budgets in brief Gujarat State , An Analytical Summary, Directorate of Economics and Statistics, Government of Gujarat, Gandhinagar.

Note: Growth% are Obtained by calculating ratio of each item to total expenditure multiplied by hundred.

3.3.2 Growth and Trends of Development Capital Expenditure During Planning Period 1986-87 to 2005-06

On the other hand, Table 3.4.1 reveals that the development on capital account in absolute terms increased more than 10 times during the period from 1986-87 to 2005-06. Total development capital expenditure were Rs.596.60 crores in 1986-87 which rose to Rs.6206.07 crores in 2005-06. In percentage terms, it witnessed 63.61 percent growth in development expenditure in 2005-06 which was 44.79% in 1986-87. So far as plan-wise growth of development capital expenditure is concerned, it indicated a higher increasing trend. It varies from 44.79 percent in the Seventh plan (1986-87) to 63.61 percent in the Eleventh plan (2005-06). Increase in expenditure on social services development during the period was lower than, that, on economic services development. The greatest increase in expenditure was recorded in Irrigation and flood control (Rs. 1261.79 crores which accounted for 42.30 percent followed by energy (Rs.372.39 crores), recording 22.83 percent and education(3699.46 crores). Next to Irrigation, energy, and education, the item urban development has recorded the greatest Development Capital Expenditure.

Table 3.3.2 Growth and Trends of Development capital expenditure in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)

Sr.No.	Item	Year wise	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
1	2	3	4	5	6	7	8	9	10	11	
Development Expenditure											
A. Social Services											
Growth%											
1. Education, sports, Art and Culture											
Growth%											
2. Health and Family Welfare											
Growth%											
3. Water supply, sanitation, housing and urban development											
Growth%											
4. Information and Broadcasting											
Growth%											
5. Welfare of Scheduled Castes, Tribes and other backward classes											
Growth%											
6. Social Welfare and Nutrition											
Growth%											
7. Others.											
Growth%											

Contd...Table 3.3.2 Growth and Trends of Development capital expenditure in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)

Sr.No.	Item Year wise	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
1	2	3	4	5	6	7	8	9	10	11
B. Economic Services										
		480.79	544.53	592.77	743.81	985.61	1082.84	999.25	NA	1100.82
		36.09	39.11	34.05	59.44	60.43	46.09	47.91	NA	37.08
1.	Agriculture and Allied Activities	59.42	44.08	53.99	54.44	64.56	74.22	80.51	NA	89.31
	Growth%	4.46	3.17	3.10	4.35	3.96	3.16	0.39	NA	3.01
2.	Rural Development	N	0.09	0.06	0.03	0.19	--	--	NA	--
	Growth%	N	3.17	0.00	0.00	0.01	--	--	NA	--
3.	Special Area Programmes	N	0.01	0.14	0.01	0.04	0.13	0.13	NA	0.31
	Growth%	N	-	0.00	0.00	0.01	0.000	0.00	NA	0.01
4.	Irrigation and Flood Control	143.02	182.89	193.20	283.88	445.12	421.88	382.77	NA	545.00
	Growth%	10.90	13.14	11.09	22.69	27.29	17.96	18.35	NA	18.36
5.	Energy	168.52	191.79	222.44	272.95	372.39	442.83	386.77	NA	304.30
	Growth%	12.65	13.78	12.78	21.81	22.83	18.85	18.35	NA	10.25
6.	Industry and Minerals	74.57	82.13	78.90	30.08	11.52	46.16	386.07	NA	44.41
	Growth%	12.65	5.89	4.53	2.40	0.71	1.97	18.51	NA	1.45
7.	Transport	31.90	37.95	39.49	89.94	84.42	80.78	45.07	NA	101.45
	Growth%	2.39	5.89	4.53	7.19	5.18	3.44	2.16	NA	3.42
8.	General Economic Services	3.36	5.59	4.83	12.48	7.37	16.84	97.16	NA	--
	Growth%	0.25	0.40	0.28	0.99	0.45	0.72	4.66	NA	--
Total		596.60	689.74	819.89	819.89	1064.61	1131.94	1131.94	NA	1374.37
	Growth%	44.79	49.54	65.52	65.52	65.28	50.77	54.27	NA	46.29

Contd....Table 3.3.2 Growth and Trends of Development capital expenditure in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)													
Sr.No.	Item Year wise	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	
1	2	12	13	14	15	16	17	18	19	20	21	22	
Development Expenditure													
A. Social Services													
Growth%		273.55	137.24	679.20	491.18	653.27	727.04	7722.19	6539.20	7108.81	7011.26	2065.67	
1. Education, sports, Art and Culture		9.21	4.66	20.93	13.46	15.89	16.31	33.99	30.49	30.11	29.48	21.17	
Growth%		10.77	15.79	26.38	16.52	24.38	19.52	3258.15	3623.97	3675.42	3699.46	213.36	
2. Health and Family Welfare		0.36	0.54	0.81	0.45	0.58	0.44	14.34	16.90	15.57	15.55	2.18	
Growth%		1.37	3.02	27.01	36.58	45.3	33.80	715.48	846.86	874.82	894.78	36.52	
3. Water supply, sanitation, housing and urban development		0.05	0.10	0.83	1.00	1.09	0.76	3.15	3.95	3.71	3.76	0.37	
Growth%		249.25	105.69	698.09	423.14	557.19	650.62	507.50	699.57	1047.83	842.10	797.91	
4. Information and Broadcasting		10.08	5.63	19.44	11.59	13.35	14.59	2.23	3.26	4.44	3.54	8.17	
Growth%		0.48	0.26	0.11	0.06	0.50	0.50	19.89	21.81	29.87	25.12	0.05	
5. Welfare of Scheduled Castes, Scheduled Tribes and other backward classes		0.02	0.01	0.25	0.00	0.01	0.01	0.09	0.10	0.13	0.11	0.00	
Growth%		8.29	8.32	9.86	10.71	19.35	20.30	344.84	397.81	502.78	468.16	15.37	
6. Labour and Labour Welfare		0.028	0.28	0.28	0.29	0.46	0.46	1.52	1.86	2.13	1.97	0.15	
Growth%		0.86	0.57	9.95	0.80	2.23	1.29	100.54	122.68	122.61	121.02	6.26	
7. Others.		0.03	0.02	0.06	0.02	0.05	0.03	0.44	0.57	0.52	0.51	0.06	
Growth%		2.53	3.59	6.80	3.37	4.32	1.01	2757.51	806.87	625.77	937.55	996.20	
Growth%		0.09	0.12	0.27	0.09	0.10	0.02	12.14	3.76	2.65	41.52	10.21	

Sr.No.		1995-96 1996-97 1997-98 1998-99 1999-00 2000-01 2001-02 2002-03 2003-04 2004-05 2005-06																	(Rs. in Crores)	
1	2	12	13	14	15	16	17	18	19	20	21	22								
B. Economic Services		1100.82	1386.70	1712.62	2375.21	2432.81	2551.50	18.28	6568.58	29.05	23.07	4140.40								
		37.08	45.06	52.76	65.0	58.28	57.46	0.08	30.64	0.12	0.09	42.43								
1. Agriculture and Allied Activities		89.31	107.16	192.15	199.95	240.85	258.10	7810.10	630.52	2286.34	7272.52	181.40								
		3.01	3.64	3.76	5.48	57.7	5.79	34.38	2.94	9.68	30.57	1.85								
2. Rural Development		--	--	--	--	--	--	895.88	578.91	2641.08	782.93	0.80								
		--	--	--	--	--	--	3.94	2.70	11.19	3.29	0.00								
3. Special Area Programmes		0.31	0.02	0.52	24.13	1.96	1.50	379.14	25.23	248.32	29.54	2422.93								
		0.01	0.01	0.02	0.11	0.05	0.03	1.67	0.12	1.05	0.12	24.83								
4. Irrigation and Flood Control		545.00	731.94	276.21	1805.53	1360.88	1213.52	24.136	1939.50	623.16	2305.70	455.28								
		18.36	24.86	8.51	7.95	32.60	27.22	0.11	9.05	2.64	9.69	4.67								
5. Energy		304.30	224.97	52.92	3551.10	414.37	426.17	1805.53	2219.36	0.01	2016.19	113.12								
		10.25	7.64	0.39	15.63	9.93	9.56	7.95	10.35	0.00	8.48	1.15								
6. Industry and Minerals		44.41	194.52	109.52	365.23	69.66	150.81	3551.10	266.73	28.61	273.40	887.93								
		1.45	6.61	0.39	1.61	1.67	3.37	15.63	1.24	0.12	1.15	9.10								
7. Transport		101.45	108.37	18.03	591.36	279.72	415.03	365.23	658.32	359.71	643.09	--								
		3.42	3.68	0.42	2.60	6.70	9.31	1.61	3.07	1.52	2.70	--								
8. Science technology & environment		--	--	--	--	--	4.00	591.36	0.01	28.61	0.01	--								
		--	--	--	--	--	0.09	2.60	0.00	0.12	0.00	--								
9. General Economic Services		16.04		18.03	42.64	65.37	82.37	0.01	3.70	359.71	34.67	78.94								
		0.54		0.42	1.17	1.59	1.85	0.00	0.02	1.5271	0.15	0.80								
Total - I		1374.37		2391.72	2866.39	3086.08	3278.54	1552.29	13107.78	14707.37	14283.78	6206.07								
				86.26	78.53	73.93	73.54	68.37	61.42	62.29	5.39	63.61								

Source: Budgets in brief Gujarat State, An Analytical Summary, Directorate of Economics and Statistics, Government of Gujarat, Gandhinagar.

Note: Growth% are Obtained by calculating ratio of each item to total expenditure multiplied by hundred.

increase in expenditure (Rs.650.62 crores) which accounted for 14.59 percent of the total development expenditure in 2000-01

3.4. GROWTH AND TRENDS OF NON-DEVELOPMENT EXPENDITURE IN GUJARAT DURING THE PLAN PERIOD 1986-87 TO 2005-06.

Table 3.4.1 exhibits the growth and patterns of non-development revenue/capital expenditure in Gujarat from the Seventh Plan to the Eleventh Plan. Period from 1986-87 to 2005-06. It is evident that General services has yielded the lowest growth percentage rates of 1.22%-1994-95, 1.04%-1989-90, 1.06%-1997-98, 0.98%-1995-96, 0.94%-2002-03, 0.88%-1997-98, 0.67%-1986-87, 0.65%-1987-88, 0.62%-2000-01, 0.57%-2001-02, and 0.07%-1999-2000.

Fiscal services has lower growth percentage rates of 1.43%-1992-93, 1.24%-1991-91, 1.18%-1990-91, 1.07%-1987-88, 1.07%-1989-90, 1.06%-1999-2000, 1.03%-1986-87, 0.96%-1995-96, 0.96%-1988-89, 0.96%-1997-98, 0.95%-1994-95, 0.93%-1998-99, 0.91%-2000-01, 0.90%-1996-97, and 0.85%-1997-98.

Interest payment has the highest growth percentage rates of 25.39%-2005-06, 25.22%-2004-05, 24.09%-2003-04, 23.06%-2002-03, during the Eleventh and Tenth plan period. This is followed by 19.69%-1995-96, 18.49%-2001-02, 18.48%-2000-01, 16.98%-1992-93, 16.70%-1996-97, 15.74%-1994-95, 15.42%-1997-98, 14.45%-1998-99, 12.95%-1990-91, 12.48%-1989-90, 12.28%-1997-98, while the other remaining years have the lowest growth percentage rates as follows, 10.64%-1988-89, 9.96%-1987-88, and 9.88%-1986-87.

Administrative services has the highest growth percentage rates of 9.16%-1990-91, 8.68%-1989-90, 8.28%-1986-87, 7.57%-1987-88, 7.43%-1988-89, 7.23%-1991-92, and 7.23%-1994-95. This is followed

by 6.49%-1997-98, 6.37%-1996-97, 6.37%-1992-93, 6.24%, 1998-99, 6.14%-1997-98, 6.09%-1999-2000, while the other remaining years have the lowest growth percentage rates as follows, 5.39%-2000-01, 5.26%-2002-03, 4.76%-2004-05, 4.74%-2003-03, 4.44%-2001-02, and 1.48%-2005-06.

Pension and retirement benefits yielded the highest growth percentage rates of 19.28%-1996-97, 11.79%-1997-98, during the Ninth plan period. This is followed by 8.84%-2000-01, 8.39%-2002-03, 8.09%-1999-2000, 8.07%-1998-99, 7.88%-2004-05, 7.49%-1992-93, 7.24%-2001-02, 7.16%-2005-06, 7.08%-2003-04, 6.28%-1997-98, whereas the other remaining years have the lower growth percentage rates as follows, 5.05%-1994-95, 4.99%-1990-91, 4.64%-1989-90, 4.43%-1988-89, 4.25%-1991-92, 3.30%-1986-87, 3.17%-1987-88, and finally 1.82%-1995-96.

This shows that between the period 1986-87 and 2005-06, non-development expenditure on revenue account witnessed an absolute increase of Rs. 11277.08 crores. In percentage terms, there was a gradual increase of 44.25 % in the volume of non-development expenditure in 2005-06 over the period 1951-52. It is clear from Table 3.4.1 that there has been a continuous increase in the quantum of non-development expenditure from 1986-87 to 2005-06. The plan-wise structure of non-development expenditure reveals that during the Seventh Plan the total non-development expenditure was Rs. 572.12 crores forming 23.17 % of the total revenue expenditure, which further increased to Rs. 884.90 crores, Rs. 1040.20 crores, Rs. 1182.90 crores and Rs. 1816.92 crores, Rs. 2278.29 crores, Rs. 3533.91 crores, Rs. 11277.98 crores, during the Seventh, Eighth, Ninth, Tenth, and Eleventh periods respectively. Only in the Ninth Plan period there was a fall (Rs.3657.07 crores) in the growth of non-development expenditure in absolute terms. However, the decline has not been very significant.

Table 3.4.3 shows the growth and trends of Non Development Capital Expenditure in Gujarat from the Seventh Plan to the Eleventh Plan period from the year 1986-87 to the year 2005-06.

It is evident that General Services Capital Expenditure has increased from Rs.0.81 Crores in 1986-87 to Rs.18.96 Crores in 2005-06. In % terms it has increased from 0.06% in 1986-87 to 0.19% in 2005-06. It was highest in the year 2003-04. i.e. Rs.32.16 Crores and in % terms it was 0.45%.

Public debt in from of (1) Internal debt of the State Government and (2) Loans and Advances from the Central Government has increased from Rs.228.59 Crores in 1986-87 which was 17.16% of total Non Development Capital Expenditure to Rs.3247 Crores which was 33.29% of total Non Development Capital Expenditure in the year 2005-06. Public debt was highest in the year 2001-02. It was 18510.44 Crores which was 90.31% of total Non Development Capital Expenditure.

In form of Internal Debt it was Rs.68.49 Crores which was 5.14% in the year 1986-87 which increased to Rs.657.66 Crores, which was 6.74% in the year 2005-06. But it was highest in the year 2001-02. It was Rs.17768.20 Crores which was 96.06% of the Public Debt.

In form of Loans and Advances from the Central Government it was Rs.16.10 Crores which was 12.04% of Public Debt in the year 1986-87 which has increased to Rs.2590.32 Crores which was 26.54% of Public Debt. But it was highest in the year 2003-04 it was Rs.4652.79 Crores which was 21.45% of Public Debt.

Non Development Capital Expenditure is also in form of the Loans and Advances by the State Government. It was Rs.70.98 Crores which was 5.33% of the Total Non Development Capital Expenditure in the year 1986-87 which has increased to Rs.283.34 Crores in the year

2005-06. But it was highest in the year 2003-04 it was as highest Rs.2010.13 Crores which was 9.26% of the Total Non Development Capital Expenditure.


Non Development Capital Expenditure is also in form of other expenditure. It was Rs.435 Crores which was 32.66% of Total Non Development Capital Expenditure in the year 1986-87 which was incurred only in very few years and now for many years it is almost not their. It is just zero (0) for many years.

Thus Total Capital Expenditure i.e. Development Expenditure & Non Development Expenditure has increased from Rs.1331.98 Crores in the year 1986-87 to Rs.9756 Crores in the year 2005-06.

But we can see from the Table 3.4.3 that during 3 annual plan i.e. in the years 2001-02, 2002-03 & 2003-04 Total Capital Expenditure was very high. It was Rs.20496.35 Crores, Rs.20752.38 Crores & Rs.21696.21 Crores respectively.

But, on examination of the proportion of non-development expenditure to total revenue expenditure during the plan periods, one finds that its percentages are erratic and has not been continuous. The most striking trend of non-development expenditure on revenue account, as visible from the table, is that it has increased rapidly in Gujarat both in absolute and relative terms but its percentage to total revenue expenditure has declined slightly. There are several factors, which have contributed to the growth of non-development revenue expenditure in Gujarat: -

- (a) The first and foremost factor which influences the growth of non-development expenditure is that public activities have grown very rapidly and the task of its maximum fulfillment has been owned by the Government of Gujarat.

- 
- (b) Another, one of the most important factors, is the system of government, which is democratic.
 - (c) Next contributory factor is the mounting interest payment on loans raised by the Government of Gujarat.
 - (d) And, price-spiral is the contributory factor, which determines the growth of non-development expenditure in the form of payment as a dearness allowance and etc.

In brief, democratization of administration, upward revision of pay scales, increased dearness allowances and mounting interest charges have been among the influential factors contributing to the rapid growth of non-development expenditure in Gujarat.

Table 3.4.1 Growth of Non-Development Revenue Expenditure in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)										
Sr.No.	Item Year wise	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
1	2	3	4	5	6	7	8	9	10	11
II. Non Developmental Expenditure										
A.	General Services	16.52	20.20	25.40	38.61	28.95	43.20	41.55	NA	92.19
	Growth%	0.67	0.65	0.69	1.04	0.71	0.81	0.76	NA	1.22
B.	Fiscal Services	25.48	33.01	35.26	39.72	47.95	65.90	76.06	NA	71.30
	Growth%	1.03	1.07	0.96	1.07	1.18	1.24	1.43	NA	0.95
C.	Interest Payment and servicing of debt	243.99	308.17	389.66	465.20	528.76	810.32	907.18	NA	1187.33
	Growth%	9.88	9.96	10.64	12.48	12.95	16.39	16.98	NA	15.74
D.	Administrative Services	204.56	234.16	272.21	323.69	373.73	383.66	390.47	NA	545.51
	Growth%	8.28	7.57	7.43	8.68	9.16	7.23	6.37	NA	7.23
E.	Pension and Miscellaneous General Services.	81.57	97.90	162.37	172.98	203.51	225.61	401.66	NA	381.96
	Growth%	3.30	3.17	4.43	4.64	4.99	4.25	7.49	NA	5.05
Total – II		572.12	693.44	884.90	1040.20	1182.90	1528.69	1816.92	NA	2278.29
	Growth%	23.17	22.42	24.16	27.91	28.98	28.80	34.00	NA	30.89
III	Other Expenditure	14.59	14.70	14.46	15.50	19.00	20.47	21.46	NA	34.84
	Growth%	0.59	0.48	0.39	0.42	0.47	0.39	0.40	NA	0.46
Grand Total (I+II+III)		2469.24	3093.07	3362.40	3727.35	4081.92	5307.78	5343.18	NA	7544.22

Contd... Table 3.4.1 Growth of Non-Development Revenue Expenditure in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)

Sr.No.	Item Year wise	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1	2	12	13	14	15	16	17	18	19	20	21	22
II. Non Developmental Expenditure												
A. General Services		86.62	80.17	77.44	117.14	111.19	117.65	130.56	200.64	167.97	236.13	195.35
Growth%		0.98	0.88	0.72	0.75	0.07	0.62	0.57	0.94	0.71	0.99	0.77
B. Fiscal Services		83.28	82.61	91.45	145.21	162.96	173.37	142.83	156.01	156.61	168.92	202.13
Growth%		0.96	0.90	0.85	0.93	1.06	0.91	0.63	0.73	0.66	0.71	0.79
C. Interest Payment and servicing of debt		1328.07	1526.73	1817.75	2254.47	2787.91	3503.10	4202.51	4944.93	5688.55	5999.84	6465.42
Growth%		19.69	16.70	12.28	14.45	18.11	18.48	18.49	23.06	24.09	25.22	25.39
D. Administrative Services		629.95	582.18	658.58	974.26	938.81	1022.41	1008.64	1127.67	1119.38	1131.72	1190.99
Growth%		1.48	6.37	6.14	6.24	6.09	5.39	4.44	5.26	4.74	4.76	4.68
E. Pension and Miscellaneous General Services.		459.20	1262.22	1265.84	1259.41	1244.71	1676.26	1644.79	1798.96	1667.23	1873.34	1823.09
Growth%		1.82	19.28	11.79	8.07	8.09	8.84	7.24	8.39	7.06	7.88	7.16
Total - II		2587.12	3533.91	1265.84	4750.49	5245.58	6492.79	7129.33	8228.21	8799.74	9409.95	11277.98
Growth%		30.65	38.67	11.79	30.43	34.08	34.24	31.38	38.38	37.28	39.56	44.25
III Other Expenditure		40.11	37.87	42.84	51.04	56.05	50.55	55.98	104.14	100.32	92.60	108.05
Growth%		0.45	0.41	0.39	0.32	0.36	0.26	0.25	0.49	0.42	0.39	0.42
Grand Total (I+II+III)		8766.09	9138.18	10732.55	15606.16	15393.94	18959.37	22717.60	21440.13	23607.43	23786.33	25463.13

Table 3.4.2 Growth and Trends of Non-Development capital expenditure in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)

Sr.No.	Item	Year wise	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
1	2		1	2	3	4	5	6	7	8	9	10
II. Non Development Expenditure												
A.	General Service		0.81	0.37	0.37	0.43	0.55	0.82	0.89	NA	2.34	1.60
	Growth%		0.06	0.03	0.02	0.03	0.03	0.03	0.04	NA	0.08	0.05
B.	Public Debt									NA		
1.	Internal Debt of the State Government		68.49	321.30	756.58	151.17	273.11	849.02	657.18	NA	144.76	36.20
	Growth%		5.14	23.08	43.45	12.08	16.75	36.13	31.51	NA	4.88	1.23
2.	Loans and Advances from the Central Government		160.10	180.79	203.72	174.83	141.60	198.41	197.97	NA	249.39	281.92
	Growth%		12.04	12.99	11.70	13.97	8.68	8.44	9.49	NA	8.40	9.57
Total--B			228.59	502.09	960.30	326.00	414.71	1047.43	855.15	NA	394.15	318.12
	Growth%		17.16	36.06	55.15	26.05	25.43	44.58	41.00	NA	13.28	10.80
C.	loans and Advances by the State Govt.		70.98	99.31	84.72	85.06	151.05	108.36	97.69	NA	297.62	200.83
	Growth%		5.33	7.13	4.87	6.79	9.26	4.61	4.68	NA	10.03	6.82
D.	Other Expenditure		435.00	100.68	-0.68	20.00	--	--	0.01	NA	--	--
	Growth%		32.66	7.23	0.04	1.59	--	--	0.00	NA	--	--
Total II			735.38	702.45	1044.71	431.49	566.31	1156.62	953.74	NA	694.11	520.55
	Growth%		55.21	50.46	60.00	34.48	34.72	49.23	45.73	NA	22.71	17.69
GRAND TOTAL (I+II +III)			1331.98	1392.19	1741.11	1251.38	1630.92	2349.61	2085.68	NA	2068.48	2044.49

Contd.... Table 3.4.2 Growth and Trends of Non-Development capital expenditure in Gujarat during the plan period 1986-87 to 2005-06 (Rs. in Crores)

Sr.No.	Item	Year wise	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1	2		1	2	3	4	5	6	7	8	9	10
II. Non Development Expenditure												
A. General Service												
	Growth%		11.67	6.36	3.02	1.98	8.61	9.72	14.25	19.11	32.16	18.96
			0.49	0.21	0.83	0.05	0.09	0.05	0.07	0.09	0.45	0.19
B. Public Debt												
1. Internal Debt of the State Government												
	Growth%		321.59	48.18	181.13	425.09	4105.17	17768.20	15555.55	10450.52	1526.05	657.66
			13.62	1.62	4.96	10.18	45.09	96.06	74.96	48.17	21.28	6.74
2. Loans and Advances from the Central Government												
	Growth%		327.88	397.67	446.50	509.14	1086.24	742.24	2509.87	4652.79	879.42	2590.32
			13.88	13.33	12.23	12.19	11.93	4.01	12.09	21.45	12.26	26.54
Total-B												
	Growth%		649.47	445.85	627.63	934.23	5191.41	18510.44	18065.42	15103.31	2405.47	3247.98
			27.49	14.95	17.19	22.38	5.70	90.31	87.05	69.61	33.54	33.29
C. loans and Advances by the State Govt.												
	Growth%		141.47	142.65	152.79	151.86	210.47	212.98	172.00	2010.13	778.13	283.34
			5.99	4.78	4.19	3.64	2.31	1.15	0.83	9.26	10.85	2.90
D. Other Expenditure												
	Growth%		0.01	251.35	-	0.01	--	--	-	0.01	0.01	0.00
			0.00	8.43	-	0.00	--	--	--	0.00	0.00	0.00
Total II												
	Growth%		802.62	846.21	783.44	1088.08	5410.49	18733.14	18251.67	17132.56	3215.77	3550.28
			33.98	28.37	21.47	26.07	59.43	91.39	87.95	78.96	44.84	36.38
GRAND TOTAL (I+II +III)												
			2362.06	2983.23	3649.83	4174.16	9103.42	20496.35	20752.38	21696.21	7171.95	9756.35

Source: Budgets in brief Gujarat State , An Analytical Summary, Directorate of Economics and Statistics, Government of Gujarat, Gandhinagar.

Note: Growth% are Obtained by calculating ratio of each item to total expenditure multiplied by hundred.

3.5.0 CONCLUSION

On the basis of analysis, attempted in this chapter, it may be concluded that the growth and pattern of public expenditure including, budgetary position, development expenditure on Revenue and capital accounts of Gujarat are of substantial nature and has been increasing during the plan periods.

The growth and pattern of public expenditure in Gujarat based on empirical evidences reveal that expenditure both development and non-development on revenue and capital accounts has witnessed a phenomenal rise during the plan period of 1986-87 to 2005-06, on account of the inception of planning in the country with developmental and welfare programmes launched by the democratic government.

During the plan period, the growth of expenditure on revenue account has been quite progressive and has covered more than 68 % (in average) of the aggregate expenditure in each year between 1986-87 and 2005-06. It constitutes 76.23 % growth of the aggregate expenditure in 1986-87 which increased to 77.10 % in 1987-88, and increased at decreasing trend to 55.28 percent in 2005-06.

The position of revenue expenditure during the period of 20 years of planned economic development makes it clear that there has been a steady and fast growth in the volume of the total revenue expenditure at current prices. It became more voluminous particularly after 1986-87. In between 1986-87 and 2005-06, the total revenue expenditure has grown up from Rs. 2469.24 crores to Rs. 25463.13 crores which was 10 times higher, constituting 72.29 % growth; while between 1997-98 and 1998-99, it further gathered a more rapid stride in its growth from Rs. 12143.14 crores to Rs. 15606.16 crores, rising more than 2 times, i.e. by 81.05 %. The main reasons of the rapid rise in the volume of the total

revenue expenditure during these years were the frequent visits of drought and flood to the state economy.

The development expenditure on revenue account in absolute terms increased more than 8 times during the period from 1986-87 to 2005-06. Total development revenue expenditure was Rs. 1882.53 crores in 1986-87 which rose to Rs. 14677.10 crores in 2005-06. In percentage terms, it witnessed 55.28 % growth in development expenditure in 2005-06 over the period of 1986-87. So far as plan-wise growth of development revenue expenditure is concerned, it indicated a higher increasing trend, having grown from Rs. 1882.53 crores in the Seventh Plan to Rs. 14677.10 crores in the Eleventh Plan. But its percentage allocation in the proportion of development expenditure to the total revenue expenditure was not so imperative. It varies from 76.23 % in the Seventh Plan to 55.28 % in the Eleventh Plan. In this way the percentage growth of development revenue expenditure makes the significant revelations, that, Gujarat has lagged behind despite witnessing rapid expansion of the volume of development expenditure.

We found that increase in the percentage of development expenditure on social services (39.44%) was greater than that in the case of expenditure on economic services (36.80%). The most remarkable observation is that the percentage growth of economic services to the total development expenditure (42.81%) was higher in comparison to social services (33.22%) in the Tenth Five Year Plan, which took a reverse turn in the Eleventh Five Year Plan.

An examination of the constituent heads of expenditure in the Table 3.3.1, Education (in social services group) recorded the highest percentage increase (22.34%) in the Eighth Plan over the Seventh plan, whereas Irrigation and Flood control (in the economic services group) occupied the second position with 16.31 % increase and Energy (in the economic services group) the third position with

15.63 % increase during the Tenth plan period. Agriculture (in the economic services group) the fourth position with 7.53 % increase during the Seventh plan period This finding clearly shows that the State Government Provided a very high priority to the expansion of academic facilities in the State; on social services head and the achievements of Energy, Agricultural and Irrigation and Flood control projects and rural development on economic services front.

As regards the magnitude of expenditure, Education accounted for the largest proportion (22.34 %) of development expenditure throughout the Ninth plan period under study. Next to Education, Energy Development recorded the highest proportion (15.63 %) of the total development expenditure. Agricultural Development recorded the moderate proportion (7.53%) of the total development expenditure. This may be one reason for the poor agricultural development in Gujarat and growing poverty in the rural areas.

The declining percentage of expenditure on industrial advancement creates impression that the Government of Gujarat is not sincere and serious to make Gujarat industrially sound and developed despite being holder of immense reserve of natural resources. As regards civil works, much progress has been made, since Independence. Still a lot remains to be done, to bring the advantages of the schemes of development to the rural folk. In this way, it appears that the Government of Gujarat has been giving greater attention to the development of social services in the state, rather than, economic services.

During the period of planned economic development, the non-development revenue expenditure witnessed an absolute increase of Rs. 11277.98 crores, showing a gradual increase of 44.25 % in the volume of non-development expenditure in 2005-06 over the period of 1986-87. The most noticeable trend of non-development revenue

expenditure is that it has increased rapidly in Gujarat both in absolute and relative terms but its percentage to total revenue expenditure has declined slightly. Among the various broad heads of non-development expenditure in Gujarat, the highest increase was recorded in the case of expenditure on debt service which shot up from Rs. 243.99 crores in the year 1986-87 to Rs. 6465.42 crores in 2005-06, closely followed by the item of administrative services then pension. Capital expenditure behaved rather differently. As a matter of fact, the growth of expenditure outside the revenue account has gained unusual prominence since the launching of economic planning in India. During the plan period, the total capital outlay has increased more than 17 times, and out of this total capital disbursement, expenditure has been more than 98 % on development services and only less than 2 percent has been on non-development heads. The most important finding of capital outlay has been that the growth pattern of non-development expenditure appears to be erratic and irregular. No significant growth in the pattern has taken place in all these years (1986-87 to 2005-06) and it did not add any contribution of the growth of non-development expenditure. Only in the Seventh and Eighth Plan periods marginal growth of non-development expenditure can be seen on account of internal debt of the State Government and loans and advances by the central Government and hence overall total of non-developmental expenditure in the same period.

Thus, the growth of capital outlay on development and non-development expenditures has tremendously increased to a sizeable volume during the period 1986-87 and 2005-06. Interest payments and repayment of loans by the State to the Centre and other components of total disbursements do not pose any further burden on the financial resources of the State.

In short, Public expenditure, as a model of growth orientation, cannot be effective unless the government strengthens the public distribution system so as to supply the essential commodities at reasonable prices to the poor people so that economic growth does not create social injustice. The effort of the state for the expansion of the social services is partly frustrated by the abnormal rise in prices. To maintain stability in prices, public expenditure has to be incurred on the productive forces of the economy so as to provide more availability of commodities in the competitive market for keeping the prices of essential consumer's goods down. Thus, public expenditure has to be geared not only to accelerate the process of growth but also to maintain economic stability, produce goods that can satisfy the needs of growing economy and the common man, and, promote social justice. Economic development with the help of public expenditure policy or fiscal policy is not merely the concern of the government itself, but, in democratic set up, it is also the concern of the people. People must have moral standard and national character to utilize public funds in best advantageous manner and should remain always cautious to eliminate wasteful expenditure especially in the light of the poor saving potential in the state.

From the above observations/ conclusions, the following suggestions may be followed for toning up fiscal administration of the State, so that, the resources of the State of Gujarat may be put to optimal use:

1. Public expenditure policy should be based on continuous study of economic trends and rates of economic growth in different sectors of the State. Resources of the State should be spent preferably where they contribute most to the national income and lead to narrow down the regional imbalances.

2. The financial year starts from the 1st April and it ends with the 31st March. This practice does not suit our situation. When the budget is finally passed by the 31st March, allotment for the different heads reaches the work points by the month of June and July. In case of major public works of construction and earth-work-nature preparation of estimates and allotment of work etc. take at least two months and when the deck is cleared for starting work rainy season starts and in this way actual work starts either in the month of December or January. Hardly two months are left to complete the work and to spend the allotment. Every body is aware of the nature of March-loot marked with all sorts of bungling, misuse and misappropriation of fund in a bid to avoid lapsing of the fund and its surrender. If the present financial year of 1st April to 31st March is changed to 1st September to 31 August, there will be more time available for execution of the work and better use of the fund allotted for different work-heads.
3. The Government should avoid, "Community Fraction Expenditure" which stands for the maintenance of law and order in the State caused by the petty slogans affecting a particular community or the other only to show their loyalty to the respective section of the people. But this type of action of the Government takes a form of group clash in the society and the volume of in fructuous expenditure like the maintenance of law and order expenditure is bound to increase, which in the long run, frustrates economic growth.
4. To avoid embezzlement and misappropriation, all the heads of the departments should inspect annual stock, taking materials and equipments and cash books under their jurisdiction after completion of the records and a report of inspection should be sent to the higher authorities stating the discrepancies, if any,

along with advices for the recovery of loss from the individuals concerned. If an officer is generally issuing certificate of correct material stock, and, inspection report without physical verification, he must be dealt with iron hands.

5. The Government should avoid the reliance on over drafts of R.B.I., as far as, possible to meet the financial needs of the State, because it leads to financial indiscipline; and frequent price spiral in the economy disturbs the rate of economic growth.
6. The present system of public works is completely dilatory because the contractors are the parasites on public purse of the society. To avoid the exploitation from this class of the society, the unemployed engineers should be entrusted with the responsibility of public construction, who have the good knowledge of the field. The Practice of unskilled contractors should be immediately dropped.
7. To avoid 'March Loot', the Government should convince the heads of the departments that if carry over is desirable for the purpose allotted to them, it would be done as a routine work in the following budget also, otherwise, rush of purchases at the close of the year must necessarily lead to undesirable consequences.
8. The Government should set up a special cell in the Finance Department to assess the progress of works for which public funds were allotted to the various departments. Those executive officers who are found in laxity must be punished severely to cite their case as a example for others.
9. It is generally found that the publication of P.A.C. reports is not in time and hence its recommendations lose much of their validity and the follow-up action by the Government is also delayed which

frustrates the sincerity of the honest officers. So, the reports of the Committee should be published in time.

10. The borrowing pattern of the Government of Gujarat would need a radical change. Every effort should be made to make capital expenditure productive. More over, the size and composition of the capital expenditure of the State should be determined with much greater attention.
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