

Chapter II :

THE TREND AND GROWTH PATTERN OF REVENUE EXPENDITURE

In this chapter we briefly mention the objectives of the expenditure policy of the state governments and we follow it up by tracing the growth of total revenue expenditure at current and constant prices. We also analyse the growth pattern of the components of total revenue expenditure namely developmental expenditure and non-developmental expenditure. Moreover we have attempted to know the expenditure preference of the states and how far they finance their expenditures from their own resources.

A. Expenditure Policy

The governmental expenditures are incurred in accordance with a set pattern of objectives - a pattern which reflects the social and economic needs of community. These needs which are reflected in the objectives of a budget grant are translated into action in the form of programmes, plans and schemes.

According to Richard A. Musgrave the broad objectives of public expenditures are (i) allocation, (ii) distribution and (iii) stabilisation.¹ The first objective, allocation, refers

¹ Richard A. Musgrave. The Theory of Public Finance (McGraw-Hill Kogakusha Ltd., Tokyo), 1959, pp.5-27.

to the service function of a state in providing for the satisfaction of those individual wants which the market mechanism cannot provide or satisfy adequately. The distribution objective relates to the function of the state in ensuring an equitable distribution of income between classes or groups of people. The stabilisation objective relates the function of maintaining a high level of utilisation of the available resources and value of currency.

Prior to Independence the government mostly paid attention on defence and maintenance of law and order.² The change in the direction of public expenditure has been clearly narrated by A. Premchand. In his words, "The gradual change of attitudes in the foreign rule from a stage when they were primarily concerned with the maintenance of law and order to the setting up of famine relief funds, construction of irrigation projects (though obviously for the purpose of increasing revenues thereby) and eventually to a stage where increasing expenditure on social services like education, medical amenities etc. were spent conclusively indicates the pattern of growth of Indian public expenditures. Finally the replacement of a foreign rule by a democratic government wedded to a policy of economic reconstruction has lead to a significant change in the direction of public expenditure".³

2 K.N. Reddy: The Growth of Public Expenditure in India. (Sterling Publishers, New Delhi), pp.34-37.

3 A. Premchand. Control of Public Expenditure in India. (Allied Publishers, Bombay) 1966, p.239.

The provisions of financial adjustments embodied in the Constitution of India and the implementation of the Five Year Plans have produced far reaching changes in the expenditure policy of both the Central and State governments.

In the Constitution of India the basic objectives of the States are mentioned as "The Directive Principles of State Policy."⁴ They are :

- (1) The state shall strive to promote the welfare of the people by securing and protecting, as effectively as it may, a social order in which justice, social, economic and political shall inform all institutions of national life.
- (2) The State shall in particular, direct its policy towards-
 - (a) that the citizens, men and women equally, have the right to an adequate means of livelihood;
 - (b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good;
 - (c) that the operation of economic system does not result in the concentration of wealth and means of production to common detriment.

4 Government of India: Constitution of India. (Ministry of Law) 1963, pp.25-27.

These general principles were given a more precise direction in December, 1954, when Parliament adopted the 'socialistic pattern of society' as the objective of social and economic policy.⁵ With a view to achieve the 'socialistic pattern of society' the Five Year Plans are implemented. The Five year plans are the product of the Combined needs and resources of the Centre and the States. Hence Prof. D.T. Lakadawala has pointed out that, "The attainment of broad objectives like growth of national income, price stability, full employment and social security and welfare by which the centre will be judged is dependent to a large extent on the States' willingness and ability to pursue proper courses of action in their own sphere."⁶ Hence in formulating the state plans the national objectives and the needs of the states are taken into account. In the draft outline of the Third Five Year Plan it has been mentioned that, "In determining the plan of each State consideration was given to its needs, problems, past progress and lags in development, likely contribution in resources which the state could make towards its development programme."⁷ As such the expenditure

5 Government of India. Draft Third Five Year Plan, p.4.

6 D.T.Lakdawala: Union-State Financial Relationship. (Lalvani Publishing House, Bombay), 1967, p.3.

7 Government of India. Draft Third Five Year Plan, p.60.

policy of the state governments are represented by the objectives of Five Year Plans, like, raising national income, attainment of self-sufficiency, expansion of employment opportunity, reduction of inequalities of income and wealth and a more even distribution of economic power, provision of social services like Education, Medical and Public Health and Social Security and Welfare. Thus the expenditure policy of the states is determined jointly by the policy of the Central as well as State Governments largely coordinated through Planning Commission and National Development Council.

B.1 Growth Trend of Revenue Expenditure.

In India, for accounting purposes the public expenditure is generally divided into two broad groups namely (i) expenditure on revenue account and (ii) expenditure on Capital account. When the expenditure is met from the proceeds of taxation and other receipts classified as revenue it is called as expenditure on revenue account. When the expenditure is met usually from borrowed funds for the creation of financial and physical assets it is called as expenditure on Capital account.

We trace the growth of total revenue expenditure period-wise - (1) 1957-58; (2) 1962-63; (3) 1967-68; (4) 1972-73; and

(5) 1977-78. Table I.1 shows the trend of revenue expenditure for selected years at current prices and Table II.2 exhibits it at 1960-61 constant price.

Levels of percapita total Revenue Expenditure.

In 1957-58, at current prices, the total revenue expenditure per head of population was highest in Assam at Rs.25.72 followed by Rs.24.6 in Karnataka and Rs.22.24 in West Bengal. The state Bihar had the lowest percapita expenditure at Rs.13.68. Upto 1960-61 Karnataka occupied the first place and Punjab followed it. In 1961-62 Karnataka was replaced by Jammu & Kashmir. Since then Jammu & Kashmir held the first rank and Punjab stood at the second rank in all the years. Bihar possessed the lowest per capita level throughout the period under our review.

During the twenty-one years drastic changes occurred in the relative positions of the three states namely Assam, Jammu & Kashmir and West Bengal. Among the other states Andhra Pradesh, Kerala, Punjab and Rajasthan improved their positions while other states almost remained stable. Therefore the relative positions of the states by the size of their percapita expenditure witnessed change as seen in Table II.3

Table II.1
Growth of Revenue Expenditure at Current Prices
(Total expenditure in lakhs of Rs.,
Per capita Expenditure in Rs.)

States	1957-58		1962-63		1967-68		1972-73		1977-78		TE % increase over 1957-58		TE % increase over 1957-58	
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE	TE % increase over 1957-58	TE % increase over 1957-58	TE % increase over 1957-58	TE % increase over 1957-58
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Andhra Pradesh	5511	16.14	10834	29.37	18981	47.02	35275	79.14	74226	152.63	1246.86	845.66		
2. Assam	2843	25.72	4444	34.77	9867	68.61	12650	81.45	25100	140.93	782.87	447.94		
3. Bihar	5968	13.68	8350	17.50	17162	32.65	34402	57.93	48517	77.38	712.95	465.64		
4. Gujarat	5122	25.18	7093	33.22	14681	60.51	29267	106.27	49249	159.23	861.52	532.36		
5. Haryana					5553	60.62	11705	113.42	23105	202.32	316.08	233.75		
6. Jammu & Kashmir	745	18.95	2508	68.90	4498	109.97	9705	205.17	14497	277.72	1845.9	1365.54		
7. Karnataka	5312	24.06	9390	38.67	15752	58.36	32659	108.71	53385	161.67	904.98	571.19		
8. Kerala	2981	19.07	6635	37.95	12391	63.25	20435	93.01	41589	170.59	1295.13	794.54		
9. Madhya Pradesh	5042	16.84	8565	25.59	17694	46.62	28977	67.45	58498	121.29	1060.21	620.25		
10. Maharashtra	1503	20.65	14637	35.83	31118	67.67	65065	125.58	112674	196.19	879.09	850.07		
11. Orissa	2348	14.24	6599	36.51	11320	56.09	19278	85.60	34103	137.13	1352.42	862.99		
12. Punjab	3634	21.03	8184	42.07	9573	75.79	18919	136.40	34283	225.10	843.36	970.37		

cont...

Table II.1 (contd.)

1	2	3	4	5	6	7	8	9	10	11	12	13
13. Rajasthan	3135	16.87	5680	27.21	13629	57.79	24203	91.22	46065	155.68	1369.37	822.82
14. Tamil Nadu	5915	1823	12181	35.36	23334	61.82	42389	100.40	70612	153.24	1093.77	740.59
15. Uttar Pradesh	9946	14.22	18870	25.01	32938	39.95	57294	63.50	106308	109.17	968.85	668.66
16. West Bengal	7018	22.24	11355	31.47	20415	50.09	41431	90.93	70109	137.74	898.98	519.33

Source: Appendix Table A.1

Notes : 1. Figures for Gujarat under column for 1957-58 pertains to 1960-61.

2. TE = Total Revenue Expenditure

PE = Per capita Revenue Expenditure.

Table II.2

Growth of Total Revenue Expenditure at Constant 1960-61 Prices
(Total Expenditure in Lakhs of Rs., Per capita Expenditure in Rs.)

States	1957-58		1962-63		1967-68		1972-73		1977-78		TE % increase over 1957-58		PE % increase over 1957-58	
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE	TE % increase over 1957-58	PE % increase over 1957-58	TE % increase over 1957-58	PE % increase over 1957-58
Andhra Pradesh	5926	17.35	10318	27.97	11165	27.66	16959	38.05	24497	50.37	313.38	190.32	313.38	190.32
Assam	3057	27.66	42332	33.11	5804	40.36	6082	39.16	8284	46.51	170.98	68.14	170.98	68.14
Bihar	6417	14.71	7952	16.67	10095	19.21	16059	27.85	16012	25.54	149.52	73.62	149.52	73.62
Gujarat	5122	25.18	6755	31.63	8636	35.59	14071	51.09	16254	52.55	217.34	108.69	217.34	108.69
Haryana					3266	35.65	5627	54.52	7625	66.77	133.46	87.29	133.46	87.29
Jammu & Kashmir	801	20.38	2389	65.63	2646	64.69	4666	98.64	4784	91.65	497.25	349.71	497.25	349.71
Karnataka	5712	25.88	8943	36.83	9266	34.33	15701	52.26	17619	53.36	208.45	106.18	208.45	106.18
Kerala	3205	20.50	6319	36.14	7289	37.20	9825	44.72	13726	56.30	328.27	174.63	328.27	174.63
Madhya Pradesh	5422	18.11	8157	24.37	10403	27.42	13931	32.42	19306	40.03	256.07	121.04	256.07	121.04
Maharashtra	12374	22.20	13940	34.12	18305	39.81	31281	60.37	37186	64.75	200.52	191.66	200.52	191.66
Orissa	2525	15.32	6285	34.78	6659	32.99	9268	41.15	11255	45.26	345.74	195.43	345.74	195.43
Punjab	3908	22.61	7794	40.07	5631	44.58	9096	65.58	11314	74.29	189.51	228.57	189.51	228.57
Rajasthan	3371	18.14	5410	25.92	8017	33.99	11636	43.85	15203	51.38	350.99	183.24	350.99	183.24
Tamil Nadu	6360	19.60	11601	33.68	13726	36.36	20379	48.26	23304	50.57	266.42	158.01	266.42	158.01
Uttar Pradesh	10695	15.29	17971	23.82	19375	23.50	27545	30.53	35085	36.03	228.05	135.64	228.05	135.64
West Bengal	7546	23.91	10314	29.97	12009	29.46	19919	43.72	23138	45.46	206.63	90.13	206.63	90.13

Source: Appendix Table A.2

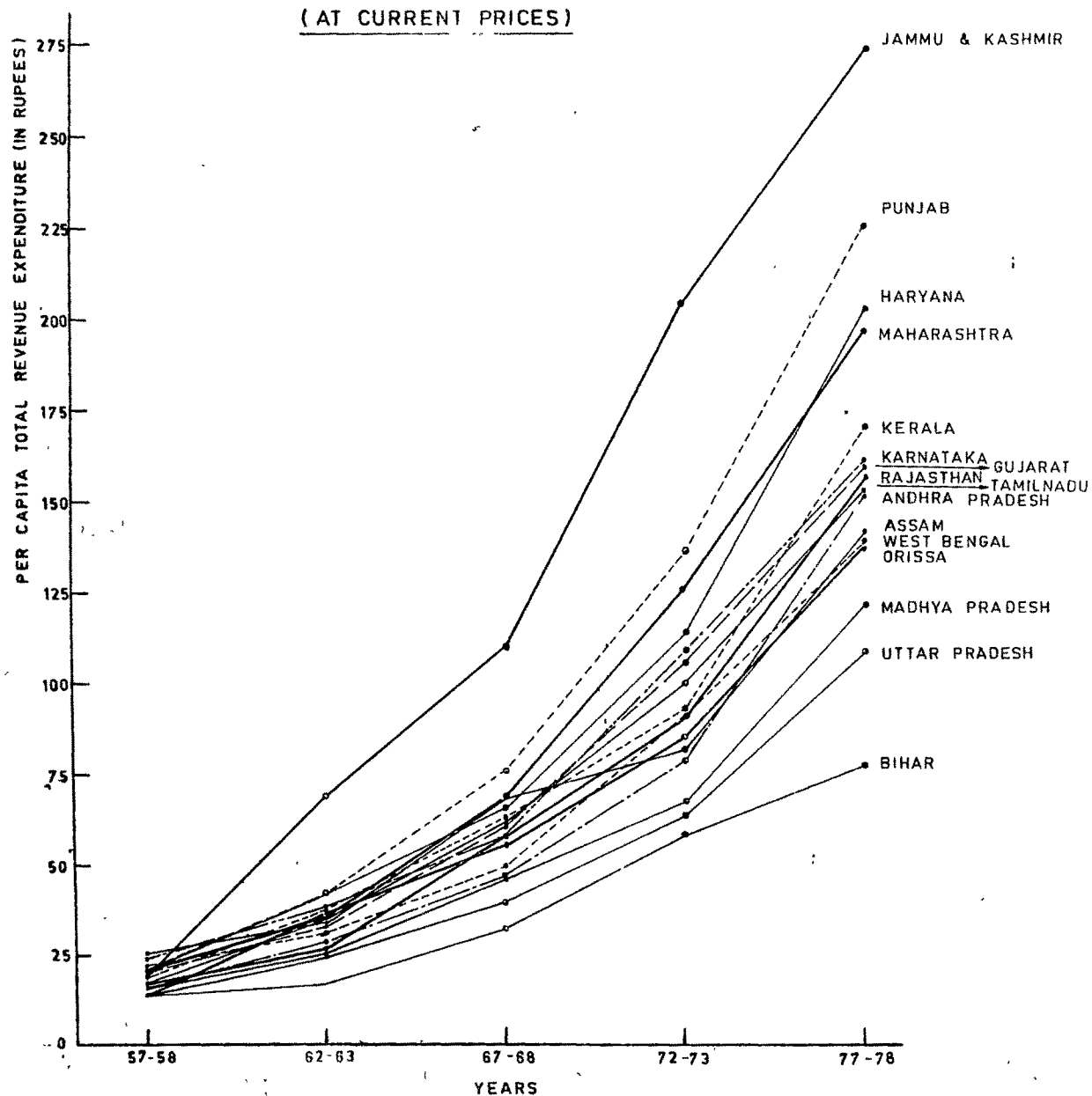
Notes: 1. Figures for Gujarat under the column for the year 1957-58 relates to 1960-61.

2. TE = Total Expenditure

PE = Per capita Expenditure.

FIG II-1

PER CAPITA TOTAL REVENUE EXPENDITURE
(AT CURRENT PRICES)



Source : Table II.1

Table II.3

Matrix of Rank Correlations Among the Rankings of Percapita
Total Revenue Expenditure in Selected Years.

Years	1957-58	1962-63	1967-68	1972-73	1977-78
1957-58	1	0.5588*	0.6176*	0.5764*	0.5470*
1962-63		1	0.847**	0.8529**	0.8411**
1967-68			1	0.8147**	0.8294**
1972-73				1	0.947**
1977-78					1

** Significant at 1% level

* Significant at 5% level

Source: Derived from Table II.1.

Growth of Percapita Revenue Expenditure

In its time pattern growth the total revenue expenditure per head of population expanded over each six year period in all the states at current prices. But the rate of expansion was different from state to state. When deflated for price changes and expressed in 1960-61 constant prices the percapita total revenue expenditure fell by 1.10% in Andhra Pradesh, 1.43% in Jammu & Kashmir, 6.78% in Karnataka, 5.14% in Orissa, 1.34% in Uttar Pradesh and 1.70% in West Bengal by 1967-68 over 1962-63, by 2.97% in Assam in 1972-73 over 1967-68 by 8.29% in Bihar and 9.09% in Jammu & Kashmir in 1977-78 over 1972-73.

The growth trend of the revenue expenditure of the states could be observed in a more spectacular form if we examine its growth over a span of 21 years. The percapita revenue expenditure sprang up both at current and constant prices in all the states. The greatest spurt occurred in Jammu & Kashmir and lowest growth was witnessed in Assam. In money terms it went up by 1365.54% and 447.94% in Jammu & Kashmir and Assam respectively. In real terms its growth varied from 68.14% in Assam to 349.71% in Jammu & Kashmir over the twenty-one years from 1957-58 to 1977-78. Even after the removal of the impact of permanent influences, such as population and price changes the revenue expenditure had grown in all the states during the twenty-one years under our review.

B.2 Inter-State Variations in Percapita Revenue Expenditure.

Let us now observe the inter-state variations in the percapita revenue expenditure.

Table II.4

Measures of Inter-State Variations in the Per-capita revenue expenditure.

I. Ratio between the lowest and highest percapita expenditure levels..

1957-58	1:1.88
1962-63	1:4
1967-68	1:3.37
1972-73	1:3.54
1977-78	1:3.59

Table II.4 (contd.)

Year	Mean (in Rs.)	Standard deviation	Coefficient of variation(In%)
1957-58	18.71	3.7077	19.8166
1958-59	20.7107	3.9238	18.9457
1959-60	23.3364	4.9379	21.1596
1960-61	25.586	5.3567	20.936
1961-62	30.4006	8.3556	27.4849
1962-63	34.6286	11.4175	32.9713
1963-64	37.892	11.7128	30.911
1964-65	41.3266	12.8899	31.1903
1965-66	47.8566	13.7831	28.8008
1966-67	54.42	21.0896	38.7533
1967-68	59.8006	17.3431	29.0015
1968-69	66.9825	20.5806	30.7253
1969-70	76.8525	28.8267	37.5091
1970-71	80.4812	25.981	32.282
1971-72	90.8675	31.0659	34.1881
1972-73	100.3862	35.2982	35.1624
1973-74	111.7225	41.5113	37.1557
1974-75	118.01	42.9935	36.432
1975-76	135.3162	53.1695	39.2927
1976-77	149.9431	56.3943	37.6104
1977-78	161.1231	47.3991	29.4179

III Rank Correlation coefficient between 1957-58 percapita expenditure levels and the absolute variation in per-capita expenditure levels.

1957-58 and 1962-63	+0.1295
1957-58 and 1967-68	+0.3383
1957-58 and 1972-73	+0.4853
1957-58 and 1977-78	+0.4205

cont...

Table II.4 (contd.)

IV. Rank correlation coefficient between 1957-58 percapita expenditure levels and the percentage variation in percapita revenue expenditure levels.

1957-58 and 1962-63	-0.1117
1957-58 and 1967-68	-0.2029
1957-58 and 1972-73	-0.0529
1957-58 and 1977-78	-0.098

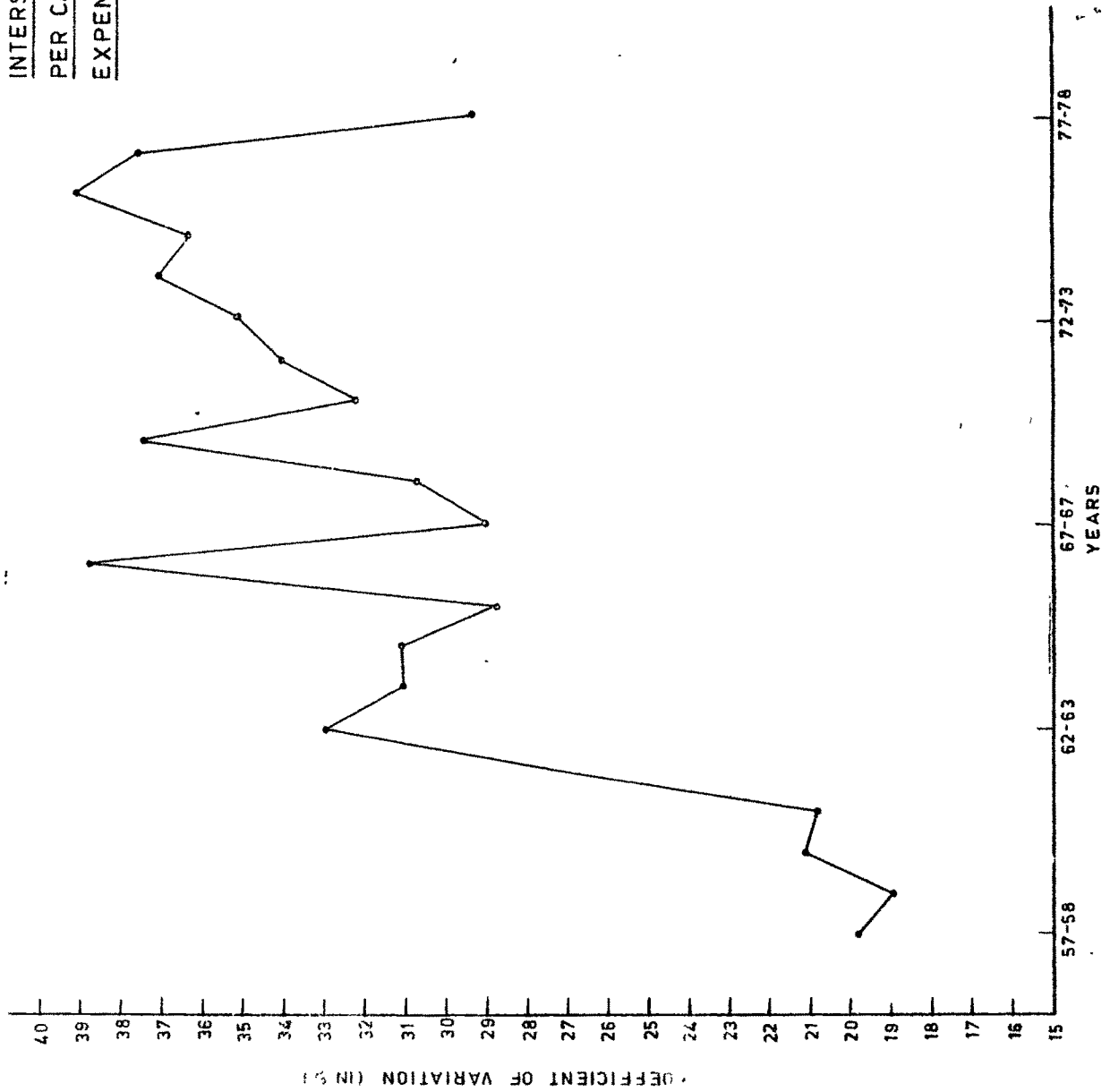
Source: Derived from Table II.1.

The facts given above clearly show that the inter-state disparity in percapita revenue expenditure has increased during the period under our review. As the weaker states Assam, Bihar, Madhya Pradesh, Orissa and Uttar Pradesh continued to have lower percapita levels while the developed states Gujarat, Haryana, Maharashtra and Punjab enjoyed higher percapita levels. Further among the weaker states Jammu & Kashmir and Rajasthan improved their spending levels while West Bengal, a developed state went down. Therefore the inter-state disparity increased.

We shall now take up the growth pattern of the constituents of total revenue expenditure. The total revenue expenditure is composed both developmental and non-developmental expenditures.

FIG II-2

INTERSTATE DISPARITY IN
PER CAPITA TOTAL REVENUE
EXPENDITURE



Source: Table II, 4

Constituents of Total Revenue Expenditure.

Different Economists have classified Public expenditure in different ways.⁸ We have followed the classification that has been adopted by the State Governments and Reserve Bank of India. The classification of expenditure into developmental and non-developmental has been done with a view to study the extent to which the growing state expenditures had been employed for productive purposes such as the creation of physical assets and development of human capital.

C.1 Growth Pattern of Developmental Expenditure.

The Developmental expenditure comprises expenditure on Social and Community Services and Economic Services.

Tables II.5 and II.6 present the developmental expenditure at current and constant prices respectively.

At current prices the percapita developmental expenditure was at the maximum level in Karnataka at Rs.17.58 and the minimum level was in Uttar Pradesh at Rs.8.20 in the year 1957-58. During the subsequent years Jammu & Kashmir had the highest percapita developmental expenditure and Bihar had the lowest level.

8 Mills classified public expenditure into necessary and optional, Roscher into necessary, useful and superfluous, Dalton into Grants and purchase price, Shiras into Primary and Secondary, Pigou into transfer and non-transfer.

Table II.5

Growth of Development Expenditure at Current Prices

(Total Expenditure in lakhs of Rs.; Per capita Expenditure in Rs.)

States	1957-58		1962-63		1967-68		1972-73		1977-78		TE % increase over 1957-58	
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE	TE % increase over 1957-58	PE % increase over 1957-58
1	2	3	4	5	6	7	8	9	10	11	12	13
Andhra Pradesh	3507 (63.63)	10.27	7160 (66.08)	19.41	11953 (62.97)	29.61	24505 (69.46)	54.98	54061 (72.83)	111.17	1441.52	982.47
Assam	1857 (65.31)	16.80	2914 (65.57)	22.80	6396 (64.82)	44.47	8826 (69.77)	56.83	17045 (67.90)	95.70	817.87	469.64
Bihar	3968 (66.48)	9.09	5272 (63.13)	11.05	11160 (65.02)	21.23	20353 (60.93)	35.30	30700 (63.28)	49.96	673.69	438.61
Gujarat	3079 (60.11)	15.13	3770 (53.15)	17.65	9374 (63.85)	38.63	20279 (69.28)	73.63	33761 (68.55)	109.15	795.52	518.41
Haryana					3263 (58.76)	35.62	7769 (66.37)	75.28	17451 (75.53)	152.81	434.81	329.00
Jammu & Kashmir	451 (60.53)	11.47	1649 (65.74)	45.30	3484 (77.45)	85.18	6716 (69.20)	141.98	10285 (70.94)	197.03	2180.49	1617.78
Karnataka	3881 (73.06)	17.58	6656 (70.86)	27.41	10333 (65.59)	38.28	22797 (69.80)	75.88	37466 (70.18)	113.46	865.37	545.39
Kerala	2047 (68.61)	13.09	4710 (70.98)	26.94	8422 (67.96)	42.99	24366 (70.30)	65.38	30172 (72.54)	123.75	1373.96	845.37
Madhya Pradesh	3191 (63.28)	10.66	5733 (66.93)	17.13	11564 (65.35)	30.47	19893 (68.65)	46.30	41170 (70.38)	85.36	1190.19	700.75
Maharashtra	5922 (51.45)	10.62	7825 (53.46)	19.15	17239 (55.39)	37.49	41081 (63.13)	79.29	71706 (63.64)	124.85	1110.84	1075.61

cont...

Table II.5 (contd.)

1	2	3	4	5	6	7	8	9	10	11	12	13
Orissa	1456 (62.01)	8.83	4464 (67.64)	24.70	6917 (61.10)	34.27	12445 (64.55)	55.26	24013 (70.41)	96.55	1549.24	993.43
Punjab	2177 (59.90)	12.59	4677 (57.14)	24.94	5864 (61.25)	46.42	13724 (72.54)	98.94	24790 (72.31)	162.77	1038.72	1192.85
Rajasthan	1602 (51.10)	8.62	3239 (57.02)	15.51	8646 (63.43)	36.66	16234 (67.07)	61.19	32035 (69.54)	108.26	1899.68	1155.91
Tamil Nadu	3630 (71.99)	11.18	8322 (68.31)	24.16	14930 (63.98)	39.56	27246 (68.41)	64.53	48804 (69.11)	183.17	1244.46	1538.37
UttarPradesh	5735 (57.66)	8.20	10981 (58.19)	14.55	19216 (58.33)	23.30	36313 (63.38)	40.24	71921 (67.65)	73.85	1154.07	800.60
West Bengal	4051 (57.72)	12.83	7068 (62.25)	19.58	13400 (65.63)	32.88	28048 (67.69)	61.56	47285 (67.44)	92.89	1067.24	624.00

Source: Appendix Table A-3.

Notes: 1. Figures for Gujarat under the column for the year 1957-58 relates to 1960-61.

2. PE = Per capita Development Expenditure

TE = Total Developmental Expenditure.

3. Figures in brackets indicate percentage of developmental expenditure to Total Revenue expenditure.

Table II.6

Growth of Developmental Expenditure at 1960-61 prices

(Total Expenditure in lakhs of Rs., Per capita Expenditure in Rs.)

States	1957-58		1962-63		1967-68		1972-73		1977-78		TE % increase over 1957-58		PE % increase over 1957-58	
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE	TE % increase over 1957-58	PE % increase over 1957-58	TE % increase over 1957-58	PE % increase over 1957-58
Andhra Pradesh	3771	11.04	6819	18.48	7031	17.42	11781	26.42	17842	36.69	373.14	232.34	373.14	232.34
Assam	1997	18.07	2775	21.71	3762	26.16	4243	27.32	5625	31.58	181.67	74.76	181.67	74.76
Bihar	4267	9.78	5021	10.52	6565	12.49	9785	16.97	10132	16.16	137.45	65.24	137.45	65.24
Gujarat	3079	15.13	3590	16.81	5514	22.72	9750	35.40	11142	36.02	261.87	138.07	261.87	138.07
Haryana					1919	20.94	3735	36.13	5759	50.43	200.10	140.83	200.10	140.83
Jammu&Kashmir	485	12.34	1570	43.13	2049	50.09	3229	68.26	3394	65.02	599.78	426.90	599.78	426.90
Karnataka	4173	18.90	6339	26.10	6078	22.51	10960	36.48	12365	37.45	196.31	98.15	196.31	98.15
Kerala	2201	14.08	4486	25.66	4954	25.28	6907	31.43	9953	40.48	352.43	190.06	352.43	190.06
MadhyaPradesh	3431	11.46	5460	16.31	6802	17.92	9564	22.26	13587	28.17	296.01	145.81	296.01	145.81
Maharashtra	6368	11.42	7452	18.24	10141	22.05	19750	33.12	23665	41.21	271.62	260.86	271.62	260.86
Orissa	1566	9.50	4251	23.52	4069	20.16	5983	26.56	7925	31.87	406.07	235.47	406.07	235.47
Punjab	2341	13.54	4454	22.89	3449	27.30	6598	47.57	8182	53.72	249.51	296.75	249.51	296.75
Rajasthan	1723	9.27	3085	14.78	5086	21.56	7805	29.41	10573	35.73	513.64	285.44	513.64	285.44
Tamil Nadu	3903	12.03	7926	23.01	8782	23.26	13886	32.88	16107	34.95	312.68	190.52	312.68	190.52
Uttar Pradesh	6167	8.82	10458	13.86	11304	13.71	17458	19.35	23736	24.37	284.89	176.30	284.89	176.30
West Bengal	4356	13.80	6731	18.65	7882	19.34	13485	29.59	15606	30.66	258.26	122.17	258.26	122.17

Source: Appendix Table A.4.

Notes: 1. Figures for Gujarat under the column for the year 1957-58 belongs to 1960-61.

2. TE = Total expenditure.

PE = Per capita expenditure.

Table II.7 : Growth pattern of Development Expenditure
(In lakhs of Rs.)

States	Social and Community Services		Economic Services	
	1957-58	1977-78	1957-58	1977-78
1. Andhra Pradesh	1181 (51.63)	32881 (60.82)	1696 (48.37)	21180 (39.18)
2. Assam	753 (40.54)	10154 (59.57)	1104 (59.46)	6891 (40.43)
3. Bihar	1668 (42.03)	19991 (65.12)	2300 (57.97)	10709 (34.88)
4. Gujarat	1520 (49.37)	21238 (62.71)	1559 (50.63)	12523 (37.09)
5. Haryana	1618 (49.59)	7584 (43.46)	1645 (50.41)	9367 (56.54)
6. Jammu & Kashmir	196 (43.45)	4319 (41.99)	255 (56.55)	5966 (58.01)
7. Karnataka	1332 (34.32)	20159 (53.81)	2549 (65.68)	17307 (46.19)
8. Kerala	1373 (67.07)	21447 (71.08)	674 (32.93)	8725 (28.92)
9. Madhya Pradesh	1725 (54.05)	23568 (57.25)	1466 (45.95)	17602 (42.75)
10. Maharashtra	3509 (59.25)	39195 (54.66)	2413 (40.75)	32511 (45.34)
11. Orissa	595 (40.86)	13435 (55.95)	861 (59.14)	10578 (44.05)
12. Punjab	1017 (46.71) 0	13653 (55.07)	1160 (53.29)	11137 (44.93)
13. Rajasthan	950 (59.50)	18556 (57.92)	652 (40.70)	13479 (42.08)
14. TamilNadu	1897 (52.25)	29975 (61.42)	1733 (47.75)	18829 (38.58)
15. Uttar Pradesh	2211 (38.55)	37789 (52.54)	3524 (61.45)	34132 (47.46)
16. West Bengal	2455 (60.60)	30718 (64.96)	1596 (39.40)	16567 (35.04)

Source: Appendix Tables A.7 and A.8.

Notes : 1. Figures for Gujarat and Haryana under the Column for the year 1957-58 relates to the years 1960-61 and 1967-68 respectively.
2. Figures in brackets indicate percentage to total Development Expenditure.

expenditure clearly marks that the states' expenditures are largely utilized for the development of human capital. However it is open to question whether this shift in favour of Social and Community services has taken place after the achievement of fuller development in economic services. We probe this question in the subsequent chapters.

C.2 Inter-state disparity in percapita developmental expenditure.

Table II.8 shows the extent of ^{and} trend in inter-state disparity in percapita developmental expenditure.

Table II.8

Measures of Inter-state Disparity in percapita Development Expenditures

I. Ratio between lowest and highest percapita expenditure levels.

1957-58	1:2
1962-63	1:4
1967-68	1:4
1972-73	1:4
1977-78	1:4

Table II.8 (contd.)

II	Years	Mean (in Rs.)	Standard Deviation	Coefficient of variation(In%)
	1957-58	11.5592	2.8515	24.6686
	1958-59	12.99	3.185	24.51886
	1959-60	14.67	3.7897	25.8329
	1960-61	16.5153	4.1696	25.2469
	1961-62	19.6733	6.6543	33.824
	1962-63	21.892	8.0927	36.9664
	1963-64	23.47	7.2484	30.8836
	1964-65	25.982	7.23	27.8269
	1965-66	30.57	9.9312	32.4867
	1966-67	34.6093	14.8635	42.9465
	1967-68	38.5662	14.2212	36.8747
	1968-69	43.0412	14.5972	33.9144
	1969-70	47.6606	14.7216	30.8884
	1970-71	52.3806	19.7854	37.7723
	1971-72	58.2462	20.765	35.6503
	1972-73	68.1531	25.254	37.0548
	1973-74	75.7975	31.7914	41.9425
	1974-75	80.8806	33.2986	41.17
	1975-76	92.8487	38.3944	41.3515
	1976-77	103.52	41.3875	39.9801
	1977-78	112.6537	35.4403	31.4595

III. Rank correlation coefficient between 1957-58 percapita expenditure levels and the absolute variation in percapita expenditure levels.

1957-58 and 1962-63	+ 0.2236
1957-58 and 1967-68	+ 0.3214
1957-58 and 1972-73	+ 0.3206
1957-58 and 1977-78	+ 0.2617

cont...

IVRank correlation coefficient between 1957-58 percapita expenditure levels and the percentage variations in percapita expenditure levels.

1957-58 and 1962-63	-0.0852
1957-58 and 1967-68	-0.3794
1957-58 and 1972-73	-0.2617
1957-58 and 1977-78	-0.1735

Source: Derived from Table II.5.

The inter-state disparity has widened over the twenty-one years as the developed states enjoyed more percapita expenditure levels than the poor states.

D. Non-Developmental Expenditure.

Now we turn to the other component of total revenue expenditure, that is, non-developmental expenditure. The non-developmental expenditures are deplayed on Administrative Services, Collection of taxes and duties, debt services, and Pensions and Miscellaneous General Services.

Tables II.9 and II.10 exhibit non-developmental expenditure at current and constant prices respectively.

Table II.9

Growth of Non-Developmental Expenditure at Current Prices

(Total Expenditure in Lakhs of Rs., Per capita Expenditure in Rs.)

States	1957-58		1962-63		1967-68		1972-73		1977-78		TE % increase over 1957-58		PE % increase over 1957-58	
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE	1957-58	1957-58	1957-58	1957-58
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Andhra Pradesh	2004 (36.36)	5.86	3569 (52.94)	9.67	6585 (34.69)	16.31	10143 (28.75)	22.75	18627 (20.09)	38.30	329.49	553.58		
Assam	987 (34.71)	8.93	1526 (34.33)	11.94	3469 (35.15)	24.12	3744 (29.59)	24.10	7752 (30.88)	43.53	655.41	388.57		
Bihar	2000 (33.51)	4.58	3078 (36.86)	6.45	5961 (34.73)	11.34	13018 (38.97)	22.58	17635 (36.35)	28.13	781.75	514.19		
Gujarat	2043 (39.89)	10.04	3220 (45.39)	15.08	5209 (35.48)	21.47	8890 (30.37)	32.28	15046 (30.55)	48.64	636.47	384.46		
Haryana					2289 (41.22)	24.98	3936 (33.62)	38.13	5550 (24.02)	48.59	142.46	94.51		
Jammu&Kashmir	294 (39.46)	7.48	859 (34.25)	25.59	1014 (22.54)	24.79	2989 (30.79)	63.19	4211 (29.05)	80.67	1332.31	978.47		
Karnataka	1431 (26.93)	6.48	2647 (28.18)	10.90	5299 (33.64)	19.63	9257 (28.34)	30.81	15050 (28.19)	45.58	951.71	603.39		
Kerala	934 (31.33)	5.97	1901 (28.65)	10.87	3937 (31.77)	20.09	6023 (29.47)	27.41	11371 (27.34)	46.64	1117.45	681.24		
Madhya Pradesh	1851 (36.71)	6.18	2779 (32.44)	8.30	6085 (34.39)	16.03	8989 (31.02)	20.92	16877 (28.85)	34.99	811.77	466.18		
Maharashtra	5586 (48.54)	10.02	6586 (44.99)	16.12	13798 (44.34)	30.00	23502 (36.12)	45.36	40437 (35.89)	70.41	623.89	602.69		

cont...

Table II.9 (contd.)

1	2	3	4	5	6	7	8	9	10	11	12	13
Orissa	892 (37.98)	5.41	2118 (32.09)	11.72	4352 (38.44)	21.56	6663 (34.56)	29.58	9777 (28.67)	39.31	996.07	626.62
Punjab	1456 (40.06)	8.42	3499 (42.75)	17.98	5707 (39.72)	29.35	5145 (27.19)	37.09	9426 (27.50)	61.89	547.39	635.05
Rajasthan	1534 (48.93)	8.25	2384 (41.97)	11.42	4906 (35.99)	20.80	7897 (32.62)	29.76	13461 (29.22)	45.49	777.50	451.39
Tamil Nadu	2285 (38.63)	7.04	3568 (29.29)	10.36	7758 (33.24)	20.55	12561 (29.53)	29.75	19888 (28.17)	43.16	770.37	513.07
Uttar Pradesh	4211 (42.33)	6.02	7699 (40.50)	10.20	13684 (41.54)	16.59	20372 (35.55)	22.58	33452 (31.47)	34.35	694.39	470.59
West Bengal	2967 (42.27)	9.40	4285 (37.74)	11.87	6983 (34.20)	17.13	12396 (29.91)	27.20	20825 (29.70)	40.91	601.88	335.21

Source: Appendix Table 4.5.

Notes: 1. Figures for Gujarat under the 1957-58 belong to 1960-61.

2. TE = Total non-development expenditure

PE = Per capita non-development expenditure.

3. Figures in brackets indicate per centage to Total Revenue Expenditure.

Table II.10

Growth of Non-Development Expenditure at Constant 1960-61 Prices
(Total Expenditure in Lakhs of Rs., Percapita Expenditure in Rs.)

States	1957-58		1962-63		1967-68		1972-73		1977-78		TE % increase over 1957-58		PE % increase over 1957-58	
	TE	PE	TE	PE	TE	PE	TE	PE	TE	PE				
Andhra Pradesh	2155	6.31	3399	9.21	3874	9.59	4876	10.94	6148	12.64	185.29	100.32		
Assam	1061	9.60	1453	11.73	2041	14.19	1800	11.59	2558	14.36	141.09	49.58		
Bihar	2151	4.93	2931	6.14	3506	6.67	6259	10.85	5820	9.28	170.57	88.24		
Gujarat	2043	10.04	3067	14.36	3064	12.62	4274	15.51	4966	16.06	143.07	59.96		
Haryana					1346	14.69	1892	18.33	1832	16.04	36.11	9.19		
Jammu&Kashmir	316	8.04	818	22.47	596	14.57	1437	30.38	1390	26.63	339.87	231.22		
Karnataka	1539	6.97	25.21	10.38	3117	11.54	4450	14.81	4967	15.04	222.74	115.78		
Kerala	1004	6.42	1810	10.35	2316	11.82	2896	13.18	3753	15.39	273.80	139.72		
MadhyaPradesh	1990	6.64	2647	7.91	3579	9.43	4322	10.06	5570	11.55	179.90	73.95		
Maharashtra	6006	10.77	6272	15.35	8116	17.65	11299	21.80	13346	23.24	122.21	115.78		
Orissa	959	5.81	2017	11.16	2560	12.68	3203	14.22	3227	12.98	23650	123.41		
Punjab	1566	9.06	3332	17.13	2181	17.26	2474	17.83	3110	20.42	98.60	125.39		
Rajasthan	1649	8.87	2270	10.87	2886	12.23	3797	14.31	4443	15.02	169.44	69.33		
Tamil Nadu	2457	7.57	3398	9.86	4564	12.09	6039	14.30	6564	14.24	167.16	88.11		
UttarPradesh	4528	6.47	7332	9.72	8049	9.76	9794	10.85	11040	11.34	143.82	75.27		
West Bengal	3190	10.11	4081	11.31	4108	10.08	5960	13.08	6873	13.50	115.15	33.53		

Source: Appendix Table A.6.

Notes: 1. Figures for Gujarat under the 1957-58 belong to 1960-61.

2. TE = Total Expenditure

PE = Percapita Expenditure.

D.1 Levels of percapita Non-developmental expenditure.

During the first period, that is, in 1957-58 the State Maharashtra topped the list with larger percapita non-developmental expenditure at Rs.10.02. Least its level was in Bihar at Rs.4.58. Subsequently the non-developmental expenditure was at the highest level in Jammu & Kashmir except in 1967-68 when Maharashtra had its percapita level at Rs.30. All along the period under our scrutiny Bihar spent the lowest percapita amount on non-developmental services.

Share of Non-Developmental Expenditure in Total Revenue Expenditure

The non-developmental expenditure annexed largest share to the tune of 48.93% in Rajasthan and smallest share to the extent of 26.93% in Karnataka in the year 1957-58. But we observe a down trend in its claim during the subsequent periods. In 1977-78 its share varied from 20.09% in Andhra Pradesh to 36.35% in Bihar. This falling tendency in the percentage of total revenue expenditure devoted non-developmental services shows the healthy trend in the finances of the states. The fall in the share of non-developmental expenditure was effected by the decline in the share of its components.

Growth of Non-developmental expenditure.

Though the share of non-developmental expenditure assumed a declining trend its absolute level has grown enormously during the twenty-one years under our study. At current prices the percapita non-developmental expenditure went up in all states over each six year period. Over the twenty-one years in money terms its growth varied from 335% in West Bengal to 978% in Jammu & Kashmir. In real terms it had grown up by 33% and 231% respectively in those states. In real terms the percapita measure of non-developmental expenditure had grown at a slower pace when compared to the percapita developmental expenditure.

One may raise a question as to why was there such a marked rise in the non-developmental expenditure in the era of planned development. This may be explained in terms of (i) increasing activities of the state governments in view of welfare and developmental needs of the country; (ii) the steady increase in the emoluments of government employees and (iii) the growing trend of interest charges. The interest charges had grown phenomenally over the years and in this respect the growth of non-development expenditure^{is} related to the growth of developmental expenditure on the capital account. This is one of the reasons why non-developmental

expenditure has developed a growth of its own side by side to the emphasis on developmental expenditure.

The growth of non-developmental expenditure should be checked since it tends to divert fiscal resources into unproductive channels. However, to economise, the restriction of the cost of general administration is not the sole measure. A thorough scrutiny of all the expenditures is warranted. It will be appropriate to point out that, "A mere mandate to cut travelling allowance or contingent expenses has, no doubt, a sobering effect on extravagant officials but is not the only or proper method of approaching the whole question. What is needed is the vigorous and assiduous scrutiny of all existing items of government expenditure including plan schemes so that the pockets of disguised extravagance are identified. As was pointed out by a committee of the House of Commons there is a real danger of a scheme living on its legend and going on because it was approved four or five years ago, without anyone saying 'why are we doing this?'"⁹

D.2 Inter-State Variations in the percapita expenditure on Non-Developmental Services.

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9. K. Venkataraman. States' Finances in India. (George Allen & Unwin, London), 1968, p.158.

Table II.11

Measures of Inter-State disparity in Percapita non-developmental expenditure.

I. Ratio between the lowest and highest percapita expenditure levels.

1957-58	1:2
1962-63	1:3.66
1967-68	1:2.65
1972-73	1:2.80
1977-78	1:2.87

II

Years	Mean(in Rs.)	Standard Deviation	Coefficient of variation(In%)
1957-58	7.1457	1.6353	22.885
1958-59	7.7164	1.6881	21.8767
1959-60	8.6635	2.1344	24.6366
1960-61	9.732	2.5454	26.1549
1961-62	10.5673	2.7537	26.0586
1962-63	12.4313	4.2471	34.1645
1963-64	14.1513	5.2353	36.9951
1964-65	15.0693	6.409	42.5301
1965-66	16.9713	4.8236	28.4221
1966-67	19.4918	7.4955	38.4546
1967-68	20.9212	4.9563	23.6903
1968-69	23.5906	6.8615	29.0357
1969-70	28.8112	16.304	56.5891
1970-71	27.6768	7.1867	25.9665
1971-72	32.1706	11.1508	34.6614
1972-73	31.4681	10.7082	34.0287
1973-74	35.6562	10.7217	30.0696
1974-75	34.8762	11.0056	31.5561
1975-76	41.2518	15.5869	37.7823
1976-77	45.0618	16.4648	36.5382
1977-78	46.9118	13.5940	28.9777

cont...

Table II.11 (contd.)

III. Rank Correlation Coefficient between 1957-58 per capita expenditure levels and the absolute variation in per capita expenditure levels.

1957-58 and 1962-63	+ 0.1602
1957-58 and 1967-68	+ 0.3161
1957-58 and 1972-73	+ 0.2411
1957-58 and 1977-78	+ 0.4558

IV Rank Correlation Coefficient between 1957-58 per capita expenditure level and the percentage variation in per capita expenditure levels.

1957-58 and 1962-63	-0.3132
1957-58 and 1967-68	-0.2720
1957-58 and 1972-73	-0.5176
1957-58 and 1977-78	-0.347

Source : Table II.9

It is evident that there is a diverging trend in the per capita measure of non-developmental expenditure of the states.

E. Disparity in Economic Development of the States.

So far we have seen the growth pattern of total revenue expenditure and its components. We have also seen that there is a tendency towards divergence in the per capita expenditure of the states. Is it due to the differences in the levels of economic development of the states? As a measure to signify

the levels of economic development we have taken the per-capita state income. The following table shows that the inter-state disparity in percapita state income has increased.*

It may not be wrong to conclude that the trend in the inter-state disparity in percapita total revenue expenditure is akin to that of state percapita income.

Table II.12

Inter-State Disparity in Percapita State Income

Years	Mean (in Rs.)	Standard deviation	Coefficient of variation(In %)
1960-61	309.53	63.71	20.58
1961-62	321.4	64.58	20.09
1962-63	336.2	61.54	18.3
1963-64	368.93	75.15	20.36
1964-65	422.53	79.36	18.78
1965-66	422.1	85.93	20.35
1966-67	498.81	119.26	23.9
1967-68	569.37	132.28	23.23
1968-69	560.81	144.03	25.68
1969-70	608.00	163.75	26.93
1970-71	662.12	174.94	26.42
1971-72	685.37	189.69	27.67
1972-73	731.87	187.30	25.59
1973-74	905.68	246.73	27.24
1974-75	1016.56	258.79	25.45
1975-76	1030.68	298.08	28.92

Source: Appendix Table A.51

* We have confined our analysis for the period from 1960-61 to 1975-76 because only for this period state income estimates are available.

F. Expenditure Relative and Revenue Effort Relative.

The expenditures of the State may vary from state to state on the basis of the availability of financial resources with them. Hence it is imperative to know how much the states spent from their own efforts and to what extent they rely on transfers from Central government. We could be able to know this by computing expenditure relatives. In the words of James A. Maxwell and Richard J. Aronson, "In order to secure figures of percapita expenditure by states from their own sources federal grants are deducted. The figures of percapita state-local expenditure can be made more readily comparable by assigning the value of 100 to the national average and computing relative numbers that express how much each state spends in relation to national average."¹⁰ Table II.13 exhibits the percapita total expenditure excluding transfers from Central government and expenditure relative.

It can be seen from table II.13 that the all state average percapita expenditure less of Central Grants was Rs.13.16 in the year 1957-58. In that year expenditure relative of Karnataka was 137 and this implies that it spent from its own resources 37% more than the all state average. Jammu & Kashmir with an expenditure relative of 57 spent 43 per-

¹⁰ James A. Maxwell and Richard J. Aronson: Financing State and Local Governments. (The Brookings Institution - Washington D.C.) 1977, p.34.

Table II.13

Total Expenditure less of Central Grants and Expenditure Relatives for Selected Years
(Total Expenditure in lakhs of Rs., Per capita Expenditure in Rs.)

States	1957-58			1962-63			1967-68			1972-73			1977-78		
	te	pe	er	te	pe	er	te	pe	er	te	pe	er	te	pe	er
Andhra Pradesh	3979	11.65	89	7311	19.82	88	12832	31.79	85	20675	46.38	77	45400	93.36	96
Assam	1638	14.82	113	2105	16.47	73	4682	32.55	87	5590	35.99	60	9948	56.06	57
Bihar	4229	9.69	74	4886	10.24	45	10502	19.98	53	16304	28.28	47	19230	30.67	31
Gujarat				4551	21.31	94	10196	42.02	112	20002	72.62	121	33859	159.23	163
Haryana							4207	45.92	123	8418	81.56	135	16135	141.29	145
Jammu & Kashmir	296	8.53	57	1412	38.79	172	1789	43.74	117	4149	87.71	146	3908	74.87	77
Karnataka	3991	18.08	137	6791	27.96	124	10113	37.46	100	23667	78.78	131	37798	114.47	117
Kerala	2180	13.94	106	4496	25.72	114	7606	38.82	104	12487	56.83	94	26495	108.68	111
Madhya Pradesh	3756	12.54	95	5544	16.56	73	11753	30.96	83	15943	37.11	62	36854	76.41	78
Maharashtra	9418	16.90	128	10756	26.33	117	23323	50.72	135	43996	84.91	141	87091	151.65	155
Orissa	1534	9.30	71	3611	19.98	88	5567	27.58	74	10245	45.49	76	13724	55.18	57
Punjab	2844	16.45	125	6106	31.39	139	7414	58.70	157	12564	90.58	150	24874	163.32	167
Rajasthan	2288	12.31	94	3551	17.01	75	8910	37.38	101	13911	52.43	87	25332	85.61	88
TamilNadu	4241	13.07	99	9004	26.14	116	17099	45.30	121	29634	70.18	117	49596	107.69	110
UttarPradesh	7918	11.32	86	13455	17.83	79	21899	26.56	71	31304	34.69	58	58553	56.82	58
WestBengal	5274	16.71	127	8392	23.25	103	14513	35.61	95	27196	59.69	99	43479	85.42	88
All State average		13.16	100		22.58	100		37.48	100		60.20	100		101.72	100

Source: Derived from Appendix Table A.1 and A.

Notes : 1. TE = Total expenditure

PE = Per expenditure

ER =

cent less than 11 state average.

One could observe that the states Andhra Pradesh, Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh had expenditure relatives less than 100 all along the period from 1957-58 to 1977-78. The state Assam had higher expenditure relative only in 1957-58. This purports that the weaker states are relying on transfers from central transfers to meet their expenditure needs.

Why the weaker states are relying on central transfers to enhance their expenditure levels? What is extent of their efforts to raise their own revenue? It has been suggested by James A. Maxwell and Richard J. Aronson that, "comparisons of state expenditures gain in cogency if they are related to a measure of revenue effort in which the revenues collected by state and local governments from their own sources are related to a relevant uniform base. Here state personal income seems to be suitable." Further they have added that, "By assigning the figure 100 to this national average relatives can be computed for each state that express its efforts compared to the national average."¹¹

We have computed revenue effort relatives for the years 1962-63 and 1975-76 by using all state average percapita

11 Ibid, p.38.

state income of respective years as uniform base to relate the states' own revenues. Table II.14 presents the revenue effort relatives of the states for the years 1962-63 and 1975-76. The weaker states Assam, Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh stand lower in their revenue efforts. The expenditure relatives and revenue effort relatives of these states are well below the all state average. This means that poor states find it difficult to raise their level of percapita expenditure from their own revenue. Thus revenue constraint, cause variations in the spending levels of states.

G. Expenditure preference of the States.

The variations in the percapita expenditure levels of the states are not only caused by the revenue constraints but also by the expenditure preference of the states.

If, for example, Bihar, a poor state - spent approximately the same percentage of its total expenditure on Medical and Public Health, in 1977-78, as Punjab, a rich state - this would indicate that the function was appraised similarly in the two states even though their actual expenditures (expressed in per capita) were quite different.

This is examined by first calculating the expenditure in

Table II.14

Revenue Effort of State Governments

(Total Revenue in lakhs of Rs., Per capita Revenue in Rs.)

States	1962-63			1975-76				
	Total revenue from own sources	Per capita revenue % of all state Avg. per capita income	Effort as relative	Total revenue from own sources	Per capita revenue % of all state Avg. per capita income	Effort relative		
Andhra Pradesh	7765	21.17	6.42	91.19	43073	91.35	8.86	94.56
Assam	2124	16.62	5.04	71.59	8210	48.55	4.71	50.27
Bihar	5837	12.24	3.71	52.70	24747	40.70	3.95	42.16
Gujarat	5790	27.12	8.22	115.76	32275	109.04	10.58	112.91
Haryana					18170	165.18	16.02	170.97
Jammu&Kashmir	1436	39.45	11.95	169.74	6180	123.11	11.94	127.43
Karnataka	6582	27.11	8.22	116.76	39253	123.20	11.95	127.53
Kerala	4463	25.53	7.74	109.94	22257	94.79	9.19	98.08
MadhyaPradesh	5139	15.36	4.65	66.05	37730	81.83	7.94	84.74
Maharashtra	11079	27.12	8.22	116.76	83891	151.89	14.79	157.84
Orissa	3239	17.92	5.43	77.13	12653	52.90	5.13	54.75
Punjab	7052	36.26	10.99	156.11	23481	159.95	15.51	165.53
Rajasthan	3727	17.86	5.41	76.85	22853	80.47	7.81	83.35
Tamil Nadu	8620	25.03	7.58	107.57	40853	91.43	8.87	94.66
Uttarpradesh	13585	18.01	5.46	77.56	56432	59.54	5.77	61.58
West Bengal	7790	21.59	6.54	92.90	34681	71.21	6.91	73.75
All state Average			7.04	100			9.37	100

Source:

1. Total Revenue (from own sources) - Combined Finance and Revenue Accounts of Union and State Governments in India Vols. 1962-63 and 1975-76.

* All state average per capita income derived from Appendix Table A.51

each state for each major function as a percentage of total state expenditure. Then, "The extent of state variation in proportionate expenditure on different government functions can be measured first by calculating the standard deviation by states for each major function and secondly by calculating the coefficient of variation - a percentage that expresses mathematically the degree to which the states vary in their proportionate spending on a particular function. The lower this percentage, the more similar the proportionate amounts spent by the states, the higher the percentage the greater the variance.¹² Table II.15 presents the degree of variation in the functions between states.

We could observe from Table II.15 that similar importance is given by all the states for the functions Administrative services, Maintenance of Law and Order, Education, Medical and Public Health and Agriculture and Allied Services. Variations in Other functions are wider in all the five periods. Apparently the expenditure preferences of state governments for these functions are quite diverse from state to state.

Why the expenditure preference of the states vary from each other? The expenditure preferences of the states are characterised by the policies, socio-economic conditions,

¹² Ibid, p.38.

Table II.12

Variation in Expenditure of States by Percentage of Expenditures

Expenditure Category	1957-58			1962-63			1967-68			1972-73			1977-78		
	Mean	SD	CV	Mean	SD	CV	Mean	SD	CV	Mean	SD	CV	Mean	SD	CV
1. Admn. services	25.17	4.99	19.82	19.31	3.76	19.47	16.46	2.69	16.34	12.83	1.82	14.19	11.67	2.01	17.22
2. Maintenance of Law & Order	12.13	2.34	19.29	9.18	2.03	22.11	8.18	1.75	21.39	7.02	1.54	21.93	7.15	1.58	22.09
3. Debt services	9.48	5.26	55.48	10.95	4.12	37.63	14.46	4.96	34.30	14.09	3.68	26.12	12.04	3.68	30.56
4. Education	18.36	5.04	27.45	18.74	4.73	25.24	19.78	4.56	23.05	20.09	4.78	23.79	23.18	4.42	19.07
5. Medical P. Health & Family Planning	7.18	1.05	14.62	8	1.83	22.88	7.75	2.03	26.19	8.69	1.27	14.61	9.38	1.16	12.36
6. Agriculture & Applied Services	13.9	4.32	31.08	11.85	2.45	20.68	11.35	1.80	15.86	12.8	2.99	23.36	14.20	2.85	20.07
7. Water & Power Development	5.22	4.04	77.39	5.09	3.24	63.65	6.36	3.60	56.60	5.66	2.98	52.65	6.17	3.62	58.67
8. Transport & Communication	5.36	3.24	60.45	7.01	4.45	63.48	6.73	5.65	83.95	5.58	4.32	77.41	5.18	4.25	82.04
9. Industry & minerals	4.08	6.71	164.46	3.73	3.53	94.64	1.79	1.79	100	1.26	1.01	80.16	1.68	1.27	75.59

Source: Appendix Tables of the respective functions.

Note : SD = Standard Deviation; CV = Coefficient of Variation (in %)

historical and other regional factors of the states. The total revenue expenditure is merely the numerical aggregate of the expenditures on various functions performed by the states. Hence to know the variations in the percapita total revenue expenditure of the states a detailed analysis of the state government expenditures at disaggregate level is essential. We have examined the expenditures on various functions in the ensuing chapters.

CONCLUSIONS :

1. The total revenue expenditures per head of population was highest in Karnataka in 1957-58. Since 1961-62 Jammu & Kashmir topped the list and Punjab stand next to it. In all the twenty one year Bihar had the lowest percapita expenditure.

2. Even after the removal of the impact of 'permanent influences' such ^{as} population and price changes the revenue expenditure had grown in all the states. In real terms the increase in the percapita revenue expenditure varied from 68.14% in Assam to 349.71% in Jammu & Kashmir over the twenty-one years.

3. The inter-state disparity in percapita total revenue expenditure had increased during the period under our review. This tendency is akin to that of percapita state income.

4. The proportion of total revenue expenditure devoted to developmental services assumed an increasing tendency in all the states and that of non-developmental services decreased. The share of developmental expenditure increased from one-half of the total revenue expenditure in 1957-58 to a little more than two-thirds of it in 1977-78. The pattern of distribution shows that the developmental expenditure had largely been used for the improvement of human capital in all but three states.

5. The expenditure relative and revenue effort relative of the weaker states namely Assam, Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh are well below the all state average and this implies that poor states find it difficult to raise the levels of percapita expenditure from their own revenue. As such revenue constraints cause variations in the percapita spending levels of the states.