

**ECONOMICS  
OF  
PUBLIC EXPENDITURE  
IN  
KARNATAKA**

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## PREFACE

The changes in pattern and trend of public expenditure have attracted the attention of statesmen, civil servants, politicians and economists. The social thinkers have to favour that pattern of public expenditure which is best suited to the conditions prevailing in the country. This has naturally induced the economists to think in terms of evolving appropriate methods of undertaking public expenditure in the state. In recent years much importance has not been accorded to the quantum of money spent by the public authorities but a great significance has been attached to the ways-How, Why, on What and for whom-of undertaking public expenditure in the country. This thinking has a profound effect on the public authorities who are made to think in terms of promoting development expenditure while curbing non-development expenditure and wasteful expenditure. This small book is just an attempt in that direction.

The book is intended to cover the pattern of public expenditure in Karnataka from 1957-58 to 1978-79. The causes responsible for the rapid growth of public expenditure are examined and their effects are also outlined. The allocation of funds for development and non-development items have been indicated in the tables contained in the appendix. Suggestions are made to curb the growth of non-development expenditure while promoting development expenditure. A specific suggestion has been made to appoint an Expenditure Committee to evolve guide lines for formulating public expenditure programmes in the state.

Dr. K. Venkatagiri Gowda, Professor and Head of the Department of Economics, Bangalore University, has been a source of inspiration in this venture of mine. I express my sincere gratitude to him for his valuable guidance and encouragement given to me.

The office bearers of Sri Jagadguru Renukacharya Education Society, Bangalore and particularly the president Dr. A.C. Devegowda has been extending patronage in all my ventures and I am indebted to him.

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I am also grateful to the officials of the departments of finance, planning, Bureau of Economics and Statistics for providing me with necessary information.

I have all appreciations to the Asian Printers, Rajajinagar, Bangalore for having taken pains to print the book in time.

I hope that the book will be of considerable interest to all concerned. Suggestions and comments are welcome.

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## ERRATA

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5	4	comsumption	consumption
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6	26	increaaed	increased
7	8	revenues	revenue
7	Last	ailocating	allocating
7	26	devlopment	development
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8	2	period of	period
8	6	delclined	declined
9	24	distrubances	disturbances
9	29	to due	due to
11	28	Legisltaion	Legislation

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Table No.	Corrections	
1	Expressed in Rs. Lakhs	
2	" "	
2	Sl. No. 8	2544.93 should be 25144.93
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4	" 9	Benefit Benefits
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# Economics of Public Expenditure in Karnataka

The philosophy of public expenditure is assuming unprecedented importance in recent years with the need for meeting ever growing demand for public goods and services in the country. An attempt is made in this work to present a picture of public expenditure in Karnataka for the last twenty years. The causes and consequences of growing public expenditure and the pattern of development and non-development expenditure are discussed and suggestions to moderate the growth of and even to reduce non-development expenditure are offered for consideration of the authorities concerned.

## *Causes of the growth of public expenditure in Karnataka :*

The expenditure of the Government of Karnataka has increased by over eleven times during the past twenty years while the total revenue of the Government has increased only by about ten times. The rate of increase in public expenditure in the state is faster than the rate of increase in the public expenditure in the country as the latter has just increased by nine times during the same period. The total expenditure of the Government of the state of Karnataka has increased at a greater rate than the total expenditures of all the State Governments in the country in the period under consideration. This establishes the fact that the public expenditure in the State is on a rising trend.

The causes responsible for the rapid growth of public expenditure in the State are many and varied and include, among others, increased welfare activities, rapid growth of population, inflation, increased democratic activities, increased development activities besides the inclusion of less developed areas after the reorganisation of the State in 1956 necessitating extra development expenditure in these areas. A study of these causes is necessary to understand and account for the rapid growth of public expenditure in the State.

## *Increased welfare activities :*

In the past the Government in the State true to the classical tradition, mainly concerned with the police functions of maintaining law and order and collection of revenues in addition to general administration of the State. The State Government rarely participated in production of goods and development activities and

therefore incurred very small outlays on development expenditure. This trend has been reversed in recent years especially since 1971 and the State is increasingly participating in several welfare oriented activities and has been incurring considerable outlays on these activities and thereby contributing to the rapid increase in total public expenditure in the State.

## *2. Rapid growth of population :*

The State of Karnataka has witnessed a rapid growth of population since its formation in 1956. The population of the State increased from 194 lakhs in 1951 to 235 lakhs in 1961 and to 292 lakhs in 1971. At present the population of the State is about 360 lakhs. The population of the State has been increasing at a progressive rate as the net additions to the State's population during the periods 1951 to 1961, 1961 to 1971 and 1971 to 1979 are 42 lakhs, 57 lakhs, and about 75 lakhs respectively.

This progressive growth of population has made it necessary for the State to incur increased outlays on all its activities and thereby has significantly contributed to the growth of public expenditure in the State.

## *Inflation :*

The price level has been registering a continuously upward trend in the State in line with the national price level. Thus the price level shot up by 30% during the Second plan, by 32% in the Third plan and by 61% in the Fourth plan period. The same rising trend in the price level can be observed in the recent years also. This continuous rise in the price level has made it necessary for the State Government to step up outlays on the purchase of goods, hiring of services and various construction activities in nominal terms even to maintain the real demand constant.

## *Increased democratic functions of the people :*

The fact that democracy is the costliest form of political organisation holds good in the case of at least poor countries with relatively dense population. Infact, the cost of democratic form of organisation is a function of the size of population of the country concerned. This may be attributed to increased expenditure on the conduct of elections to various legislative bodies, maintenance of legislatures and the Council of ministers. The State of Karnataka is not an exception to this general trend and accordingly has been incurring increasing outlays in the discharge of democratic functions. This can be substantiated by

the fact that the total expenditure on State legislature, elections, Council of ministers and the maintenance of the Governor's Secretariate has shot up by 130% from Rs. 95 lakhs to Rs. 220 lakhs within a short span of 4 years from 1973-74 to 1976-77.

There is bound to be still larger increase in outlay on this account during the current year with the introduction of pension benefits, higher salaries, allowances and additional perquisites for legislators and ministers.

#### *Increased development activities in the State :*

The State Government in consonance with the objectives of national planning has been spending considerable sums of money on many development projects which include major, medium and minor irrigation projects, power generating projects and industries. This increase in expenditure has been considered necessary to meet the needs of growing population.

#### *Inclusion of backward districts in the State :*

The reorganisation of the States in 1956 resulting in the formation of Vishala Karnataka with the addition of 10 districts made it inevitable for the Government to incur huge outlays on the development of backward districts (of Hyderabad and Bombay areas) in order to reduce the economic disparities between the advanced old Mysore and backward new Mysore areas.

The above factors were collectively responsible for the rapid increase in public expenditure in the State during the past twenty years.

#### *Effects of Public Expenditure :*

The increased public expenditure in the State has affected the economic conditions in a significant way. The favourable effects of increasing public expenditure in the State include the raise in the volume of output, in consumption standards, level of employment, and redistribution of incomes in favour of the poor and backward people besides the improvement of the economic wellbeing of the people.

#### *1. Promotion of Production activities in the State :*

The vigour of productive activities depends on the level of investment. Investment depends on the investment climate which depends on the total public expenditure and in particular development expenditure. A functional relationship



can be established between the level of public expenditure and the level of production activities. This is due to the fact that public expenditure affects the ability and willingness of the people to work and save and facilitates the transfer of resources from unproductive to productive areas and ultimately results in larger output. In fact it need hardly be said that the size of G.N.P. and N.N.P. depends on the development expenditure undertaken by the Government.

Thus an increased public expenditure on education, health and housing promotes the ability of the people to work by ensuring higher incomes to the people which in turn will lead to an increase in savings which varies with the level of income. In the same way, an increased public expenditure on agriculture industry, transport and communications enhances the productive capacity of the economy by promoting efficiency of the producers. Public expenditure on social security services will induce the people to work hard without being worried about the future. In effect therefore any public expenditure on development projects will result in higher production in the economy.

In addition to this, an increased public expenditure on erection of industrial units, grant of subsidies and incentives will boost the production activities by ensuring a reallocation of resources in favour of productive activities.

Thus on the whole it can be inferred that the volume of goods and services produced depends on the volume of public expenditure on economic activities. It will therefore be desirable to incur more public expenditure on economic activities especially when there are untapped resources.

### *2. Public expenditure promotes a redistribution of income in favour of the poor :*

Public expenditure incurred on free education, subsidised housing, food, transport and such other items of mass consumption is classed as progressive expenditure which ensures a rise in the real income of the poor and thereby promotes the redistribution of incomes in their favour. This is due to the fact that the poor people derive benefits from the progressive expenditure of the State either free of cost or at nominal cost while the rich will be incurring considerable expenditures for availing themselves of these benefits. Therefore, increased public expenditure and particularly of the progressive variety results in the reduction of economic inequalities and is therefore desirable.

### *3. Public expenditure promotes consumption, income and employment ;*

The level of public expenditure influences and determines the levels of employment, income and consumption in the State. The level of employment,

depends on the level of public expenditure in the economy; this means the levels of employment in both the private sector and the public sector are influenced by the level of public expenditure. The increased employment opportunities have resulted in the generation of additional incomes which raises consumption standards of the people.

#### 4. *Public expenditure regulates the life of the people :*

Public expenditure on price support measures and export subsidies, influences the living pattern of the people by regulating their economic activities in the manner desired by the public authorities. Thus, the public expenditure regulates the life of people in general and economic activities in particular.

#### 5. *Public expenditure promotes economic stability :*

The role of public expenditure is of paramount importance in maintaining and promoting the economic stability in the State. The State Government has to incur increased public expenditure during periods of depression in order to provide employment for the masses and arrest further fall in prices. On the contrary, during inflation the Government will have to reduce its expenditure at least non-productive expenditure to arrest further rise in prices.

Therefore, Public expenditure breeds good effects on the economic development of the State by promoting the levels of production, employment, consumption, and incomes and a redistribution of incomes in favour of the poor besides ensuring and maintaining economic stability.

Public expenditure will incidentally have adverse side effects as well on the economy of the State. The most important of these effects include the following :

1) The increase in public expenditure will be invariably followed by a heavy dose of taxation which will usually affect the ability and willingness of the people to work and save.

2) The increase in public expenditure over and above what can be met out of current revenues leads to reckless public borrowing and imposes a debt burden on the people. The repayment of debt and the payment of interest involve additional taxation. This will have further deleterious effects on work incentives.

3) The increase in public expenditure beyond a particular limit will lead to wasteful expenditure in the form of unproductive and non development expenditures. This may be due to the fact that the public authorities will fail to supervise

public expenditure schemes properly. In many Government departments hasty execution of projects and schemes are encouraged to the expeditious use of grants to avoid their being lapsed. This results in laxity in the administration of public expenditure programmes.

4) The increase in public expenditure particularly on non-development activities will generate inflationary pressure in the economy which converts a low cost economy into a high cost economy and thereby obstructs the economic development in the State. The high cost economy and inflationary conditions are generally inimical to the welfare of the poor people.

Hence, public expenditure has the unintended side effect of imposing a fresh burden of taxation on the people, generating inflationary pressures, besides leading to wasteful expenditures. Consequently the Government has to be cautious about incurring huge public expenditure in the State.

#### *Position in Karnataka*

##### *pattern of public Expenditure :*

The growing public expenditure makes it necessary to examine the pattern of public expenditure and in particular development versus non-development expenditures incurred by the Government in the State during the past two decades.

A glance at Table-I shows that the public expenditure in Karnataka has registered a remarkable increase of Rs. 603 crores or 1,136 % from Rs. 53 crores to Rs. 656 crores during the period 1957-58 to 1978-79. The total revenue of the State has increased by Rs. 617.4 crores or by 1,060 % from Rs. 58.2 crores to 675.5 crores during the same period. The total development expenditure has increased by Rs. 428.3 crores or by 1,118 % from Rs. 38.3 crores to Rs. 466.6 crores while the non-development expenditure has increased by Rs. 174.9 crores or by 1,200 % from Rs. 14.8 crores to Rs. 189.7 crores in the same period.

The tax revenue has increased at a greater rate (by 1,400 % or Rs. 328.2 crores) than the non-tax revenue which has just increased by Rs. 142.9 crores in the period considered above. The share of development expenditure in the total public expenditure has fallen by 1 % from 72 % to 71% while the share of non-development expenditure has increased by 1 % from 28 % to 29 % in the past twenty years.

A study of the public expenditure in terms of percapita figures confirms the above trend. The total percapita public expenditure has increased by 550% from

Rs. 32 to 204 at constant prices during the period 1957-58 to 1977-78. (The increase is just 200 % at 1956-57 prices). The percapita development expenditure has increased by 633 % (Rs. 13 to Rs. 89) at current prices while the percapita non-development expenditure has increased by 660% from Rs. 10 to Rs 77 at current prices.

The above facts lead to the following results :

- 1) The total public expenditure has increased at a greater rate than the increase in the total revenues of the State.
- 2) The non-development expenditure has been increasing at a greater rate than the increase in the total expenditure and even the development expenditure also.
- 3) The share of non-development expenditure in the total public expenditure has increased considerably.
- 4) The percapita non-development expenditure has increased at a greater rate than the increase in total percapita expenditure and even the percapita development expenditure.

The above results establish the fact that the pattern of public expenditure has been non-development oriented expenditure and the development expenditure has not been allocated on the basis of any scientific criterion. It may be observed that the development expenditure does not bear any specific or uniform relationship to the income, percapita income and population growth of the State.

A glance at table II reveals the true nature of the development expenditure in the State. The development expenditure on different items has not been allocated on the basis of any scientific criterion like the cost-benefit analysis.

There is no relationship between the expenditure incurred and the actual requirements. In fact the major sectors of the economy have not attracted adequate expenditures. Thus the expenditure on Agriculture has increased by ten times. While the total development expenditure has increased by more than eleven times. The expenditure on Industries has not registered any considerable increase ( $1\frac{1}{2}$  times) at all in the period considered. The expenditures on irrigation (including power) and Education have increased by 28 times and 15 times respectively. These observations establish that the major sectors have not been given due consideration while allocating the funds meant for development expenditure.

A glance at Tables-III (a) and (b) confirms the above results even in case of allocation of Fifth plan outlay in the State during the period of 1974-75 to 78-79. The table reveals that the total outlay registered an increase of 166 % (from Rs. 148 crores to Rs. 396 crores). While the outlay on agricultuer declined from 17 % to 14% and even the outlay on Transport and Communications also declined from 7 % to 5 %. Agriculture and industries were allotted just 21 % of the total plan outlay. This clearly shows that, these two major sectors were not given their due share in total development expenditure,

These trends in developmental and non-developmental expenditure on the one side and within the aggregate of developmental expenditure, the reduction in the relative share of agriculture and industry highlights the alarming nature of the problem.

The non-development expenditure has been registering a remarkable increase in the last two decades. A glance at Table-IV pertaining to the period 1973-74 to 1978-79 reveals the following facts :

- 1) The expenditure on Administrative services has registered a steep increase of 236%.
- 2) The expenditure on Pensions and retirement benefits has increased by 225 %.
- 3) The expenditure on the Administration of Justice has increased by 100 %.
- 4) The Legislative expenditure has increased by 120 %.
- 5) The expenditure on Elections held in the State has increased by 278 %.
- 6) The expenditures on the Governor, Council of Ministers, Tax collection, District Administration, Police, Jails and Stationary and Printing have registered a moderate increase.

Thus the expenditure on non-development purposes has been increasing at a fast rate in recent years in the State.

A glance at the Table-V provides a breakup of non-development expenditure and confirms the fact that the expenditure on non-development activities are fast increasing in recent years. The table reveals the following facts :

- 1) The expenditure on maintainance has registered a maximum increase of 378%, while the total public expenditure has increased by 98% during the period 1973-74 to 1978-79.
- 2) The expenditure on machinery, equipment, tools and plants has registered a remarkable increase of 328%.

- 3) The expenditure on grants in aid, contributions and subsidies has registered a considerable increase of 139%.
- 4) The expenditure on salaries has increased moderately by 133%.

The facts mentioned above establish that the non-development expenditure has been rapidly increasing and invariably at the cost of development expenditure and this has hampered the development prospects of the State.

The results yielded by a shortrun analysis are in agreement with the results yielded by an analysis over a longer period of the past two decades.

A glance at Table-VI relating to the selective study of non-development expenditures from 1957-58 to 1978-79 reveals the following facts :

- 1) The total non-development expenditure has increased by about 13 times.
- 2) The expenditure on fiscal services has registered an increase by 17 times.
- 3) The expenditure on general services has registered an increase by 8 times.
- 4) The non-development expenditure (other than fiscal and general services) has registered an increase by 22 times.

The above facts along with the results obtained earlier indicate clearly the rising trend of non-development expenditure both in the long run and in the short run. Added to this the studies made on the subject reveal that the rate of increase in non-development expenditure is greater than that of either the development expenditure or the total public expenditure in the period under consideration.

#### *Causes for Rising Non-development Expenditure :*

The ever rising non-development expenditure may be attributed to factors like inflation, increased welfare activities, social and political disturbances, visits of VIPs, costly elections, and rising cost of administration of justice.

#### *1) Inflation :*

The ever rising non-development expenditure may be mainly attributed to the inflationary pressures generated in the economy. The state has been driven to spend large sums of money on its activities mainly to due a steep rise in expenditure on wages and salaries (133%) printing and stationery (90%) besides a remarkable increase in the price of fuel used for the Government vehicles in a short period of six years. The steep rise in expenditure on salaries can be mainly



attributed to periodical revision of salaries and allowances in addition to employment of extra staff on a large scale. The expenditure on Printing and Stationary has increased considerably due to rise in the price of paper, ink, and other related products. Hence, inflation is undoubtedly a major cause of ever rising non-development expenditure in the State.

*2) Increased welfare activities in the State :*

The Government of Karnataka is incurring huge expenditure in recent years particularly after 1971 on various welfare programmes. It has been the intention of the Government to promote the Welfare of the people through these programmes which include pension for the aged, training schemes for the unemployed youth, harijan welfare schemes besides the recent Employment Affirmation Scheme, and adult education schemes. The expenditures on these programmes have naturally contributed to the rapid increase in non-development expenditure in the State.

*3) Frequent occurrence of disturbances :*

The Social and Political disturbances have been occurring on an increased scale in recent years despite the fact that the people of Karnataka have been peace loving all these years. These disturbances include student-unrest, agitation by employees of the Government and Public institutions, labour unrest besides communal clashes and atrocities. It is these disturbances that cause an additional expenditure on the maintenance of law and order and protection of life and property of the citizens. It is beyond doubt that this additional expenditure can be minimised if not completely stopped. This has contributed for the rapid growth of non-development expenditure in the State.

*4) Frequent visits of the V.I.Ps :*

A considerable expenditure has been incurred in recent years on the protocol and other facilities provided for the V.I.Ps, visiting Karnataka. Similarly a considerable expenditure has been incurred all these years on the V.I.Ps. of the State visiting the capital cities of other States in the country and even foreign countries. This has contributed to the rapid growth of non-development expenditure in the State.

*5) Costly Elections :*

The total expenditure on holding elections to various bodies (Legislature, Local bodies etc.) has been rapidly increasing in recent years in the State. The

total expenditure on elections has increased from Rs. 15 lakhs to Rs. 97 lakhs between 1973-74 and 1976-77. This rapid increase in expenditure on elections may be attributed to duplication of election work on account of holding elections separately to Legislature, Parliament and Local bodies besides political clashes in the election campaign in the State. A considerable part of total expenditure on elections can be minimised by reorganising the election system and holding elections simultaneously to all the institutions in the State.

*6) Costly administration of justice :*

The Social and Political awakening of the people has influenced the people to approach law courts even in matters of petty skirmishes. This behaviour of the people has resulted in a sharp increase in the number of cases filed in the law courts in the State and the courts have been over burdened with work which has ultimately made it necessary for the State Government to set up new courts and appoint more judges and even to establish a separate department (Director of Prosecutions) to assist the law courts in disposing the cases quickly and effectively. All this has caused additional expenditure for the Government and consequently the non-development expenditure has increased rapidly in the State.

*7) Creation and continuation of superfluous jobs :*

The Government in the State is not resisting the temptation to create jobs without much need. The superfluous jobs are not abolished. These additional jobs created and the continuation of superfluous jobs have caused an avoidable and unnecessary burden on the State's finances. The grant of extension of services and re-employment of retired officials imposes a burden on the finances of the State Government. A proper streamlining of the staff pattern would ensure smooth working of the Government machinery without the creation of additional jobs. This will check the growth of non-development expenditure.

*8) Slow and delayed Legislation work :*

Social thinkers are of the opinion that the expenditure on legislation has been increasing considerably due to unnecessary delay with enactment of laws in the State. This delayed legislation work may be attributed to inadequate co-operation among the legislators, lack of adequate co-ordination between the ruling and the opposition parties besides politicalisation of all non-political issues in addition to the absence of specific work load for the legislators when the house is in session.

These factors have directly and indirectly contributed to the rapid growth of non-development expenditure in the State.

*Causes for slow growth of Development Expenditure :*

The development expenditure on the contrary has not increased in the proportion in which the non-development expenditure has been increasing. The factors responsible for the slow growth of development expenditure include the following :

1) There has been a long delay in according sanction-technical, financial and administrative-for the execution of various development projects in the State. The delayed sanctioning may be attributed to the concentration of power and authority at certain levels in the administrative hierarchy, lack of co-ordination and effective co-operation among the different officials, departments and public agencies in the State.

Often the funds provided for various development schemes are not utilised and consequently are allowed to lapse due to delayed sanctioning of the schemes. This does not leave enough time for execution and completion of the projects. All this has contributed to the slow increase in development expenditure.

*2) Delay in execution and completion of the projects :*

A considerable delay has been caused in the execution and completion of the projects. The factors responsible for this delayed execution of the projects are :

- 1) Lack of adequate, trained, skilled and efficient staff to manage the complicated tasks involved in the execution of the projects.
- 2) A continuous rise in the cost of construction of the projects due to general inflationary pressures.
- 3) The dislocation of work due to labour unrest emanating from higher wage demands.
- 4) A long delay is caused in completing the acquisition proceedings to acquire land from private owners.
- 5) Lack of efficient system of supervision and time bound programmes :
- 6) The untimely transfer of officials in charge of the projects.

The above factors have acted in an effective manner and contributed greatly to the slow progress of the development projects and consequently a slow rise in the development expenditure in the State.

### *3) Absence of fixing responsibility ;*

It is tragic to note that at present there is no effective system in force to fix the responsibilities on the officials concerned for causing undue delay in the execution and completion of the projects.

### *Suggestions to Promote Development Expenditure :*

All these factors have contributed their share to the slow growth of development expenditure in the State. It is high time now to set matters right and ensure change in the pattern of public expenditure by promoting development expenditure while reducing non-development expenditure. The development expenditure can be promoted by the following measures :

1) The concentration of power and authority should be discouraged forthwith. A system of decentralisation of powers, duties and authority should be evolved and implemented so that the execution of projects would be quick as decisions could be taken at appropriate levels without waiting for the orders to flow slowly from above.

2) A system of fixing responsibilities on the officials concerned for delays caused in the execution of projects should be evolved and implemented so that delays are avoided as far as possible.

3) A system of time bound programmes for the execution of each project should be evolved and implemented so that each project is completed within the stipulated period.

4) A system of ensuring proper, adequate and effective supervision of the projects besides issuing timely directions for their speedy execution should be evolved and implemented.

In addition to the above the Government may think of reviewing periodically the progress of various projects under execution in the State. These measures will go a long way in promoting the development expenditure and thereby the prosperity of the State.

### *Suggestions to curb Non-Development Expenditure :*

The promotion of development expenditure should go with the reduction of non-development expenditure so that the present proportion of development expenditure to non-development expenditure raises. The reduction of non-development expenditure can be ensured in the manner suggested below :

### 1) *Streamlining of administrative services :*

This can be ensured by formulation and implementation of proper policies in the matter of recruitment of staff, working of the staff in Government offices, transfer of the officials, decentralisation of powers and co-ordination among the officers and departments:

a) The Government should follow a scientific recruitment policy in the State. The creation of additional jobs should as far as possible be avoided. The procedure of recruitment should be simplified so that the recruitment of personnel becomes not only the cheapest but also the swiftest process in the functioning of the Government machinery. The contract system of employment may be encouraged in case of seasonal jobs and assignments. A periodical review of the total jobs in different departments of the Government should be undertaken. The policy of the Government should be to discourage re-employment of and extension of services for the retired officials. Thus a sound recruitment policy should be evolved and implemented to reduce excess staff while promoting maximum efficiency of whatever personnel that remains on the pay roll.

b) The working of the officials should be properly regulated and controlled. The active presence of the officials in the office during the office hours should be strictly insisted upon. The higher officials should ensure strict attendance of the officials through surprise checks, inspection and the proper maintenance of records relating to attendance, leave and movements of the officials during office hours.

c) A system of prescribing work load for each official should be evolved and strictly enforced. This should avoid delay in the performance of one's duty.

d) The State should evolve and implement a sound policy of transferring its employees. The policy of transfer should not entail more than the minimal expenditure to the Government and should promote maximum efficiency. Care should be taken to avoid frequent transfers of officials. It would be much desirable to stop transferring officials as a form of punishment. The long distance and mass transfers should be avoided.

e) The Government should evolve ways and means of reducing expenditure on unnecessary travel of the officials. This may be in the form of issue of travel passes for officials on Government duties in lieu of travelling allowance and providing free boarding and lodging facilities in Government maintained inspection bungalows and guest houses besides the dieselisation of vehicles in a phased programme. The junior officers should be discouraged to follow their senior

officers in vehicles. The use of vehicles for a single officer for long distance travel should be discouraged. The duplication and repetition of travelling should be discouraged in order to ensure smooth working besides reducing travelling expenditure of the Government officials.

f) The Government should evolve and implement a policy of decentralisation of power, duties and authority. This should be followed by the delegation of power and authority to the lower officers. This should, in effect, ensure speedy working of the departments at different levels and also avoid unnecessary correspondence, visits, and curb waste of time, money, energy and the stationery for all concerned.

g) The Government should evolve and enforce a policy of co-ordination and co-operation among the officials and the departments to ensure the speedy disposal of office files. A time limit has to be stipulated for the disposal of files in each office and the responsibility fixed on the concerned officials in case of delays caused in disposing of the files.

Thus the streamlining of the administrative services will not only promote efficiency of administration but will reduce the expenditure and thereby help to curb the ever growing non-development expenditure.

## *2) Avoiding unnecessary tours of the officials :*

A policy for regulating the tours of the Government officials including those of state officers and ministers should be evolved and enforced strictly. Experts feel that too many officials should not visit the same place or district at the same time. The outside (out of state) visits of the high officials should be strictly regulated. The practice of holding conferences and meetings at the State capital for the officials should be discouraged. Thus a strict regulation of tours of the officials will help to reduce travel-expenditure of the Government and thereby reduce non-development expenditure in the State.

## *3) The cost of fiscal services should be minimised :*

The cost of collection of taxes should be minimised by streamlining and reorganising the sales tax, excise, revenue and such other departments. The tax collection process should be simplified while the responsibilities are to be fixed on the officials for the collection of taxes. This will help to reduce the expenditure on fiscal services and thereby hold down the rapid growth of non-development expenditure.



#### *4) Regulation of the working of the Legislature :*

The Government should device a system to regulate the working of the legislature to ensure quick legislation in the State at low cost, The expenditure on the legislature-committees should be reduced wherever possible. This will help to reduce the non-development expenditure in the State.

#### *5) Minimising of Election expenditure :*

The expenditures on elections held in the State should be minimised. It would be desirable to hold elections simultaneously for all the political institutions in the State. This will avoid waste of time, money, energy, fuel, stationery and reduce the cost of election and thus the development expenditure in the State. .

#### *6) Avoiding prestigious expenditures :*

The State Government must avoid and reduce expenditure on the prestigious activities. This can be ensured by avoiding and reducing the expenditures on hosting dinner parties and presenting gifts to the V.I.Ps and other high dignitaries without affecting adversely the protocol requirements of the State.

In addition to the above, efforts are to be made for rearranging the secretariate services, arriving at a consensus among the political leaders to settle the issues through the negotiations and discouraging the grant of pensions and concessions to the people on all and sundry grounds.

## **APPENDIX**

**TABL—1**

**Public Expenditure in Karnataka**

Sl. No.	Years	Total Expenditure	Total Dev. Expenditure	Total Non-Development Expenditure	Per capita Public Expenditure	Per capita Expenditure on Non-Dev. Items	Per capita Expen. on Development Items
1	2	3	4	5	6	7	8
1	1957-58	5310.89	3830.75	1480.14	31.83	10.08	12.75
2	1962-63	9389.71	6490.22	2899.49	51.64	16.58	22.10
3	1967-68	15752.29	10193.26	5558.93	72.34	24.48	28.53
4	1972-73	35658.78	20484.56	12174.22	102.09	45.08	52.42
5	1973-74	35983.15	23846.48	12136.67	103.66	45.54	53.66
6	1974-75	36492.33	25144.93	11347.40	135.18	50.63	60.59
7	1975-76	42858.58	29793.43	13065.15	165.35	59.10	71.36
8	1976-77	49523.94	35189.74	14334.20	184.40	67.39	79.12
9	1977-78	54099.45	37953.45	16146.00	203.58	76.93	88.92
10	1978-79	65631.00	46660.00	18971.00	—	—	—
11	INCREASE	60320.11	42829.25	17490.86	171.75	66.85	76.17
12	INCREASE Percentage	1135.97	1118.25	1181.76	551.16	660.00	633.00

TABLE—II

## Statement of Development Expenditure

Sl. No.	Year	Agriculture and Co-operation	Industries	Irrigation and Power	Education	Total Development Expenditure
1	1957-58	308.82	1429.98	176.08	900.19	3830.75
2	1962-63	319.11	1147.42	385.84	1662.47	6490.22
3	1967-68	1516.17	1220.54	1157.42	3153.04	101533.36
4	1970-71	1100.06	1388.23	2324.18	5378.70	160544.59
5	1971-72	1147.51	1436.76	1950.37	5420.27	173922.89
6	1972-73	1876.09	1538.49	2548.18	6353.86	204244.52
7	1973-74	1760.82	1771.05	2658.40	6920.93	238465.48
8	1974-75	1073.39	2785.90	2717.93	8154.93	25444.93
9	1975-76	1938.18	2744.23	3137.49	9222.43	29799.43
10	1976-77	2143.74	2892.21	3843.27	10375.61	351899.74
11	1977-78	2602.00	3117.00	4152.00	11807.00	379533.45
12	1978-79	3436.00	3442.00	5132.00	14084.00	466600.00
13	Increase	3157.18	2012.02	4955.92	13183.81	428291.25
14	Increase Percentage	1022.00	140.70	2814.58	1465.77	11183.25

**TABLE - III (a)**

Development outlay for the plan period.

(Rs. in lakhs)

Sl. No	Particulars	1974-75	1975-76	1976-77	1977-78	1978-79
1	State plan					
	(a) Revenue expenditure	2611.78	3809.74	6162.50	6343.52	8665.28
	(b) Capital Outlay	7063.00	11283.60	11618.68	13519.35	18359.72
	(c) Plan programmes by State undertakings	2418.00	1959.00	4371.00	4115.00	5331.00
2	Central sponsored schemes	1100.21	1387.73	2019.20	1869.47	2895.21
3	Central plan schemes	627.06	913.61	852.77	1563.35	2103.8
4	Irrigation projects under approval of Govt. of India	1067.86	1349.48	1633.95	1665.00	2249.50
	Total ....	14887.91	20703.16	26658.10	29075.69	39603.79

**TABLE - III (b)**  
Plan Outlay (Rs. in Crores)

Sl No.	Particulars	Plan out- lay 1974-79	1974 to 75	1975 to 76	1976 to 77	1977 to 78	1978 to 78
1	Agriculture and allied programmes	156.15 18%	20.28 17%	27.01 16%	39.33 18%	41.79 17%	44.69 14%
2	Water & Power	475.00 54%	58.80 48.63%	81.22 47.93%	100.10 45.19%	110.50 46.08%	165.48 51.14%
3	Co-operation	26.25 3%	3.29 2.72%	9.12 5.38%	6.02 2.72%	8.64 3.60%	7.50 2.32
4	Industry and Minerals	29.00 3.00%	5.28% 4.37%	12.68 7.48%	11.47 5.18%	13.88 5.79%	18.64 5.76%
5	Transport and Communi- cations	31.00 3.50%	8.60 7.11%	8.09 4.77%	15.34 6.92%	13.71 5.72%	16.01 4.95%
6	Social and Community Services	169.12 19%	23.79 20%	30.45 18%	48.04 22%	50.12 21%	69.04 21%
7	Economic and General services	1.50 0.17%	0.88 0.73%	0.89 0.53%	1.22 0.55%	1.14 0.48%	2.20 0.68%
	Total	888.02	120.92	169.46	221.52	239.78	323.56



**TABLE - IV**

**Statement of Expenditure of major Non-development departments.**

(Rs. in lakhs)

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78 Rev. Est.	1978-79 Budget Est.	Increase	Percentage
Legislature	38.23	50.59	68.90	70.17	77	84	45.77	119.72
Governor	10.63	11.35	12.33	14.51	15	16	5.37	50.52
Council of Ministers	31.81	24.88	28.61	37.92	47	47	15.19	47.75
Administration of Justice	299.96	370.60	417.39	485.96	571	603	303.04	101.03
Police	15.08	43.05	58.06	97.49	221	57	41.92	2.78
Department of Tax Collection	970.61	1157.43	1287.10	1495.56	1094	1877	906.39	93.38
Parliamentary Services (Gen.)	149.36	123.78	137.92	152.86	104	174	24.64	16.50
Administrative services	71.95	100.32	117.06	140.62	191	242	170.05	236.34
Provision and Payment of Benefit	814.86	1082.32	1182.35	2205.63	2350	2650	1835.14	225.20
Administrative services	357.36	390.41	448.66	477.89	486	547	189.64	53.07
Prisons & Jails	1324.68	1726.50	1909.78	2174.57	2441.00	2174.57	849.89	64.16
Printing & Stationery	153.40	191.49	274.14	297.37	258	308	152.60	91.20

**TABLE - V**  
**Analysis of Expenditure**  
**(Both Revenue and Capital Accounts)**

(Rs. in Lakhs)

Sl No.	Particulars	1973 to 74	1974 to 75	1975 to 76	1976 to 77	1977-78 Revised Budget Estimates	1978-79 Budget Estimates	Increase in Percent- age
1	Salaries	9391 (23%)	13047 (31%)	14484 (27%)	16381 (29%)	19076 (30%)	21929 (27%)	12537 (133%)
2	Grants in aid, contributions, & Subsidies	3358 (8%)	3952 (9%)	5164 (10%)	5755 (10%)	6598 (10%)	8034 (10%)	4675 (139%)
3	Works	7823 (19%)	7027 (17%)	9479 (18%)	10282 (18%)	11516 (18%)	14496 (18%)	6673 (85%)
4	Machinery and Equipment, Tools and plants	527 (1.28%)	619 (1.46%)	1084 (2%)	1983 (3.5%)	2133 (3.3%)	2258 (2.8%)	1731 (328%)
5	Maintenance	382 (0.93%)	798 (1.88%)	930 (1.76%)	1167 (2.04%)	1086 (1.69%)	1826 (2.25%)	1444 (378%)
6	Interests Devidents	4826 (12%)	4954 (12%)	5532 (11%)	6073 (11%)	7127 (11%)	8657 (11%)	3840 (8%)
7	Others	14742	11984	16246	5640	16770	24006	9264 (63.1%)
	<b>Total</b>	<b>41051</b>	<b>42384</b>	<b>52921</b>	<b>47284</b>	<b>64309</b>	<b>81219</b>	<b>41067 98%</b>

Note: Figures in brackets indicate percentage.

**TABLE -VI**  
Statement of non-development expenditure

(Rs. in lakhs)

Sl No.	Year	General Services	Fiscal Services	Famine	Oth ers	Total
1	1957-58	649.18	509.33	37.64	283.99	1480.14
2	1962-63	946.23	1177.92	55.23	720.11	2899.49
3	1967-68	1533.93	2954.06	80.09	990.8	5558.93
4	1970-71	2089.38	4750.87	358.43	1985.02	9183.70
5	1971-72	2176.92	4420.14	671.39	2209.53	9477.98
6	1972-73	2737.64	5201.63	2500.18	1734.77	12174.22
7	1973-74	2750.99	7500.68	2407.96	1745.5	14405.13
8	1974-75	3351.88	6021.19	218.14	2499.84	12091.02
9	1975-76	3915.38	6427.13	254.35	3385.35	13982.21
10	1976-77	4611.19	6427.37	282.88	4315.57	15637.01
11	1977-78	5205.00	5968.00	295	6530	17998
12	1978-79	5839.00	9217.00	75	5982	21113
13	Increase	5189.82	8707.67	37.36	6265.99	19632
14	Increase Per-centage	799.54%	1710.60%	100.00%	2213.78%	1326.49%

## **CONCLUSION**

Thus the implementation of the above measures will go a long way in reducing the non-development expenditure and the funds so saved can be devoted to the execution and completion of development projects and the promotion of economic development of the State. It should be the endeavour of the Government to maintain the ratio of 1 : 4 between the non-development and development expenditures in the State, so that the non-development expenditure should not exceed 20% of the total public expenditure in the State. This makes it necessary for the State to seek guidance from experts. For this purpose it has to appoint an Expenditure Committee consisting of experts to make an in-depth study of the various aspects of public expenditure and make necessary recommendations to reduce non-development expenditure while promoting development expenditure in order to promote the economic wellbeing of the people.

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