

GOVERNMENT OF KARNATAKA

62

AN ECONOMIC-CUM-PURPOSE CLASSIFICATION  
OF THE  
KARNATAKA GOVERNMENT BUDGET  
1986-87

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## P R E F A C E

The Annual Financial Statement or the 'Budget' of the State Government is presented to the Legislature every year in a conventional pattern. It furnishes detailed information on its receipts and expenditure and other financial transactions for a given financial year and the preceding two years. This form of presentation may secure accountability for any act of spending and may also meet the needs of administrative convenience and ensure control by the Legislature. But it does not bring out the economic significance of the budgetary transactions of the Government.

In order to assess the economic significance of the budgetary transactions, a reclassification of the accounts presented in the budget that would throw light on the extent of capital formation out of the budgetary resources, savings of the Government, draft made by the Government on various sources of the economy and the contribution of the Government to the generation of State Income etc., is essential. Hence, the need for economic classification an attempt is made here to reclassify, regroup and reduce the data scattered over in the budget documents to a set of three accounts in the the above direction. The classification presented in this report relates to the years 1984-85 (Accounts), 1985-86 (Revised Estimates) & 1986-87 (Budget Estimates).

The purpose classification deals with the classification of the Government expenditure according to different types of services provided directly or financed by the State Government through current and capital grants or loans. The purpose classification presented here relates to the same years indicated above.

These two classifications have been combined to form an 'Economic-cum-Purpose Classification'. This integrated

classification indicates as to how the expenditure for a particular purpose is distributed among different economic categories and also how the expenditure in a particular economic category is distributed among different purposes or public services provided.

In order to have comparable data, the Central Statistical Organisation, Government of India, New Delhi, had set forth a revised uniform methodology for all the States in the workshop held in July - August, 1983. This methodology is followed in this classification as against the old classification followed during the earlier years.

It is hoped that the analysis of the budgetary transactions presented here will be found useful by all those who are engaged in the study of these transactions.

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Bangalore  
Dated :13-8-87.

Sd/-  
( Smt.Vatsala Watsa)  
Director.

PART I  
ECONOMIC CLASSIFICATION

1. Principles of the Economic Classification of the Budgetary Transactions

Government sector is broadly divided into Administrative departments and Departmental enterprises. The economic classification presented here is based on the system of National Accounts. It is based on generally accepted concepts and definitions developed in the field of national accounting for analysis of various sectors of the economy and their inter-relationships, which in effect, presents an inter-locking system of accounts for the transactions of the whole economy and Government accounts appear as one element of this whole system.

The demands for grants in the Budget first show expenditure gross of all recoveries but subsequently recoveries are deducted and only the net figures are shown in the Annual Financial Statement. For purposes of economic classification, expenditures are shown net of recoveries from all outside sectors except recoveries which are in the nature of sale of commodities and services. These recoveries, in turn, are deducted from the purchase of commodities and services of the Government.

The system of classification adopted here is based on a series of distinctions useful for analysing their economic impact on the rest of the economy. The term 'rest of the economy' refers to all entities other than the State Government and includes the Central Government, other State Governments, local bodies, statutory public undertakings, private commercial and non-commercial corporations or companies and individuals. 'Current transactions' are distinguished from 'Capital transactions' and under both, transactions in commodities and services are separated from transfers. The current transactions of Government



Administration are distinguished from the current operations of Departmental Enterprises; while current expenditure of the former on wages and salaries and commodities and services are final outlays, those of the latter are intermediate expenditure such as cost of materials, fuels, etc. In other words, such expenditures represent expenses of production and not expenditures on final commodities and services. Purely financial transactions are again separated from transactions in commodities and services and transfers. The Economic Classification of the State Government Budget is presented in three standard tables as recommended by the Regional Accounts committee and adopted for the National Accounts Statistics.

## 2. THE SET OF ACCOUNTS

The budgetary transactions of the State Government have been classified into three standard tables as indicated below:

Table 1 : Income & Outlay Account of Administrative Departments.

Table 2 : Production Account of Departmental Enterprises.

Table 3 : Capital Finance Account of the General Government.

Each of these three tables brings out a meaningful set of totals.

Table 1 : This table deals with the current revenue & expenditure of the administrative departments excluding departmental enterprises. On the receipts side, it indicates current tax receipts, income from property and entrepreneurship, revenue grants and contributions from the rest of the economy and other miscellaneous receipts. On the expenditure side, it consists of Government consumption expenditure and current transfer payments.

Table 2 : This table furnishes the sales receipts and operating expenses of the departmental enterprises such as Forest, Irrigation, Industries, Dairy Development, etc.

Table 3 : This table, on the expenditure side, gives total capital formation by the State Government administration and its departmental enterprises & capital transfers. The receipts side includes savings by the State Government emerging from Table 1, Capital transfers, net borrowing and other liabilities of the State Government.

The structure of these three tables is presented in the following pages.

Table - 1

Income and Outlay Account of Administrative Departments

(Rs. in lakhs)

Items	1984-85(A/C)	1985-86(RE)	1986-87(BE)
<u>Expenditure:</u>			
1. Consumption Expenditure:	745,95	901,21	1020,95
1.1 Compensation of employees	624,88	737,11	836,69
1.1.1 Wages and Salaries etc.	524,55	637,47	736,05
1.1.2 Pensions	100,33	99,64	100,64
1.2 Net purchase of commodities and services:	121,07	164,10	184,26
1.2.1 Purchases	164,00	194,42	210,03
1.2.2 Maintenance and Repairs	40,35	43,99	53,65
1.2.3 <u>Less</u> Sales	83,28	74,31	79,42
2. Net Interest paid	67,85	80,74	116,33
2.1 to public authorities	21,88	19,36	5,70
a) Centre	21,88	19,36	5,70
b) States	-	-	-
c) Local bodies	-	-	-
2.2 to foreign	-	-	-
2.3 to others	41,97	61,38	110,63
3. Subsidies	171,02	184,22	191,81
4. Current transfers	317,86	348,43	421,65
4.1 to public authorities:	71,66	57,02	78,29
a) Centre	-	-	-
b) States	-	-	-
c) Local bodies	71,66	57,02	78,29
4.2 to the rest of the world	-	-	-
4.3 to other sectors	246,20	291,41	343,36
5. Savings	241,40	353,19	344,04
6. Total Expenditure	1540,08	1867,79	2094,78

Table - 1 (concl'd)

(Rs.in lakhs)

1	2	3	4
<u>Receipts:</u>			
7. Income from property and entrepreneurship:	268,03	306,60	357,05
7.1 Profits	33,34	33,50	33,10
7.2 Income from property	234,69	273,10	321,95
7.2.1 net interest receipts	70,61	90,45	107,64
7.2.1.1 from public authority	16	1,59	1,65
a) Centre	-	-	-
b) States	-	-	-
c) Local bodies	16	1,59	1,65
7.2.1.2 from foreign	-	-	-
7.2.1.3 from other sectors	70,45	88,86	105,99
7.2.2 other property receipts	164,08	182,65	214,31
8. Direct taxes:	104,04	112,18	121,66
8.1 Land Revenue	6,59	7,22	7,19
8.2 Other taxes	97,45	104,96	114,47
9. Indirect taxes:	964,65	1192,82	1362,88
9.1 Excise	284,72	327,19	358,30
9.2 Sales tax	484,59	583,00	680,00
9.3 Stamps and Registration	46,80	53,71	60,00
9.4 Other taxes & duties	<del>195,34</del> 148,54	228,92	264,58
10. Miscellaneous Receipts	15,06	18,70	18,95
11. Revenue grants from other Governments:	188,30	237,49	234,24
a) Centre	188,30	237,49	234,24
b) States	-	-	-
12. Total receipts	1540,08	1867,79	2034,78

Table - 2

Production Account of Departmental Enterprises

(Rs. in lakhs)

Items	1984-85 (A/C)	1985-86 (R.E)	1986-87 (B.E)
<u>Expenditure:</u>			
1. Purchase of commodities and services (including maintenance)	37,54	32,36	33,34
2. Compensation of employees	32,98	33,00	36,10
3. Interest	71,40	80,12	90,28
4. Consumption of fixed capital	1	1	1
5. Profits	33,34	33,50	35,10
6. <u>Less</u> imputed irrigation subsidy	101,61	105,91	116,66
7. Total expenditure	73,66	73,08	78,17
<u>Receipts:</u>			
8. Sales	73,66	73,08	78,17
9. Total receipts	73,66	73,08	78,17

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Table-3

Capital Finance Account of General Govt.

(Rs.in lakhs)

Items	1984-85 (A/C)	1985-86 (R.E.)	1986-87 (B.E.)
<u>Expenditure:</u>			
1. Change in stocks:	14,48	(-) 58	-
1.1 Administrative de- departments	14,03	(-) 58	-
1.2 Departmental Enterprises	45	-	-
2. Gross fixed capital formation:	413,66	477,47	465,04
2.1 Administrative departments	228,06	269,34	215,55
2.2 Departmental Enterprises	185,60	208,13	249,49
3. Net purchase of physical assets:	63	51	57
3.1 Second-hand assets	-	2	2
a) Administrative departments	-	2	2
b) Departmental Enterprises	-	-	-
3.2 Land	63	49	55
a) Administrative departments	56	38	45
b) Departmental Enterprises	7	11	10
4. Capital transfers:	28,78	28,03	41,76
4.1 to other Govts.	-	-	-
4.2 to the rest of the world	-	-	-
4.3 to other sectors	28,78	28,03	41,76
5. Total expenditure	457,55	505,43	507,37

Capital Finance Account of General Government (Concl'd)

(Rs.in lakhs)

Items	1984-85 (A/C)	1985-86 (R.E.)	1986-87 (B.E.)
<u>Receipts:</u>			
6. Savings	241,40	353,19	344,04
7. Consumption of fixed capital	1	1	1
8. Capital transfers:	-	-	-
8.1 from the other Governments	-	-	-
8.2 from the rest of the world	-	-	-
9. Net Borrowing:	88,55	111,27	116,84
9.1 at home	88,55	111,27	116,84
9.2 abroad	-	-	-
10. Other liabilities:	127,59	40,96	46,48
10.1 Extra budgetary receipts	167,54	70,95	85,60
10.2 <u>Less</u> net purchase of financial assets	39,95	29,99	39,12
11. Total Receipts	457,55	505,43	507,37

### 3. SIGNIFICANT MAGNITUDES

The three standard tables presented earlier indicate the various aspects of the budgetary transactions of the State Government. Some of the significant magnitudes arrived at on the basis of these tables are presented below:.

#### Total expenditure

The following table furnishes the total expenditure of the State Government excluding operating expenses of the departmental enterprises. This represents aggregate flow back of funds to the rest of the economy. It has increased from Rs.2018,72 lakhs during 1984-85 (A/C) to Rs.2311,17 lakhs during 1985-86 (R.E.) or by 14,48%. Though the total expenditure has increased further to Rs.2544,80 lakhs during 1986-87 (B.E.), the increase is only 10.12% over the previous year.



Distribution of the total expenditure by three major components are presented below:

Items	(Rs.in lakhs)		
	1984-85 (A/C)	1985-86 (R.E.)	1986-87 (B.E.)
1	2	3	4
1. Final outlays	1174,72	1378,61	1486,56
a) Govt.consumption expenditure	745,95	901,21	1020,95
b) Gross capital for- mation	428,14	476,89	465,04
c) Acquisition of physical assets	63	51	57
2. Transfer payments to the rest of the economy	581,51	641,42	771,55
a) Current transfers*	552,73	613,39	729,79
b) Capital transfers	28,78	28,03	41,76
3. Financial investments & loans to the rest of the economy	262,49	291,14	286,69
<b>Total expenditure</b>	<b>2018,72</b>	<b>2311,17</b>	<b>2544,80</b>

\* Current transfers include interest and subsidy also.  
Final Outlays: This is the major component of the total expenditure of the State Government during all the three years and its share during 1986-87 is of the order of Rs.1486,56 lakhs or 58.4% of the total expenditure of Rs.2544,80 lakhs. The corresponding percentage shares of this component during 1984-85 and 1985-86 are **58.2%** and 59.7%. Final outlay is the direct expenditure of the State Government on commodities and services for current consumption as well as capital formation.

Transfer payments: This consists of both current and capital transfers. Its share of Rs.771,55 lakhs during 1986-87 forms 30.3% of the total expenditure. The corresponding percentages for 1984-85 and 1985-86 are **28.8** and 27.8.

Financial investments and loans: The contribution of this item of expenditure to the total expenditure during 1984-85 is Rs.262,49 lakhs or 13.1 percent, corresponding percentages for 1985-86 and 1986-87 are 12.6 and 11.3.

Current Receipts: In assessing the economic implication of the expenditure of the Government, it is necessary to examine the sources from which it is financed. The current receipts of the State Government are furnished under significant economic heads in the table given below:

Current Receipts  
(Rs. in lakhs)

Items	1984-85 (A/C)	1985-86 (R.E.)	1986-87 (B.E.)
1	2	3	4
1. Tax Receipts	1068,69	1305,00	1484,54
2. Income from property & entrepreneurship	268,03	306,60	357,05
3. Fees and Miscellaneous receipts	15,06	18,70	18,95
4. Revenue grants from Govt. of India	188,30	237,49	234,24
5. Total Current Receipts	1540,08	1867,79	2094,78

All the components of total current receipts of the State Government are showing an increasing trend. Tax receipts are the major source of total current receipts during all the three years. It contributes Rs.1484,54 lakhs or 70.9 percent of total current receipts of Rs.2094,78 lakhs of the State Govt. during 1986-87.

Current Outgoings: This constitutes consumption expenditure

as well as transfer payments of the State Government as indicated below:

Current Outgoings

(Rs. in lakhs)

Items	1984-85 (A/C)	1985-86 (R.E.)	1986-87 (B.E.)
1	2	3	4
1. Consumption expenditure	745,95	901,21	1020,95
2. Transfer payments	581,51	641,42	771,55
3. Total current outgoings (1+2)	1327,46	1542,63	1792,50

Current outgoings have increased from Rs.1327,46 lakhs during 1984-85(A/C) to Rs.1542,63 lakhs during 1985-86(RE) and it is expected to increase further to Rs.1792,50 lakhs during 1986-87 (B.E.). Consumption expenditure exceeds transfer payments during all the three years and constitutes 57.0 percent of total current outgoings during 1986-87.

Net Surplus of Departmental Enterprises: Net surplus of departmental enterprises as measured by the excess of gross receipts over operating expenses, indicate the financial results of the working of these enterprises. Transfer of this surplus to Government administration adds to its current receipts. The net surplus of these enterprises are showing

an increasing trend as shown below:

Net Surplus of Departmental Enterprises

(Rs.in lakhs)

Items	1984-85 (A/C)	1985-86 (R.E.)	1986-87 (B.E.)
1	2	3	4
1. Gross receipts*	175,27	178,99	194,83
2. Operating Expenses	141,93	145,49	159,73
3. Net surplus (1-2)	33,34	33,50	35,10

\*Includes press charges and Imputed irrigation subsidy.

Estimates of net product from public administration

(Rs.in lakhs)

Items	1984-85 (A/C)	1985-86 (R.E.)	1986-87 (B.E.)
1	2	3	4
<u>Administration</u>			
1. Total wages and salaries	624,88	737,11	836,69
<u>Less</u> wages and salaries in			
2. Construction (Repairs & Maintenance)	10,62	13,10	12,62
3. Water supply	36	49	75
4. Other services			
a) Education	240,00	312,08	343,80
b) Medical and Public Health	51,39	48,84	60,63
c) Sanitation	3	7	9
5. Sub-total (2 to 4)	302,40	374,58	417,89
6. Public administration (1-5)	322,48	362,53	418,80

Borrowing Account

Net receipts from borrowing and extra-budgetary receipts which appear in the capital Finance Account of the General Government (vide Table III) have been arrived at from the items constituting this Account.

Borrowing Account

(Rs. in lakhs)

Items	1984-85(A/c)		1985-86(R.E)		1986-87 (B.E)	
	Receipts	Exp.	Receipts	Exp.	Receipts	Exp.
1	2	3	4	5	6	7
<b>Borrowing at home</b>						
1. Internal debt	975,08	929,17	772,12	708,25	587,00	525,9
2. Small savings provident fund etc.	69,01	26,37	76,20	28,80	87,00	31,2
3. Other debt	-	-	-	-	-	-
<b>Total:</b>	<b>1044,09</b>	<b>955,54</b>	<b>848,32</b>	<b>737,05</b>	<b>674,00</b>	<b>557,1</b>
Net Receipts	88,55	-	111,27	-	116,84	-
<b>Borrowing abroad</b>						
1. External Debt	-	-	-	-	-	-
2. Other Debt	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Receipts	-	-	-	-	-	-
<b>Extra-budgetary Receipts and adjustment for cash balances</b>						
1. Loans from G.O.	371,76	190,28	710,11	227,68	409,19	247,0
2. Loans & advances by State Govern- ment	56,62	222,55	77,28	261,15	94,27	247,57
3. Inter-State Sett- lement	7	2,00	-	2,00	-	2,00
4. Contingency fund	33,10	70,99	50,99	15,00	15,00	115,00
5. Reserve Funds	156,01	48,72	181,29	36,34	135,39	28,29
6. Deposits and advances	416,42	467,08	500,81	504,81	507,83	507,83
7. Suspense & Miscellaneous	903,57	808,84	1257,00	1270,51	1458,76	1410,52

Borrowing Account (concl'd).

(Rs. in lakhs)

	2	3	4	5	6	7	8
Remittances		597,24	596,25	604,05	604,05	654,10	654,10
Cash balance(-)		77,11	(-)257,86	(-)257,86	(-) 35,75	(-) 35,75	(-) 79,31
Funds - Revenue A/c.		4,63	147,91	2,73	173,07	2,73	123,75
Funds - Capital A/c.		-	(-)2,84	-	(-) 3,41	-	(-) 83
Funds Commercial A/c.		2	87	-	-	-	-
Total:		2 162,33	2 294,79	3 126,40	3 055,45	3 241,52	3 155,92
Receipts			167,54		70,93		85,60

Net Domestic Product by industry of origin and factor incomes

Departmental enterprises

1984-85 (A/C)

(Rs. in lakhs)

Items	Compen- sation of emplo- yees	Purchase of commo- dities & servi- ces	Maintenance			Inte- rest	Pro- fits	Depre- cia- tion	Receipts			Net pro- duct (2+ 7+8)	Gross product (13+9)
			B(m)	R(m)	C(m)				Sales	Impu- ted Irr- igation subsidy	Total (10+ 11)		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Irrigation	11,83	1,65	-	-	23,55	70,96	-	-	6,38	101,61	107,99	82,79	82,79
2. Forest	15,35	3,26	23	-	-	-	36,60	-	55,44	-	55,44	51,95	51,95
3. Industries	97	2,64	-	-	-	44	(-)1,89	1	2,17	-	2,17	(-)48	(-) 47
4. Dairy Develop- ment	38	5,61	-	-	-	-	(-)74	-	5,25	-	5,25	(-)36	(-) 36
5. Stationery and Printing	3,94	13	-	-	-	-	-	-	4,07	-	4,07	3,94	3,94
6. Civil avia- tion	6	9	-	-	-	-	(-)11	-	4	-	4	(-)5	(-) 5
7. Ports, Light Houses & Shipp- ing	45	38	-	-	-	-	(-)52	-	31	-	31	(-)7	(-) 7
8. Power Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>32,98</b>	<b>13,76</b>	<b>23</b>	<b>-</b>	<b>23,55</b>	<b>71,40</b>	<b>33,34</b>	<b>1</b>	<b>73,66</b>	<b>101,61</b>	<b>175,27</b>	<b>137,72</b>	<b>13,773</b>

B(m) = Building maintenance

R(m) = Road maintenance

C(m) = Construction maintenance

(Rs. in lakhs)

Items	Compen- sation of emplo- yees	Purchase of commo- dities & servi- ces	Maintenance			Inte- rest	Pro- fit	De- pre- cia- tion	Receipts			Net pro- duct (2+7+ 8)	Gross products (13+)
			B(m)	R(m)	C(m)				Sales	Impu- ted Irri- gation subsidy	To- tal (10+ 11)		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Irrigation	10,46	82	23	-	22,78	79,79	-	-	7,94	105,91	113,85	90,25	90,25
2. Forest	16,37	3,73	-	-	-	-	37,31	-	57,64	-	57,64	53,68	53,68
3. Industries	1,07	3,43	-	-	-	33	(-)2,24	1	2,60	-	2,60	(-)84	(-)83
4. Dairy Develop- ment	-	71	-	-	-	-	(-) 71	-	-	-	-	(-)71	(-) 71
5. Stationery and Printing	4,52	6	-	-	-	-	-	-	4,58	-	4,58	4,52	4,52
6. Civil aviation	7	10	-	-	-	-	(-) 14	-	3	-	3	(-)7	(-)7
7. Ports, Light houses and shipping	51	50	-	-	-	-	(-) 72	-	29	-	29	(-)21	(-)21
8. Power projects	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>33,00</b>	<b>9,35</b>	<b>23</b>	<b>-</b>	<b>22,78</b>	<b>80,12</b>	<b>33,50</b>	<b>1</b>	<b>73,08</b>	<b>105,91</b>	<b>178,99</b>	<b>146,62</b>	<b>146,63</b>

B(m) = Building maintenance

R(m) = Road maintenance

C(m) = Construction maintenance



(Rs. in lakhs)

Items	Compen- sation of emplo- yees	Purchase of commo- ditities & services	Maintenance			Inte- rest	Pro- fit	Depre- cia- tion	Receipts			Net produ- ct(2+ 7+8)	Gross product (13+9)
			B(m)	R(m)	C(m)				Sales	Impu- ted Irri- gation subsidy	Total (10+ 11)		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Irrigation	12,17	1,00	-	-	23,98	89,96	-	-	10,45	116,66	127,11	102,13	102,13
2. Forest	16,79	3,55	24	-	-	-	39,06	-	59,64	-	59,64	55,85	55,85
3. Industries	1,22	3,52	-	-	-	32	(-),42	1	2,65	-	2,65	(-) 88	(-) 87
4. Dairy Develop- ment	-	50	-	-	-	-	(-) 50	-	-	-	-	(-) 50	(-) 50
5. Printing and Stationery	5,20	(-) 16	-	-	-	-	-	-	5,04	-	5,04	5,20	5,20
6. Civil avia- tion	11	16	-	-	-	-	(-) 23	-	4	-	4	(-) 12	(-) 12
7. Ports, Light houses and shipping	61	55	-	-	-	-	(-) 81	-	35	-	35	(-) 20	(-) 20
8. Power Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>36,10</b>	<b>9,12</b>	<b>24</b>	<b>-</b>	<b>23,98</b>	<b>90,28</b>	<b>35,10</b>	<b>1</b>	<b>78,17</b>	<b>116,66</b>	<b>194,83</b>	<b>161,48</b>	<b>161,49</b>

B(m) = Building maintenance

R(m) = Road maintenance

C(m) = Construction maintenance.

(Rs. in lakhs)

Items	Gross domestic fixed capital formation							Total (7+8)	Change in stock	Gross capital formation	De-precia-tion	Net capi-tal forma-tion
	Build-ing	Roads and brid-ge	Other cons-truc-tion	Trans-port machi-nery	Machi-nery & equip-ment	Total new outlay (2 to 6)	Net pur-chase of physical assets - land					
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Irriga-tion	-	-	79	-	67	1,46	-	1,46	45	1,91	-	1,91
2. Forest	-	8	22,60	7	9	22,84	-	22,84	-	22,84	-	22,84
3. Indus-tries	-	-	-	-	-	-	-	-	-	-	(-) <sup>1</sup>	(-) <sup>1</sup>
4. Dairy Development	4	-	-	47	9	60	-	60	-	60	-	60
5. Printing & Sta-tionery	-	-	-	-	57	57	-	57	-	57	-	57
6. Civil aviation	-	-	-	-	-	-	-	-	-	-	-	-
7. Ports, light houses & shipping	-	-	-	1	2	3	6	9	-	9	-	9
8. Power projects	-	-	-	-	-	-	1	1	-	1	-	1
9. Grand Total	4	8	23,39	55	1,44	25,50	7	25,57	45	26,02	(-) <sup>1</sup>	26,01

ad/-

Items	Gross domestic fixed capital formation								Change in stock	Gross capital formation	Depreciation	Net capital formation
	Building	Roads and bridges	Other constructions	Transport machinery	Other machinery	New outlay (2 to 6)	Net purchase of physical assets - land	Total (7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Irrigation	-	-	50	-	18	68	-	68	-	68	-	68
2. Forest	-	7	23,14	16	9	23,46	-	23,46	-	23,46	-	23,46
3. Industries	-	-	-	-	-	-	-	-	-	-	(- )1	(- ) 1
4. Dairy development	-	-	-	-	-	-	-	-	-	-	-	-
5. Printing and Stationery	-	-	-	-	68	68	-	68	-	68	-	68
6. Civil aviation	-	-	-	-	10	10	-	10	-	10	-	10
7. Ports, light houses & shipping	-	-	-	1	-	1	5	6	-	6	-	6
8. Power projects	-	-	-	-	-	-	6	6	-	6	-	6
9. Grand Total	-	7	23,64	17	1,05	24,93	11	25,04	-	25,04	(- )1	25,03

ad/-

1986-87 (P.E.)

(Rs. in lakhs)

Items	Gross domestic fixed capital formation								Change in stocks	Gross capital formation (9+10)	Depreciation	Net capital formation for
	Build- ing	Roads and bridges	Other cons- tructions	Trans- port machi- nery	Other machi- nery	New out- lay (2 to 6)	let pur- chase of physical assets - land	Total (7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Irrigation	-	-	57	-	21	78	-	78	-	78	-	78
2. Forest	-	7	23,43	17	9	23,76	-	23,76	-	23,76	-	23,76
3. Industries	-	-	-	-	-	-	-	-	-	-	(-) 1	(-) 1
4. Dairy Develop- ment	-	-	-	-	-	-	-	-	-	-	-	-
5. Printing & Sta- tionery	-	-	-	-	54	54	-	54	-	54	-	54
6. Civil aviation	-	-	-	1	2	3	-	3	-	3	-	3
7. Ports, light houses and shipping	-	-	-	-	-	-	10	10	-	10	-	10
8. Power projects	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	-	7	24,00	18	86	25,11	10	25,21	-	25,21	(-) 1	25,20

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Capital formation by types of assets and industry of use (Administration)  
1984-85 (A/C)

(Rs. in lakhs)

Items	Gross domestic capital formation							Change in stocks	Gross/net capital formation (9+10)	
	Build- ing	Roads and Brind- ges	Other cons- truc- tion	Trans- port equip- ment	Other machi- nery equip- ment	Total new outlay (2 to 6)	Net purchase of se- cond hand assets			Total (7+8)
1	2	3	4	5	6	7	8	9	10	11
1. Administra- tion (Total)	57,96	46,20	99,78	6,57	17,55	228,06	-	228,06	14,03	242,09
<u>Less</u>										
2. Construction- Machinery and stocks of P.W.D.	-	-	-	-	4,22	4,22	-	4,22	-	4,22
3. Water supply			1,22		1,13	2,35	-	2,35	-	2,35
4. Other services										
(i) Education	1,49	-	-	1	1,31	2,81	-	2,81	-	2,81
(ii) Medical and Public Heal- th	6,39	-	1,54	61	5,62	14,16	-	14,16	74	14,90
(iii) Sanitation	-	-	1	-	49	50	-	50	-	50
5. Total (2 to 4)	7,88	-	2,77	62	12,77	24,04	-	24,04	74	24,78
6. Public admini- stration (1-5)	50,08	46,20	97,01	5,95	4,78	204,02	-	204,02	13,29	217 31

ad/-

1985-86 (R.E.)

(Rs. in lakhs)

Items	Gross domestic capital formation						Net pur- chase of physical assets	Total (7 + 8)	Change in stocks	Gross/net capital formation (9 + 10)
	Buil- ding	Roads and Brid- ges	Other cons- truc- tion	Trans- port equip- ment	Other machi- nery equip- ment	Total new outlay (2 to 6)				
1	2	3	4	5	6	7	8	9	10	11
1. Administration (total)	62,75	52,40	126,66	6,32	21,21	269,34	-	269,34	(-) 58	268,76
<u>Less</u>										
2. Construction-Machinery and stocks of P.W.D.	-	-	-	-	5,50	5,50	-	5,50	-	5,50
3. Water supply	-	-	4,74	-	1,88	6,62	-	6,62	-	6,62
4. <u>Other services</u>										
(i) Education	2,92	-	-	4	98	3,94	-	3,94	-	3,94
(ii) Medical and public health	4,14	-	1,94	30	6,65	13,03	-	13,03	-	13,03
(iii) Sanitation	-	-	5	-	70	75	-	75	-	75
5. Total (2 to 4)	7,06	-	6,73	34	15,71	29,84	-	29,84	-	29,84
6. Public administration (1 - 5)	55,69	52,40	119,93	5,98	5,50	239,50	-	239,50	(-) 58	238,92

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1986-87 (B.E.)

(Rs. in lakhs)

Items	Gross domestic capital formation						Net purchase of physical assets (7+8)	Total (7+8)	Change in stocks (10)	Gross/net capital formation (9+10)
	Buil- ding	Roads and Brid- ges	Other cons- truc- tions	Trans- port equip- ment	Other machi- nery equip- ment	Total new outlay (2 to 6)				
1	2	3	4	5	6	7	8	9	10	11
1. Administration (total)	69,61	35,37	76,25	6,75	27,57	215,55	-	215,55	-	215,55
<u>Less</u>										
2. Construction-Machinery and stocks of P.W.D.	-	-	-	-	6,40	6,40	-	6,40	-	6,40
3. Water supply	-	-	2,75	-	3,25	6,00	-	6,00	-	6,00
4. Other services										
(i) Education	3,68	-	-	3	2,02	5,73	-	5,73	-	5,73
(ii) Medical & Public Health	2,05	-	2,33	37	8,05	12,80	-	12,80	-	12,80
(iii) Sanitation	-	-	-	-	50	50	-	50	-	50
5. Total (2 to 4)	5,73	-	5,08	40	20,22	31,43	-	31,43	-	31,43
6. Public administration (1 - 5)	63,88	35,37	71,17	6,35	7,35	184,12	-	184,12	-	184,12

NOTES ON THE ACCOUNTS

Table 1: Income and outlay Account of Administrative Departments

This account deals with the current revenue and expenditure of Government administrative departments. All the departments other than those which are commercial in nature, are considered administrative for the purpose of economic classification. These include organs of the State, Fiscal services, Interest payment and servicing of debt, administrative services like police, Jails, Supplies and disposals, pensions etc., and economic services like agriculture, animal husbandry, community development etc. The management of expenditure of various funds like famine relief, and drought relief funds, etc. are also included. The current expenditure of administrative departments consists of the final outlays of Government on current account which represent Government's current consumption. The final outlays are made up of purchases of commodities and services and wages and salaries. Besides, Government makes transfer payments, such as, interest, grants, subsidies, etc., to the rest of the economy which are added indirectly to the disposable income of the community. To meet these current expenditures. Government appropriates a part of the income of the community through a variety of taxes, miscellaneous fees etc., accruing in the course of administration. In addition, Government has an investment income from property and entrepreneurship and also receives revenue grants, contributions and recoveries from the Central Government and the rest of the economy. The excess of current receipts over current expenditure denotes the 'Saving' of the Government administration available for domestic capital formation. Some of the items included in this account are explained below:

Compensation of employees: This item comprises of pay of Officers, pay of establishment, wages paid to casual labour, allowances and honoraria other than travelling and daily allowances, contribution to Provident fund. pension payments and the payments in kind, such as, the cost of liveries and uniforms and rations supplied to police personnel.



Commodities and services: This item includes all expenditure under contingency, such as, office supplies, rent, rates and taxes, fuel and light, printing, travel expenses, telephone and telegraph charges, and other items of current operations and the whole of expenditure on current repairs and maintenance. less sale of commodities and services by Government to enterprises and households.

Interest: This is the interest paid on public debt and other obligations other than on commercial debt which is included in Table - 2.

Subsidies: These are grants on current account which private industries receive from the Government. These may take the form of direct payments to the producers or differentials between the buying and selling prices of Government trading organisations. All current transfers to public Corporations, irrespective of whether they are made to maintain the price level or for other purposes, are treated as subsidies. Rebate on the sale of handloom cloth, loss on the sale of fertilisers, improved seeds, pesticides and agricultural implements, loss suffered by the Co-operative societies etc., are treated as subsidies. In the case of Irrigation, the loss incurred by the departmental Commercial undertaking is treated as subsidy.

Current Transfers: Include grants to local bodies, grants to aided schools, scholarships and stipends and other current transfers to households, such as, pensions for distinguished and meritorious services, territorial and political pensions, old age pensions, family allowances, prizes, gratuitous relief to famine stricken people, awards and other miscellaneous compensations and contributions etc., to private non-profit institutions.

Saving on current Account: This represents the excess of current receipts over current expenditure.

Income from property and Entrepreneurship: This flow records the income receivable by the State Government from departmental enterprises as well as the net rent, and dividends accruing to it from the ownership of buildings or financial assets.

Interest: Interest received can be classified into three broad categories, from the household, from the local bodies and from the departmental enterprises. The interest received from departmental enterprises appears as a payment item in Table 2, Production Account of Departmental Enterprises. This item, therefore, is deducted from both interest received and interest paid so that there is no double counting.

Direct Taxes: These include taxes on income other than Corporation Tax, Agricultural Income Tax, Land Revenue, Estate Duty and other Taxes on Income and Expenditure.

Indirect Taxes: These are defined as taxes assessed on producers that are chargeable to the cost of commodities and services produced or sold. They include union and State Excise Duties, Stamps and Registration fees, Sales Tax, Taxes on vehicles, Taxes on goods and passengers, Electricity duties, Betting and Entertainment Taxes, Education cess and Health cess.

Miscellaneous Receipts: Include fees, fines and forfeitures.

Revenue Grants, Contributions, etc.: Grants received from Govt. of India have been divided into revenue and capital grants, revenue grants are shown here.

Table 2: Production Account of Departmental Enterprises

The departmental enterprises or Government trading enterprises may be defined as Government agencies producing commodities and services that are not provided free of charge. The operation of these enterprises, are of the nature of entrepreneurial activities of Government. Current expenditure of these enterprises, like working expenses of productive enterprises, constitute intermediate expenditure that enter into prices of commodities and services as these are sold to the other sectors of the economy. Hence, expenditures of these enterprises are different in character from final outlays by administrative departments. And the sale proceeds of these are different from the receipts of purely administrative departments which have no income of their own and draw upon incomes of other sectors to meet their expenditure. Other main characteristics are

- (i) Departmental enterprises are subject to market forces i.e. demand and supply.
- (ii) The activities of such enterprises are subordinate to legislative control and are owned, run and managed by the Government.
- (iii) The intention to make profit is not the essential characteristics and the activities of such enterprise may be carried on deliberately at a loss.
- (iv) The operation of departmental enterprises usually involves the use of expensive capital equipment and the holding of stocks which may be subject to large fluctuations and the provision for depreciation may, therefore, be a significant element in the total cost of operations.
- (v) Commercial accounting methods have to be used to determine the profit or loss.
- (vi) To maintain their operations, departmental enterprises must both give and receive commercial credit.

Independent statutory corporations and boards set up by the State Government are excluded from the purview of this table. In this study, the following have been classified as departmental enterprises.

- (a) Stationary and printing
- (b) Dairy Development
- (c) Forest
- (d) Industries
- (e) Irrigation
- (f) Power projects
- (g) Ports, Light Houses and Shipping
- (h) Civil Aviation

The expenditure side of this table consists of the following items of current expenditure of departmental enterprises, such as, compensation of employees (i.e. Wages and salaries), purchase of commodities and services (including maintenance and repairs), interest, consumption of fixed capital and profits. The loss on irrigation is treated as subsidy and is shown as negative expenditure on the expenditure side of the table. The sale proceeds are furnished on the receipt side.

Table 3: Capital Finance Account  
of General Government

This account deals with the total capital formation by State Government Administration and its departmental enterprises together with capital transfer payments which are mostly for assisting capital formation in the rest of the economy. The capital expenditure of Government administration and departmental enterprises are given separately, whereas, the sources of finance are common to both.

Expenditure on Capital Account

Items of expenditure appearing under this account are discussed below:

Change-in-stocks: Change-in-stocks represent the value of the physical change in raw materials, work-in-progress (other than the work-in-progress in buildings which are included in fixed capital formation) and finished products which are held by departmental enterprises and in Government stock piles. The net increase or decrease in stocks needed for construction works and stocks of departmental enterprises are differentiated from changes-in-stocks of strategic materials like food, fertilizers, etc., held by administrative departments for policy purposes.

Gross fixed capital formation: Gross capital formation represents the gross value of the commodities which are added to the domestic capital stocks of the State. It comprises of expenditure on acquisition of fixed assets as well as the value of physical change in stocks. The gross fixed capital formation appearing under this head consists of new outlay on buildings and other construction and machinery and equipment.

Buildings and other construction: Buildings include all expenditure on new construction and major alterations to residential and non-residential buildings including the value of change in work-in-progress other construction includes mostly expenditure on construction of roads and bridges, and works on power and irrigation projects, flood control, forest clearance, land reclamation, water supply and sanitation.

Machinery and Equipment: This item includes expenditure incurred on the purchase of various equipments, such as, buses, Jeeps, trucks, tractors, for road haulage, power generating machinery, agricultural machinery and implements, office furniture, machinery and equipment and instruments used by professional men.

Net purchase of physical Assets: The major component here is purchase of land. Occasionally, purchase and sale of second-hand capital assets are also shown in budgets. These transactions of both land as well as second hand assets are treated as sale/purchase to arrive at net purchase of physical assets and they are classified separately.

Capital Transfers: Cover grants to finance the construction of buildings, purchase of machinery and equipment and for public works, water supply and sewage disposal schemes etc. These are intended to assist capital formation in other sectors of the economy.

#### Receipts on Capital Account

This part deals with the financing of the capital formation and the sources for the same are discussed as under.

Saving: The saving on current account is directly taken from Table 1.

Consumption of fixed capital: This is brought over from Table-2.

Capital Transfers: Include capital grants received from Government of India.

Net borrowing: Includes items like internal debt, small savings, provident funds etc.

Other liabilities: All investments in the share capitals of statutory corporations, co-operative societies and others are classified as financial assets and are shown against other liabilities as a negative figure. Also included are the extra-budgetary receipts like loans from Government of India, Loans and Advances by State Government, Inter-State settlement, contingency fund, Reserve funds, Deposits and Advances, Suspense and Miscellaneous, Remittances and cash balances. Besides these, there are some funds maintained by the Government like famine relief fund, road fund etc., which are also covered here under the heads revenue, capital and commercial accounts.

PART - II

PURPOSE CLASSIFICATION

## Purpose classification of the Expenditure of General Government

The main object of purpose classification is to show the Government expenditure (current as well as capital) in terms of the immediate or short-term purposes served or services rendered, such as, health, education social welfare, economic services etc.

### Coverage & scope

The purpose classification of the State Government budget relates only to the administrative departments, excluding departmental enterprises.

Financial investments of the Government in commercial activities in terms of purchase of shares and debetures etc. are included. Similarly grants and loans given to Commercial Organisations, non-government institutions or the individual are also included. However, repayment of loans are excluded

Inter-government transfers as well as receipts of the Government are excluded. However, some of the receipts like sale of commodities and services produced in the Government sector are taken into account in working out the expenditure on net purchases of commodities and services of administrative departments of the general Government.

### Classification

The classification adopted here is discussed under the following heads.

- (a) Need for purpose classification
- (b) Major categories
- (c) Principles of classification adopted
- (d) Classification of some important items.

#### (a) Need for purpose classification

The entire government expenditures are recorded annually in the budget documents issued by the State



government. The arrangement of presentation of the expenditure in the budget documents are generally in keeping with the requirements of the legislative control, administrative accountability and auditing.

The budgets are also presented under a few standard heads of accounts of the functional character of the expenditure such as, education, health, agriculture, industry etc. The expenditures shown under these heads of accounts are not strictly in accordance with the principles of purpose classification. For instance, expenditures on medical colleges and other educational institutions are generally shown under the head of account 'medical', expenditures on water supply are shown under the head of account 'Public health'; expenditures on youth welfare and cultural activities are shown under 'education' and so on. Further, there are various heads of accounts which pertain to so many purpose categories such as public works department, Community development, national extension services, Co-operation etc. The expenditures under these heads are not specific to any purpose, categories. It is, therefore, essential to classify these heads of expenditure afresh.

(b) Major categories

The purpose classification attempted in the present study is in conformity with the U.N. recommendations as adopted by the Central Statistical Organisation, Government of India, New Delhi. The nine main categories recommended are as follows.

- (1) General Government Services
- (2) Defence
- (3) Education
- (4) Health
- (5) Social security and welfare services
- (6) Housing & other Community services
- (7) Cultural, recreational & religious services
- (8) Economic Services
- (9) Other services.

These major heads have been further divided into 20 minor heads as against 30 suggested by the U.N.

(c) Principles of classification adopted

All the items of expenditure are grouped under the appropriate categories regardless of their manner of presentation in the budget. For example, expenditure on education might be shown in the budget under various heads like medical (medical college), industries (Engineering college), Community development (schools), etc. All these are sorted out and put under the purpose category 'education'. Items which relate to more than one purpose class are first disintegrated in accordance with the details that are given in the budget & then classified into appropriate purpose categories. In the absence of any details, either the major function of the expenditure is considered as the purpose or it is disintegrated into related purpose categories applying some suitable norms.

In case of grants, loans and advances to private institutions or to individuals, if the purpose of utilisation is not specifically mentioned, classification done on the basis of the main functions of the institutions which are receiving the grants, loans and advances. In many cases neither the name of the organisations receiving the grants, loans and advances nor the purpose of utilisation is given. In such cases, the classification is done on the basis of heads of accounts under which these expenditures have been shown.

Facilities provided to employees like residential housing facility, free or subsidised medical aid, etc. are classified by the nature of the facility and not by the functional character of the office providing facilities. Accordingly, loans and advances to employees for construction of houses, purchase of motor cars, etc. are classified according to the types of the services likely to be obtained by the utilisation of the loans.

Pensions and other retirement benefits (including employees' family pension schemes) are distributed to all the purpose categories in proportion to the amount of wages and salaries attributable to different categories. The welfare pensions like oldage pensions, pensions to political sufferers or to freedom fighters, etc. are, however, classified under the welfare services.

(d) Classification of some important items:

Expenditure on general administration is of two types, namely,

- (i) expenditure on administrative work relating to various purpose categories like education, *health, defence, agriculture*, industries etc.
- (ii) expenditure on general *administration of the* government as a whole, like, the department of personnel administrative reforms, home, police, jails, justice, etc.

Both types of administrative and secretariat expenditures are given in the budget. In our classification, expenditure relating to type (ii) are shown under general administration and those relating to type (i) are shown under related purpose categories.

Expenditure on education can be split into three groups:

- (i) general education provided in schools, colleges, universities etc.
- (ii) In-service training or on the job training for the employees deputed by any organisation or office.
- (iii) apprenticeship or similar other training in specialised fields organised for persons with the object of fixing them in employment on the basis of the performance in the training.

In this regard, category (i) is classified as

expenditure on education and the other two categories are classified into purpose categories according to the character of the body organising the training. Accordingly, the medical schools and colleges, engineering schools and colleges, minor schools, nursery schools, etc. are grouped under the category 'education', even though they are reported under other heads of accounts, such as, 'health', 'industries', etc. However, the educational activities which are integral part of other services are grouped along with respective services. Thus, expenditures relating to police training schools are grouped under police, prisons reformatory schools under jails. All types of scholarships and stipends to students whether paid by the Department of Education, Department of Social Welfare or any other body are grouped under category 'education'. Expenditure on cultural, recreational and religious activities (including that for N.C.C., youth welfare and physical education) are classified under 'recreational services'. Expenditure with regard to physical training in the educational institutions, are, however, grouped under 'education'.

Hospitals & dispensaries are grouped under 'health', but the hospitals attached to medical colleges are considered as integral part of medical education, & therefore, grouped under 'education'. Expenditure incurred on registration of births, deaths, diseases etc. are considered as expenditure on health research & therefore, classified under 'health'. Family planning activities are treated as those relating to welfare services and classified accordingly.

The expenditures relating to heads of accounts like Rural Development, Community Development, National Extension Services etc. have been broken up to the extent possible, on the basis of the information provided in the budgets. The overhead expenditures on the specific general expenditures relating to these heads of accounts are classified under category 'Housing and community amenities'.

The expenditures on P.W.D. are also split up and classified under different categories according to the nature

of offices for which construction has been done. Thus, expenditure on construction of school buildings is classified under the category 'education', hospital buildings under 'health' and general government office buildings under 'general government services'. If an office building is constructed for a definite purpose, then they are classified under relevant purpose categories and not under general government services. Expenditure on residential quarters for employees is classified under the category 'Housing and community amenities' irrespective of the fact that whether the accommodations are for school teachers or for hospital doctors. The overhead expenditure of establishment has been distributed to related purpose categories based on some norm.

Co-operation, in general, is classified under the category 'other economic services'. But expenditure of co-operative societies serving particular economic activity is classified under that category.

Expenditure incurred on publicity relates to various purposes like family planning, improved agricultural products, tourism, etc. Therefore, these expenditures are put under various purpose categories according to the nature of the services. But the expenditure incurred on the Directorate of Information & publicity which serve all the departments of government is classified under 'general government services'.

Expenditures under the head of account 'Relief on account of Natural calamities' are also meant for some specific types of services, such as, medical, housing, education, etc. Such expenditures are attributed to specific purposes for which they are meant. Those which cannot be attributed to specific purposes are classified under general relief operations.

Purpose Classification of the State Govt. Budget  
(Rs. in lakhs)

Item	1984-85 (A/C)	1985-86 (R.E)	1986-87 (B.E)
1	2	3	4
1. General Public Services	286,95 (16.23)	292,23 (14.45)	346,35 (15.90)
1.1 General Administration, external affairs, public order and safety	285,57 (16.15)	289,68 (14.32)	344,63 (15.82)
1.2 General Research	1,38 (0.08)	2,55 (0.13)	1,72 (0.08)
2. Defence	1,59 (0.09)	1,53 (0.08)	2,02 (0.09)
3. Education	416,21 (23.53)	507,06 (25.08)	592,35 (27.18)
3.1 Administration, Regula- tion and Research	6,75 (0.38)	10,51 (0.52)	13,35 (0.61)
3.2 Schools, Universities and Institutions including subsidiary services.	409,46 (23.15)	496,55 (24.56)	579,00 (26.57)
4. Health	105,46 (5.96)	105,99 (5.24)	126,54 (5.81)
4.1 Administration, Regula- tion and Research	7,64 (0.43)	8,97 (0.44)	10,92 (0.50)
4.2 Hospitals, clinics and individual health services	97,82 (5.53)	97,02 (4.80)	115,62 (5.31)
5. Social Security and Welfare Services	106,83 (6.04)	154,35 (7.63)	184,69 (8.48)
5.1 Social Welfare Services	63,66 (3.60)	97,82 (4.83)	121,59 (5.58)
5.2 Social Security benefits	43,17 (2.44)	56,53 (2.80)	63,10 (2.90)
6. Housing and other community amenities	128,35 (7.26)	120,70 (6.41)	121,02 (5.55)
7. Cultural, Recreational and Other Religious Services.	32,18 (1.82)	39,59 (1.96)	42,88 (1.97)
8. Economic Services	639,49 (36.15)	709,10 (35.06)	743,85 (34.14)

	1	2	3	4
8.1 General Administration Regulation and Research	10,91 (0.62)	11,82 (0.58)	14,40 (0.66)	
8.2 Agriculture, forestry, fishing and hunting	280,87 (15.88)	321,28 (15.89)	356,03 (16.34)	
8.3 Mining, manufacturing and construction	97,50 (5.51)	77,70 (3.84)	83,65 (3.84)	
8.4 Electricity, gas, steam and water	153,06 (8.65)	210,75 (10.42)	186,31 (8.55)	
8.5 Atomic energy	-	-	-	
8.6 Transport & communication	65,65 (3.71)	66,24 (3.28)	80,20 (3.68)	
8.7 Other Economic Services	31,50 (1.78)	21,31 (1.05)	23,26 (1.07)	
9. Other services	51,70 (2.92)	82,62 (4.09)	19,16 (0.88)	
9.1 Relief on calamities	51,69 (2.92)	82,61 (4.04)	19,14 (0.88)	
9.2 Other miscellaneous services	1	1	2	
Grand Total:	1768,76 (100.00)	2022,17 (100.00)	2178,86 (100.00)	

PART - III

ECONOMIC-CUM-PURPOSE CLASSIFICATION



Economic-cum-purpose classification of the State Government  
Budget

Expenditure of the Government can be classified in accordance with (i) the economic character of the expenditure like current expenditure, capital formation, loans & advances etc. & (ii) the purpose it is likely to serve, such as health, education, defence etc. The former is known as economic classification and the latter is termed as the purpose classification. Some times these two schemes are combined to form economic-cum-purpose classification, a single two-way classification by significant economic-functional categories.

This types of classification shows how expenditure for a particular purpose, say, health, is divided between economic categories and it also shows how expenditure in a particular economic category, say, capital formation, is allocated to different purposes or types of public services provided. Thus, economic-cum-purpose classification serves as a good guide to the policy makers for planning expenditures in the best possible manner to attain social and economic objectives of development. It provides useful economic data and gives, in broad terms, the pattern of allocation of resources and its impact on the rest of the economy. Such a cross classification of the Government expenditure is of great value in evaluating the progress of actual expenditure.

The purposes of government expenditure might be of two types (i) long-term and (ii) short-term. Long-term expenditure might be aimed at tackling the problem of unemployment and economic development of the State and to bring about certain fundamental changes in the structure of the economy. The short-term expenditures relate to immediate objectives of expenditure incurred in regard to health, defence, social welfare, economic services, etc., While the economic classification classifies the government expenditure incurred on the long-term problems of economic development, the purpose classification classifies the expenditure in accordance with the immediate or short-term social needs of the State.

## Economic-cum-purpose classification of State Govt. Budget 1984-85 (A/Cs)

(Rs. in lakhs)

Economic Classification	Current Expenditure								
	Wages & salaries including pension	Commodities and services	Less Sales	Total consumption expenditure	Subsidies	Transfer to local bodies	Other transfer payments	Total transfer payments (6+7+8)	Total current expenditure (5+9)
Purpose Classification	2	3	4	5	6	7	8	9	10
1. General Public Services	167,37	52,87	43,02	177,22	30	63,48	7,35	71,13	248,35
1.1 General administration, external affairs, public order & safety	166,96	52,61	43,02	176,55	30	63,48	7,16	70,94	247,49
1.2 General Research	41	26	-	67	-	-	19	19	86
2. Defence	51	1,03	-	1,54	-	-	1	1	1,55
3. Education	244,68	18,95	2,88	260,75	49	1,87	148,25	150,61	411,36
3.1 Administration, regulation and Research	4,68	1,40	-	6,08	-	-	56	56	6,64
3.2 Schools, Universities and Institutions including subsidiary services	240,00	17,55	2,88	254,67	49	1,87	147,69	150,05	404,72
4. Health	57,59	35,22	5,04	87,77	-	30	2,33	2,63	90,40
4.1 Administration, Regulation and Research	6,20	1,36	-	7,56	-	-	5	5	7,61

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	1	2	3	4	5	6	7	8	9	10	
4.2 Hospitals, Clinics and individual health services		51,39	33,86	5,04	80,21	-	30	2,28	2,58	82,79	
5. Social security & welfare services		27,00	8,04	2,10	32,94	77	26	62,86	63,89	96,83	
5.1 Social Welfare services		25,48	7,00	2,10	30,38	77	26	22,26	23,29	53,67	
5.2 Social Security benefits		1,52	1,04	-	2,56	-	-	40,60	40,60	43,16	
6. Housing and other community amenities		13,90	5,32	3,14	16,08	-	3,80	1,77	5,57	21,65	
7. Cultural, recreational and Religious services		6,76	4,39	53	10,62	39	-	6,87	7,26	17,88	1
8. Economic services		101,59	73,15	26,57	148,17	169,07	8	8,15	177,30	325,47	2
8.1 General administration		11,47	2,04	6,76	6,75	-	-	29	29	7,04	1
8.2 Agriculture, forestry, fishing & hunting		63,72	20,97	6,22	78,47	141,59	8	6,22	147,89	225,36	
8.3 Mining, Manufacturing and construction		14,86	13,84	9,28	19,42	15,38	-	5,59	15,97	35,39	
8.4 Electricity, gas, steam and water		68	3,64	-	4,32	30	-	74	1,04	5,36	
8.5 Atomic energy		-	-	-	-	-	-	-	-	-	
8.6 Transport and communication		424	31,80	1,91	34,13	36	-	8	44	34,57	
8.7 Other economic services		662	86	2,40	5,08	11,44	-	23	11,67	16,75	

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1	2	3	4	5	6	7	8	9	10
9. Other Services	5,48	5,38	-	10,86	-	16	8,61	8,77	19,63
9.1 Relief on calamities	5,48	5,38	-	10,86	-	16	8,60	8,76	19,62
9.2 Other Miscellaneous services	-	-	-	-	-	-	1	1	1
Grand Total	624,88	204,35	83,28	745,95	171,02	69,95	246,20	487,17	1233,12

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## Capital Expenditure

Economic Classification →	Gross capital formation				Pur- chase of ass- ets	Less Sale of ass- ets	Capital transfers		Fin- anc- ial ass- ets	Loans & advances		Total capi- tal expe- nditu- re (14 to 21))	Grand total (10+ 22)	
	Build- ing & other const- ruct- ions	Machi- nery & equip- ment	Chan- ge in sto- cks	Gross total forma- tion (11+12+ 13)			Cap- ital tra- nsfer- ers to loc- al bod- ies	Oth- er capi- tal tran- sfers		Loc- al bod- ies	Oth- ers			
Purpose Classification ↓	1	11	12	13	14	15	16	17	18	19	20	21	22	23
1. General Public Services	14,16	10,42	13,73	38,31	-	17	-	-	46	-	-	-	38,60	286,95
1.1 General administration, external affairs, public order & safety	14,12	10,40	13,73	38,25	-	17	-	-	-	-	-	-	38,08	285,57
1.2 General Research	4	2	-	6	-	-	-	-	46	-	-	-	52	1,38
2. Defence	1	3	-	4	-	-	-	-	-	-	-	-	4	1,59
3. Education	1,60	1,32	-	2,92	13	-	-	-	1,40	-	-	40	4,85	416,21
3.1 Administration, regulation and research	11	-	-	11	-	-	-	-	-	-	-	-	11	6,75
3.2 Schools, Universities & institutions including subsidiary services	1,49	1,32	-	2,81	13	-	-	-	1,40	-	-	40	4,74	409,46

	1	11	12	13	14	15	16	17	18	19	20	21	22	23
. Health		7,93	6.26	74	14,93	-	-	-	-	-	-	13	15,06	105,46
4.1 Administration, Regulation and Research		-	3	-	3	-	-	-	-	-	-	-	3	7.64
4.2 Hospitals, Clinicals and individual health services		7,93	6,23	74	14,90	-	-	-	-	-	-	13	15,03	97,82
Social Security and welfare services		3.41	47	-	3,88	-	-	-	2	3,34	-	2,76	10,00	106,83
5.1 Social Welfare services		3,41	47	-	3,88	-	-	-	1	3,34	-	2,76	9,99	63,66
5.2 Social Security benefits		-	-	-	-	-	-	-	1	-	-	-	1	43,17
6. Housing and other community amenities		79,63	95	-	80,58	10	-	1,71	1,65	5	4.58	18,03	106,70	128,35
7. Cultural, recreational and religious services		98	7		1,05	-	-	-	87	48	-	11,90	14,30	32,18
8. Economic Services		64,31	4.60	(-)44	68,47	35	-	-	24,38	36,08	-	184,74	314,02	639,49
8.1 General Administration		37	8		45		-	-	49	12	-	2,81	3,87	10,91
8.2 Agriculture, forestry, fishing & hunting		18,61	77	42	19,80	35	-	-	9,50	14,61	-	10,25	54,51	280,87
8.3 Mining, manufacturing & construction		3,24	38	-	3,62	-	-	-	12,64	19,47	-	26,38	62,11	97,50

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1	11	12	13	14	15	16	17	18	19	20	21	22	23
Electricity, gas, steam & water	14,60	1,11	-	15,71	-	-	-	1,43	-	-	130,56	147,70	153,06
Atomic Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Transport and communication	27,49	2,26	(-) 86	28,89	-	-	-	-	-	-	2,19	31,08	65,65
7 Other economic services	-	-	-	-	-	-	-	32	1,88	-	12,55	14,75	31,50
Other services	31,91	-	-	31,91	15	-	-	-	-	-	1	32,07	51,70
.1 Relief on cala- mities	31,91	-	-	31,91	15	-	-	-	-	-	1	32,07	51,69
.2 Other Miscella- neous services	-	-	-	-	-	-	-	-	-	-	-	-	1
Grand Total	203,94	24,12	14,03	242,09	73	17	1,71	28,78	39,95	4,58	217,97	535,64	1768,76

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Economic classification → Purpose 1 classification ↓	Current expenditure								
	Consumption expenditure				Transfer payments				Total consumption expenditure (5+9)
1	2	3	4	5	6	7	8	9	10
1. General public services	188,51	60,22	31,85	216,88	61	47,12	3,02	50,75	267,63
1.1 General administration, external affairs, public order and safety	187,95	59,64	31,85	215,74	61	47,12	2,90	50,63	266,37
1.2 General research	56	58	-	1,14	-	-	12	12	1,26
2. Defence	50	97	-	1,47	-	-	2	2	1,49
3. Education	317,18	27,31	4,20	340,29	26	1,67	160,20	162,13	502,42
3.1 Administration regulation & research	5,10	4,81	-	9,91	-	-	60	60	10,51
3.2 Schools, Universities and institutions including subsidiary services	312,08	22,50	4,20	330,38	26	1,67	159,60	161,53	491,91
4. Health	55,90	40,14	7,00	89,04	-	79	2,94	3,73	92,77
4.1 Administration regulation and research	7,06	1,70	-	8,76	-	-	2	2	8,78
4.2 Hospitals, clinics and individual health services	48,84	38,44	7,00	80,28	-	79	2,92	3,71	83,99

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	1	2	3	4	5	6	7	8	9	10
5. Social security and welfare services	32,23	11,37	4,01	39,59	74	60	95,42	96,76	136,35	
5.1 Social welfare services	30,34	10,13	4,01	36,46	63	60	42,16	43,39	79,85	
5.2 Social security benefits	1,89	1,24	-	3,13	11	-	53,26	53,37	56,50	
6. Housing and other community amenities	12,42	5,23	89	16,76	1,04	5,18	2,10	8,32	25,08	
7. Cultural, recreational and religious services	8,46	6,29	55	14,20	-	-	9,88	9,88	24,08	
8. Economic services	120,52	79,13	25,81	173,84	181,57	8	7,46	189,11	362,95	
8.1 General administration, regulation and research	12,26	2,26	7,03	7,49	-	-	37	37	7,86	
8.2 Agriculture, forestry, fishing and hunting	74,84	29,99	3,83	101,00	160,48	8	5,35	165,91	266,91	
8.3 Mining, manufacturing & construction	20,75	10,46	10,41	20,80	16,61	-	1,05	17,66	38,46	
8.4 Electricity, gas, steam and water	85	2,97	-	3,82	2,23	-	43	2,66	6,48	
8.5 Atomic energy	-	-	-	-	-	-	-	-	-	
8.6 Transport and communication	3,94	32,63	2,19	34,38	2	-	-	2	34,40	
8.7 Other economic services	7,88	82	2,35	6,35	2,23	-	26	2,49	8,84	
9. <u>Other services</u>	1,39	7,75	-	9,14	-	-	10,37	10,37	19,51	
9.1 Relief on calamities	1,39	7,75	-	9,14	-	-	10,36	10,36	19,50	
9.2 Other miscellaneous services	-	-	-	-	-	-	1	1	1	
<b>Grand Total</b>	<b>737,11</b>	<b>238,41</b>	<b>74,31</b>	<b>901,21</b>	<b>184,22</b>	<b>55,44</b>	<b>291,41</b>	<b>5310,71</b>	<b>432,28</b>	

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Economic Classification Purpose Classification	Capital expenditure												Grand Total (10+22)	
	Gross capital formation				Purchase of assets	Less Sale of assets	Capital transfers	Financial assets	Loans & advances		Total capital expenditure			
	Build- ing & other const- ruct- ions	Machi- nery and equip- ment	Chan- ge in sto- cks	Gross capit- al forma- tion (11+12+ 13)	of asse- ts	of asse- ts	Capital trans- fers to local bodies	Other capit- al trans- fers	assets	To local bodies	Other ad- vances	Total capit- al expen- diture (14+21)		
	1	11	12	13	14	15	16	17	18	19	20	21	22	23
1. General Public Services	12,51	10,92	-	23,43	10	17	-	1,21	3	-	-	-	24,60	292,23
1.1 General administration, external affairs, public order & safety	12,50	10,85	-	23,35	10	17	-	-	3	-	-	-	23,31	289,68
1.2 General Research	1	7	-	8	-	-	-	1,21	-	-	-	-	1,29	2,55
2. Defence	-	4	-	4	-	-	-	-	-	-	-	-	4	1,53
3. Education	2,92	1,02	-	3,94	-	-	-	11	-	-	-	59	4,64	507,06
3.1 Administration, regulation and Research	-	-	-	-	-	-	-	-	-	-	-	-	-	10,51
3.2 Schools, Universities and institutions including subsidiary services	2,92	1,02	-	3,94	-	-	-	11	-	-	-	59	4,64	496,55

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	1	11	12	13	14	15	16	17	18	19	20	21	22	23
4. Health		6,08	7,14	-	13,22	-	-	-	-	-	-	-	13,22	105,99
4.1 Administration, Regulation and Research		-	19	-	19	-	-	-	-	-	-	-	19	8,97
4.2 Hospitals, Clinics and individual health services		6,08	6,95	-	13,03	-	-	-	-	-	-	-	13,03	97,02
5. Social security & welfare services		9,86	61	-	10,47	-	-	-	12	2,77	-	4,64	18,00	154,35
5.1 Social Welfare Services		9,86	61	-	10,47	-	-	-	9	2,77	-	4,64	17,97	97,82
5.2 Social Security benefits		-	-	-	-	-	-	-	3	-	-	-	3	56,53
6. Housing and other community amenities		78,95	1,12	-	80,07	-	-	1,58	1,36	5	2,47	19,09	104,62	129,70
7. Cultural, recreational and religious services		1,52	6	-	1,58	-	-	-	91	48	-	12,54	15,51	39,59

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1	11	12	13	14	15	16	17	18	19	20	21	22	23
8. Economic Services	68,42	6,62	(-)58	74,46	45	-	-	24,28	26,66	-	220,30	346,15	709,10
8.1 General administration	18	9	-	27	-	-	-	3,46	16	-	7	3,96	11,82
8.2 Agriculture, forestry, fishing and hunting	17,91	96	(-)58	18,29	45	-	-	9,56	13,25	-	12,82	54,37	321,28
8.3 Mining, Manufacturing and construction	3,91	81	-	4,72	-	-	-	9,81	11,21	-	13,50	39,24	77,70
8.4 Electricity, gas, steam & water	20,19	1,90	-	22,09	-	-	-	1,10	-	-	181,08	204,27	210,75
8.5 Atomic energy	-	-	-	-	-	-	-	-	-	-	-	-	-
8.6 Transport and communication	26,23	2,86	-	29,09	-	-	-	-	-	-	2,75	31,84	66,24
8.7 Other economic services	-	-	-	-	-	-	-	35	2,04	-	10,08	12,47	21,31
9. Other Services	61,55	-	-	61,55	-	-	-	4	-	-	1,52	63,11	82,62
9.1 Relief on calamities	61,55	-	-	61,55	-	-	-	4	-	-	1,52	63,11	82,61
9.2 Other miscellaneous services	-	-	-	-	-	-	-	-	-	-	-	-	1
Grand Total	241,81	27,53	(-)58	268,76	55	17	1,58	28,03	29,99	2,47	258,68	589,89	2022,17

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Economic-cum-purpose classification of State Government Budget  
1986-87 (B.E)

(Rs. in lakhs)

Economic Classification → Purpose classification ↓	Current expenditure								
	Consumption expenditure				Transfer payments				
	Salaries and wages including pension	Purchase of commodities and services	Less Sales	Total consumption expenditure	Subsidies	Transfer to local bodies	Other transfer payments	Total transfer payments (6+7+8)	Total current expenditure (5)+(9)
1	2	3	4	5	6	7	8	9	10
1. General public services	213,67	64,46	34,09	244,04	80	62,62	3,62	67,04	311,08
1.1 General administration, external affairs, public order and safety	212,98	63,77	34,09	242,66	80	62,62	3,36	66,78	309,44
1.2 General Research	69	69	=	1,38	-	=	26	26	1,64
2. Defence	78	1,09	=	1,87	-	-	2	2	1,89
3. Education	349,25	34,77	4,35	379,67	-	2,30	203,75	206,05	585,72
3.1 Administration, regulation and research	5,45	7,10	-	12,55	-	-	80	80	13,35
3.2 Schools, Universities & institutions including subsidiary services	343,80	27,67	4,35	367,12	-	2,30	202,95	205,25	572,37
4. Health	69,11	47,56	7,58	109,09	-	85	3,53	4,38	113,47
4.1 Administration, regulation and research	8,48	2,13	-	10,61	-	-	4	4	10,65
4.2 Hospitals, clinics and individual health services	60,63	45,43	7,58	98,48	-	85	3,49	4,34	102,82
5. Social security and welfare services	43,83	11,70	3,73	51,80	26	50	100,54	101,30	153,10
5.1 Social Welfare services	41,66	9,93	3,73	47,86	16	50	41,48	42,14	90,00
5.2 Social security benefits	2,17	1,77	-	3,94	10	-	59,06	59,16	63,10

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	1	2	3	4	5	6	7	8	9	10
6. Housing and other community amenities		11,72	5,14	95	15,91	1,44	10,13	1,72	13,29	29,20
7. Cultural, recreational & religious services		9,59	6,60	59	15,60	-	-	10,79	10,79	26,39
8. Economic services		137,54	87,70	28,13	197,01	189,31	17	6,97	196,45	393,56
8.1 General administration regulation and research		13,87	2,66	7,63	8,90	-	-	50	50	9,40
8.2 Agriculture, forestry, fishing and hunting		84,83	26,94	3,98	107,79	168,71	17	5,52	174,40	282,19
8.3 Mining, Manufacturing and construction		23,74	11,00	11,56	23,18	16,84	-	20	17,04	40,22
8.4 Electricity, gas steam and water		1,23	2,72	-	3,95	2,30	-	48	2,78	6,73
8.5 Atomic energy		-	-	-	-	-	-	-	-	-
8.6 Transport and communication		4,72	43,46	2,46	45,72	2	-	-	2	45,74
8.7 Other economic services		9,15	92	2,50	7,57	1,44	-	27	1,71	9,28
9. Other services		1,20	4,66	-	5,86	-	-	12,42	12,42	18,28
9.1 Relief on calamities		1,20	4,66	-	5,86	-	-	12,41	12,41	18,27
9.2 Other miscellaneous services		-	-	-	-	-	-	1	1	1
Grand Total		836,69	263,68	79,42	1020,95	191,81	76,57	343,36	611,74	1632,69

Capital expenditure

Economic Classification →	Gross capital formation												Grand Total (10+22)	
	Buil- ding & other con- struc- tions	Machi- nery and equip- ment	Cha- nge in sto- cks	Gross capi- tal form- ation (11+12 +13)	Pur- chase of phys- ical assets	Less Sale of asse- ts	Capital tra- nsfers Capi- tal trans- fers to local bodies	Other capi- tal tran- sfers	Finan- cial asse- ts	Loans & ad- vances local bodi- es	Other adva- nces	Total capi- tal expe- ndi- ture (14 to 21)		
Use classification ↓	1	11	12	13	14	15	16	17	18	19	20	21	22	23
General Public Services		21,89	11,93	-	33,82	10	18	-	1,53	-	-	-	35,27	346,35
1. General administration, external affairs, public order & safety		21,87	11,87	-	33,74	10	18	-	1,53	-	-	-	35,19	344,63
2. General Research		2	6	-	8	-	-	-	-	-	-	-	8	1,72
3. Defence		-	13	-	13	-	-	-	-	-	-	-	13	2,02
4. Education		3,68	2,05	-	5,73	2	-	-	29	-	-	59	6,63	592,35
3.1 Administration, regulation & Research		-	-	-	-	-	-	-	-	-	-	-	-	13,35
3.2 Schools, Universities and institutions including subsidiary services		3,68	2,05	-	5,73	2	-	-	29	-	-	59	6,63	579,00
5. Health		4,38	8,69	-	13,07	-	-	-	-	-	-	-	13,07	126,54
4.1 Administration, Regulation & Research		-	27	-	27	-	-	-	-	-	-	-	27	10,92
4.2 Hospitals, Clinics & individual health services		4,38	8,42	-	12,80	-	-	-	-	-	-	-	12,80	115,62

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	1	11	12	13	14	15	16	17	18	19	20	21	22	23
Social security and welfare services		13,96	83	-	14,79	1	-	-	16	6,91	-	9,72	31,59	184,69
5.1 Social Welfare Services		13,96	83	-	14,79	1	-	-	12	6,91	-	9,72	31,59	121,59
5.2 Social Security benefits		-	-	-	-	-	-	-	4	-	-	-	-	63,10
Housing and other community amenities		63,94	1,01	-	64,95	-	-	1,72	1,16	1	2,97	21,01	91,82	121,02
Cultural, recreational & Religious services		2,08	8	-	2,16	-	-	-	1,06	48	-	12,79	16,49	42,88
Economic Services		70,93	9,60	-	80,53	50	-	-	37,07	31,72	-	200,47	350,29	743,85
6.1 General administration		10	15	-	25	-	-	-	4,50	16	-	9	5,00	14,40
6.2 Agriculture, forestry, fishing & hunting		22,03	87	-	22,90	-	-	-	21,46	16,60	-	12,88	73,84	356,03
6.3 Mining, Manufacturing and construction		7,67	80	-	8,47	50	-	-	10,19	12,40	-	11,87	43,43	83,65
6.4 Electricity, gas steam and water		13,36	4,00	-	17,36	-	-	-	92	-	-	161,30	179,58	186,31
6.5 Atomic energy		-	-	-	-	-	-	-	-	-	-	-	-	-
6.6 Transport and communication		27,77	3,78	-	31,55	-	-	-	-	-	-	2,91	34,46	80,20
6.7 Other economic services		-	-	-	-	-	-	-	-	2,56	-	11,42	13,98	23,26



	11	12	13	14	15	16	17	18	19	20	21	22	23
1													
Other services	37	-	-	37	-	-	-	49	-	-	2	88	19,16
1 Relief on calamities	37	-	-	37	-	-	-	48	-	-	2	87	19,14
2 Other miscellaneous services	-	-	-	-	-	-	-	1	-	-	-	1	2
Grand Total	181,23	34,32	-	215,55	63	18	1,72	41,76	39,12	2,97	244,60	546,17	2178,86

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