CHAPTER - 7

RESTRUCTURING THE FINANCES OF THE STATE GOVERNMENT

7.1.0 Introduction :

7.1.1 Against the background of the review of ***Finances of the Chhattisgarh Government in their different manifestations,*** and the presentation of ***projections of Revenue and Expenditure on Revenue and Capital Account on a Normative Basis***, in the last two, we now take up the issue of restructuring the finances of the State Government. In the earlier Chapters, both the review of finances and presentation of projections, were made on a macro basis, mainly concerned with the behaviour of aggregates of Revenue and Expenditure of the State Government, with a view to highlighting the totality of fiscal architecture of the State. In the last Chapter, the restructuring of State Finances was also suggested at the macro level, in terms of inter-relationships between various macro fiscal variables. Now we move from ***Macro o Micro and suggest Restructuring of State Finances in terms of the behavior of individual components of Revenue and Expenditure and also in terms of their projections for the Forecast Period 2005-06 to 2009-2010.***

7.1.2 The restructuring that we suggest will have considerable bearing on the States' growth and development process. One important point that we would like to re-iterate is that the level and the rate of growth of the State economy largely depends upon wide-ranging factors like, States' Fiscal Policy regarding resource mobilization and pattern of Public Expenditure, the Inter-State distribution of private investment, the Inter-State pattern of central investment, the devolution of resources from the centre to the State, the efficiency of the delivery mechanism and the political will of the party in power to implement policies. Among these factors, ***Restructuring of Finances*** is one of the crucial factor determining the growth of the economy.

7.1.3 The State has inherited the structure of the ***Public Finances*** from the erstwhile State of ***Madhya Pradesh.*** But credit goes to the State for taking the lead over its predecessor in a number of areas. Our review of State Finances has shown ***that the Finances of the State are in a Healthy Position*** and poised for a leap forward. The **Table No. 6.11** in the ***last Chapter has demonstrated that the behaviour of most of the fiscal variables of the State has been much better than the averages of all the States of the Country.*** But still there are some grey areas and weak spots which require vigil and to be taken care of and restructured.

7.1.4 In a dynamic society where fast changes are taking place and where new demands are being generated, where expectations are very high, where priorities are changing, restructuring of State Finances should be a continuous process.

7.1.5 ***Chhattisgarh*** is reckoned among the less developed States of India. It has inadequate and weak infrastructure, its level of human resource development is also very low. Both ***Quantitative and Qualitative*** changes are needed in its infrastructure, both ***Physical and Human***, to put the State on the trajectory of high growth. Since more than 40% of its population consists of scheduled tribes and scheduled castes, the State has to keep ***Social Justice along with growth*** as an important goal. The State needs a quantum jump in its investment and also huge allocations for alleviation of poverty, and up-liftmen of its vulnerable sections of the society. For achieving the real rate of growth of 7% per annum in the next five years, it needs an aggregate rate of investment of 24.5% of GSDP, on the assumption of Incremental Capital-Output Ratio of 3.5%. Such a level of investment requires a sustainable increase in investment, both public and private. The State needs to develop not only big industries but also small and cottage industries, not only modern technology but also improvement of traditional skills and technology, not only the development of big cities but also of small towns and villages. For achieving a growth rate of 7% per annum, the emphasis on increasing agricultural production has to continue. For achieving this rate of growth, the State Government has to ensure that different sectors and sub-sectors of the State economy receive the needed funds, and the delivery mechanism moves in unison with the requirements of development.

7.2.0 Fiscal Restructuring And Its Objectives :

7.2.1 Defined in the broader sense, fiscal restructuring includes the whole gamut of changes in the composition of Tax Revenue, Tax Base and Tax Rates and Coverage, changes in the role of Non-Tax Sources of Revenue, changes in the composition of Public Expenditure according to the priorities of the State, changes in the role of the State and the market, changes In Inter-Governmental Financial Relations and Fiscal Transfers, changes in the role and composition of Public Debt and its financing. Some of these changes may be necessary to meet short term exigencies, others may be of medium term and long term nature. Our main concern will be with ***Medium Term Goal of Fiscal Consolidation and Fiscal Adjustment*** because of the tasks assigned to us in our terms of reference, but at the same time, we can not be oblivious of the long term perspective.

7.2.2 ***The underlying objective of the scheme of Restructuring the Finances of the State Government in the Medium Term should be to ensure that an increasing proportion of incremental GSDP flows to the Public Treasury through different instruments of Fiscal Policy.*** The Own Tax and Non-Tax Revenue Ratios of the GSDP should increase in a sustained manner, but to the extent that they do not impose undue burden on the people and do not kill their initiative and enterprise while pursuing the objective of restructuring. At the same time, we have to ensure that financial resources so mobilized, flow into such channels which are consistent with priorities of the State. It has also to be ensured that outlays become the outcomes.

7.2.3 Available statistics in respect of private investment since economic reforms indicate that most of the investment is flowing to those States which are more developed and have better infrastructure and efficient administration. The official aid flows from bilateral and multilateral agencies also show a similar trend of favouring developed States. These are clear indications for the less developed States like Chhattisgarh which are endowed with rich resources and have potential for grow th but lack adequate resources to achieve high growth.

7.3.0 Broad Contours Of Fiscal Restructuring :

7.3.1 The ***XIIth Finance Commission*** has recommended a Multi-Dimensional Restructuring of Government Finances aimed at both the qualitative and quantitative aspects of managing government finances[1]. The proposed restructuring covers the following areas :-

i. ***Taxation Reforms*** aimed at building up non-distortionary and revenue elastic system of taxation with tax rates that are low, limited in number of rate categories and are stable.

ii. ***Non-Tax Revenues*** where user charges as a short term objective, ensure recoveries of current costs and aiming at full recovery of full costs in the long run.

iii. ***Expenditure Restructuring*** relating to both its size and sectoral allocations, aimed at removing inefficiencies arising from mis-allocations, designing and implementation of schemes and delivery of services.

iv. Rationalizing ***Subsidies*** by reducing their overall volume, increasing their transparency by making them explicit and improving their targeting.

v. ***Public Sector*** restructuring.

vi. Fiscal ***Transfer System*** where equalizing transfers are given much greater weight and extended to Local Bodies

vii. Suggesting a reformed role for the ***Planning Process***.

viii. Strengthening the role of ***Local Bodies*** to become a more effective instrument in the delivery of local public goods.

ix. Suggesting institutional frameworks including ceiling on ***Debt and Deficits*** and the mechanism for their monitoring through State level fiscal responsibility legislation.

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1. ***XII Finance Commission Report, page 76***

7.3.2 It would not be possible for this commission to undertake a detailed and a thorough enquiry into all the above aspects of restructuring the finances of the State. Our main task is to suggest ways and means for meeting the expenditure requirements of the State and also for meeting the Constitutional obligation of strengthening the finances of the Local Bodies in the State.

7.3.3 One of the tasks of the State Government is to keep ***Revenue Deficit*** in check since this deficit lies at the root of fiscal in-balances. The ***Revenue Deficit*** of the States is not entirely of their own making. A reduction in the quantum of ***Central Transfers***, may increase the ***Revenue Deficit*** of the States. In no case the State should resort to ***borrowings*** for meeting the ***Revenue Expenditure***. In no case the ***Capital Receipts*** are to be deployed for meeting the ***Revenue Expenditure*** of the State Government. This is a sound and time honoured principle of ***Public Finance***. But fiscal deficit may increase for meeting the requirements of increasing investment in the State. We have given sufficient justification in favour of ***increasing Fiscal Deficit (but controlled)*** for accelerating the growth process, in the last Chapter.

7.4.0 Projections Of Individual Items Of Own Tax Revenue In The State :

7.4.1 With this much background of the restructuring process and its role in the process of the growth of State Economy, we now take up the task of making projections of individual items of Revenue and Expenditure of the State Government. ***In the first instance***, we take up ***Own Tax Revenue*** of the State for making projections of ***Individual Components*** of ***Tax Structure*** of the State and also give some suggestions for improving the tax structure. ***Tax Revenue of the State comes from two sources – (i) Own Tax Revenue, and (ii) Share in Central Taxes.***

7.4.2 While making a review of Finances of the State in an earlier Chapter, we have presented the existing tax structure of the State in terms of the contribution of Individual Taxes to the Own-Tax Revenue of the State. The tax structure of the States includes Land Revenue, Stamp Duty and Registration Fees, State Excise Duties, Sales Tax, Tax on Goods And Passengers. Motor Vehicles Tax, Tax on Electricity Consumption and some Other Taxes the State Tax Structure is built up mainly by the constitutional provisions which contain a separate list of State Taxes. The existing tax structure of the State shows that it is less diversified. Only revenue from 4 Taxes, namely ***Sales Tax, State Excise Duty, Duty on Electricity and Tax on Goods and Passengers,*** taken together, accounted for 84.53% of total ***Own Tax Revenue*** of the State in ***2004-05***, as against 84.09% in ***2001-02***. More than 50% of ***Own Tax Revenue*** of the State Government comes from ***Sales Tax***, followed by ***State Excise Duty***. In terms of Percentage of GSDP, sales tax accounted for the highest percentage of 3.81% in ***2004-05,*** followed by State excise duty, 1.04% and duty on electricity 0.7%.

7.4.3 The adjustment path that we have suggested in the last Chapter has suggested an increase in ***Own-Tax-GSDP Ratio*** from 7.34% in 2004-05 to 9.51% in 2009-10. State's ***Own Tax Revenue*** is projected to increase from Rs. 3227.87 crores in 2004-05, 3994.79 crores in 2005-06 to Rs. 9571.23 crores in 2009-10, reflected in ***Tax-GSDP Ratio*** from 7.34% in 2004-05 to 7.70% in 2005-06 and further to 9.51% in 2009-10. The question is at what rates the individual taxes should increase to enable the government to achieve the targets of ***Own Tax Revenue*** that we have projected in the last Chapter. According to our view, to achieve the target is not a difficult task for the State where Tax Revenue has shown sufficient buoyancy and where the ***Tax-GSDP Ratio*** has been much higher than the average of the States. What we need is, ***gearing up the tax collection machinery, the political will to take hard decisions and the economy growing at the projected rate.***

7.4.4 A few words about the methodology that we have deployed for making projections of revenue from individual taxes. We have used the simple methodology of using the ***Trend Rates of Growth and Future Productivity of Individual Taxes during the period 2001-02 and 2005-06, for the purpose of Projecting the Revenue of Individual Taxes.***

7.4.5 On the basis of the above methodology, ***the projected figures are given in the*** **Table No. 7.1.**.

7.4.6 The **Table No.7.2** given below presents ***Tax-GSDP Ratios of Individual Taxes at three points of time to give a comparative picture.***

7.4.7 The **Table No. 7.1** shows that ***the Tax Structure Of the State will go a major change, Revenue increase by Value Added Tax*** during the forecast period. As usual, four taxes viz. ***Sales Tax (VAT), State Excise Duty, Tax on Goods and Passengers and Tax on Electricity,*** taken together, would account for 87.49% of ***Own Tax Revenue*** of the State in 2009-10, as against 84.53% in 2004-05, with one change that ***Sales Tax and Land Revenue*** would contribute an increasing ***Percentage Share to Total Tax Revenue*** during 2005-06 and 2009-10, whereas other taxes will account for a declining percentage share. The Tax Structure can change only when there are some constitutional changes and the States are assigned some more elastic sources of Tax Revenue, or there are some structural changes in rates and coverage of existing taxes.

7.4.8 ***As a Percentage of GSDP***, given in **Table No. 7.2** above, ***Sales Tax accounted for the highest percentage*** of 3.81% in 2004-05, increasing to 5.72% in 2009-10 followed by ***Excise Duty***, accounting for 1.04% and 1.13% respectively during the same period and the lowest by Land Revenue 0.07% of GSDP, projected to marginal increase to 0.12% in 2009-10. One important fact revealed by the **Table No. 7.2** is that ***as Percentage of GSDP, every tax has shown some improvement in their respective ratios.*** This implies that an increasing proportion of increase in GSDP would be mobilized by each of the above taxes. The target of 9.51% as ***Tax-GSDP Ratio*** that we have projected, is achievable even with the existing tax structure. The potential for increasing ***Own Tax Revenue*** exists in respect ***of a number of taxes, if there is rationalise tax rates, better coverage and more important improved tax collections.***

7.4.9 The ***State Excise Duty*** has accounted for small increasing ***Tax-GSDP Ratio***. This tax accounts decreasing ratio of Total ***Own Tax Revenue*** of the State. The potential for this is tapering off because of the policy of auction having been abandoned in tribal areas, in the interest of tribals. Moreover, the Gram Sabhas have been given the power to recommend closure of liquor shops in their respective jurisdictions. These developments have slowed down the growth rate of revenue from this tax. There is considerable scope for increasing revenue from this tax by plugging loopholes and checking evasion and smuggling. Our projection made to rate of Actual TGR.

7.4.10 The revenue from Tax on the consumption of electricity is likely to increase with increase in power supply and hike in power tariff. The growth potential of this tax is linked with power position of the State.

7.4.11 One important structural change that has been introduced recently in The State, is the ***replacement of Sales Tax by Value Added Tax (VAT),*** with effect from 1^{st} April 2006, which would be the most productive source of the State Own Tax Revenue.

7.4.12 Levy of tax on the registration of immovable property at higher rates and also at differentiated rates, has led to evasion of this tax by under- valuation of property transacted. Absence of a mechanism to determine objectively the bench-mark value by stratifying properties according to factors influencing the value of land and cost of construction of buildings, has led to widespread evasion of this tax. Land and property values are going to register an appreciable hike with the creation of New State of Chhattisgarh State, more particularly in bigger cities. Reforms in the assessment of registration duty is very essential to check evasion and augment revenue from this source.

7.4.13 The Services Sector is emerging as the largest and the fastest growing sector of the economy. At present, there are very few services, which are being taxed by the State Governments, since the power to levy such taxes rests with the center. Constitutional Amendment is needed for allocating services to the central, State and concurrent lists, for the purpose of levying Taxes on Services. States may be empowered to levy taxes on such services, which do not have Inter-State ramifications. The State Government may take up the issue along with other States at the proper forum.

7.4.14 The present constitutional limit or Rs. 2500 on the amount of ***Profession Tax*** to be levied by the State/Local Government; need to be raised through Inter-State. The Parliament may be empowered to fix and change the limit whenever required without making recourse to Constitutional Amendment every time.

7.5.0 Non-Tax Revenue :

7.5.1 Non-tax revenue though not very large in amount, contributes first an increasing than decreasing Percentage to the Total Own Revenue Receipts of the State Government. This revenue accrues to the State Government from a number of services, which the

Government renders to the people. These Services are classified into ***Four Groups*-*Fiscal Services*** which include Interest Receipts on Loans and Dividend on Equity Capital Invested by the State in State Undertakings, ***General Services*** which include Revenue from different Departments of the Government, which include Education, Public Health and Medical Services, and ***Economic Services*** Which Include Agriculture and Rural Development, Forests, Minerals, Irrigation. ***The Bulk of Revenue from Non-Tax Sources comes from Economic Services*** which contribute (average of 2002-03 to 2004-05) 78% to the Total Non-Tax Revenue of the State Government, followed by Fiscal Services (12%), General Services (8%) and Social Services (nearly 2%).

7.5.2 The **Table No. 7.3** presents ***the Percentage contribution to Total Non-Tax Revenue, of Different Items of this source.***

7.5.3 The **Table No. 7.4** presents ***the contribution of Non-Tax Revenue to GSDP, Own Revenue Receipts and Total Revenue Receipts of the State***. The ***Non-Tax Revenue*** accounted for 2.44% ***of GSDP*** in 2001-02, increasing to 2.83% in 2004-05 and projected to increase to 2.95% in 2009-10. ***As Percentage of Own Revenue*** of the State, ***Non-Tax Sources*** accounted for 26.60% in 2001-02 increasing to 27.82% in 2004-05 and projected to decrease to 23.67% in 2009-10. ***As Percent of Total Revenue Receipts, the contribution of this source*** has increased from 16.51% in 2001-02 to 17.16% in 2004-05, projection would reduce to 14.35% in 2009-10.

7.5.4 The budgetary policy of the State Government has paid little attention to tap the potential of Non-Tax Sources of Revenue, particularly water tariff, power tariff, cost recovery of services, low rate of return on investment in State Undertakings, poor recovery of Interest on Loans, poor administration of Departmental and Non-Departmental Undertakings, leading to high cost of production and poor quality of Services. These are identified as some of the causes of lower revenue generated by Non-Tax Sources. In the way of raising more resources from forests and mineral resources, there are some constraints imposed by the constitution and some restrictions imposed by the Central Government.

7.5.5 A large number of ***Social and Economic Services*** in the State as elsewhere, are being ***Subsidized*** either because they are made available free of charge or are being provided by the government at pr ices below the cost of rendering such services to the public. Subsidization may not be justified in respect of each and every service and also of every section of society. Equity demands that Social Services ike primary and secondary education and primary health and medical services may be provided either at zero cost or at very low prices. But in services like higher education, the subsidy element should not be very large. Recently the Central Government has desired that at least 20% of current expenditure on higher education may be raised through tuition fees from students. Similarly ***Economic Services*** like Transport, Power, Housing, Irrigation, Supply of Agriculture Inputs ***are to be provided at such prices which cover the current cost of rendering these Services.*** **Table No. 5.14** in the Chapter on ***"Review Of The State Finances Of Chhattisgarh Government"*** shows that the Recovery Ratio in respect of Economic Services in Chhattisgarh State, has declined from 53.21% in 2001-02 to 48.95% in 2005-06. ***In respect of Social Services , the Recovery Ratio*** is extremely low and has declined from 1.33% to 1.04% during the same period. This indicates that return to the government in the form of user charges on public services have suffered a set back, during the period unde r review. Therefore, there is the need for checking the outflow of subsidies from the public exchequer to the richer sections of society. Broadly subsidies can be explicit or implicit. When subsidies are explicit in the budget, they are transparent and therefore, can be subject to budgetary management. But most of the subsidies are implicit. We can not know from the budget documents as to the amount of subsidies, the purpose for which these are being given. Subsidies very often promote inefficiencies and sometimes may be considered to be non-beneficial when they do not reach the intended beneficiaries. Subsidy reform agenda of the State should include reduction in the volume of subsidies, making subsidies explicit and considerable improvement in their targeting.

7.5.6 The volume of subsidies in the central budget remains large despite efforts in the direction of their reduction. According to the estimates of **XII** Finance Commission, subsidies in the Central Government budget accounted for bout 18% of the gross revenue receipts in 2002-03. The cost of rendering services goes on increasing, whereas recovery ratio as proportion of cost in becoming reduced. ***The determination of user charges for a variety of services provided by the government may be entrusted to an autonomous regulatory body which can protect the interests, both of the consumers and the government***. Since Chhattisgarh is a newly created State, the problem of subsidies has not yet assumed serious proportions. But the State Government has to guard itself from political pressure to increase the amount as well as coverage of subsidies, more particularly in the area of Power and Irrigation.

7.5.7 Interest Receipts accrue to the State Government from Institutional and Non-Institutional Loan given by the State Government, mostly to government employees and others. It is observed that effective rate of return on outstanding loans is lower than the cost at which the government borrows. The **XII** FC has assumed a 7% return on subsidy Loans and Advances, and 5% on equity funds.

7.5.8 The State Government does not have the power to raise rates of Royalty on Minerals because such a power vests with the Central Government but it has not been revising the rates as required. ***It is recommended that*** since Royalty from Minerals can be an important source of Revenue of the State ***which is minerally rich, the rates of royalty should be revised at regular intervals and levied on ad valorem basis.*** The **XII** FC has recommended a rate of 5% for the forecast period but this is a very low rate for the State for making projections.

7.5.9 The Receipts from Forests do not manifest a clear trend. The Supreme Court has placed restrictions on the exploitations of Forest Resources on environmental grounds, and this fact has restricted the Power of the State Government to raise more resources from this source.

7.5.10 Receipts from General Services are unpredictable, showing wide fluctuations in Revenue. The ***XIIthFC*** has suggested ***Average of 3 years, 2002-03 to 2004-***05 as the basis of projections.

7.5.11 In respect of irrigation, cost recovery rates of 50% in 2005-06, 60% in 2006-07, 70% in 2007-08, 80% in 2008-09 and 90% in 2009-10, have been prescribed, during the forecast period.

7.6.0 The Methodology Adopted For Projecting Revenue From Individual Items Of Non-Tax Revenue :

7.6.1 In view of certain constraints and limitations, we could not follow the methodology suggested by the ***XII th FC*** in respect of making projections of revenue from Individual Items of Non-Tax Revenue. We have evolved our own methodology for ***different items comprising the Non-Tax Source of Revenue***. This methodology is outlined below.

For the purpose of making projections, for Non-Tax Revenue we take more than (19%) previous growth rate (15.90%), than we have taken Four Sub-Groups of Services. In the first instance, we have allocated total projected Revenue for Non-Tax Source, among each of the sub-groups on the basis of the observed ratio of each sub-group in the aggregate amount for each of the 5 years, taking the Average of 3 Years 2002-03 to 2004-05 as the basis.

7.6.2 ***The observed ratios of Total Revenue from Non-Tax Source of different sub-groups*** on the basis of the ***Average for 3 Years*** are the following :-

Fiscal services: ratio	11.60%
General services: ratio	7.59%
Social Services : ratio	2.43%
Economic Services : ratio	78.38%

We projected revenue to be raised in each of the 5 years of forecast period for each sub-group. The next step taken was to locate the amount of each sub-group among individual items on the same basis that we adopted for arriving at the amount of revenue to be raised by each sub-group. The ratios of individual items for making projections are the following :-

Fiscal services	i) ***Interest receipts*** : Ratio 9.68% of Total Non-Tax Revenue
	ii) ***Dividends*** : Ratio 1.92% of Total Non-Tax Revenue
Economic Services	i) ***Agriculture and Rural Development*** : Ratio 1.36% of Total Revenue from Non-Tax Sources
	ii) ***Forests*** : Ratio 12.15% of Total Non-Tax Revenue
	iii) ***Minerals*** : Ratio 55.76% of Total Revenue from Non-Tax Source
	iv) ***Irrigation*** : Ratio 5.81% of Total Non-Tax Revenue
	v) ***Others*** : Ratio 3.30% of Total Non-Tax Revenue

7.6.3 On the basis of the methodology suggested above, we have arrived at the following amounts of revenue to be raised by each group of services and also individual items within the groups. For making projections both for the groups and also for individual items in the groups, we have adopted the same methodology, that is of allocating total projected amount of Non-Tax Revenue in each of the five years ***firstly,*** among four groups of services, on the basis of observed ratios taking the ratios of average for 3 years, and ***secondly***, among individual items within each group, again on the basis of average of the ratios for individual items for three years. This method of making projections for individual items as well for the groups, may be considered as simplification of the whole exercise.

7.6.4 The **Table No. 7.5** presents ***the Projected Revenue for the Groups of Services as well as for Individual Items Comprising the Groups.***

7.6.5 Since the above projections of Non-Tax Revenue have been based on the ***observed behaviour of the ratios, the Average of 3 Years 2002-03 to 2004-05,*** it would not be difficult for the State Government to raise the projected amount of Non-Tax Revenue in each of the 5 years in the forecast period.

7.7.0 Public Expenditure :

7.7.1 ***Public Expenditure*** is broadly classified into ***Revenue Expenditure and Capital Expenditure.*** In Chhattisgarh State, nearly 80% of Total Expenditure is in the nature of ***Revenue Expenditure*** and remaining 20% is categories as ***Capital Expenditure***. By and large, Revenue Expenditure constitutes a major proportion of Total Expenditure in almost all the States of the country.

7.7.2 One of the structural problems that the States in India generally encounter is the emergence of high growth of Revenue Expenditure than Revenue Receipts. Generally rapid growth of Revenue Expenditure is very often dubbed as Consumption Expenditure and unproductive in nature. But macro growth of Revenue Expenditure should not always be an area of concern, particularly, when individual items of such expenditure serve the requirements of Development and Social Justice. However, the recent experience of many States has been that a large proportion of Total Expenditure is being incurred on Revenue Account, by cutting back Capital Expenditure and plan requirements. This is not desirable.

7.7.3 Expenditure management through appropriate prioritization and control is as important as Additional Resource Mobilization. The effective utilization of expenditure may expand the taxable capacity of the people. Strict adherence to budgetary techniques and prudence in management of State Finances, is very essential for safeguarding fiscal balance. Better quality of expenditure can stimulate the growth of the economy by making environment more business-friendly through de-regulation, decontrol and procedure simplification.

7.7.4 There has to be change in the role of government in economic matters, consequent upon the introduction of economic reforms. ***The State Government has to withdraw its hands from such Economic activities which it can not perform efficiently and confine its role mainly as a facilitator and promoter in such areas***. But there can not be across-the-board retreat of the State in favour of the market. There are certain areas, where the State has to play the major role. Such areas include the development and maintenance of physical infrastructure, Social Services like education, medical and public health, welfare of weaker sections of society, relief and rehabilitation, research and development, extension services. Some of the activities of the State Government need to be transferred to Local Bodies as envisaged in the Constitution. ***In this context, the direction of reform should be the retreat of the State as producer or retreat combined with expansion as regulator and facilitator and welfare provider.*** In many areas, the possibilities of public-private partnership also need to be explored. It is essential to explore a new balance between the State and the market, with altering boundaries between the two. In the light of these developments the expenditure pattern of the State is likely to undergo changes with a view to meet the changing requirements of the State economy and also the national requirements.

7.8.0 Classification Of Revenue Expenditure Of The State :

7.8.1 In the State Budget, the Total Revenue Expenditure is classified into Non-Plan Revenue Expenditure and Plan Revenue Expenditure. The **Table No. 7.7** presents ***the break-up of Total Revenue Expenditure of the State into Non-Plan and Plan Revenue Expenditure.*** We have made projections of the two categories separately but while ***making projections of individual items of Revenue Expenditure***.

7.8.2 In the previous Chapter we discussed the methodology in details regarding the determination of growth rates of each of the two categories of Revenue Expenditure and also have given sufficient justification for projecting plan Revenue Expenditure at a higher rate compared to the other component, non-plan revenue expenditure. Increase in Revenue Expenditure has been permitted to accommodate the increasing needs of Social and Economic Services in the State and for meeting the requirements of maintenance of Assets.

7.8.3 The ***Revenue Expenditure*** of the State is classified into ***four categories*** for the purpose of budgetary allocations. These are ***General Services, Social Services , Economic Services, and Compensation and assignments to Local Bodies***. Each head contains a number of sub-heads in the following manner.

General Services include different items such as - Organs of the States, Fiscal Services, Interest Payment, Administrative Services, Pensions & different General Services.

Social Services include Expenditure on Education, Sports, Art and Culture, Medical and Health, Water Supply and Sanitation, Housing and Urban Development, Labour and Employment, Welfare of Scheduled Caste and Scheduled Tribe and other Backward Classes, Social Security and Welfare, Relief for Natural Calamities.

Economic Services include Agriculture and Allied Activities, Forestry, Rural Development, Irrigation and Flood Control, Power, Industry and Mineral, Transport, Science, Technology and Environment.

Grants-in-Aid and Devolution of Resources, and Compensation to Local Bodies.

7.9.0 Projections Of Individual Items Of Revenue Expenditure :

7.9.1 Though we are going to project substantial increases in ***Public Expenditure on Social and Economic Services,*** we want to make it clear that mere increase in public expenditure may not automatically achieve the desired results. Mere allocation of large amount to different heads is not enough, what is equally important is that these expenditures get translated into outputs and outcomes. Outputs are the direct result of government expenditure but outcomes are the final results. For example, in the field of Education, opening a new school or appointing a new teacher is the outputs, but reduction in illiteracy rate is the outcome. Efficiency requires that same outcome is obtained at lower cost or same cost may achieve better outcomes. The Fiscal Policy of the State, therefore, should not only include determining the size of public expenditure and its allocation among different heads and sub-heads, but also the right type of relationship between expenditure and corresponding performance in producing the real results. ***There is the strong need to revive our emphasis on performance budgeting as an integral part of the preparation and evaluation of the budget. The sum and substance of performance budgeting lies in the management of public expenditure which should be guided by efficiency, economy and effectiveness. Not only administration but also the political party in power has to adhere to the requirements of Performance Budgeting.***

7.10.0 The Methodology Evolved For Making Projections Of Individual Items Of Revenue Expenditure :

We have adopted a simple methodology for making projections of Revenue Expenditure for individual items. Revenue Expenditure on each item has been projected on the basis of the Trend Rate of Growth during 2001-02 to 2005-06, with minor modifications in respect of certain items, to suit the requirements of the State Economy. Let us indicate the methodology for each group of services and within each group for different items comprising the group.

7.10.1 General Services :

Organs Of The Government : The ***Trend Rate of Growth (TGR)*** of this item has been very high 22.74%, during the period 2001-05. This high growth rate may be due to the fact that the State had to start from scratch and spend large amount on organs of the State. All institutions and infrastructure located at the capital of the erstwhile State were indivisible and non-transferable. With the creation of new State, all organs of the State had to be built afresh. Since the initial higher expenditure on this head, we now expect a lower rate of growth of this expenditure. We have projected this expenditure at a rate of growth of 15% as against the ***TGR*** of 22.74%.

Fiscal services – To have better tax collection, it is essential to make the machinery more efficient and also to increase the number of employees for checking tax evasion. The ***TGR*** of this item has been 8.96%. We have projected Revenue Expenditure on this item at this rate.

Interest Payment & Debt Redemption : – We have projected interest payments, independently of General Services because of its significance as an item of expenditure. Interest Payments have grown in the State at the ***TGR*** of 11.41% during 2001-02 and 2005-06. In recent years, there has been deceleration in the nominal rates of interest, and the State Governments have also been given the benefit of ***Debt Swapping*** scheme of the Central Government. The ***XIIthFC*** has used different rates of interest for different groups of States classified according to ratio of Interest Payment to their respective Total Revenue Receipts ***(IP/TRR =Interest Payments divided by Total Revenue Receipts)***. States having higher ***IP/TRR*** ratio have been assigned lower rates of interest because of their heavy burden of Interest Payment.

1) States with ***IP/TRR*** ratio above 30% in 2003-04 were assigned lower rate of interest of 6.5%.

2) ***IP/TRR*** ratio between 23 and 30% were assigned a growth rate of 7.5% during the forecast period.

3) States below 23% were assigned a growth rate of 8.5% during the forecast period. The ***XIIthFC*** has suggested State specific growth rates for projecting Interest Payments during 2005-10.

Using the criteria suggested by the ***XIIthFC,*** we find that the ***Chhattisgarh State has average IP/TRR Ratio*** of 15.07%, which is lower than the non-special category States. Its projection of Interest Payments is to be made at 8.5% annual growth rate during the forecast period, as against the ***TGR*** of 11.41%. We have adopted the lower of the two rates for making projections. For interest payment and debt. redemption we use 11% against 12.53% actual ***TGR***.

Administrative Services : – The next item under the General Services group is Administrative Services. The newly created State had to take up the task of reorganization of Administrative Services. The State has taken the bold step of reducing the number of departments from 51 in the erstwhile State of M.P. to 18. The departments have been reconstituted by merging overlapping departments by bringing all related activities within the ambit of a single department. This would help improving quick decision-making and improving services delivery. At the same time, all departments of the State do not have full strength since they have appointed less than the full sanctioned strength. The process of recruitment has to be completed quickly. The ***TGR*** of this item has been very high, 9.43% because of increasing staff for different departments. The State has taken the decision not to set up public sector undertakings where private sector can play a better role. In consonance with this decision, 30 PSUs which had existed in the erstwhile State of MP, have not been set up in this State. But the State Government is going to get the responsibility of some PSUs when their liabilities are assigned to the State. To give one example; the State of Chhattisgarh has not set up its Own Roadways Corporation, but has been handed over the liability of payment of VRS and other liabilities of 2100 employees of M.P. State Roadways Corporation. More liabilities may devolve upon the State as and when the liabilities of some other PSUs are bifurcated and assigned to this State. Taking all these factors into account it may not be possible to reduce the growth rate of expenditure on this head. Hence we have projected expenditure on this item at annual rate of 9.43%, the ***TGR*** for this item.

Pension Payments & Different General Services :– In projecting Pension Payment , the **XII** FC has made minimum departure from the existing trends, on the assumption that the States can not influence the pension profile in the short or the medium period. The FC had recommended a rate of growth of 10% per annum in respect of Pension Payments. For the Chhattisgarh State, we have a ***TGR*** of 8.93% per annum. We have projected Revenue Expenditure on pensions at a rate of 8.93% which is lower than that suggested by the ***XIIth FC.***

Now we are in a position to piece together ***the Revenue Expenditure on different items comprising the General Services*** as under. ***As a percent of Total Revenue Expenditure, expenditure on this head of General Services will trend to decline from the forecast period.***

7.10.3 Revenue Expenditure On Social Services :

It would not be proper to assume that the entire Revenue Expenditure on Social Services is Consumption Expenditure and is, therefore, unproductive. ***Social Services constitute an area which improves the quality of human resource and, therefore, contributes indirectly to production and productivity.*** Moreover, the development of this sector is highly desirable to bring about distributive justice. Bulk of Public Expenditure on Social Services is in the nature of Revenue Expenditure. We have pointed out the fact in an earlier section of this Chapter that Chhattisgarh State lags behind the all-India averages and also a number of States in the Country, in terms of per Capita Expenditure on a number of components of Social Services . Despite participation of private sector in this area, most of the Social Services would continue to depend upon the Government initiatives and also direct participation in the expansion and improvement of these services. In view of these facts, we are suggesting restructuring of expenditure in terms of enhancement of allocations to most of the components of this sector.

Let us now concentrate on the requirements of each sub-sector of social sector and in the light of that, suggest projection of Revenue Expenditure of individual items, comprising Social Services .

Education :– The State has made considerable improvement in literacy rate from 42% in 1991 to 65% in 2001. This is no mean achievement. Despite this achievement, State ranks low at 17th among 28 States in terms of literacy rate. Whereas the State has achieved the target of universal access to elementary education, the coverage of the relevant age group children attending middle school, is far from adequate. The State has to make considerable efforts in the direction of improvement of primary and secondary education. The State should try to get some national level institutions which can act as catalysts for development, as they get national and international support and explore the area of outside interaction. The State strongly needs the inflow of resources, both financial and intellectual, with a view to becoming a part of the mainstream of national development. Higher Education also needs better infrastructure for expansion and quality improvement. Let colleges and universities be required to raise at least 20% of their current requirements through tuition fees. This is what the Union Ministry of Human Resource Development has emphasized recently.

Revenue Expenditure on Education in the State has been in the neighborhood of 13 to 17% of ***Total Expenditure*** and as percent of GSDP, it has been about to 2.35% to 2.77% which is extremely lower than the national target of 6% of ***GDP.***

We have suggested ***TGR*** of this sector for the period, 2001-02 to 2005-06, with modifications, as the basis for projecting the growth of Revenue Expenditure on education. The ***TGR*** of ***Revenue Expenditure on Education*** has been quite satisfactory, 20.68%. The State Government has been quite conscious of its responsibility in the field of education. The ***XIIthFC*** has suggested a 5% growth rate for salaries to ensure that they do not decline in real terms. But we permit 7% growth rate for salaries, since most of the expenditure on education is incurred on this head, and teacher is very important component of educational infrastructure. To achieve the goals of primary and secondary education, we need the appointment of more teachers. The ***XIIth FC*** has suggested a growth rate of 9.5% for making projections for education. This rate is much lower than the rate which the State could achieve so far (20.68%).

Taking into account the needs for expansion, improvement of primary, secondary and higher education, research and training, this ***Commission*** has projected ***Revenue Expenditure for Education*** at the rate of 30% per annum, higher than ***TGR*** of this sub-sector to cover historical gaps at different levels of education and also for qualitative improvement.

Medical and Public Health : – The State lacks adequate Medical and Health facilities. This is an area in which the State needs considerable improvement. Available facilities are not only scanty but are not accessible to the weaker sections in many areas, due to lack of transport facilities, particularly in tribal areas. This is reflected in high infant mortality rate and low live expectancy at birth, and high death rate, the second highest rate in country, after **Orissa**. The PHCs and CHCs, the backbone of health services, lack infrastructure in terms of buildings, staff, medicines and equipment. The shortage of doctors and para-medical staff is acute. There are only two medical colleges in the State. Though a number of medical institutes with short-term courses have been opened since the creation of the new State to meet the needs of rural areas, mostly these institutions are sub-standard in terms of facilities and infrastructure.

In this respect, we would like to point out that public health services are distinct from Medical Services. Public health services have a key role in reducing exposure of population to diseases. ***In India*,** we focus more on medical services and less on public health services which prevent rather than treat diseases. These include a variety of activities such as food safety by checking adulteration, management of waste disposal, clean drinking water, health education, improving slaughter houses, cattle keeping practices, checking the spread of communicable diseases and epidemics, improved sanitation and environment. The most effective approach to improve public health is that which prevents rather than treat diseases. The public health services are to be publically funded, since the market has a very little incentive to provide them. Even in the ***USA*** where medical services are largely privatized, public health services are largely provided by the State. ***In India*,** a small fraction of total health budget is allocated for public health services. Where public health system falters, people have to pay a high price in terms of illness and deaths. Poor public health facilities take economic tolls in various ways, reduced attraction of investors, and tourists, and reduced labour productivity. The Chhattisgarh State, being the newly created, can take the lead in this respect by allocating a sizeable amount of health budget to public health improvement, along with improvement of medical facilities. ***The private sector may spread its activities in the field of medical facilities but not in the field of Public Health. It is the State only which has to look after this sub-sector of Public Health.***

At present, this sector of ***Social Services*** , accounts for only 4% to 5% of Total Revenue Expenditure of the State which is quite meager and scanty. It comes to even less than 1% of ***GSDP***, whereas the national norm is to step up this to the level of 3% of ***GDP***. Thus the State is far behind the national norm as well as the requirements of the State.

The ***TGR*** of ***Medical and Public Health*** is also low at 10.83%, compared to 20.68% of Education. This has to be stepped up considerably. With 10.83% growth rate of Revenue Expenditure, we can hardly meet the needs of expanding and improving this sub-sector of Social Services . We take the bold step of projecting Revenue Expenditure on this sub-head at the annual rate of growth of 25%, which is much higher than the 10.83% ***TGR***. We are recommending a quantum jump in the next 4 years so that expenditure on this sub-head increases from 3.91% of Total Revenue Expenditure in 2004-05 to 4.68% in 2009-10, and as a percent of GSDP it increases from 0.63% to 0.84% during the same period.

Water Supply And Sanitation : At present hardly 3% of Total Revenue Expenditure is allocated to this sub-head, and as percent of ***GSDP*** 0.36% in 2004-05. This sub-sector, in fact, is a component of public health. Water supply and sanitation also lies within the jurisdiction of ***ULBs*** and ***PRIs*** in rural areas. But they lack resources to cope with the requirements. In the past five years, the ***TGR*** has been **9.77%** which even low than the sub-sector of medical and health. We would like to step up this percentage to **20%** per annum, for the purpose of making projections for this sub-sector.

Housing And Urban Development : Urban development is a sub-sector which needs more resources for tackling urban problems. Already ***TGR*** of expenditure on this sub-sector is quite high, 25.93% per annum. We have made projections for the forecast period at higher than existing ***TGR*** of 30%

Labour and Employment : The ***TGR*** of this sub-sector has been 12.26%, which we have made projected this at higher than existing ***TGR*** of 15% .

Welfare Of Scheduled Castes And Tribes : At present nearly 7% to 10% of Total Revenue Expenditure of the State is spent on the welfare of these classes of society. This comes to about 1.05% to 1.70% of GSDP. But the most unfortunate part is that the expenditure on this head has been growing at a very slow rate, the TGR being 1.10% for the period 2001-02 to 2005-06. This increase in very meagre. We propose to step up this percentage to 10%, per annum during the forecast period. Though this increase may be help in changing the slow trend of TGR.

Social Security And Welfare : At present hardly 4% to 5% of Total Revenue Expenditure goes to this sub-sector. It needs to be stepped up to nearly 6 to 7% of Total Revenue Expenditure. The ***TGR*** for this sub-sector is quite high 25.60%. For Projection we would make a little change in ***TGR*** to 30% .The increased ***TGR*** would take us to the target of Total Revenue Expenditure by 2009-10.

Natural Calamities : At present 1% to 2% of Revenue Expenditure is allocated to this sub-sector of Social Services . The ***TGR*** has been negative -10.06% for the past five years. The negative trend has to be reversed. We have projected Revenue Expenditure for this sub-sector at the rate of growth of 5% per annum during the forecast period.

Summary Statement Of Projections In Respect Of Individual Items Of Social Sector : With the help of the methodology that we have outlined above for individual components of Social Services , and the ***TGRs that we have suggested***, we are now in a position to work out the amount of Revenue Expenditure that can be earmarked on annual basis during the forecast period. The **Table No. 7.9** presents ***The Allocations for Individual Components***.

7.10.4 Economic Services :

Economic Services provided by the State Government include (i) Development of Agriculture and Allied Activities, (ii) Rural Development, (iii) Irrigation and Flood Control, (iv) Power Development, (v) Industry and Minerals, (vi) Transport, (vii) Science & Technology and Environment, (viii) General Economic Services.

This sector, by and large, includes important components of Physical Infrastructure on which largely depends the growth of the State Economy. Most of these economic activities are in the private sector, but the State Government provides infrastructure and inputs for their development, like transport, power, irrigation facilities, extension services, training and development. The expenditure of the State Government for the development of these services may assume two forms, ***Revenue Expenditure***, ***Capital Expenditure***. But ***Revenue Expenditure*** accounts for nearly 80% of ***Total Expenditure*** and ***Capital Expenditure*** only a small proportion of total expenditure. Revenue Expenditure is in the form of current expenditure like payment of wages and salaries. But capital, expenditure takes the form of creation of assets like buildings, equipment, machinery, construction works, etc.

As already Stated, ***Chhattisgarh*** State ranks very low in terms of infrastructure like roads, communications, irrigation, go downs and ware-housing, power. The situation in respect of power in the State is satisfactory. The extent of road net-work at 26 km per 1000 sq km of area, is just half of the network in ***MP*** and well below the ***National Average.*** The situation becomes more disappointing on account of the fact that the State does not figure in any high profile road projects currently being undertaken in the country – ***the Golden Quadrilateral, the East-West Corridor and the North-South Corridor***. Adding to the dismal picture is the small network of railways at 0.77 km per sq km of area, as against 1.92 km for MP and 1.91 km for India. Thus the transport network is sorely inadequate and poor in the State, and also that the Central Government contribution to the improvement in the same is likely to be marginal at best. For hinterland State, air transport and rail facilities are important for growth. The State suffers on both these counts. The State has only one commercial airport, which connects metro cities. The basic rail corridor is Mumbai-Howrah, which links the State with two metropolises. Thus transport facilities are woefully poor, and this fact constitutes the major constraint on the process of rapid growth of the State. In terms of communication facilities, telephone and postal services, the situation is also very poor.

In respect of irrigation facilities, as against assessed potential of 70% of cultivated area, the coverage is hardly 19%. Agriculture in the State largely depends on rainfall which is uncertain and fluctuating. The State did not witness the Green Revolution of the 1960's and while many States are preparing for the second Green Revolution, Chhattisgarh lags far behind other agriculturally developed States. The rate of return on investment in irrigation is negligible with the result that the system does not generate resources even for its maintenance. The users Associations are mainly interested in participatory management but not in revenue recovery.

Fortunately, the State has adequate power supply for sustaining agricultural and industrial development. Since the creation of Chhattisgarh State and the consequent bifurcation of MPEB, the Chhattisgarh counterpart has taken steps to ensure uninterrupted supply of power and improve the plant load factor. The advantage of this factor can be an important factor for promoting investment, both domestic and foreign, provided other infrastructural deficiencies are removed.

As already stated, in terms of Per Capita Expenditure on important Economic Services, the State spends much below the National Average. One important disquieting fact is that the State does not make adequate provision for maintenance of assets already created. Only 30% of the needs of maintenance of roads, irrigation and water supply are being met. ***But mere increase in allocations will not do the trick, unless right type of strategies are designed and right priorities are chosen and effective utilization of funds is made.***

Agriculture in the State is being subsidized through free supply of power, lower irrigation charges and also through subsidized inputs. Subsidies may be continued for small and marginal farmers but not in the case of large farmers who are at present the major beneficiaries of different schemes and programs. ***It would be economically more desirable to replace subsidies by increase in investment in Rural Infrastructure and Agricultural Research and Extension.*** Of late, we find that government investment is declining and subsidies increasing. Such a policy is not conducive to increase in agricultural productivity and yield per acre.

Recently ***Dr. M.S. Swaminathan***, the architect of India's first Green Revolution and now the Chairman of National Commission on Farmers, has suggested a programme for agriculture renewal, consisting of five important measures, soil health enhancement, water harvesting, access to affordable credit, crop and life insurance reform, development and dissemination of new techniques for diversification of agriculture , regulation of marketing. Two more can be added to these measures, application of science and bio-technology to improve seeds and utilize herbals, improve animal husbandry to improve the productivity of livestock and poultry. But the technology that we develop must be affordable and relevant to small and marginal farmers, particularly in drought-prone areas and tribal areas of State. The present effort of the State with meager allocation for agricultural development, is abysmally low.

With this preliminary observations, we come back to our main task in this Chapter of making projections of State funds on revenue account for the development of Economic Services (both qualitatively and quantitatively), against the backdrop of Macro projections that we have made in the last Chapter.

Prior to making projections, we present the ***existing allocations to the sector of Economic Services***. This is indicated in the **Table No. 7.10.**

The allocations are meagre, taking into account the requirements of growth and maintenance. Nearly 25% of Revenue Expenditure goes to this sector of State economy, but of late, the percentage has started declining.

Projections Of Revenue Expenditure Of Different Components Of Economic Services:

Agriculture and Allied Activities: Let us take the first item, Agriculture and Allied Activities which occupy a vital place in the State Economy. The existing position is that this sub-sector accounts for nearly 14% to 15% of ***Total Revenue Expenditure*** of the State. At what rate ***Revenue Expenditure be projected*** for the forecast period ? The ***TGR*** has been very high during 2001-02 to 2005-06, 24.26%. The projections have been made at slightly high rate (25%) which needs to be continued, in view of the significance of agriculture an allied activities. Our projections will raise the level of expenditure from 13.59% in 2004-05 of Total Revenue Expenditure to 16.29% in 2009-10.

Rural Development : The ***TGR*** for this sub-sector has been 18.53% we have making projections higher than this rate 22% during the forecast period. As a percent of ***Total Revenue Expenditure***, ***Rural Development*** will increase its share from 6.20% in 2004-05 to 6.58% in 2009-10.

Irrigation And Flood Control: It is very strange that the ***TGR*** of Revenue Expenditure for irrigation has been ***negative*** *(*–)1.90%. ***As a percentage of total revenue expenditure,*** this sub-sector accounted for a low figure of less than 3% and this figure has been showing a decline. We would like to suggest a large amount under capital account for irrigation. We propose to make a quick jump in the allocation for this sub-sector to a ***positive figure*** of 5% per annum. We would also like to suggest a higher allocation for irrigation in respect of capital expenditure. Revenue Expenditure is mainly intended for meeting the maintenance requirements of the irrigation network and also current expenditure including subsidies.

Power : Revenue Expenditure on power is mainly for providing subsidy by the government to the Electricity Board for the supply of power either free or at subsidized rates to certain sections of society. The ***TGR*** for this item is 20.50%, but we would like to project expenditure on this head ***at a reduced rate*** of 10%, with the expectation that there would be some reduction in the volume of subsidies. We propose to reduce the share of this item in Total Revenue Expenditure from 2.17% in 2004-05 to 1.37% in 2009-10.

Industry And Minerals : Revenue Expenditure on this head is intended to provide assistance to the private sector industrial units through different concessions and facilities and also for the development of minerals, particularly the minor minerals. Since the existing allocation for this sub-sector, seems to be smaller, we have made a marginal increase in the allocation. The ***TGR*** has been of the order of 24.55% for the period 2001-02 to 2005-06, but projections have been made at the rate of 25%. This increase would raise the share of this sub-sector in ***total revenue expenditure***, from 0.86% in 2004-05 to 1.03% in 2009-10.

Transportation : The Revenue Expenditure on this head is meant for the maintenance of roads and bridges. The State Government has not created its own Road Transport Corporation to operate its own roadways, but the State has to meet its liabilities of the undivided MPSRTC. The ***TGR*** for this sector has been ***negative*** (–)1.22%. It is deplorable to find the ***TGR*** as negative, particularly when the State lacks transport facilities. Of course, most of the funds on the development of transport, come from the capital budget of the State, but still, a large amount is needed for the maintenance purposes. We have projected Revenue Expenditure on this sub-head to a higher figure of 5% to meet the increasing requirements of maintenance of the transport network.

Others (Like Science & Technology And Environment) : Since at present much amount is earmarked for these items, and a beginning has been made only recently for their development, we have projected Revenue Expenditure at the rate of 80% This would increase the share of this item in Total Revenue Expenditure from 0.32% in 2004-05 to 2.36% in 2009-10.

We are now in a position to present the ***projected Revenue Expenditure for Economic Services and different components of this sector***, arrived at on the basis of the methodology evolved for each component. The **Table No 7.11** presents these projections.

7.10.5 Grants-In-Aid And Compensation To Local Bodies : The State Government has been paying Grants-in-Aid to Local Bodies according to the ***Fiscal Package recommended*** by the ***SFC*** accepted ***by the State Government***. So far, the Local Bodies are getting devolution from the State as per the recommendations of the ***first Finance Commission*** of the erstwhile State of Madhya Pradesh. The Chhattisgarh government has not implemented the recommendations of the ***second SFC*** of the MP Government. Instead ***the recommendations of the first SFC are being continued for implementation***. Now when ***the first SFC of Chhattisgarh is in session*** and the report will be shortly submitted, the State Government will have to implement the recommendations of its own ***first SFC***. We have to take into account this fact and raise the allocation for Local Bodies, to enable the State Government to implement the report of its first SFC. The ***TGR*** for this sub-head has been 25.61%, we have raised this figure to 30%, for the award period. This increase would raise ***the percentage share of Local Bodies in Revenue Expenditure of the State*** from 3.55% in 2004-05 to 5.18% in 2009-10.

Table No. 7.12 ***presents an integrated picture of projected Revenue Expenditure and its break-up into different sectors and sub-sectors.***

7.10.6 **Table No. 7.13 and 7.14** presents ***Revenue Expenditure on different services of the State Government as percentage of Total Revenue Expenditure and also as percent of GSDP***. The data presented relate to the actual for ***2001-02 to 2004-05***, and projected for the period, ***2005-06 to 2009-10***.

7.10.7 We have attempted to present ***the impact of projected Revenue Expenditure on per capita expenditure in 2009-10 over 2004-05 in*** **Table No. 7.15**. The largest percentage increase takes place in per capita expenditure on Education (item of Social Services) (239.47%), followed by Social Services (190.12%), public health (179.02%), Economic Services (154.41%), General Services (132.76%) (excluding Interest Payment and Pensions) and lowest increase (127.49%) has been projected for Water Supply and Sanitation. These are the targets of Per Capita Expenditure to be achieved by the State Government in 2009-10.

7.11.0 Projections Of Capital Expenditure And Its Components :

7.11.1 Though the ***SFC*** is mainly concerned with making a review and projections of receipts and expenditure on revenue account, but with a view to presenting a comprehensive picture of finances of the State, it has also made a review and projections of capital expenditure and its components. In the previous Chapter, we have made projections of capital expenditure at the macro level. Now in this section, our principal task is to make projections of individual components of total capital expenditure in the State.

7.11.2 Public Investment is considered to be principal source of growth, both through the creation of infrastructure – physical and human, and also as stimulant and facilitator of private investment. The capital expenditure is mainly used for creating productive assets. In the last Chapter we had suggested that increasing amount of capital expenditure may be financed through borrowings from the market and also other sources and that the fiscal deficit may be deployed as instrument of financing capital expenditure. ***The only point that we repeat is that in no case borrowings are to be used for financing revenue expenditure.***

7.11.3 **Table No. 7.16** presents ***Capital Expenditure of the State Government, actual during 2001-02 to 2004-05 and projected during the forecast period, 2005-06 and 2009-10.***

7.11.4 Both as a ***Percent of Total Expenditure and also of GSDP***, the ***Capital Expenditure*** in the State has recorded a considerable increase, more particularly during the forecast period. It is projected to increase from 23.32% of total expenditure in 2005-06 to 25.64% in 2009-10, and as ***Percentage of GSDP***, to increase from 5% to 6.20% during the same period.

7.11.5 ***As Percentage of Total Capital Expenditure, the different groups of activities in the State,*** is presented in the **Table No. 7.17.**

7.12.0 Projections Of Capital Expenditure On Individual Components :

7.12.1 For making projections of individual components of Revenue Expenditure in this Chapter, we have used the technique of ***Trend Growth Rates (TGR)*** of respective items of expenditure. We found this technique as unsuitable for making ***Projections of Capital Expenditure***. In the context of Capital Expenditure, we have used a very simple technique in two stages. ***In the first stage we have made projections for four groups of activities on the basis of their shares in total capital expenditure, taking the average of 3 years, 2002-03 to 2004-05.*** The ratios that we could get on that basis, for making projections of capital expenditure during the forecast period, are the following :

S. No.	Items	Actual	Projected
1.	General Services Share of Total Capital Expenditure	1.89%	2%
2.	Social Services Share of Total Capital Expenditure	15.24%	19%
3.	Economic Services Share of Total Capital Expenditure	66.11%	68%
4.	Loans And Advances Share of Total Capital Expenditure	16.75%	11%

7.12.2 ***In the second stage we used the same methodology and allocated capital expenditure among individual components of these groups, on the basis of their respective shares during three years 2002-03 to 2004-05 the average of the period, for each individual item.*** Projections for the individual components of Capital Expenditure in the second stage, have been made on the following ratios which are the averages of 3 years, with some changes. These ratios are the following :-

Social Services :

S.N.	Items	Actual	Projected
1	Education, Sports, Art & Culture	2.30%	4.00%
2	Medicine, Public Health & Family Welfare	2.38%	3.00%
3	Housing and Urban Development	3.87%	3.47%
4	Scheduled Caste and Scheduled Tribes Welfare	5.07%	5.07%
5	Water Supply & Sanitation	0.09%	1.93%
6	Social Security & Welfare	1.51%	1.51%
7	Others	0.02%	0.02%
	Total Social Services	**15.24%**	**19.00%**

Economic Services:

S.N.	Items	Actual	Projected
1	Agriculture	2.20%	3.20%
2	Rural Development	2.73%	2.73%
3	Irrigation & Flood Control	37.60%	37.60%
4	Transport	22.77%	22.77%
5	Power	-	0.90%
6	Industry & Mineral	0.69%	0.69%
7	Others	0.11%	0.11%
	Total Economic Services	**66.11%**	**68.00%**

7.12.3 ***Projections of Capital Expenditure*** for different groups, based on the methodology given above are presented in the **Table No. 7.18, 7.19, 7.20**

7.13.0 Budgetary Reforms :

7.13.1 The process of restructuring the Finances of the State Government would not be complete without changes in budgetary procedures and budget making process, consistent with restructuring.

7.13.2 The Chhattisgarh Governm ent has been mainly following budget making process and procedures that were prevalent in undivided Madhya Pradesh, with all their gaps and deficiencies. It is high time that the new State designs its own procedures and budget making processes. ***In this context, the Commission recommends that a small Committee of Experts/Expert may be constituted by the State Government, to recommend Budgetary Reforms, with the object of making budgets transparent and user-friendly and also consistent with the needs of restructuring State finances.*** It would not be out of place to mention that the ***Maharashtra Government*** had appointed a one-man committee in 2000, consisting of ***Dr. Madhav Godbole***, former Hon.Secretary, Govt. of India, to recommend a plan for introducing reforms in State Government budget making process and allied processes.

7.13.3 ***The Budget Documents*** should give information about the magnitude of Fiscal Deficit, Revenue Deficit and Primary Deficits, presented ***as Percent of GSDP*** of the relevant year. The budget may also give information about Debt-GSDP Ratio and Interest Payments as Percentage of Total Receipts. In ***Budget in Brief*** also. In the same document, one looks in vain for separate figures of ***Own Tax Revenue and Share in Central Taxes.***

7.13.4 A consolidated picture of works-in-progress, the original cost, the revised cost, the balance amount that is needed to complete the ***Projects Department-Wise***, needs to be provided every year along with the budget.

7.13.5 The ***Economic Survey*** of the State presented earlier to the budget every year should not be a mere presentation of facts. It should make a critical review of the developments in different sectors and also give suggestions. ***It should have an Editorial Board*** to advise ***the Directorate of Economic*** and Statistics, in the preparation of the Survey.

7.13.6 A document ***"Medium-Term Fiscal Reforms and Restructuring the State Finances"*** may be brought out by the ***Finance Department for public discussion. For improving the capability of the Finance Department, it is essential that the department should have a Good Library Of Its Own And A Research Unit, having competent researchers in the domain of public finance.***

7.13.7 Every department should prepare ***Long Term Plan along with Short-Term Plans*** and departmental budget should be prepared on this basis. So that desired target is achieved in desired time frame.

7.13.8 ***Performance Budgets*** of different departments to be presented along with budget to bring out the impact of Public Expenditure on outputs and outcomes.

Table No. 7.1

Projection Of Individual Taxes

(2005-06 To 2009-10)

(In crores Rs.& %)

S. No.	Taxes	ATGR	PTGR	Actual	Projected				
				04-05	**05-06**	**06-07**	**07-08**	**08-09**	**09-10**
1	2	3	4	5	6	7	8	9	10
1.	Land Revenue	32.64	32.64	28.69	38.05	50.48	66.95	88.80	117.79
				(0.89)	(0.95)	(1.02)	(1.09)	(1.16)	(1.23)
2.	Stamp & Registration	22.64	22.64	247.77	303.87	372.66	457.03	560.50	687.40
				(7.68)	(7.61)	(7.52)	(7.42)	(7.30)	(7.18)
3.	State Excise Duty	16.58	20.00	458.27	549.92	659.91	791.89	950.27	1140.32
				(14.20)	(13.77)	(13.31)	(12.85)	(12.38)	(11.91)
4.	Sales Tax (VAT)	23.46	28.00	1673.86	2142.54	2742.45	3510.34	4493.23	5751.34
				(51.86)	(53.63)	(55.33)	(56.97)	(58.55)	(60.09)
5.	Motor Vehicle Tax	14.71	14.71	191.80	220.01	252.38	289.50	332.09	380.94
				(5.94)	(5.51)	(5.09)	(4.70)	(4.33)	(3.98)
6	Tax on Goods and Passengers	15.63	20.00	287.13	344.56	413.17	496.16	595.39	714.47
				(8.90)	(8.63)	(8.34)	(8.05)	(7.76)	(7.46)
7.	Duty on Electricity	14.86	20.00	308.92	370.70	444.84	533.81	640.58	768.69
				(9.57)	(9.28)	(8.98)	(8.66)	(8.35)	(8.03)
8.	Others	-20.03	-20.03	31.43	25.13	20.10	16.07	12.85	10.28
				(0.97)	(0.63)	(0.41)	(0.26)	(0.17)	(0.11)
9.	**Total**			**3227.87**	**3994.79**	**4956.29**	**6161.76**	**7673.72**	**9571.23**
10.	**Percent of GSDP**			**(7.34)**	**(7.70)**	**(8.09)**	**(8.53)**	**(9.00)**	**(9.51)**

(Figures in bracket represent percentages of ***Total Own Tax Revenue****)*

Note : ATGR - Actual Trend Growth Rate, PTGR Proposed Trend Growth Rate.

Table No. 7.2

Tax-GSDP Ratio of Individual Taxes

(2004-05, 2005-06 & 2009-10)

S. No.	Tax	2004-05	2005-06	2009-10
1	2	3	4	5
1.	Land Revenue	0.07	0.07	0.12
2.	Stamp And Registration	0.56	0.59	0.68
3.	State Excise Duty	1.04	1.06	1.13
4.	Sales Tax (VAT)	3.81	4.13	5.72
5.	Motor Vehicle Tax	0.44	0.42	0.38
6.	tax on goodsTax On Goods & Passengers	0.65	0.66	0.71
7.	Duty On Electricity	0.70	0.71	0.76
8.	Other Taxes	0.07	0.05	0.01
	Total	**7.34**	**7.70**	**9.51**

Table No. 7.3

Percentage Of Revenue From Different Items To Total Non-Tax Revenue Of The State

(2001-02 To 2005-06)

(In %)

S.No.	Items	2001-02	2002-03	2003-04	2004-05	2005-06
1	2	3	4	5	6	7
1.	Fiscal Services	7.49	12.68	13.99	8.14	8.31
i)	Interest Receipts	6.80	10.00	10.89	8.14	7.98
ii)	Dividends & Profit	0.69	2.67	3.10	0.00	0.33
2.	General Services	4.24	8.70	8.80	5.26	3.89
3.	Social Services	3.52	3.33	2.11	1.84	2.73
4.	Economic Services	84.75	75.30	75.11	84.76	85.08
i)	Agriculture And Rural Development	1.57	1.24	1.00	1.87	1.50
ii)	Forests	13.70	11.06	12.53	12.85	13.70
iii)	Minerals	63.00	56.26	56.00	55.01	53.40
iv)	Irrigation	6.01	6.09	4.89	6.43	8.53
v)	Others	0.47	0.64	0.68	8.60	7.95

Table No. 7.4

Contribution Of Non-Tax Revenue To GSDP Own Revenue Receipts And Total Revenue Receipts (2001-02 To 2009-10)

(In %)

S. No.	Items	Actual				Projected				
		01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
1	2	3	4	5	6	7	8	9	10	11
1.	% Of GSDP	2.44	3.03	3.02	2.83	2.85	2.88	2.90	2.93	2.95
2.	% Of Total Own Revenue	26.60	29.13	30.29	27.82	27.04	26.22	25.38	24.53	23.67
3.	% Of Total Revenue Receipts	16.51	17.66	18.87	17.16	16.60	16.03	15.47	14.91	14.35

Table No. 7.5

Projections Of Non-Tax Sources Of Revenue Each Group And Individual Items Comprising The Groups (2005-06 To 2009-10)

(*In Crores Rs*)

S. No.	Group Of Services / Individual Items	2004-05	2005-06	06-07	07-08	08-09	09-10
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
6	**Fiscal Services**	**101.26**	**171.71**	**204.34**	**243.16**	**289.36**	**344.34**
(i).	Interest Receipts	101.26	143.29	170.52	202.91	241.47	287.35
(ii).	Dividends & Profit	0.00	28.42	33.82	40.25	47.89	56.99
2.	**General Services**	**65.37**	**112.35**	**133.70**	**159.10**	**189.33**	**225.31**
3.	**Social Services**	**22.91**	**35.97**	**42.81**	**50.94**	**60.62**	**72.13**
4.	**Economic Services**	**1054.39**	**1160.24**	**1380.69**	**1643.02**	**1955.19**	**2326.68**
i.	Agriculture & Rural Development	23.29	20.13	23.96	28.51	33.93	40.37
ii.	Forests	159.85	179.85	214.03	254.69	303.08	360.67
iii.	Minerals	684.26	825.40	982.23	1168.85	1390.93	1655.21
iv.	Irrigation	79.96	86.00	102.34	121.79	144.93	172.47
v.	Others	107.03	48.85	58.13	69.18	82.32	97.96
	Total Non-Tax Revenue :	**1243.93**	**1480.28**	**1761.53**	**2096.22**	**2494.50**	**2968.46**

Table No. 7.6

Summary Of Projections Made By The SFC
In Respect Of Total Revenue Receipts Of The Chhattisgarh State
(2005-06 To 2009-10)

(In Crores Rs)

S. No.	Items	2005-06	06-07	07-08	08-09	09-10
1	2	3	4	5	6	7
I.	**Own Tax Revenue**	**3994.79**	**4956.29**	**6161.76**	**7673.72**	**9571.23**
i)	Land Revenue	38.05	50.48	66.95	88.80	117.79
ii)	Stamp & Registration	303.87	372.66	457.03	560.50	687.40
iii)	State Excise Duty	549.92	659.91	791.89	950.27	1140.32
iv)	Sales Tax (Vat)	2142.54	2742.45	3510.34	4493.23	5751.34
v)	Motor Vehicles Tax	220.01	252.38	289.50	332.09	380.94
vi)	Tax On Goods And Passengers	344.56	413.47	196.16	595.39	714.47
vii)	Duty On Electricity	370.70	444.84	533.81	640.58	768.69
viii)	Others	25.13	20.10	16.07	12.85	10.28
II.	**Non-Tax Revenue**	**1480.28**	**1761.53**	**2096.22**	**2494.50**	**2968.46**
1)	Fiscal Services	171.71	204.34	243.16	289.36	344.34
i)	Interest	143.29	170.52	202.91	241.47	287.35
ii)	Dividends & Profit	28.42	33.82	40.25	47.89	56.99
2)	General Services	112.35	133.70	159.10	189.33	225.31
3)	Social Services	35.97	42.81	50.94	60.62	72.13
4)	Economic Services	1160.24	1380.69	1643.02	1955.19	2326.68
i)	Agriculture & Rural Development	20.13	23.96	28.51	33.93	40.37
ii)	Forests	179.85	214.03	254.69	303.08	360.67
iii)	Minerals	825.40	982.23	1168.85	1390.93	1655.21
iv)	Irrigation	86.00	102.34	121.79	144.93	172.47
v)	Other	48.85	58.13	69.18	82.32	97.96
III.	**Total Own Revenue (Tax + Non-Tax)**	**5475.07**	**6717.82**	**8257.98**	**10168.22**	**12539.69**
IV.	**Transfers From The Centre (Share In Taxes And Grants-In-Aid)**	**3443.57**	**4270.02**	**5294.83**	**6565.59**	**8141.33**
V.	**Total Revenue Receipts**	**8918.64**	**10987.84**	**13552.81**	**16733.81**	**20681.02**
VI.	**% Of GSDP**	**17.18**	**17.94**	**18.75**	**19.62**	**20.55**

Table No. 7.7

Projections Of Non-Plan and Plan Revenue Expenditure Of The State (2005-06 To 2009-10)

(In Crores Rs)

S. No.	Item	2005-06	2006-07	2007-08	2008-09	2009-10
1	2	3	4	5	6	7
1.	Revenue Expenditure (Non-Plan)	5952.88	7024.40	8288.79	9780.77	11541.31
2.	Revenue Expenditure (Plan)	2578.16	3160.50	3953.88	5042.36	6547.14
3.	Total Revenue Expenditure	8531.04	10184.90	12242.68	14823.14	18088.45
4.	As % of GSDP	16.44	16.63	16.94	17.38	17.98

Table No. 7.8

Projections Of Revenue Expenditure Different Items Of General Services (2005-06 To 2009-10)

(In Crores Rs)

S. No	Item	2004-05	05-06	06-07	07-08	08-09	09-10
1	2	3	4	5	6	7	8
1.	Organs Of State	68.66	78.96	90.80	104.42	120.09	138.10
2.	Fiscal Services	114.34	124.58	135.75	147.91	161.16	175.60
3.	Interest Payments & Redemption (Interest Payment)	1359.91 (1151.91)	1509.50 (1249.82)	1675.55 (1356.06)	1859.86 (1471.32)	2064.44 (1596.38)	2291.53 (1732.08)
4.	Administrative Services	417.03	456.36	499.39	546.48	598.02	654.41
5.	Pensions & Other General Services	534.03	581.72	633.67	690.25	751.89	819.04
6.	Total Revenue Expenditure On General Services	2493.97	2751.12	3035.15	3348.92	3695.60	4078.68
7.	Percent Of Total Revenue Expenditure	35.11	32.25	29.80	27.35	24.93	22.55
8.	GSDP%	5.67	5.30	4.96	4.63	4.33	4.05

Table No. 7.9

Projections Of Revenue Expenditure -Different Items Of Social Services (2005-06 To 2009-10)

(*In Crores Rs)*

S. No.	Items	2004-05 (actual)	05-06	06-07	07-08	08-09	09-10
1	2	3	4	5	6	7	8
1.	Education, Sports, Art & Culture	1136.41	1477.33	1920.53	2496.69	3245.70	4219.41
2.	Medical & Public Health And Family Welfare	277.60	347.00	433.75	542.19	677.73	847.17
3.	Water Supply & Sanitation	158.45	190.14	228.17	273.80	328.56	394.27
4.	Housing And Urban Development	69.77	90.70	117.91	153.28	199.27	259.05
5.	Labour & Employment	24.79	28.51	32.78	37.70	43.36	49.86
6.	SC, ST And OBC Welfare	460.97	507.07	557.77	613.55	674.91	742.40
7.	Social Security, Welfare And Nutrition	284.85	370.31	481.40	625.82	813.56	1057.63
8.	Natural Calamities Relief	6.58(96*)	100.80	105.84	111.13	116.69	122.52
9.	Other	11.53	13.07	14.82	16.81	19.06	21.61
10.	Total Revenue Expenditure On Social Services	2430.95	3124.93	3892.98	4870.98	6118.84	7713.93
11.	As % Of Total Revenue Expenditure	34.22	36.63	38.22	39.79	41.28	42.65
12.	As % of GSDP	5.53	6.02	6.36	6.74	7.18	7.67

Note - * Average of three year (2003-04 to 2005-06)

Table No. 7.10

Revenue Expenditure On Economic Services In The State
(2001-02 To 2005-06)

(*In Crores Rs)*

S. No.	Items	2001-02	02-03	03-04	04-05	05-06
1	2	3	4	5	6	7
1.	Total Revenue Expenditure On Economic Services	1150.59	1443.06	1917.23	1925.63	2302.34
2.	% Of Total Revenue Expenditure	23.41	26.10	29.05	27.11	26.76
3.	% Of GSDP	3.89	4.57	5.14	4.38	4.44

Table No. 7.11

Projections Made For Different Components Of Economic Services
(2005-06 To 2009-10)

(*In Crores Rs)*

S. No.	Items	Actual	Projected				
		2004-05	05-06	06-07	07-08	08-09	09-10
1	2	3	4	5	6	7	8
1.	Agriculture & Allied Activities	965.57	1206.96	1508.70	1885.88	2357.35	2946.69
2.	Rural Development	440.58	537.51	655.76	800.03	976.03	1190.76
3.	Irrigation & Flood Control	120.51	126.54	132.86	139.51	146.48	153.80
4.	Power	153.97	169.37	186.30	204.93	225.43	247.97
5.	Industry & Mineral	60.76	75.95	94.94	118.67	148.34	185.42
6.	Transport	161.62	169.70	178.19	187.10	196.45	206.27
7.	Others	22.62	40.72	73.29	131.92	237.46	427.42
8.	Total Revenue Expenditure On Economic Services	1925.63	2326.74	2830.04	3468.03	4287.53	5358.34
9.	**As Percent Of Total Revenue Expenditure**	**27.11**	**27.27**	**27.79**	**28.33**	**28.92**	**29.62**
10.	**As % Of GSDP**	**4.38**	**4.48**	**4.62**	**4.80**	**5.03**	**5.33**

Others include – Science & Technology, General Economic Services.

Table No. 7.12

Projections Of Revenue Expenditure For Different Sectors And Sub-Sectors
(2005-06 To 2009-10)

(*In Crores Rs)*

SNo.	Sectors / Sub-Sectors	Actual	Projected				
		2004-05	05-06	06-07	07-08	08-09	09-10
1	2	3	4	5	6	7	8
1.	General Services						
i)	Organs Of Government	68.66	78.96	90.80	104.42	120.09	138.10
ii)	Fiscal Services	114.34	124.58	135.75	147.91	161.16	175.60
iii)	Interest Payment And Debt Redemption	1359.91	1509.50	1675.55	1859.86	2064.44	2291.53
iv)	Administrative Services	417.03	456.36	499.39	546.48	598.02	654.41
v)	Pension & Other General Services	534.03	581.72	633.67	690.25	751.89	819.04
	Total General Services :	2493.97	2751.12	3035.15	3348.92	3695.60	4078.68
2.	Social Services						
i)	Education, Sports, Art & Culture	1136.41	1477.33	1920.53	2496.69	3245.70	4219.41
ii)	Medicine, Public Health & Family Welfare	277.60	347.00	433.75	542.19	677.73	847.17
iii)	Water Supply & Sanitation	158.45	190.14	228.17	273.80	328.56	394.27
iv)	Housing & Urban Development	69.77	90.70	117.91	153.28	199.27	259.05
v)	Labour & Employment	24.79	28.51	32.78	37.70	43.36	49.86
vi)	SC, ST & OBC Welfare	460.97	507.07	557.77	613.55	674.91	742.40
vii)	Social Security, Welfare & Nutrition	284.85	370.31	481.40	625.82	813.56	1057.63
viii)	Natural Calamities Relief	6.58(96*)	100.80	105.84	111.13	116.69	122.52
ix)	Others	11.53	13.07	14.82	16.81	19.06	21.61
	Total Social Services :	2430.95	3124.93	3892.98	4870.98	6118.84	7713.93
3.	Economic Services						
i)	Agriculture & Allied Services	965.57	1206.96	1508.70	1885.88	2357.35	2946.69
ii)	Rural Development	440.58	537.51	655.76	800.03	976.03	1190.76
iii)	Irrigation & Flood Control	120.51	126.54	132.86	139.51	146.48	153.80
iv)	Power	153.97	169.37	186.30	204.93	225.43	247.97
v)	Industry & Minerals	60.76	75.95	94.94	118.67	148.34	185.42
vi)	Transport	161.62	169.70	178.19	187.10	196.45	206.27
vii)	Others (Science And Technology + General Economic Services)	22.62	40.72	73.29	131.92	237.46	427.42
	Total Economic Services :	1925.63	2326.74	2830.04	3468.03	4287.53	5358.34
4.	Local Bodies	252.50	328.25	426.73	554.74	721.17	937.51
5.	Total Revenue Expenditure	7103.05	8146.49	9343.21	10715.72	12289.86	14095.25
6.	Total Revenue Expenditure As Percent Of Total Expenditure	83.61	76.68	75.83	75.16	74.66	74.36
7.	Revenue Expenditure as % of GSDP	16.15	16.44	16.63	16.94	17.38	17.98

Note:- * Projection base (96) Three years (2003-04 to 2005-06) Avg.

Table No. 7.13

Revenue Expenditure On Different Services As Percent Of Total Revenue Expenditure (2001-02 To 2009-10)

(In %)

Year	General Services	Social Services	Economic Services	Local Bodies	Revenue Expenditure as % of Total Expenditure
1	2	3	4	5	6
2001-02	34.94	38.95	23.41	2.70	89.82
2002-03	33.25	37.73	26.10	2.92	86.29
2003-04	32.64	34.37	29.05	3.94	80.75
2004-05	35.11	34.22	27.11	3.55	83.61
2005-06	32.25	36.63	27.27	3.85	76.68
2006-07	29.80	38.22	27.79	4.19	75.83
2007-08	27.25	39.79	28.33	4.53	75.16
2008-09	24.93	41.28	28.92	4.87	74.66
2009-2010	22.55	42.65	29.62	5.18	74.36

Table No. 7.14

Revenue Expenditure On Different Services As Percent Of GSDP (2001-02 To 2009-10)

(In %)

Year	General Services	Social Services	Economic Services	Local Bodies	Total Revenue Expenditure as %of GSDP
1	2	3	4	5	6
2001-02	5.81	6.48	3.89	0.45	16.61
2002-03	5.82	6.61	4.57	0.51	17.51
2003-04	5.78	6.09	5.14	0.70	17.71
2004-05	5.67	5.53	4.38	0.57	16.15
2005-06	5.30	6.02	4.48	0.63	16.44
2006-07	4.96	6.36	4.62	0.70	16.63
2007-08	4.63	6.74	4.80	0.77	16.94
2008-09	4.33	7.18	5.03	0.85	17.38
2009-2010	4.05	7.67	5.33	0.93	17.98

Table No. 7.15

Per Capita Revenue Expenditure Of Selected Services
(2001-02, 2004-05 & 2009-10)

(In crore Rs.)

S. No.	Services	2001-02	2004-05	2009-10	% Increase in 2009-10 over 2004-05
1	2	3	4	5	6
1.	General Services	244.19	267.87	623.49	132.76
2.	Social Services	902.76	1085.25	3148.54	190.12
3.	Education	327.61	507.33	1722.21	239.47
4.	Public Health	109.22	123.93	345.78	179.02
5.	Water Supply & Sanitation	69.06	70.74	160.93	127.49
6.	Economic Services	542.73	859.66	2187.08	154.41

(General services excluding Interest Payments and)

Table No. 7.16

Capital Expenditure Of The State– Actual And Projected
(2001-02 To 2009-10)

Year	Capital Expenditure (Rs. in Crores)	% of Total Expenditure	% of GSDP
1	2	3	4
2001-02	557.13	10.18	1.89
2002-03	878.59	13.71	2.78
2003-04	1573.18	19.25	4.22
2004-05	1392.17	16.39	3.17
2005-06	2594.98	23.32	5.00
2006-07	3245.80	24.17	5.30
2007-08	4046.84	24.84	5.60
2008-09	5034.09	25.32	5.90
2009-2010	6238.55	25.64	6.20

Table No. 7.17

Allocation Of Capital Expenditure Among Different Sectors
(2001-02 To 2005-06)

S. No.	Sectors	% Of Total Capital Expenditure				
		2001-02	02-03	03-04	04-05	05-06
1	2	3	4	5	6	7
1.	General Services	3.60	2.19	1.39	2.10	1.68
2.	Social Services	19.11	15.57	11.79	18.37	20.98
3.	Economic Services	62.77	75.55	51.38	71.41	59.79
4.	Loans And Advances	14.52	6.69	35.45	8.12	17.54

Table No. 7.18

Sector-Wise Projections Of Capital Expenditure
(2005-06 To 2009-10)

(In Crores Rs.)

S. No.	Items	% Of Total	2005-06	06-07	07-08	08-09	09-10
1	2	3	4	5	6	7	8
1.	General Services	2%	51.90	64.92	80.94	100.62	124.77
2.	Social Services	19%	493.05	616.70	768.90	955.91	1185.32
3.	Economic Services	68%	1764.59	2207.14	2751.85	3421.14	4242.21
4.	Loans And Advances	11%	285.45	357.04	445.15	553.42	686.24
	Total	**100%**	**2594.98**	**3245.80**	**4046.84**	**5031.09**	**6238.55**

Table No. 7.19

Projections Of Capital Expenditure
(Individual Components Of Social Services)
(2005-06 To 2009-10)

(In Crores Rs.)

S. No.	Items	% Of Total	2005-06	06-07	07-08	08-09	09-10
1	2	3	4	5	6	7	8
1.	Education	4.00%	103.80	129.83	161.87	201.24	249.54
2.	Public Health	3.00%	77.85	97.37	121.41	150.93	187.16
3.	Housing & Urban Development	3.47%	90.05	112.63	140.43	174.58	216.48
4.	SC/ST& OBC Welfare	5.07%	131.57	164.56	205.17	255.08	316.29
5.	Water Supply & Sanitation	1.93%	50.08	62.64	78.10	97.10	120.40
6.	Social Security & Welfare	1.51	39.18	49.04	61.11	75.97	94.20
7.	Others	0.02%	0.52	0.65	0.81	1.01	1.25
Total		19%	493.05	616.70	768.90	955.91	1185.32

Table No. 7.20

Projections Of Capital Expenditure
(Individual Items Of Economic Services)
(2005-06 To 2009-10)

(In Crores Rs.)

S. No.	Items	% of total	2005-06	06-07	07-08	08-09	09-10
1	2	3	4	5	6	7	8
1.	Agriculture & Allied -Activities	3.20%	83.04	103.87	129.50	160.99	199.63
2.	Irrigation	37.60%	975.71	1220.42	1521.61	1891.69	2345.69
3.	Rural Development	2.73%	70.84	88.61	110.48	137.35	170.31
4.	Transport	22.77%	590.88	739.07	921.47	1145.58	1420.52
5.	Power	0.90%	23.35	29.21	36.42	45.28	56.15
6.	Industry & Minerals	0.69%	17.91	22.40	27.92	34.71	43.05
7.	Others	0.11%	2.85	3.57	4.45	5.53	6.86
Total		**68.00%**	**1764.59**	**2207.14**	**2751.85**	**3421.14**	**4242.21**