CHAPTER III.
FINANCIAL REQUIREMENTS
OF
MADHYA PRADESH.
Just as consumption is the end of all activities so is public expenditure the end of all financial activities of a State. Public expenditure which means the spending of revenue by State, is an act of production designed to secure utility. Governmental expenditure influences the production and distribution of wealth and the volume of employment in a country. It is, therefore, necessary to frame the scheme of public expenditure in such a way that it ensures maximum increase in national income and employment. It should also provide increased social and economic overheads and thereby stimulate private investment and raise common man's living standards. Economy and efficiency in public expenditure are also important; and so is the need to avoid waste and eradicate corruption and nepotism.

The expenditure of a State Government can be divided into two parts: (a) Expenditure on revenue account, and (b) Expenditure on capital account.

**Expenditure on Revenue Account:**

Expenditure on revenue account covers the following major heads: Expenditure on collection of taxes, duties and other principal revenues, debt services, Parliament and State Legislature, General Administration, Administration of justice, education, medical facilities, public health and family planning programmes, agriculture and animal husbandry, industries, cooperation and community development, public works, labour and employment and forests.

The Table No. XXV shows State Government's expenditure (revenue) under the above heads over the period 1958-69.
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(Source: Budgets, M.P. Govt. & Reserve Bank of India Bulletin)
The State Government incurs expenditure in connection with the collection of taxes and duties. This expenditure is generally known as collection charges. Government maintains a paid, full-time staff for the collection of taxes and duties. For collection of land revenue, it is necessary to maintain proper land records. From time to time survey settlements have also to be made. These involve expenditure. In case of State excise, Government has to invest money in the purchase of Ganja, opium and other narcotic drugs. About 3.6 percent of the total expenditure of Madhya Pradesh Government is accounted for under the head 'collection of taxes and duties.'

When tax revenues prove insufficient, Government is obliged to resort to public borrowing to supplement its tax revenues. Loans obtained from the public bear interest charges. Payment of interests is an item of expenditure which accounts for nearly 13.35 percent of the total expenditure of Madhya Pradesh Government. Interest paid may be in connection with permanent loans, discounts on loans, and interest on other loans, such as interest payable to the Reserve Bank, the National Cooperative Development Corporation, the Central Warehousing Corporation and Life Insurance Corporation. The State Government has also to make annual appropriations for reduction or avoidance of debts.
Expenditure on administrative services on revenue account includes expenses on elections to Parliament and to State Legislatures, salaries and allowances paid to members of State Legislatures, State Legislature Secretariat, General Administration and Administration of Justice.

The expenses on Parliament and Assembly elections and Assembly Secretariat are related to Government's activities. Expenses on the Legislature and its establishment depend on the number of members composing it.

From the table XXV it may be noted that in 1958-59 the expenditure was only ₹.394 thousand because of savings in travelling allowances and contingencies due to enforcement of economy. The expenditure was highest in the two election years of 1962 and 1967. If in a particular year, there were more Parliamentary and Assembly by-elections, or the durations of Assembly sessions were prolonged, the expenditure during that year has naturally increased as is evident from the table.

During the twelve years i.e. from 1957-58 to 1968-69 Madhya Pradesh Government has spent about ₹.32361 thousands on Parliament and State Legislature.

General Administration includes expenditure on Commissioners and District Administration, Ministers and the State Secretariat. It is evident from the Table XXV that the expenditure on General Administration has been
progressively rising over the past twelve years. It rose from a little over ₹.3 crores in 1957-58 to nearly ₹.6 crores in 1968-69. This doubling of expenses on General Administration may be attributed partly to the increase in the number of Government employees consequent upon the widening of the range of Government activities in economic and social fields, and partly to payment of enhanced rates of dearness and other allowances to compensate State employees for the rise in their cost of living. The present trend is likely to continue in future too as Government's economic and social activities are ever increasing and so is the cost of living.

The Administration of Justice plays an important role in ensuring the rule of law and orderly development of society. Madhya Pradesh Government maintains a High Court and District Courts to dispose off cases of civil, criminal and revenue nature. These law courts are ment by full-time staff, appointed by the Government.

As is obvious from the Table XXV that the expenditure on the Administration of Justice, as expenditure on General Administration has been progressively rising. During the past twelve years it has nearly doubled.

Yet another item of expenditure is social and development services which have been increasing since the launching of the five year plans. In this are included,

As regards education, it may be noted that Madhya Pradesh Government has been spending large sums of money over expanding educational facilities. Primary, Secondary and University education has been making steady progress. Provision for technical education also has increased enormously.

In 1956 the number of Primary Schools and children attending these schools were 21 thousand and 13.50 lakhs respectively. The corresponding figures for 1966 were 35 thousand and 30 lakhs. For the same period the number of Secondary Schools increased from about 1800 to 5000 in which nearly 6 lakhs children were receiving education. The number of Universities has also increased from one to nine at present. In 1956, there were only 3 Engineering Colleges in the State and now there are 8 such colleges. The number of Polytechnic Colleges has increased from 9 in 1956 to 24 at present.

This rapid expansion in general and technical education in the State has led to continuous increase in expenditure as is evident from Table XXV. In twelve years the expenditure has increased by more than four times.

Economic and social development pre-supposes "investment in man" in various forms. The expenditure incurred on public health and medical programme is designed to bring about general improvement in the health of the people.
The main achievement in the field of medical facilities is, that, in 1956 the total number of hospitals and dispensaries was 550 which increased to 1431 in 1967. There are 45 beds for every one lakh people in the State as compared to the average of 49 beds for one lakh people for all India. In the first Plan period there was one hospital or dispensary in an area of 260 square miles and now there is one hospital or dispensary in an area of 174 square miles. In 1956 there were only 4 medical colleges in the State. This number has increased to 6 at present. There is one college of Dentistry at Indore.

Mention may also be made in this connection to the increasing expenditure of the State Government on Family Planning Programme.

The State Government has also been conscious of the need for expanding family planning facilities and, increasing amounts of money have been spent on such programmes. The number of family planning clinics and centres increased from 173 in 1959 to 858 in 1967. More and more such clinics and centres are being opened every year. Most of such clinics and centres are located in the rural areas.

Madhya Pradesh Government has also been spending money on starting Primary Health Centres whose number increased from 108 in 1956 to 456 in 1967. But the most urgent need of the State has been the supply of drinking water both in
rural and urban areas. In rural areas new wells have to be built and old ones repaired. In towns and cities whose numbers are increasing, provision for drinking water has to be made and various water supply schemes are on hand. As urbanisation proceeds, the population of older towns is rapidly increasing and new towns and cities would also start coming up. All these will require greater efforts and expenditure by the State Government to ensure regular and adequate supply of drinking water to the people on a permanent basis.

The success of all our developmental activities and the present and the future prospects of the country depend mainly on our being self-sufficient in food. It has been our experience in the last several years that if there is any failure of crops in any year, it influences adversely the progress of the plan as a whole. To increase food production is the most essential requirement at present. It is on this account that greater emphasis has been laid on measures for increasing food production.

Madhya Pradesh is predominently an agricultural State. About 85 percent of the population of the State is living in villages and agriculture occupies the most important place in the economy of the State. Total area of the State is 10.82 crore acres out of which 4.68 crore acres is under plough. The main crops are wheat, jowar, paddy, bajra, maize, oilseeds and cotton. Out of the total production of the country, this State is producing about 8.5 percent of rice,
18.5 percent of wheat, 16 percent of jowar, 11.8 percent of maize, 16.4 percent of gram, 5.4 percent of groundnut and 7 percent of cotton.

The State is largest producer of Oilseeds, second largest producer of jowar and the third largest producer of cotton, rice and wheat. The 18 percent of the State's cultivated area is under wheat, 25 percent under rice and 12 percent under jowar. The Narmada Valley and Malwa regions are the principal wheat producing areas and Chattisgarh is the rice bowl of Madhya Pradesh.

Agriculture is the mainstay of the States' economy and was given a very high priority in the State's development Plans. To meet the special situation created by the failure of crops in 1957 intensive Rabi seeds distribution was undertaken in 1958. Special efforts were also made to obtain seeds from Punjab to the extent of 90,000 Mds. In 1959-60, 21,341 tons of seeds and 83,500 tons of chemical fertilizers were distributed. As suggested by the Government of India, special schemes for the intensive cultivation of jowar, rice, pulses, vegetables and fruits in selected areas were started in 1963-64.

There is at Jabalpur, an Agricultural University named after the late, Pandit Jawahar Lal Nehru to which all the agricultural colleges of the State are affiliated. As is evident from the Table XXV, State expenditure on Agriculture under revenue account has been steadily increasing
from year to year. Over the twelve years from 1958 to 1969, it has nearly increased four-fold.

Yet another item of expenditure on revenue account is Animal Husbandry. The improvement of agriculture is directly linked up with the improvement of the cattle wealth of the country. Great importance is, therefore, being laid on the improvement of livestock and to the control of cattle diseases. Our cattle suffer in several ways, namely, from disease and lack of adequate quantity of good fodder, grazing grounds and good breed.

Total livestock in Madhya Pradesh in 1956 was about 3 crores which increased to about 4 crores in 1966. It is estimated that about 1200 dispensaries are required to provide an adequate measure of veterinary aid. In 1959, there were 225 hospitals and 403 dispensaries as compared to 428 hospitals and 951 dispensaries in 1967. Measures of disease control are also supplemented by the provision of mobile units. In 1959 there were 17 such units which increased to 43 in 1967.

The implementation of the development schemes of the Veterinary Department requires a large number of qualified veterinary graduates and assistants. In 1957-58, Madhya Pradesh Government spent about 13 lakhs on veterinary education and research as compared to a little more than 13 lakhs according to the budget estimate for 1968-69.

Besides this, till 1966-67, 37 artificial insemination centres had been opened, while, in 1959-60 there were only
7 such centres. In 1959, 3 poultry farms were established for the supply of hatching eggs and birds for poultry extension work. At the end of the third Plan, there were 12 poultry farms. Facilities are being provided for private breeder farms for development of poultry in rural areas.

The potentialities of poultry as an industry have not been exploited in India and specially in Madhya Pradesh. The main reason for this seems to be the lack of proper marketing and storage facilities for handling and sale of poultry products specially eggs.

In Madhya Pradesh emphasis is being laid on a poultry extension programme and Government farms are being expanded and equipped to increase the availability of improved birds - especially the exotic breeds - and hatching eggs. However, it is now proposed to turn these poultry farms into research centres to produce better strains of high-laying birds maturing at an early age and then take up mass breeding. This step in the present context appears to be on the right lines.

Madhya Pradesh is a State rich in minerals and natural resources which hold out bright prospects for industrial development. But the industrial development in the State has been slow due to lack of capital resources, technical personnel, non-availability of cheap and adequate supply of industrial power, inadequate means of transport
and communications, and above all entrepreneurial skill. In the State's Five Year Plans, due importance has been given to industrial development, and Government has been spending money to provide facilities for the purpose. During the second plan, apart from increasing the number of training centres, some schemes like establishment of workshop and foundry pressed metal industry, cycle parts factory, umbrella factory etc., have been put into execution. In order to provide financial assistance to private enterprise, the procedure for granting loans under the State aid to Industries Act has been simplified.

In the second plan for the development of tasar industry, 10 seed farms were established. Marketing organisation was also set up. A total area of 250 acres was brought under mulberry cultivation. In 1960-61, a Madhya Pradesh Khadi and Village Industries Board was established for the whole State which is now responsible for implementing the village industries programme. A National Newsprint and Papers Mill Co. Ltd. is also working in the State. This Company was started with an authorised capital of ₹.5 crores against which private subscription amounted to ₹.66 lakhs and the State Government (before reorganisation in 1956) subscribed ₹.60 lakhs. The Gwalior Leather Factory is also contributing a good amount to the industrial development. In 1958, there were 120 training centres in various parts of the State to train candidates
in industrial skills.

The handloom industry of Madhya Pradesh provides employment to people. The industry is organised on cooperative basis. The three apex handloom institutions that existed till 1958 were merged into a single unit with effect from 1st December 1958. Madhya Pradesh is one of the premier producers of tussor in the country and every effort is being made to organise this industry along sound lines. Till 1962-63, Government had already established three medium-sized industries in the State, viz., the Spinning Mill, the Power Alcohol Factory and the Solvent Extraction Plant. The management of all these three units has been entrusted to the Medium Industries Corporation. Some major units in the small-scale industries section viz., Umbrella Ribs Factory, Mhow, Electric Fans and Fractional Motors Factory, Dewas and Cycle Parts Factory, Guna, are already working. The Pressed Metal Factory at Vidisha is also working. During 1961-62, 137 new industrial cooperatives and 200 societies were organised. Apart from the implementation of the plan schemes in the public sector, the year 1961-62 was also significant for industrial development in the private sector. During 1962-63, 37 licences were issued by the Government of India for industries to be located in Madhya Pradesh. Similarly, there was a large increase in applications for putting up industries under the small industries sector in the State. From 1st April 1962 to 31st December 1962 about 1200 applications were
received for a variety of industries. The Laghu Udyog Nigam was organised at the fag-end of the 1961-62 and actively started working during the year 1962-63. In 1964-65, Alcohol Project, Ratlam and Cotton Seed Solvent Extraction Plant, Ujjain have started production. To speed up the industrial development of the State an Industrial Development Corporation has been started with an authorised capital of ₹ 1 crore. In 1965-66, Cotton Spinning Mill also started its production. Under large and medium industries, a power alcohol plant, a cotton-seed solvent extraction plant and a cotton spinning mill and five other small scale industries have already started production in the public sector. The State Government have formed three Corporations, viz., the Madhya Pradesh State Industries Corporation, the Laghu Udyog Nigam and the Madhya Pradesh Industrial Development Corporation. Emporia have been established at several important places and cities in India to exhibit the products and the results obtained have been satisfactory.

It is evident from the Table XXV that Madhya Pradesh Government's expenditure on revenue account for industries has not been steadily rising after 1963, it has actually declined, and the downward trend has continued till 1967. This was roughly the period of Third Five Year Plan. After 1967, there has been some improvement, though not much. It may, however, be remarked that the figures in the table
indicate only the expenditure on revenue account. If we combine it with Government's expenditure on capital account for industries the position would not look so bad.

State Government's revenue expenditure on Cooperation and Community Development also occupies an important place in the annual budget. In a State where the bulk of the population lives in villages and derives its livelihood from agriculture and other allied pursuits, the role of cooperation and community development projects in transforming the life and living conditions of the rural folk cannot be over-emphasised. The function of cooperation is to improve in different ways, agricultural productivity and thereby raise farmers' family incomes. Agriculturists are provided with farm credits and other facilities like fertilizers, seeds, agricultural tools and implements through cooperatives. In 1955-56, 16,337 Primary Credit Societies were in existence. This number increased to 20,691 in 1960-61, but it declined to 17,332 in 1964-65 as a result of the reorganisation of primary credit societies which was attempted at the instance of the National Development Council.

In 1966, medium and short-term credits to the tune of Rs. 40 crores were advanced to farmers through primary credit societies which were also responsible for disbursing

* See Table XXVI.
Rs. 4.5 crores as long-term loans to them. These primary credit societies provide the link between the credit-needy farmer and the various agencies like Cooperative Bank, Land Development Bank, Commercial Banks, which are taking increasing interest in advancing loans and credits to agriculturists. Government has also been taking interest in promoting the cooperative marketing societies through which farmers could sell their products and secure adequate price.

Allied to cooperation are the activities of the State Government in connection with the Community Development Projects and National Extension Service. The object of these agencies is not only to assist the farmer in raising his output in the field but also in securing a better life, socially, educationally and in matters of health and sanitation. The entire State has been covered by 452 community development blocks. Recently the key post of Block Development Officer was abolished as a measure of economy. This has caused a set-back to the community development programme.

Public Works is one of the very important items of expenditure on revenue account. It includes expenditure on construction of Government buildings, bridges and roads. In 1969, over Rs. 12 crores was spent under this head.

The importance of roads and bridges to the backward economy of this State cannot be over-emphasised. Over 21,000 miles of roads of all kinds are being maintained by the Public Works Department. Bridges have to be built over rivers
and nala's to link isolated areas with towns and cities by roads. There were 175 major bridges in the year 1968 and many new are still under construction. New Government buildings are also being constructed to provide accommodation to the ever-growing new offices and staff connected with the development activities.

Another item of expenditure in the State's revenue account is that on Labour and Employment over which about ₹2 crores was spent during the financial year 1968-69. The expenditure under this head includes, Employment Exchanges, Industrial Training Institutes and the functioning of Employees State Insurance Scheme in the larger towns of the State. Every district headquarter has an employment exchange. Some 20 Industrial Training Institutes functioned in 1967 in which 4308 craftsmen were trained in different crafts. The Employees State Insurance Scheme has been in operation in 17 towns of the State.

A large part of area in Madhya Pradesh is covered by forest, and the development and maintenance of these forests is a heavy item of expenditure in the States' revenue budget. The expenditure is incurred in connection with a forestation, anti-erosion and soil conservation schemes. A large staff has to be maintained by the State Government for effective implementation of the schemes.
EXPENDITURE ON CAPITAL ACCOUNT:

The following major heads of expenditure on capital account of Madhya Pradesh Government may be reviewed briefly. These are:

- Irrigation works,
- Public Health,
- Schemes of agricultural improvement & research,
- Industries & economic development,
- Multi-purpose river schemes,
- Public Works and Government trading.

The Table No. XXVI shows Government's expenditure on capital account under major heads for the period 1957-58 to 1968-69.
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<td>58,537</td>
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<td>69,663</td>
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**TOTAL** 14,15,855 72,307 95,776 3,06,283 8,46,591 -33,303

Source: Budgets, M.P. Govt. & Reserve Bank of India Bulletin.
Provision for irrigation facilities is an important pre-requisite to raising farm output. The States' agricultural economy which has been dependent on the mercy of uncertain rains, has to end its dependence on the monsoon by providing extensive irrigation facilities to the cultivator and for this purpose, large, medium and small-size irrigation projects have to be undertaken. One such project is the Chambal River Valley Multi-purpose Project, jointly undertaken by the Government of Madhya Pradesh and Rajasthan. After completion, the project is expected to provide irrigation to nearly 40 lakh acres of land and to produce over 2 lakh K.W. of electric power. The project is to be completed in three stages. Much of the work on this project is complete and several lakh acres of land has already been brought under irrigation.

Yet another major irrigation project is located in Hoshangabad district over the river Tawa, attributory of the Narmada River. Over Rs.34 crores is to be invested in the project which will be completed in two stages. The project is expected to irrigate nearly 8 lakh acres of land and produce 20,000 K.W. of electric power.

Hasdeo irrigation project in Bilaspur district is the third scheme of the State over which 9 crores is to be spent. This project too will produce electric power apart from providing irrigation facilities.
The fourth irrigation project in the State is Barana project located in Raisen district. Barna is attributionary of Narmada. Nearly ₹ 6 crores is to be spent on the project which is expected to irrigate nearly 2 lakh acres of land.

Halai project in Vidisha district is the fifth major irrigation scheme of the Government. Halai river is attributionary of Betwa River. Over ₹ 4 crores is to be invested in the project which is expected to irrigate 73,000 acres of land.

Apart from these major irrigation projects, there are a number of medium and small irrigation projects, over the construction of which several crores of rupees are being spent and by the end of the third plan more than 38 lakh acres of land was brought under irrigation. The State has also flood control schemes over which nearly ₹ 8 lakhs were spent during the third plan period.

Capital outlay on public health includes Expenses under grants-in-aid schemes, urban water supply schemes, slum clearance scheme, land acquisition and development scheme and subsidised industrial housing scheme (Vide Table XXVI).

Capital expenditure under the head Agricultural Improvement and Research includes expenses on seed

*During the Second and Third Plan periods, 40 thousand new wells were constructed and 15000 old wells were repaired.
multiplication and distribution, soil conservation and land development, state machine tractor stations, deepening of wells through boring and blasting, plant protection scheme, scheme for development of vegetable production, intensive crop production scheme, scheme regarding resettlement of new migrants from East Pakistan. The expenditure under this head over the period 1958-69 is shown in Table XXVI.

Capital expenditure on Industrial and Economic Development involves outlay on commerce and industry and development of natural resources. This outlay covers investment in Government, commercial and industrial undertakings, investment in cooperative societies and similar other undertakings. The State of Madhya Pradesh participates in the share capital of Agriculture Refinance Corporation, Agro-Industrial Corporation and invests in the share capital of Apex federal bodies of fishermen cooperatives and corporations. Government also purchase debentures under the scheme for construction of wells by Cooperative Banks. Government also assist marketing societies with loans and participates in the share capital of departmental and primary stores. In various grants-in-aid schemes too, Government takes active part.

The Capital outlay under the head Industrial and Economic Development for the period of 1968-69 is shown in the Table XXVI.
Capital expenditure on Public Works includes outlay on the construction of buildings, communications, establishment, tools and plant and miscellaneous expenses. The total annual expenditure under the head Public Works is shown in Table XXVI for the period 1958-69.

Government has often to enter the field of distributive trade mostly to ensure fair distribution of articles in short supply. Sometimes distributive trade has to be undertaken for the purpose of augmenting State's revenue, e.g., M.P. State trading in Tendu leaves.

Capital outlay on schemes of Government trading cover expenses connected with the purchase and sale of Tendu leaves, purchase and sale of petrol, oil and lubricants, Cotton Extension scheme, Scheme for the purchase and distribution of seeds, manures and implements, materials and equipments for Community Development Projects, cost of material and equipment received under Technical Cooperation Agreements and Grain Supply Scheme.

Table XXVI shows State Government's expenditure (capital) on schemes of Government Trading over the period 1958-69.

An analytical study of tables XXV and XXVI which shows Government's revenue expenditure and capital expenditure for the past twelve years, reveals that the bulk of the expenditure goes to the agricultural sector, and rightly so, because the bulk of the population of the State lives in
villages and agriculture is the mainstay of the economy of the State. Major irrigation works, multi-purpose river valley projects, cooperation and community development programmes, health services and the like claim a major portion of State's annual revenue; and they all aim at benefiting directly the rural population. The expenditure on public works comes second in order of importance. The economy of the State is backward particularly in the matter of transport and communications. A large network of roads including bridges has to be constructed to link together remote areas of this vast State. Education comes third as the important head of expenditure. In 1968-69 over 24 percent of the total revenue expenditure of the State was claimed by education. This is to be justified on the ground that the State is educationally backward. Investment in men is considered necessary for laying a sound base for economic and social progress. As a result of generous expenditure on education the literacy percentage of the State has been rising fast, as is evident from the fact that it rose from nearly 10 percent in 1951 to over 17 percent in 1961, and at present it should be around 28 percent. What is disquieting is the increasing expenditure on servicing State's debts. Government borrows funds to supplement its revenues. The scope for tax revenues is limited, but as the economy progresses and the industrial and agricultural sectors generate increased incomes, it should be possible for the State to increase its tax revenues. It should also be possible
for the State to rationalise its expenditure on collection of taxes, on Parliament and State Legislature, general administration and administration of justice and try to reduce it as far as possible and divert the funds thus saved to such fields as public health and labour and employment which have not so far received as much attention as they deserve. In coming years, the financial requirements of this economically under-developed State will increase with the expansion of social and welfare activities and the building up of economic and social overheads without which neither agriculture nor industry could develop and expand as rapidly as is needed.