ABSTRACT:

The planning process in India has had a profound and wide ranging impact on the role, function & economic activities of the government at all levels. A progressively increasing percentage of the National Income is being spent today in financing increasing expenditure of the Government and fulfilling the various social & economic objectives. Extension in Government activities has led to an increase in public expenditure. Not only the size of Public Expenditure has grown to an unprecedented levels but its pattern has also undergone great changes. Traditional items have been quantitatively insignificant while new items of expenditure are given more importance. Public expenditure as an important fiscal instrument in Public Finance did not receive sufficient timely attention of the scholar to make the study of its different aspects and relating significant issues in India until independence. After independence some theoretical studies have been made by various individuals on public expenditure but little work has been done to analyse it empirically. Most of the work was discussed descriptively rather than analytically. Whatever empirical analysis was done in India it was at national level and not at state level. The study of public expenditure is necessary to discern the impact of the expenditure of a particular state government.

The aim of the present study is to fill the gap by empirical analysis of public expenditure and trace the pace of
development on the size and pattern of public expenditure in U.P., since the end of the Second Five Year Plan. The period has been chosen in view of the fact that significant state participation was unknown before that period. It does not propose to assess particular expenditure policies and programme but merely aims at an appraisal of how the expenditure in state behaved in terms of size pattern and composition with relation to the level of economic development and find out accomplishment, persistancy and short comings. The study proposes to undertake a two stage analysis.

In the first stage (I) the state government budget is analysed in particular respect to the expenditure and relative importance of each item.

In the second stage (II) pace of development is related to the size and pattern of public expenditure in the state. The objective has been to highlight the pace of development only in those fields on which public expenditure was incurred through the budgetry operations. As such the financial operation of public corporation is not included in our study.

In the first chapter we have briefly reviewed the overall and consolidated budgetry position of U.P. state. To judge the satisfactory position of U.P. state's budget we have made comparison with other states. The increasing activities of the government has changed the character of U.P.'s budgets. They have grown bigger & bigger. In order to understand the significance of
budgetry instruments in the economy, an attempt has been made to analyse the size of the budget in relation to National Income and disposable income, in terms of volume of receipts and disbursements. All these taken together enabled us to judge the state government's role in increasing the economic development with social justice and reasonable price stability. In the following chapter an attempt has been made to highlight a detailed examination of the composition and pattern of public expenditure in U.P. state. What were the overall trends in public expenditure in the fourteen years of planning and what were the directions of change, have also been analysed in the chapter. Increasing participation of the state government in economic activities was responsible for much of the rise in public expenditure. Not only the size of public expenditure has grown to an unprecedented extent but its pattern has also changed. It was also examined that to what extent these changes were the result of deliberate policy formulations and historic behaviour only functional components of state expenditure have been analysed and not the policy and objectives such as poverty reduction of regional disparities. An attempt has also been made to categorise expenditure in relation to state domestic product and total state expenditure. In order to find out the best performance of public expenditure, we have done a comparative study of U.P. with all states taken together. Per capita expenditure has been taken to eliminate the impact of population, while price effect is eliminated by converting the expenditure at constant prices, using wholesale price index (base 1961-62) as deflater.
In third chapter we have made a detailed analysis of resources of financing the state government expenditure during the period 1960-61 to 1973-74. In a federation like India, the financing of development plans in public sector depends to a great extent on the mobilisation of resources by state governments. In this chapter an attempt has been made to ascertain the extent of success in raising additional tax revenue & their sources. This study also attempts to examine the causes for not achieving the target of additional taxation and analyse the extent to which the increase in revenue was due to enhancement of rates and widening of tax-base. How the relative growth of different taxes changed during the study period, has also been explained in this chapter. To study the relative importance of the resources in U.P. state, we have calculated categorised sources in terms of aggregate receipts. The conclusion drawn in this chapter has enabled us to observe the revenue constraints on development expenditure.

The rapid expansion of government expenditure both absolutely and as a percentage of state domestic product, highlighted the increasing state's role in the economic development of U.P. However, the true picture of the development can not be drawn unless the comparison of expenditure is made in terms of physical achievements. In chapter IV an attempt has been made to trace the pace of development in U.P. during the period of fourteen years. In order to examine the pace of development on the size and pattern of public expenditure we have judged the development only in those broad sectors on which public expenditure was incurred through the budgetry operations. For this, first of
all we have made an analysis of the determinant of state's income and its relation to public expenditure the increase in per capita income and development are not necessarily synonymous terms and the former cannot be considered as an indicator of the latter. How far public expenditure succeeded in attaining higher level of production and growth has been examined in this chapter also. If not then what were the causes behind that. To what extent they were on account of faulty policy execution, excessive wastage in public expenditure, natural calamities or shortage of investment. We have also done a comparative study of U.P. at national level. The conclusions drawn in this chapter have enabled us to observe that the pace of development on the size & pattern of public expenditure were far from satisfactory.

This study revealed that government expenditure had grown at a faster rate due to the increasing activities of the state government. This is in corroboration with the Wagnerian doctrine of increasing state activities. After removing the permanent influences population and price changes we found that public expenditure increased during the period of 1960-61 to 1973-74. In a study conducted by Peacock and Wiseman, it was shown that public expenditure increased in jerks while in our study public expenditure increased smoothly. The displacement effect found in our study was different from that which was seen in the original Peacock and Wiseman hypothesis.

Enormous increase in public expenditure though critically observed generally has some justification. But in case of non-
development expenditure, control of expenditure particularly in respect of debt services cannot be avoided. A high power committee should be set up to go into the various aspects of the state government expenditure. In the critical study of structure and pattern of public expenditure it has been found that some failure in various fields were taking but it was not timely adequate attention. Careful examination of the budgets of various departments can lead to diversion of men and sources. For making the expenditure policy effective, the problem of less production from agricultural and industrial sectors could be solved from different angles. The leakages in the state expenditure should be plugged and wastages finally stopped or at least minimised. Planning Commission is generally criticised for the delay in completion of projects, lack of experience and sense of responsibility, routine handling of important plan projects, delay in issuing sanction even for budgeted expenditure, infructuous expenditure all these factors have made the expenditure policy weak. It was generally observed that the power and irrigation project mostly incurred losses, our study also showed a similar pattern. Lack of proper controls and checking of expenditure has also caused waste of money. The question of formulation of a separate high powered committee to critically assess the state expenditure has been raised several times but no notice has been taken though it is felt that such step would be very useful to conform the desired goals of economic development. Such a committee could report as to how economy in expenditure could be implicated, keeping efficiency and growth of economy into consideration.