CONCLUSION

The economic system in our country is mixed. Economic activities in the country is conducted by the private sector as well as by the public sector. With the advent of Five Year Plan and constitution, expenditure had recorded an impressive growth. A considerable share of state’s domestic product goes towards the satisfaction of public and social wants. The state expenditure of U.P. had increased its share in S.D.P. from 8.5 to 12.4 during the period of 14 years (i.e. 1960-61 to 1973-74). Much of the rise in public expenditure was due to the increasing participation of the Government in economic activities. The same upward trend occurred in most of the advance states. According to Dr. Hicks, the expansion of public activities is now a universal phenomenon. The enormous increase in public expenditure conforms the Lange's "Law" which states that for growing economics the share of all major government expenditure increases.

Not only the magnitude of public expenditure increased but its pattern has also undergone a great change. Some traditional items had lost their relative importance and some items recorded an improvement. The growth in public expenditure had not been of a uniform nature. Indeed, it had been quite unevenly distributed, not only over time but also over the various functions. For example expenditure on economic and social services increased but social services registered the highest increase and accounted more than 43 percent of total development expenditure against 30 percent in 1960-61. The relative importance of economic services had
suffered on erosion, their share in total development expenditure declined from 70 to 57 percent.

But what is important to note is that not all economic services had lost their relative importance. Some services had even recorded an improvement, such as, water and power development, agriculture and allied services. Both these taken together occupied a unique position and observed the major portion of expenditure. This was a clear indication of the high priority given by the state to agricultural sector. Water and power development was a case in point. It's share to total expenditure increased from 12 to 21 percent from 1960-61 to 1973-74. The bulk of expenditure on this head was on capital account. In terms of total expenditure on economic services, expenditure on industries and minerals remained almost static, whereas, expenditure on transport and communication declined. This is not an appreciable fact as this is most important infrastructure for the economic development. Government spent largest amount of its revenue expenditure on education. It accounted more than 20 percent in 1973-74 against 13 percent in 1960-61. In comparison to all states taken together Uttar Pradesh spent larger amount of its S.D.P. on education. More expenditure was made on primary education than secondary. U.P. state spent not even one percent of its state domestic product on medical and public health services whereas all states taken together spent more than one percent on these services. U.P. is the most populous state with poverty but its per capita expenditure on medical and public health
services was less than all states taken together.

Public expenditure on general services are incurred for the provision of the basic administrative structure of the state. As the things stand now, these services accounted 10 percent of the total revenue expenditure. This was markedly smaller than what it used to be in, say the early sixties i.e. 18 percent. It registered a decline of 8 percentage points whereas all state taken together remained stationary during 1960-61 to 1973-74. Uttar Pradesh spent 0.9 percent income on civil administration in 1973-74 against 1.3 percent 1960-61. A fast decline in the percentage share of civil administration was not a good sign because of the fact that with decline in its cost, the quality and the standard of efficiency of general services also declined. The law and order situation had been very bad for the past few years. Corruption had become rampant and the state administration almost immobile although, the primary objective of expenditure on general services is to enable the state machinery to respond to the needs of the people more effectively and efficiently.

The most important finding of the study is the impressive rise in interest charges on non-development account. U.P. government spent its major portion of revenue expenditure by way of interest charges. The highest percentage of U.P. went out in the form of interest charges. The interest payment had substantially increased primarily because of a progressively increased amount of debt incurred and interest rates. Nearly 60 percent of
of state's own revenue went out by way of interest charges against 36 percent in case of all state's taken together in the year 1973-74. It imposed heavy strain on the state's own tax revenue and a very less amount was left to meet the welfare need of the society.

Uttar Pradesh performance had been satisfactory as its largest per capita expenditure was made on water and power development whereas, all states taken together spent their major portion in per capita terms on interest charges a non-development item.

The important conclusion drawn from the above functional analysis of expenditure is that U.P. being a poor and most populated state spent less expenditure in terms of per capita and S.D.P. in most of the years over the period and most of the fields in comparison to all states taken together. This means that public expenditure did not necessarily moved in a definite direction or in a predictable manner with respect to its requirement. This happened mainly due to the low level of investment. Though 17.5 population of the country lives in U.P., yet the total investment in U.P. during the second plans was only 7.2 percent while in Third Plan it was a little less than 10 percent of the total investment in the country and in fourth plan less than 15 percent.

The state also failed to raise its/resources. There was no proper relation between the total revenue and total expenditure. In the words of Martin and Lewis "where the variation in expenditure may not have effected the variation in revenue it resulted
in form of "revenue constraints". Low per capita income and low per capita taxation also put a constraint on the rapid economic development of the state.

The failure of the tax system to collect the additional revenue can be judged from the fact that while the agricultural sector contributed about 60 percent of national income in 1973-74, but this sector did not contribute one percent of it to total revenue. This was due to the fact that the agricultural sector (particularly its well-to-do section) remained very much under taxed as compared to non-agricultural sector. This sector should have contributed a reasonable proportion of its income to the expanding public expenditure in general and non-agricultural in particular.

In order to yield more revenue, there was an urgent need to eliminate tax evasion that existed to a large extent in case of sales tax. Uttar Pradesh government collected 53 percent more taxes in 1967-68 over 1965-66 without any increase in its rate, mainly as a result of improvement in administration. By checking the tax evasion, about 10 to 20 percent the tax revenue may be derived by state government. This system of land revenue needs a complete overhauling for its speedy progress. It was inelastic and insufficient in its contribution to the development expenditure.

Non tax revenue particularly state enterprises and other commercial undertakings were not sufficient for financing development expenditure. Many of it incurred losses, particularly irrigation
and electrification scheme. The state has large potentials of increasing its revenue provided that there should be a simple and efficient machinery to do so. There was a need to prevent undue expansion in government expenditure in many field to bring about increase in revenue.

Borrowing from centre played a very important role in financing the expenditure of capital nature. Though its percentage share to total receipts declined by 13 percentage points, despite this decline it contributed 50 percent to total capital receipts in 1973-74. This was due to the fact that U.P. needs enough financial resources for the efficient performance of functions. But the resources allocated to state were not enough to fulfill the responsibilities assigned to her. Since the centre holds the most elastic and productive sources of revenue, the increased devolution of resources from Centre to State was essential. But the demerit of her dependence on the Centre was that it slackened tax effort by the state government. During the Fourth Plan period, out of total revenue of ₹ 77155 lakhs only 14.1 percent was raised through additional tax efforts by the state.

From the intensive study of budgetary structure of the state it is apparent that no significant change had taken place in the structure of U.P. budget except that non-development expenditure was shifting to development expenditure both on revenue and capital account. The most striking feature is that in 1961-62, 54 percent of the state's own revenue was formed through tax revenue and ₹
46 percent through non tax revenue; but in 1973-74 this structure had been reversed.

In magnitude the size of revenue expenditure and receipts increased by about five times. But in most of the years the size of expenditure could not match the size of revenue expenditure and it was resulted either in deficit or surplus. U.P. had a surplus in 7 years out of 14 years of study whereas, all states taken together had a surplus in six years. Thus, the position of U.P. on revenue account in comparison with all states had been slightly better. The size of capital receipts increased by 5 times, whereas in case of all states taken together it was only four times more. The highest increase was recorded in U.P. during the period of Third Plan. As far as the size of total disbursement is concerned it increased 8 times against more than four times increase in case of all states taken together. Due to the increase in total disbursement in most of the years, U.P. had a deficit budgets in eight years during the study period whereas, in case of all states taken together it was in nine years which shows that the relative performance of U.P. was better in comparison with all states taken together. Fourth Five Year Plan was worst for U.P. when it had four deficit budgets in 5 years.

In magnitude there was an increase of about five times more in the size of revenue budget and by six times in the size of capital budget. It shows that government gave more importance to capital formation in the state. The total size of the budget increased by more than five times. The proportion of the state budget to the state income increased from 11 percent in 1960-61 to 16 percent in
1973-74. The overall budgetary position of U.P. state was better as indicated by cash balances. It had a surplus budget during 7 years out of 14 years whereas, all state taken together had a surplus budget only in five years.

The overall surplus position of U.P. had also been better in comparison with all state taken together. U.P. had a surplus budget in 3 years against 4 years surplus budget in case of all states taken together. It was a good indication for making an effort on the part of the state to secure and maintain such condition.

Annual review of the U.P. budgets leads to some important conclusion. The significant feature was the ever increasing importance of sales tax followed by motor vehicle tax, entertainment tax and losing importance of land revenue throughout the period. The Government made efforts to raise tax from land revenue and induced some new taxes such as surcharge on local bodies, land development tax on rich farmers and tax on urban buildings with effect from July 1962. But these taxes were abolished in 1967 due to insufficient revenue U.P. Government also imposed a tax on profession with effect from April 1966. There was no provision for granting relief for a similar tax paid to local bodies and there was thus double taxation and insufficient revenue from this tax. As a result it was abolished in April 1971.

From the intensive study of economic development in U.P., it is apparent that progress had been made in each and every sphere but in a very slow way. As a result the per capita income which is the most
important indicator for measuring the pace of development showed a declining trend. As far as state's per capita and total income is concerned it was lagging behind all India level throughout the study period of 14 years. The comparative study of U.P. with individual states showed that in 1960-61, the per capita income was lowest in Bihar followed by U.P. Though U.P. had improved its per capita income in 1965-66 and in 1966-67 but in 1973-74 it reached the same level as it was in 1960-61.

The progress in the economy of U.P. is largely linked with growth in the agricultural sector which contributed about 62 percent to the total state income in 1973-74. To increase the pace of agricultural production the state government used improved varieties of seed, intensive cultivation and adoption of package of cultivation practices. As a result of all these massive efforts the production of agriculture increased, but as there occurred simultaneously a population explosion, the per capita production of food grains did not show any improvement. In 1973-74 over 1960-61, the per capita production registered a decline of 30 tonnes. The total production of agricultural commodities in U.P. has not shown a satisfactory progress as compared to its total expenditure. The production was less than the expenditure during Third and Fourth Plan period.

Much progress had been made in field of power and irrigation. Still a lot remained to be done to bring the benefit of these schemes to the masses and to bring the pace of development at India level.
The study showed that U.P. was much lagging behind the national level. Natural calamities were a regular feature of U.P. state which required more and more funds for irrigation and power. The study on power presented an extremely unsatisfactory position. There were thousands of villages in the state without the facilities of power. The plans or projects should have been drawn up in a realistic manner so that false promises and hopes may not be given to people.

The aim of Public expenditure policy is to reduce inequalities of income and wealth through an equalisation of educational and medical facilities. An analysis of educational development during the 14 years reveals that education system has not geared itself to meeting the needs of our growing economy. Most of the U.P. population live in rural areas, but the number of schools in rural areas were less. According to 1971 census 47 percent literacy was found in urban areas whereas 18 percent in case of rural population. The U.P. is the second educationally backward and most populated state in India. It spent less in comparison to many educationally advanced states. The U.P. state government should have seen that the expenditure was made according to the criteria of a sound investment.

The broad objective of the health and family planning programmes has been to expand health services to bring about progressive improvement in the health of the people in general and particularly of poor people. The state government did not succeed to achieve this objective. In rural areas where major portion of the population lives, public health amenities were hopelessly inadequate. Hospital in cities are over crowded. Number of doctors in U.P. over the period under study showed a considerable increased but by 1974 rural areas
could not claim even one doctor for 1400 population. "Good for many" rather than "best for few" should have been the by-ward in health services. In spite of the substantial increase in the number of hospitals, the fact remained that the number of hospitals per lakh of population remained three during the 14 years of study period. The comparative picture of health and medical care services in the state was far from satisfactory. However, due to the paucity of funds, faulty administration and carelessness in responsibility it was not possible to cope with the need.

Pace of development in case of education, medical and public health services, road transportation industry and mining was far from satisfactory. A decline in the industrial production was registered during the study period of fourteen years. This decline was due to the inadequate investment and massive efforts to improve this sector. Industry contributed 12 percent of state domestic product in the last year of study period but the state government did not spend more than one percent of its total yearly revenue expenditure on their development. Total expenditure at constant prices grew at a rate of 10 percent on an average while the total output grew at only 2 percent. The difference between the rate of growth of total output and government expenditure can be to a great extent, if not entirely, accounted for by the 'Productivity lag'.