CONCLUSION

It is our purpose in this chapter to bring together the main strands of thought running through the thesis and to present an integrated picture of the manner in which public expenditure has influenced the growth of the state's economy. It is evident from our study that there have been frequent shifts in emphasis on the socio-economic objectives of planning as planning proceeded and the state were led to adopt policies so that their policies did not clash with those of the Union Government. But for the shift of emphasis in the socio-economic objectives in the successive plans the pace of development of the economy as a whole and of its constituent parts would have been remarkably high. These shifts of emphasis as the study indicates, have caused disequilibrium between savings and investment in the economy. Added to it the proposed choice between the consumption goods and investment goods has come in the way of realising the desired rate of growth and has thus not improved the consumption standards of people at large. The study reveals that income distribution is not as even as in the neighbouring countries like Pakistan, Bangladesh and Sri Lanka. Thus the incidence of poverty in India is on the increase and it is being accentuated by the growth of population. This calls for an appropriate budgetary-mix of revenue and expenditure policies of the Union Government which serve as an agent of income equalisation.
Our experimental model reveals that the growth of all the important magnitudes like employment, output and income are on the increase. It is unfortunate that the favourable effects of higher growth are neutralised by growing population. Hence, there is an urgent need for evolving a population policy which restricts the growth of numbers and ensures higher standards of living associated with higher rate of growth. But the success of any policy at the national level hinges on the coordination of programmes undertaken at different layers of government in the Indian Federation. Such co-ordination is possible only with the active co-operation of the state governments and their co-operation depends on the kind of fiscal relationship that exists between the Union and state governments. The fiscal relationship which should ensure the desired financial balance in the Indian Union does not run smooth and instead it has created more problems than it solves.

The Indian Finance Commissions which act as an arbitrator to ensure the desired financial balance have done their best in this direction but they leave a lot to be desired. The norms adopted for the devolution of resources need to be refined and reformulated keeping the inter-governmental financial balance in view. In this context the study highlights the importance of giving weightage to the number of people below the poverty line and the illiteracy
prevailing in each state. The weightage given to them (being equal) should vary inversely with the per capita income.

Further, in advancing the cause of state governments, it is suggested that the present system of pruning the grants-in-aid in proportion to the rise in per capita income of the state should be done away with. Instead, the extension of grants-in-aid should be linked solely to the efficiency with which the non-plan expenditure, which for the most part is unproductive, is undertaken by the state and thus the grants-in-aid should vary inversely with the quantum of non-plan expenditure which does not tangibly contribute to the growth of State Domestic Product. If this norm is adopted the states would not only be compelled to effect efficiency in their spending on unproductive items but a measure of fiscal discipline would be ensured in their budgetary operation.

The foregoing analysis reveals that the aggregate performance of the economy of the country had a tremendous influence on the growth performance of the state of Karnataka. This is abundantly proved by the results of the experimental model which indicates that the growth rates of magnitudes like $L_t$, $Y_t$ and $K_t$ in the state are a close approximation to the growth rates of the same in the country. However, their growth rates in the state would have far exceeded their growth rates in the country but for the lesser commitment of its
developmental expenditure in relation to non-developmental and the other expenditures on social services, which would have had its direct and tangible effect on the growth of State Domestic Product. Further, the study reveals that if the state is to gear up its tempo of growth there is need for consistency in the matter of sectoral and sub-sectoral allocations of resources in the economy. Otherwise it would lead to imbalance of development not only in different sectors and sub-sectors but also in different regions of the state's economy. Since the state's economy is already plagued by imbalances in the intra-regional development the resource allocation as a whole by the state demands not only unbiased economic considerations but also the high degree of political acumen. Alongside the state has to tackle the problem of poverty the incidence of which is on the increase.

It is disturbing to note that the important factors viz., debt servicing charges and the cost of administration have contributed to a continuous rise in non-development expenditure. But this does not mean that we could feel happy about the trends of development expenditure since the resources channelised for development do not indicate any big-push necessary to accelerate the pace of development in the state. This may be attributed partly to the lack of resources and partly to inadequate appreciation of the imperatives of balanced development on the
part of planners who have not realised the need for deve-
lopment of industries in the state.

The study reveals that the structural changes area-wise
and crop-wise in agriculture has brought in its wake the
negative rate of growth of food grains and cereals. Similar
is the trend of development in the industrial sector. While
the performance of the manufacturing sector is encoura-
ging, the opposite is the case in respect of mining and power gene-
eration. The situation in the latter is alarming since the
demand for power is expected to reach an all time high of
7776 MW by 2000 AD., necessitating an average addition of
300 MW to the existing generation of power per year. The
task is really stupendous but the state has no soft option
in this regard. The realisation of some of these targets in
the state would be possible if it strictly adheres to the
cost-benefit calculus relating to the projects undertaken.
The realisation of the latter objective depends on the compe-
tence of the state planning agency which is inadequate
and inadequately equipped to meet the technical needs
of the situation in the state.

Another disturbing trend is that eventhough the tax
revenue is continuously raising, as a proportion of State
Domestic Production it is only 7 per cent for the last 20 years.
Here it is noted with concern that since $\frac{\Delta R}{\Delta t}$ is growing
at a faster rate than the growth of State Domestic Product. Any indiscriminate attempt to widen and deepen the tax base and to enhance rates would adversely affect the growth of SDP. Added to it the share of all taxes with the exception of sales tax has steadily declined. This calls for an immediate restructuring of the tax system in consuanse with the growth of State Domestic Product, so that it becomes buoyant without affecting the growth of the state's economy.

The State of Karnataka is rich in natural resources and potentials for agricultural and industrial development. A fostering of the higher growth rate of State Domestic Product necessitates a step-up of development expenditure in areas which have given evidence of high rates of growth. Several regions of the state have remained backward with their dormant resources being unexploited. A policy of balanced regional development with emphasis on the development of backward regions with untapped natural endowments will contribute to the acceleration of the rate of growth and the progressive alleviation of poverty and unemployment. As the objective of planning is growth with equity and social justice a policy of balanced regional development should be pursued with unbated vigour if this objective is to be realised. There is also need to desist from shifting priorities over short periods and affecting reallocations as they introduce uncertainty to programming
development. Furthermore, the state has to increase resource mobilisation to be able to provide for plan finance. This necessitates an increase in the income elasticity of the tax revenue so that as the State Domestic Product rises larger revenues may flow into the treasury to enable it to finance development and income elasticity can be increased by making the consumption taxes progressive and by increasing the rate of land tax which, at present, is disconcertingly low. The model presented in this thesis points the way to increasing the income elasticity of the tax system and to accelerating the rate of growth of State Domestic Product. This is an area of research which yields valuable results, which will help in formulating and executing plan programmes on a scientific basis.