

Chapter 3

EXPENDITURES: GROWTH AND STRUCTURE

Application of Resources: 1999-00

The government has access to less than 30 percent of its mobilised resources for non-interest expenditures.

3.1 This chapter contains analysis of the growth and structure of government expenditures. In this Report, ‘total disbursements’ include the repayment of debt and public account payments, and the term ‘total expenditure’ denotes all expenditures, both revenue and capital, out of the CFI, excluding the repayment of debt and public account payments. The government applied total resources of Rs. 1087937 crore, it mobilized during 1999-00, to disbursements as shown in Table 3.1. The repayments of debt and discharge of Public Account liabilities, which constituted 61.6 percent of the total resources available, pre-empted a massive portion of those resources, amounting to Rs. 672700 crore. After deducting the interest payments amounting to Rs. 94593 crore, the government was left with only about 30 percent of the mobilised resources for other (primary) expenditures.

Table 3.1: Application of Resources

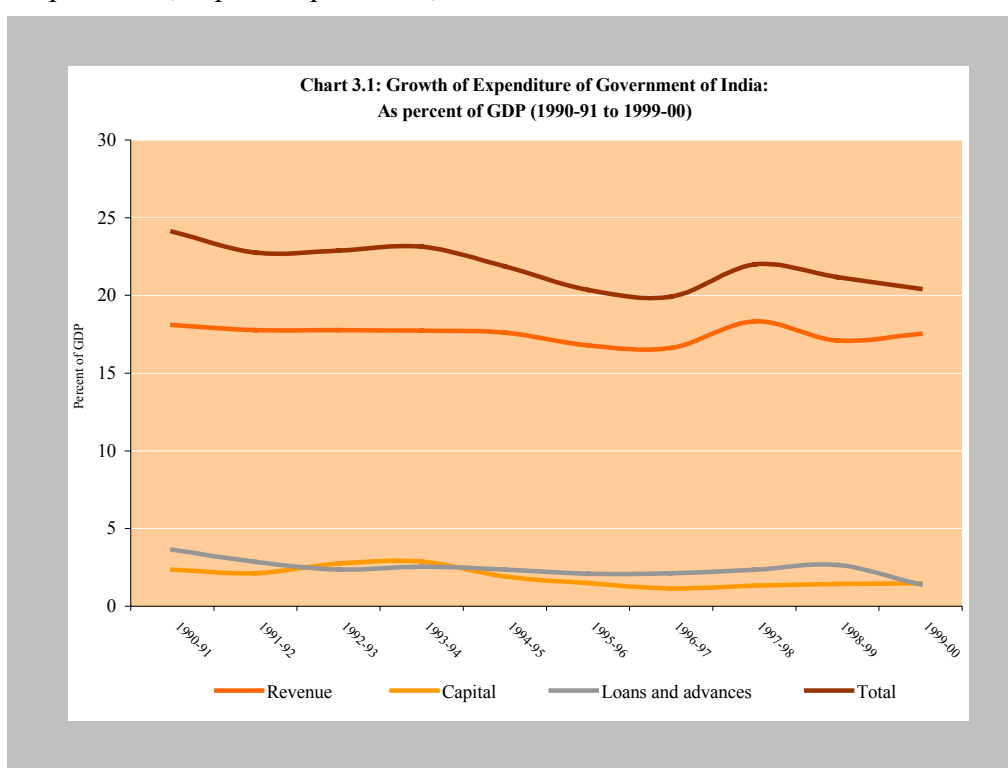
		<i>Rs in crore</i>
Resources available (cf. Table 2.1)		*1087937
Opening Cash Balance		**3519
Total Resources		1091456
Application of resources		
Repayment of debt		305088
Internal	296375	
External	8713	
Discharge of liabilities on account of Public Account		367612
Small savings and Provident Fund	294627	
Reserve Fund	17434	
Deposit	52015	
Others	3536	
Balance resources available for expenditure		418756
Resources applied (actual expenditure)		416100
Revenue expenditure (Including interest payment of Rs. 94593)	343195	
Capital expenditure	29023	
Disbursement of loan and advances	27359	
State shares of Income Tax		16523
Closing Cash Balance		2656

Note: * includes Rs 27 crore toward recoupement of contingency fund.
 ** Actual cash balance Rs 3519.51 crore and Rs 2655.44 crore respectively.

Expenditure: Main Aggregates

The relative downside in growth of expenditure in 1999-00, as compared to the trend growth rate of nineties, is due to accounting adjustment related to the creation of the NSSF.

3.2 Table 3.2 presents a summary of the total expenditure of the Union government out of the CFI, excluding repayment of debt, during the last ten years. Appendix II presents the figures of total expenditure during the last 24 years since 1976-77. The three main expenditure aggregates are revenue expenditure, capital expenditure, and loans and advances.



3.3 Total expenditure has increased at a TGR of 13.17 percent during the nineties. In comparison, the growth of expenditure in 1999-00 over 1998-99 was 7.34 percent, which is much less than the TGR. This fall is due to the reduction in loans and advances which declined by 41.28 percent. This relative reduction has come about due to the accounting adjustment consequent upon the creation of the NSSF and change of the practice of advancing loans to the states against the small saving collections to making investments in the state government securities from the NSSF.

Table 3.2: Expenditure of Union Government: Growth Profile

<i>Rs in crore</i>								
Year	Revenue expenditure	% increase over previous year	Capital expenditure	% increase over previous year	Loans and advances	% Increase over previous year	Total	% increase over previous year
1990-91	102964		13387		20708		137059	
1991-92	116091	12.75	13911	3.91	18703	-9.68	148705	8.50
1992-93	132794	14.39	20586	47.98	17619	-5.80	170999	14.99
1993-94	152317	14.70	24650	19.74	21874	24.15	198841	16.28
1994-95	177699	16.66	19266	-21.84	23898	9.25	220863	11.08
1995-96	198302	11.59	17544	-8.94	24810	3.82	240656	8.96
1996-97	226372	14.16	15704	-10.49	29035	17.03	271111	12.65
1997-98	277732	22.69	2225	28.79	35471	22.17	333428	22.99
1998-99	300456	8.18	25200	24.60	46594	31.36	372250	11.64
1999-00	343195	14.22	29023	15.17	27359	-41.28	399577	7.34
TGR	14.60		5.98		8.38		13.17	

The fall in tax revenues relative to the GDP and budgetary attempts to cap fiscal deficit has mainly impacted on the capital expenditures.

3.4 The TGR of revenue expenditure for the nineties, at 14.60 percent per annum, shows considerable increase in real terms, as the rate of inflation as measured by the TGR of wholesale price index was about 6 percent per annum during this period. In 1999-00, the percentage growth of revenue expenditure over the previous year was 14.22 percent, close to the ten years TGR, but much higher than the annual growth in the preceding year which was only 8.18 percent. The hike in revenue expenditure in 1997-98, being 22.69 percent higher than the previous year incorporates the effect of salary revisions and related arrears following the acceptance of the recommendation of the Fifth Central Pay Commission. In contrast, capital expenditure, i.e. expenditure that is meant for asset formation shows a TGR of only 5.98. This is the lowest TGR among all the major categories of expenditure.

3.5 Capital expenditure as well as loans and advances show high annual percentage variations. In the mid-nineties, there has even been a decline in absolute amounts. As a result, while in 1993-94, capital expenditure was Rs. 24650 crore, in 1996-97, it had fallen to Rs. 15704 crore. In subsequent years it picked up again. But by 1999-00, capital expenditure was only Rs. 4373 crore higher than the previous peak of Rs. 24650 crore in 1993-94. Capital expenditure has become the variable of adjustment in the wake of fall

in tax revenues relative to the GDP, with most revenue expenditures being committed expenditures.

The shrinkage in the overall size of government expenditure has steadily tilted towards non-asset forming revenue expenditures.

3.6 Table 3.3 presents the expenditure of the Union government as percentage of the GDP along with the corresponding figures for revenue and capital expenditure and loans and advances. The total expenditure of Union government declined from an average of 23.25 percent of the GDP during the period 1990-93, to an average of 21.03 percent during 1997-00. This decline was mainly the result of reduction in capital expenditure and in loans and advances. Loans and advances evince a marginally higher TGR at 8.38 percent per annum compared to that of capital expenditures.

Table 3.3: Expenditure of Union Government as Percentage to GDP

Year	Revenue	Capital	Loans and Advances	Total	Plan	Non-Plan
1990-91	18.10	2.35	3.64	24.09	5.13	18.97
1991-92	17.77	2.13	2.86	22.76	4.86	17.90
1992-93	17.77	2.75	2.36	22.88	5.01	17.87
1993-94	17.73	2.87	2.54	23.14	5.75	17.39
1994-95	17.59	1.91	2.37	21.87	5.13	16.74
1995-96	16.78	1.48	2.10	20.36	4.00	16.37
1996-97	16.62	1.15	2.13	19.90	4.04	15.86
1997-98	18.32	1.33	2.34	22.00	4.08	17.92
1998-99	17.09	1.43	2.65	21.17	3.82	17.35
1999-00	17.54	1.48	1.40	20.42	3.89	16.52
A: Avg. (1990-93)	17.88	2.41	2.95	23.25	5.00	18.25
B: Avg. (1997-00)	17.65	1.31	2.37	21.03	3.98	17.04
C: B-A	-0.23	-1.11	-0.58	-2.22	-1.02	-1.20

3.7 All categories of Union government expenditure appear to have shrunk if we compare the early nineties (1990-93) with the end of the decade (1997-00). Between these two periods, if the respective three-year averages are compared, revenue expenditure, as percentage to GDP, fell down by 0.23 percentage point, loans and advances by 0.58 percentage point and capital expenditure by a margin of 1.11 percentage points. Thus, the size of government while shrinking in terms of overall size, has also obtained a structure which has steadily tilted towards revenue expenditures, i.e. non-asset forming expenditure.

Table 3.4: Expenditure of Union Government: Compositional Changes

Year	<i>Percent</i>					
	Revenue expenditure	Capital expenditure	Loans and advances	Total	Plan	Non-Plan
1990-91	75.12	9.77	15.11	100.00	21.27	78.73
1991-92	78.07	9.35	12.58	100.00	21.35	78.65
1992-93	77.66	12.04	10.30	100.00	21.90	78.10
1993-94	76.60	12.40	11.00	100.00	24.86	75.14
1994-95	80.46	8.72	10.82	100.00	23.44	76.56
1995-96	82.40	7.29	10.31	100.00	19.62	80.38
1996-97	83.50	5.79	10.71	100.00	20.31	79.69
1997-98	83.30	6.07	10.64	100.00	18.54	81.46
1998-99	80.71	6.77	12.52	100.00	18.07	81.93
1999-00	85.89	7.26	6.85	100.00	19.07	80.93
A: Avg. (1990-93)	76.95	10.39	12.66	100.00	21.51	78.49
B: Avg. (1997-00)	82.50	6.21	11.29	100.00	18.97	81.03
C: B-A	5.55	-4.18	-1.37	0.00	-2.54	2.54

Revenue expenditure during 1999-00 was all time high in the decade at near 86 percent of the total expenditure.

3.8 Table 3.4 clearly brings out this compositional change brought out showing that over the nineties, comparing three year averages at the beginning and the end of the decade, the share of revenue expenditure has increased by a margin of 5.55 percentage points, from 76.95 percent to 82.50 percent, at the cost of capital expenditure and loans and advances whose shares have dwindled to 6.21 and 11.29 percent respectively. In 1999-00, the compositional shift is even more pronounced where revenue expenditure has become 86 percent of total expenditure. A similar compositional shift is visible in terms of plan and non-plan expenditure (also given in Table 3.4). At the end of decade, the average over three years, 1997-00, indicates that non-plan expenditure has become 81.03 percent and plan expenditure has become 18.97 percent exhibiting a fall of 2.54 percentage points, in terms of the average share at the end of the decade compared to that at the beginning.

Growth in subsidies, borrowings and interest payments, government salaries have led the expansion of current expenditure at the cost of capital expenditure.

3.9 The expansion of current expenditure has been driven by (i) uncontrolled expansion of subsidies, discussed at length in the next chapter;

(ii) growth of borrowings leading to higher outgo on interest payment; and (iii) increase in the salary bill consequent upon the revisions in the wake of the recommendations of the Fifth Central Pay Commission. As noted, the growth of current expenditure has resulted in (i) a substantial drop in the growth of capital expenditure; and (ii) a regime of high interest rate.

Revenue Expenditures: Growth in Interest Payments

Interest burden on the government has nearly doubled every five years.

3.10 The government incurs revenue expenditure for the normal day to day running of government departments and various services, interest charges on its incurred debt, subsidies, etc. Broadly speaking, revenue expenditure is an expenditure that does not result in creation of assets. For the Union government accounts, all grants given to state governments and others fall in the category of the revenue expenditure even though end use of some of the grants may be for creation of assets. Appendix II presents the revenue expenditure over the last 24 years. An important component of revenue expenditures is interest payment. Interest payments are committed expenditures, and constitute transfer payments to the lenders to the government.

3.11 Total interest payments by the Union government in the year under review (1999-00) increased from Rs. 77882 crore in 1998-99 to Rs. 94593 crore, an increase of 21.46 percent. The government has also paid an amount of Rs. 21947 crore as interest which includes Rs 1749 crore towards management cost on small savings and public provident funds during 1999-00 from the NSSF created in the Public Account, unlike in the past years when the government met that liability from its own resource, i.e. from the CFI.

3.12 A look at Appendix III would show that while the overall interest payment increased by 52 times over the two decades 1979-80 to 1999-2000, the interest on internal debt increased by about 65 times, on external debt by 19 times and that on small savings and provident funds etc. by 24 times. The interest burden had nearly doubled every five years. As percentage to total revenue receipts, interest payments have increased from 25.47 percent to 33.60 percent over the period from 1990-91 to 1999-00. The increase in interest payment is due to both the growing volume of borrowing and the

increase in the rate of interest on borrowed funds, which has gone up from an average of around 4.31 percent in 1979-80 to 10.61 percent in 1999-00. Most of the increase in the rate of interest was on internal borrowings, small savings, provident fund, reserve fund, etc.

3.13 Interest payments constituted 28 percent of the revenue expenditure in 1999-00 and absorbed as much as 73.74 percent of the Union government's net tax revenues (i.e. exclusive of states' share of income tax and excise duties). They constitute presently about 4.86 percent of GDP, which is more than the total revenue expenditure on defence services (1.88 percent of GDP) and also net transfer of resources to the states/UTs. (3.06 percent of GDP). Table 3.6 presents shares of other important components of revenue expenditure for the last ten years.

Table 3.5: Growth of Interest Payments

Year	Interest Payments <i>Rs. in crore</i>	As percentage of		GDP
		Total Revenue Expenditure	Total Revenue Receipts	
1990-91	21498	20.88	25.47	3.78
1991-92	26596	22.91	26.64	4.07
1992-93	31075	23.40	27.20	4.16
1993-94	36741	24.12	30.72	4.28
1994-95	44060	24.79	30.04	4.36
1995-96	50045	25.24	29.69	4.23
1996-97	59478	26.27	30.70	4.38
1997-98	65637	23.63	30.07	4.33
1998-99	77882	25.92	32.47	4.43
1999-00	94593	27.56	33.60	4.83

Table 3.6: Major Components of Revenue Expenditure

Year	<i>Percent</i>						
	Interest payments	Administrative services	Pensions & Misc. (General services)	Defence services	Social services	Agriculture and allied services	Rural development
1990-91	20.88	2.75	3.81	10.97	3.61	5.38	0.37
1991-92	22.91	2.70	2.96	10.32	3.48	5.66	0.31
1992-93	23.40	3.14	3.18	10.05	3.41	4.83	0.31
1993-94	24.12	2.71	3.11	10.47	3.35	5.38	1.07
1994-95	24.79	2.42	2.93	9.76	3.01	4.86	2.34
1995-96	25.24	2.50	3.49	10.01	3.71	4.69	2.85
1996-97	26.27	2.63	3.20	9.71	4.12	4.61	1.96
1997-98	23.63	2.65	3.60	9.83	4.19	4.66	1.77
1998-99	25.92	2.84	4.56	10.38	4.71	5.05	1.72
1999-00	27.56	2.72	5.28	10.67	4.85	4.89	1.50

Year	Energy	Industry and Mineral	Transport	Communications	General Economic Services	Grants-in-Aid and Contribution	Total Revenue Expenditure
1990-91	0.95	4.95	12.84	4.32	3.24	23.23	100.0
1991-92	0.89	4.19	12.90	4.38	2.04	24.24	100.0
1992-93	0.60	5.10	12.91	4.49	1.09	24.54	100.0
1993-94	0.82	3.80	12.83	5.03	0.99	23.40	100.0
1994-95	0.68	3.13	12.29	5.41	4.60	20.69	100.0
1995-96	0.70	3.16	12.13	6.00	2.42	20.09	100.0
1996-97	0.74	3.53	11.58	6.42	2.37	20.04	100.0
1997-98	5.51	3.29	11.14	6.29	1.58	19.18	100.0
1998-99	0.91	3.44	10.78	7.19	2.74	17.00	100.0
1999-00	1.00	3.71	11.02	6.59	0.71	16.73	100.0

Expenditures: Plan and Non-Plan

Trend growth rate of the capital component of plan expenditure during nineties was dismally low, especially relative to the trend growth of total plan expenditure.

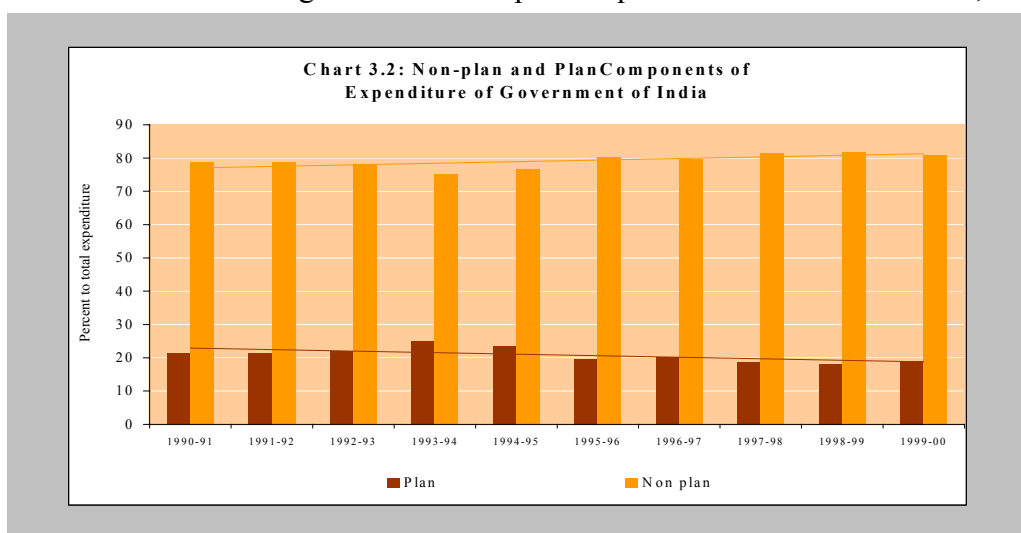
3.14 Plan expenditures normally relate to incremental development expenditures, and involve both revenue and capital expenditures. It is desirable, however, that the share of capital expenditures should be high in plan expenditures. Table 3.7 presents the growth and composition of plan expenditure of the Union government. While plan revenue expenditure has grown at a TGR of 14.43 percent per annum, plan capital expenditure has grown at a dismally low TGR of 2.86 percent over the decade of the nineties. Plan capital expenditures have often fallen in absolute terms in several years compared to the figures of the respective previous years.

Table 3.7: Plan Expenditure of Union Government: Growth Profile

<i>Rs in crore</i>								
Year	Revenue expenditure	% increase	Capital expenditure	% increase	Loans and advances	% increase	Total	% increase
1990-91	12703		7287		9165		29155	
1991-92	15160	19.34	6411	-12.02	10182	11.10	31753	8.91
1992-93	19862	31.02	7023	9.55	10561	3.72	37446	17.93
1993-94	24890	25.31	10879	54.91	13658	29.32	49427	32.00
1994-95	28304	13.72	10543	-3.09	12932	-5.32	51779	4.76
1995-96	29021	2.53	5786	-45.12	12417	-3.98	47224	-8.80
1996-97	31668	9.12	7671	32.58	15737	26.74	55076	16.63
1997-98	35206	11.17	10126	32.00	16477	4.70	61809	12.22
1998-99	40550	15.18	8763	-13.46	17936	8.85	67249	8.80
1999-00	46831	15.49	9400	7.27	19982	11.41	76213	13.33
TGR	14.43		2.86		8.58		10.61	

Share of non-plan expenditure during 1999-00 was all time high in the decade.

3.15 Non-plan expenditures, on the other hand, are normally devoted to maintaining the levels of services already achieved. In this category, there has been an overall trend growth of 13.83 percent per annum over the nineties, the



TGRs of non-plan revenue expenditures being 14.64 percent, and that of non-plan capital expenditure being 8.34 percent. In the non-plan expenditures, loans and advances have actually grown at a low rate of 6.88 percent per annum. A massive fall of 74.26 percent, recorded in 1999-00 in non-plan loans and advances is owing again to the change over of pattern of advancing loans from small savings collections to creation of the NSSF.

Expenditures: Growth and Structure

Table 3.8: Non-Plan Expenditure of Union Government: Growth Profile

Rs in crore

Year	Revenue expenditure		Capital expenditure		Loans and advances		Total	% increase
		% increase		% increase		% increase		
1990-91	90261		6100		11543		107904	
1991-92	100931	11.82	7500	22.95	8521	-26.18	116952	8.39
1992-93	112932	11.89	13563	80.84	7058	-17.17	133553	14.19
1993-94	127427	12.84	13771	1.53	8216	16.41	149414	11.88
1994-95	149394	17.24	8723	-36.66	10966	33.47	169083	13.16
1995-96	169281	13.31	11758	34.79	12393	13.01	193432	14.40
1996-97	194704	15.02	8033	-31.68	13298	7.30	216035	11.69
1997-98	242526	24.56	10099	25.72	18994	42.83	271619	25.73
1998-99	259906	7.17	16437	62.76	28658	50.88	305001	12.29
1999-00	296364	14.03	19623	19.38	7377	-74.26	323364	6.02
TGR	14.64		8.34		6.88		13.83	

3.16 Considering together the major categories of revenue and capital expenditures, sub-divided into plan and non-plan, one can highlight the relative importance and compositional changes. 1999-00 saw an overwhelming share of non-plan revenue expenditure, 74.17 percent, in total expenditure. Between the beginning and the end of the decade of the nineties, in terms of three-year averages, non-plan revenue expenditure increased its share by 4.87 percentage points. Plan revenue expenditure also increased its share but only by a margin of 0.68 percentage points. All other categories of expenditures lost in terms of their shares as depicted in Table 3.9.

Table 3.9: Expenditure of Union Government: Compositional Changes

Percent

Year	Revenue Expenditures		Capital Expenditure		Loans and Advances		Total Expenditure
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan	
1990-91	9.27	65.85	5.32	4.45	6.69	8.42	100.00
1991-92	10.20	67.87	4.31	5.04	6.85	5.73	100.00
1992-93	11.61	66.04	4.11	7.93	6.18	4.13	100.00
1993-94	12.52	64.08	5.47	6.93	6.87	4.13	100.00
1994-95	12.81	67.64	4.77	3.95	5.86	4.97	100.00
1995-96	12.06	70.34	2.40	4.89	5.16	5.15	100.00
1996-97	11.68	71.82	2.83	2.96	5.80	4.91	100.00
1997-98	10.56	72.74	3.03	3.03	4.94	5.70	100.00
1998-99	10.89	69.82	2.35	4.42	4.82	7.70	100.00
1999-00	11.72	74.17	2.35	4.91	5.00	1.85	100.00
A: Avg. (1990-93)	10.36	66.59	4.58	5.81	6.57	6.09	100.00
B: Avg. (1997-00)	11.04	71.46	2.74	3.47	5.19	6.10	100.00
C: B-A	0.68	4.87	-1.84	-2.34	-1.39	0.01	0.00

Sectoral Expenditure

The shares of general and social services in the expenditure have generally grown at the cost of the economic services.

3.17 Table 3.10 shows the movement of expenditure in general, social, and economic services. The share of general services has increased from 33.74 percent in 1990-91 to 44.26 percent of the total expenditure in 1999-00, owing mainly to the growth in interest payments and pensions. The increase in share of social services expenditure, of which the salaries subsume a large portion, from 3.33 in 1995-96 to 4.48 in 1999-00, was largely due to the revision of the government salaries. This increase in the already low share of social sector expenditure does not, therefore, represent any betterment in the supply of merit goods and services like health and education.

Table 3.10: Sectoral Expenditure of Union Government

Rs in crore

Year	General Services		Social Services		Economic Services		Total Expenditure
	Amount	As % of Total Expenditure	Amount	As % of Total Expenditure	Amount	As % of Total Expenditure	
1990-91	46247	33.74	4227	3.08	46429	33.88	137059
1991-92	52671	35.42	4621	3.11	48939	32.91	148705
1992-93	61366	35.89	5136	3.00	58304	34.10	170999
1993-94	71913	36.17	5642	2.84	70340	35.37	198841
1994-95	81208	36.77	6189	2.80	77861	35.25	220863
1995-96	93934	39.03	8006	3.33	79165	32.90	240656
1996-97	107335	39.59	10040	3.70	84293	31.09	271111
1997-98	124635	37.38	12371	3.71	112540	33.75	333428
1998-99	146968	39.48	15255	4.10	117946	31.68	372250
1999-00	176843	44.26	17919	4.48	125706	31.46	399577

Notes: This sectoral classification excludes loans to foreign governments, state governments, UT governments and revenue expenditure on account of grants-in-aid which do not fall under any specific group. Under general services loans to government servants and miscellaneous loans are included.

3.18 It is the economic sector, which has seen the decline in its share of total expenditure, which decreased from 33.88 percent in 1990-91 to 31.46 percent in 1999-00, after peaking at 35.37 percent in 1993-94.

Capital Expenditure: Trends and Composition

In the overall decline of capital expenditure, the decline in its plan component was sharper.

3.19 Capital expenditure may be broadly defined as expenditure incurred with the object of increasing concrete assets of a material and permanent character. In addition, financial assets arise from moneys invested in institutions or commercial undertakings and loans and advances to states, Union Territories, foreign governments, government servants, etc. The trend of capital expenditure over the last ten years is indicated in Table 3.11. Both plan and non-plan capital expenditures have fallen as percentage of total expenditure. Further, the decline in plan capital expenditure is relatively larger. It has fallen during this period from 5.32 percent to 2.35 percent.

Table 3.11: Capital Expenditure

Year	Total expenditure	Capital Expenditure			As % of growth over the previous year	Rs in crore	
		Plan	Non-Plan	Total		Plan capital as % of total expenditure	Non Plan Capital as % of total expenditure
1990-91	137059	7287	6100	13387		5.32	4.45
1991-92	148705	6411	7500	13911	3.91	4.31	5.04
1992-93	170999	7023	13563	20586	47.98	4.11	7.93
1993-94	198841	10879	13771	24650	19.74	5.47	6.93
1994-95	220863	10543	8723	19266	-21.84	4.77	3.95
1995-96	240656	5786	11758	17544	-8.94	2.40	4.89
1996-97	271111	7671	8033	15704	-10.49	2.83	2.96
1997-98	333428	10126	10099	20225	28.79	3.04	3.03
1998-99	372250	8763	16437	25200	24.60	2.35	4.42
1999-00	399577	9400	19623	29023	15.17	2.35	4.91
TGR	13.17	2.86	8.34	5.98		-9.10	-4.27

Loans and Advances

3.20 Loans and Advances are also disbursed by Union government to foreign governments, state and Union Territory governments, government corporations, non-government institutions, local funds and others. Disbursement of loans and advances for the last ten years is detailed in Table 3.12.

Table 3.12: Loans and Advances

Year	State & UT govt.	Government corporation Non-govt. institutions etc.	Foreign govt.	Govt. servants	Total	As % age of total expenditure
1990-91	14522	4280	1719	187	20708	15.11
1991-92	13199	4175	1135	194	18703	15.76
1992-93	13336	3808	268	207	17619	10.30
1993-94	15263	6363	47	201	21874	11.00
1994-95	18807	4859	32	200	23898	10.82
1995-96	19627	4917	84	182	24810	10.31
1996-97	24030	4792	50	163	29035	10.71
1997-98	30461	4588	154	268	35471	10.64
1998-99	40798	5091	216	849	46594	12.52
1999-00	21462	4982	230	685	27359	6.85

3.21 The volume of disbursement of loans and advances came down sharply from Rs. 46594 crore in 1998-99 to Rs. 27359 crore in 1999-00 which constituted a decrease of 41.28 percent from the previous year. The main reason for the decrease in loans and advances was payment of loans and advances to state and Union Territory governments against small savings collections from the public account, which were being disbursed from the CFI upto 1998-99.

Utilisation of Funds: Mounting Defaults

3.22 For ensuring the efficacy of expenditure, a prerequisite is that it is spent for the purpose for which it was allocated. Mounting defaults on submission of utilisation certificates have become unacceptably high. The certificates of utilisation of grants are required to be submitted by the sanctioning authorities in the respective ministries or departments to the controllers of accounts. The purpose of furnishing the certificates is to ensure that grants have been properly utilised for the purpose for which they were sanctioned and where the grants released were conditional, the prescribed conditions have been fulfilled.

3.23 As many as 35390 utilisation certificates relating to Rs 7035.96 crore in respect of grants released upto March 1998 and due by September 1999 from 31 ministries/departments were outstanding at the end of March 2000 as

given in Appendix IV. This Appendix indicates that utilisation certificates have been outstanding for upto 23 years. The ministries/departments of social justice and empowerment and National Informatics Centre did not furnish the information about outstanding utilisation certificates.

Table 3.13: Fresh Release of Grants

Ministry/Department	No. of utilisation certificates outstanding as on 31.03.00	Amount	<i>Rs in crore</i>
			Amount of fresh grants released during 1999-00 without obtaining UCs. of previous years
1. Textile	638	22.18	6.16
2. Urban Affairs and Employment	513	316.90	102.76
3. Agriculture and Cooperation	304	54.51	67.99
4. Space	300	7.76	0.32
5. Planning	84	7.10	0.32
6. Tourism	17	2.69	15.05
7. Andaman & Nicobar Islands	14	12.91	26.56
8. Information and Broadcasting	5	8.87	5.4
9. Finance Economic Affairs	1	0.35	65.05
10. Department of Industrial Policy and Promotion	1	1.83	1.54

3.24 Pending receipt of a huge number of utilisation certificates, the ministries/departments, indicated in Table 3.13, released fresh grants of Rs. 295.02 crore to the defaulting statutory bodies, non-government organisations, etc. during 1999-00 without insisting on the utilisation certificates in respect of grants released in the previous years.