

ESTIMATES COMMITTEE
1959-60

NINETY-SECOND REPORT

(SECOND LOK SABHA)

Growth of Civil Non-Plan Expenditure



LOK SABHA SECRETARIAT
NEW DELHI-1

April, 1960/Vaisakha 1882 (Saka)

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Corrigenda to the Ninety-Second Report
of the Estimates Committee on the 'Growth
of Civil Non-Plan Expenditure'.

.....

- Page 3, line 15: for 'Receipt' read 'Receipts'.
Page 5, heading to para 7: for 'Plant' read 'Plan'.
Page 8, lines 2 and 3: for 'sub-quently' read
'subsequently'.
Page 13, Heading in Col. 3 of the Table in para 19:
for 'Expenditure' read '5 times the
expenditure'.
Page 15, line 4: for 'teachique' read 'technique'.
Page 18, line 13: for 'Growth' read 'Growth'.
Page 38, Heading in Col.9: for 'Expenditure' read
'5 times the expenditure'.
Page 45, item 3 of foot-note, line 6: for '1-4-1948'
read '1-4-1958'.
Page 46, Col. 9, line 3: for '1168' read '1165'.

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1959-60

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*Elected w.e.f. 19th December, 1959 ~~vice~~ Shri Mathuradas Mathur resigned.

SECRETARIAT**Shri A. K. Ray, *Deputy Secretary.*****Shri R. K. A. Subrahmanya, *Under Secretary.***

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Ninety-second Report on the Growth of Civil Non-Plan expenditure.

2. The Report is based on a study of the material received from the Planning Commission, the Ministry of Finance and the Ministry of Home Affairs. A Memorandum on the subject as approved by the Committee on the 23rd March, 1960 was sent to the Government for factual verification and comments. The comments of Government have been taken into account in this Report.

3. The Report was approved by the Committee on the 26th April, 1960.

NEW DELHI;

The 27th April, 1960.

The 7th Vaisakha, 1882(S).

H. C. DASAPPA,

Chairman,

Estimates Committee.

I

GROWTH OF NON-PLAN EXPENDITURE

(a) Background

The growth of civil non-Plan expenditure was taken up for examination by the Estimates Committee as a result of the reference made to the Committee by the Speaker for examination of the points raised by Shri A. C. Guha, M.P., in a letter to him (*vide* Appendix I) regarding the findings in the Appraisal and Prospects of the Second Five Year Plan issued by the Planning Commission in May, 1958. This appraisal indicated that despite new tax measures adopted in the Second Plan period, the tax effort had not provided enough resources for the Plan, a large part of it having been absorbed by other demands' namely, defence, non-developmental expenditure and developmental expenditure outside the Plan.*

2. In the scheme for financing the Second Five Year Plan, the Centre's contribution from revenues was estimated at Rs. 420 crores made up of Rs. 252 crores† at 1955-56 rates of taxation and Rs. 168 crores by way of net proceeds of additional taxation (Rs. 225 crores minus Rs. 57 crores estimated as the share to be transferred to the States). The Plan left an uncovered gap of Rs. 400 crores which was agreed to be met through a larger domestic effort, mainly in the form of additional taxation. The contribution from revenues was estimated after making provision for minimum increases in expenditure under defence and administration and for maintenance expenditure on social services and developmental items at the level reached at the end of 1955-56.

(b) Basis for estimate of non-Plan expenditure

3. The Planning Commission was addressed to furnish a note explaining the basis on which the Second Plan estimate of balance from current revenues at 1955-56 rates of taxation, *viz.*, Rs. 252 crores, was worked out and to show how far the actual expenditure during the Second Plan years had exceeded the estimates which the Plan had adopted for purposes of assuming this surplus of Rs. 252 crores. The note furnished by the Planning Commission is given at Appendix II. The main points stated by the Planning Commission with regard to their estimate of non-Plan expenditure during the period are as follows:

- (i) The budget estimates for 1955-56 were taken as the base for estimating receipts and expenditure for the period.

**Vide* para 22 of the Appraisal and Prospects of the Second Five Year Plan.

†The actual difference between the estimate of revenue at 1955-56 rates of taxation and the estimate of non-plan expenditure for the Plan period, however, comes to Rs. 254 crores (*Vide* figures in Tables I and II, paras 5 and 6).

- (ii) Only the Centre's share of Excise duties was taken into account under Tax Revenue. Correspondingly, the States' share of excise duties has been excluded from Expenditure.
- (iii) Defence Capital outlay, though shown in capital budget, has been taken in the estimate as expenditure from revenue because of its current consumption character.
- (iv) At the time of formulation of the Plan a complete budget in the same sense in which the annual Central budgets are prepared had not been attempted. Self balancing items and transfer entries as between the revenue and the capital accounts and one head of development and the other had been ignored.
- (v) The estimates made represented a rough assessment of what might become available out of current revenues over a five year period for financing the Plan on certain broad assumptions, several of which have in fact not held good—some because of unpredictable developments, difficulty of translating the assumptions in precise quantitative terms, divergence of budget estimates, revised estimates, revised estimates and actuals even for a single year etc.

4. It was estimated by the Planning Commission in the Appraisal referred to earlier that the aggregate yield from the measures of additional taxation adopted upto 1958-59 would be Rs. 725 crores over the five year period as against the estimated yield of Rs. 225 crores referred to at para 2. The total contribution to the Second Plan from the existing taxation measures and the additional measures adopted was expected to amount to about Rs. 465 crores instead of Rs. 420 crores as originally estimated. The Planning Commission summed up the position as follows in the Appraisal:—

“This means that despite the improvement in tax receipts by Rs. 500 crores over the original plan target, the revenue resources available for financing the Centre's plan outlays are expected to show an improvement of only Rs. 45 crores as compared to the plan estimate. This inadequacy of the Centre's resources for the Plan arises in the main because of the large transfer of resources under the Finance Commission's award, and the increase in defence outlays. The former amounts to Rs. 160 crores over the plan period, and the latter would account for a diversion from potential resources for the Plan of about Rs. 225 crores on the assumption that defence expenditure will remain for the rest of the Plan period at about the same level as the budget estimates for 1958-59. In other words, some Rs. 385 crores of the new taxation at the Centre will have been

absorbed by these two additional demands on the Centre. The States are also expected to get a larger share from the proceeds of Central taxes than was assumed in the Plan and in addition, some grants for raising the emoluments of low-paid employees. The continuing food subsidies (being met initially from the capital account and written back to revenues over a period) and some increases in non-development expenditure constitute a further draft on the Centre's resources. Thus, on balance while a massive tax effort has been made in recent years, the original gap of Rs. 400 crores in resources still remains more or less uncovered."

The position in respect of the whole Plan period in the light of the figures available for the five years has been analysed below.

(c) **Revenue Receipt during the period**

5. Table I below states the total revenue receipts over the whole Plan period including the estimates for 1960-61:

TABLE I

(a) Revenue receipts :	(Rs. Crores)
Taxes	3584·6
Other revenues	640·9
	} 4225·5
(b) Deduct Revenue transferred to States	* 708·9
(c) Net revenue accruing to Centre	3516·6
Less transfers to Capital account	144·4
	<u>3372·2</u>
(d) Net receipts for Centre estimated in the Plan at 1955-56 rates of taxation	2580
(e) Net receipts to Centre from additional taxation as well as increase in revenue receipts at 1955-56 rates over and above the estimates made in Plan	792·2

The break-up of the item at (e) is given below:

	(Rs. Crores)
Net receipts from additional taxation during the Second Plan period:	
Gross receipts	787·8
Less States' share	96·0
	} 691·8
Increase in receipts at the 1955-56 rates over and above the estimates assumed in the Plan	244·8
	<u>936·6</u>
Total additional receipts to the Centre	936·6
Less transfers to Capital account	144·4
	<u>792·2</u>
Balance	792·2

*Also includes grants to States in lieu of loss of their share on account of conversion of Company income-tax into Corporation tax from 1959-60.

It would be seen from the above Table that the net receipts that were estimated to be made available for the Plan and the actual receipts realised were as follows:

(Rs. Crores)

	Estimated	Actuals	
Surplus at 1955-56 rates of taxation	252	496·8	(Rs. 252 plus 244·8)
Amount from additional taxation	168	691·8	
TOTAL	420	1188·6	
Less transfers to Capital Account		144·4	
		<u>1044·2</u>	

As against Rs. 420 crores estimated to be available for the Plan, a sum of Rs. 1044·2 crores was realised but in fact only Rs. 439 crores was available for the Plan.

(d) Variations between estimates of non-Plan expenditure and actual non-Plan expenditure

6. A statement showing the estimates of non-Plan expenditure made at the time of formulation of the Plan and actuals including the Budget Estimates for 1960-61 for the entire five year period is given below at Table II. A resume of the comments of the Planning Commission in regard to the increase is given at Appendix III.

TABLE II

(Rupees in Crores)

	Expenditure assumed in the Plan.	Expenditure Incurred.	Increase over Expenditure assumed in the Plan.
1. Defence outlay on revenue account	1043·5	1215·7	172·2
2. Defence Capital outlay taken against Revenue account for Plan assessment	137·0	144·7	7·7
3. Civil Administration	216·0	233·4	17·4
4. Currency and Mint	19·0	40·9	21·9
5. Direct Demands on Revenue	81·0	108·5	27·5
6. Debt Services	216·0	269·5	53·5

	Expenditure assumed in the Plan.	Expenditure Incurred.	Increase over Expenditure assumed in the Plan.
7. Miscellaneous and Extraordinary .	136.5	175.2	38.7
8. Transfers to Capital account (Transfer of surcharge on Iron & Steel to Iron & Steel Equalisation fund, transfer of sale proceeds of evacuee property and P.L. 480 funds to Capital account)	--	144.4	144.4
9. Statutory grants to States	97.0	180.1	83.1
10. Grants to States for non-developmental purposes	30.0	121.7	91.7
11. Non-Plan developmental expenditure including grants to States for developmental schemes not included in the Plan	350.0	442.8	92.8
TOTAL	2326.0	3076.9	750.9
Less transfers to capital Account . . . . .	..	144.4	144.4
Balance	2326.0	2932.5	606.5

(e) **Balance from Revenue actually available for the Plan.**

7. Out of a net Revenue of Rs. 3372.2 crores accruing to the Government of India during the Second Plan period, the balance actually available for the Plan is Rs. 439.7 crores as worked out below:

TABLE III

(Rupees in Crores)

A. Revenue receipts accruing to the Centre'	3372.2
(Vide Table I, Para 5),	
B. Non-Plan expenditure (Vide Table II, Para 6)	2932.5
C. Balance from revenue actually available for the Plan (A-B)	439.7

(f) **Results of the analysis**

8. The following conclusions emerge from a study of the above data:

Assuming that Rs. 252 crores, as noted in para 2 of this Report, were available for the Plan from the anticipated proceeds of revenue at the 1955-56 rates of taxation, the balance, namely, Rs. 187.7 crores

only (Rs. 439.7—Rs. 252 crores) should be taken as accruing to the Plan from additional measures of taxation. As the net additional receipts accruing to the Centre from such additional measures of taxation and from better collections from existing sources of revenue comes to Rs. 792 crores, it would appear that the balance of about Rs. 604 crores of additional revenue raised has been absorbed by increases over the Plan estimates in the non-Plan expenditure.

The Plan estimated that in addition to the revenue surplus of Rs. 252 crores available from the existing sources of revenue for the Plan, Rs. 168 crores would accrue to the Centre from additional taxation making a total of Rs. 420 crores of Plan expenditure to be met from revenue. This left a gap of another Rs. 400 crores which was also expected to be covered largely by additional taxation. Any increase in collection of revenue over Rs. 420 crores should, therefore, have gone to cover this gap. Though additional revenue was raised to the extent of Rs. 792 crores, leaving a net advantage of Rs. 624 crores, as against Rs. 168 crores, the gap was covered only to a very limited extent of Rs. 19.7 crores.

(g) Views of the Ministry of Finance

9. Referring to the view that the proceeds of additional taxation levied by the Central Government since 1956-57 have been practically absorbed by the increases in non-Plan expenditure and not utilised for the Plan, the Ministry of Finance have intimated as follows in a note to the Committee:

“This inference is derived from the ‘pairing’ of the yield from additional taxation with the increases in non-Plan expenditures. A different conclusion would follow if one were to compare the yield from additional taxation with the expenditure on the Centre’s Plan financed from revenue and revenue grants for the State Plans. Additional taxes levied by the Centre since 1956-57 are estimated to yield Rs. 556 crores during 1956-60. Of this, the States’ share is placed at about Rs. 70 crores. Thus Rs. 486 crores was available for disbursement by the Central Government during the first four years of the Second Plan. Over the same period the expenditure on the Centre’s revenue plan and revenue grants for the State plans as estimated by the Planning Commission aggregated to Rs. 422 crores. Thus one could argue with equal force that nearly the whole of the proceeds from additional taxation available for disbursement by the Centre was utilised for financing the plans of the Centre and the States.

It will, thus, appear that the conclusion depends upon the choice about the ‘pairing’ of a part of revenues and a

part of expenditures and no conclusive point can be made by such analysis. This is not to deny the increase in expenditures both under the plan and outside."

(h) Finance views rebutted

10. *The Committee find themselves unable to agree with the above argument for the following reasons.*

It appears from a statement furnished to the Committee by the Planning Commission (Appendix IV) that the total revenue expenditure including Plan and non-Plan expenditure during the first 4 years of the Plan was Rs. 2744 crores against which the total revenue receipts during the period was only Rs. 2620 crores. There was thus a deficit of Rs. 124 crores on revenue account. The balance available from the revenue after deducting non-Plan expenditure was only Rs. 298 crores. In the circumstances, though Plan expenditure to the extent of Rs. 422 crores is shown to have been met from revenue, the actual amount of Plan expenditure that could be met from revenue would be only Rs. 298 crores (Rs. 422—124=298 Crores). It does not, therefore, seem to be correct to say that Plan expenditure to the extent of Rs. 422 crores has been met from revenue.

On the other hand, the Committee consider that in whatever manner the revenue may be paired with the expenditure it is obvious that while Rs. 420 crores was expected to be available from the current sources of revenue and additional revenue was raised to the extent of Rs. 1044 crores during the full Plan period, the amount available to the Plan would be only Rs. 439 crores as shown in Table III and that the gap in the financing of the Plan would be covered only to the extent of Rs. 19 crores.

(i) Two aspects of the matter

11. There are thus two aspects to the growth of civil expenditure: first, the absorption of additional taxation to a very large extent by non-Plan expenditure and secondly, inability to adhere to the estimates assumed in the Plan regarding normal increase in such expenditure.

The Committee were informed as follows on these aspects by the Government:

- (1) The resources for the Plan are determined after providing for the non-plan requirements of the Government as can be anticipated. The initial assessment of resources is a dimensional approach based on the budgetary data available at the time which have inevitably to undergo a change in the light of subsequent developments and the conditions prevailing at the time such as price situation, economic conditions both internal and external, levels and patterns of investments and savings, foreign assistance, balance of payment and so on.
- (2) The estimates prepared in advance of the quinquennium could at best be an indication of the order of magnitude

and are necessarily subject to serious limitations. They were based on certain assumptions, which have subsequently not held good. Expenditure on some items had to be raised because of new circumstances such as Defence requirements, recommendations of the Finance Commission etc. that could not in any case have been foreseen.

- (3) The assumption that no taxation would have been necessary over the five year period but for the Plan is unwarranted¹
- (4) It was exceedingly difficult to forecast the likely trend on many items and it was understood that while the spending departments would make every effort to keep down the non-Plan expenditure there could be no question of any rigid adherence to such broad overall estimates.
- (5) After the Plan as a whole is approved, the Planning Commission allows priorities for the various schemes on an annual basis with which the Ministries and their financial advisers are also associated. Finance Ministry, therefore, while preparing the annual Budget estimates, assesses the total resources available for the coming year including the anticipated revenue surplus or deficit, capital receipts, market borrowings, foreign assistance and the extent of deficit financing which would in the light of economic conditions and price situation prevailing at the time be resorted to. These resources have then to be allocated to finance the inescapable non-Plan items of expenditure accepted by Government, and the Plan Schemes according to the priorities determined by the Planning Commission.

(j) Conclusion

12. *The Committee appreciate the difficulties in making a definite forecast of expenditure for a five year period and the impact of unpredictable developments and conditions which would necessarily affect such a forecast. But they feel that in the context of a planned economy with emphasis on dynamism in development of the country, too wide a variation in the estimates of resources available for furthering the nation-building activities should not be permitted by allowing too free a play for administrative and other non-Plan expenditure to mount up lest the Plan programme is retarded. The Committee consider that in view of the phenomenal rise in non-Plan expenditure in spite of the reasonable size envisaged by the Planning Commission in that direction, it would be most desirable for the Planning Commission to have a special study made of the disproportionate rise and make suitable suggestions to see that such expenditure is kept under control and will not expand in the Third Plan as it has done during the Second Plan period.*

II

GROWTH IN DIFFERENT SECTORS OF NON-PLAN EXPENDITURE

(a) Items of non-Plan expenditure which could have been controlled

13. It would be seen from the Table in para 6 that the bulk of the increase in non-Plan expenditure over the amount envisaged by the Planning Commission is accounted for by Defence expenditure, obligatory expenditure such as Statutory grants to States and Debt Services, increases of an accounting nature, such as, transfers of certain items of revenue to capital account and write back to revenue of capital losses and capital expenditure incurred in the past. Expenditure on these items may not be susceptible of very close control. Close control on expenditure, however, should be possible on (i) non-Plan developmental expenditure, (ii) tax collection charges, (iii) civil administration, (iv) administrative expenditure under developmental heads, and (v) administrative expenditure under Civil Works and Miscellaneous.

(b) Non-Plan developmental expenditure

14. As regards non-Plan developmental expenditure, the estimated expenditure and the actuals as indicated at Table II in para 6 are Rs. 350 crores and Rs. 442.8 crores, respectively. The Planning Commission has stated that it was not possible to work out a detailed estimate item by item. It says as follows:

“The main reasons why an itemwise estimate could not have been worked out was that the Central Budget till recently did not exhibit under each head of expenditure like education, health, industries etc., the expenditures on Plan and non-Plan schemes separately.”

Finally, it adds:

“In retrospect it also appears that the earlier estimate was on the low side.”

The Committee feel that it is a matter for consideration whether there should be such a wide divergence between the estimates and the actual expenditure and whether there should not be a realistic breaking down of the dimensions indicated into specific targets for each Ministry.

(c) Tax-collection charges

15. A statement showing the cost of collection separately for Income Tax and allied taxes, Customs and Excise duties and the total

revenue of the Central Government is given at Appendix V. It would be observed that the percentage cost of collection varies from 2.03% to 2.34% in respect of Income and allied taxes, from 1.91% to 2.17% in respect of Customs and Excise duties and from 2.38% to 2.78% in respect of total revenue. Also the percentage cost of collection tends to rise though one would have expected naturally that it would go on decreasing with the increase of tax revenues. In this connection, it may be pointed out that the cost of collection of Income tax and Death duties varies from 1.3% to 1.34% in the U.K. and is less than .5% in the U.S.A. The cost of collection of Customs and Excise duties in U. K. varies from .7% to .8%. In the circumstances there appears to be room to bring down the cost of collection in India.

In regard to the possibility of bringing down the cost of collection in India, the following comments were offered by Government in a note to the Committee:

“With the emergence of an integrated scheme of taxation, widening the scope of the various tax measures and also with the growing need for plugging loopholes and preventing evasion, the tax collection charges have inevitably to go up. A part of the increase is also attributable to the normal increments, increase in emoluments of low paid employees and the effect of Pay Commission's proposals common to other Departments. Further, a comparison of the increase in tax collection charges with the increase in tax revenue is apt to be misleading, particularly in the earlier stages, when the yield from the new taxes is low.

The comparison of the proportion of cost of collection to tax revenue in India with that in U.S.A., U.K. or other advanced countries is likely to give somewhat misleading results. The structure of taxation, the level of economic development and the structure of economy and consequently the proportion of income brought within the tax net are widely different. Tax collection charges in a relatively less advanced country where the amount to be collected is small but the area and number of assessments large, are bound to be high.”

The Committee appreciate the various factors pointed out above in regard to the cost of collection of taxes but are not convinced that there is no scope for reduction in the cost of collection especially that of established taxes and duties. The Committee have seen the reference to this subject in the Report of the Direct Taxes Administration Enquiry Committee, 1959, where they say that the cost of administration should be kept as low as possible, though later they refer to the fact that some of their suggestions would involve extra expenditure as necessary to check tax evasion and improve the overall efficiency of the

Department. It does not appear that there has been an attempt to make a study of the organisations in other countries with a view to reduce the ratio of cost of administration and to improve its efficiency here. The Committee would urge that the procedure of administering the taxes in the advanced countries should be studied and adopted with modifications to suit our conditions. A conscious effort should also be made for rationalisation and simplification of procedures and improvement of existing methods of work. This, the Committee feel, would not only result in improved efficiency and larger collection but also bring down the percentage cost of collection.

(d) Administrative expenditure under developmental heads

16. In reply to the Committee's suggestion that a record should be kept of the expenditure on administration included in the cost of developmental activities so as to help the assessment of administrative expenditure under developmental heads, Government have stated that the suggestion would be examined in consultation with the Comptroller and Auditor General. *The Committee suggest that in order to have an overall assessment of administrative expenditure in broadly defined fields of activity, it would be desirable if the total administrative expenditure is classified under broad heads such as administrative services, tax collection, developmental and social services separately under Plan and non-Plan heads and included in the Explanatory Memorandum on the Central Budget.*

(e) Total Administrative Expenditure

17. There is no overall picture of administrative expenditure under broadly defined groups of activity. Further, there are no data to assess the growth of administrative expenditure on Plan items, a start having been made for segregating Plan and non-Plan expenditure in the Budget and Accounts from 1959-60 only. Therefore, as a pointer to the general growth of administrative expenditure, one has to rely on the figures of total civil expenditure which is given in the Explanatory Memorandum on the Central Budget every year. A statement showing the administrative expenditure included in Civil Expenditure (including P. & T. expenditure) met from Revenue for the period 1953-61 is given at Appendix VI. Though P & T expenditure has not been included in the examination made in this Report, it has been taken into account in the statement, so as to help the assessment of the overall growth of civil expenditure. It would be observed that the total administrative expenditure met from Revenue during the five year period 1956-61 has gone up by Rs. 199 crores as compared to the 1955-56 level, the increases under pay of Officers, pay of establishments, allowances and contingencies being Rs. 19.2 crores, Rs. 51.9 crores, Rs. 68 crores and Rs. 60 crores, respectively. Even after making allowances for normal increments, the increases would appear to be significant the increase under contingencies being particularly marked.

The Committee feel that the increases are of considerable magnitude, the maximum increase having been recorded in 1957-58.

Whereas it could be expected that efforts would be made to stabilise the expenditure at the 1957-58 level in which year the internal economy committees were set up in the Ministries, expenditure has been increasing under all the heads during the subsequent years also. The Committee feel that intensified efforts are required on the part of all Ministries for checking the growth of administrative expenditure. The Committee are glad to note that the Finance Minister in the course of his speech on the Finance Bill on the 21st April, 1960, said that Government was trying to cover all Ministries to see that work was done in a proper manner so that redundant staff was removed, and that it was hoped to cover all the Ministries within two or three years.

(f) Civil Administration—Administrative Services

18. The expenditure on Administrative Services has been rising steadily from year to year. This comprises expenditure recorded under the following Major Heads of Account dealing mostly with the day-to-day running of the administration of the Central Government:

1. General Administration.
2. Audit.
3. Administration of Justice.
4. Jails.
5. Police.
6. Ports and Pilotage.
7. Mercantile Marine.
8. Lighthouses and lightships.
9. Tribal Areas.
10. External Affairs.

The expenditure on the above Administrative Services since 1950-51 is given below:

(Rupees in lakhs)

Year	Expenditure	Increase over the previous year
(1)	(2)	(3)
1950-51	22,05	..
1951-52	24,97	2,92
1952-53	24,33	-64
1953-54	26,80	2,47
1954-55	31,65	4,85
1955-56	34,81	3,16
1956-57	39,31	4,50
1957-58	42,96	3,65
1958-59	49,43	6,47
1959-60 (R.E.)	54,99	5,56
1960-61 (B.E.)	62,40	7,41

19. It would be observed that the expenditure on Administrative Services in 1960-61 has increased by 79.3% since 1955-56. Taking the expenditure during 1955-56 as the norm and allowing for an increase in expenditure by 10% during the Plan period (this being roughly the order of increase assumed in the estimate by the Planning Commission), the expenditure on Administrative Services during the Plan period should have come up to Rs. 191.49 crores. But in fact the actual rise would be of the order of Rs. 249.09 crores which will show an excess of Rs. 58 crores. This will be evident from the statement given in Appendix VII. It would be observed from column 10 of the statement that the increase in expenditure is significant in respect of the following items:

	(Rupees in lakhs)		
	Total 1956-57 to 1960-61	Expendi- ture during 1955-56 + 10%	Difference
General Administration	77,93	69,85	8,08
Police	41,90	22,94	18,96
Tribal Areas	42,88	27,56	15,32
*External Affairs	40,78	32,95	7,83

20. In this connection attention is invited to the Memorandum on the Growth of Civil Expenditure which was circulated by the Ministry of Finance to Members of Parliament last year. In this Memorandum, the Ministry of Finance have given the reasons for increase in expenditure in 1959-60 as compared with the actuals for 1957-58. Out of the increase of Rs. 169.4 crores, Rs. 141 crores are accounted for by obligatory expenditure, grants and accounting adjustments and Rs. 28.46 crores are attributed to administrative expenditure. The increase in administrative expenditure is accounted for by normal accrual of increments, filling up of posts sanctioned in or filled up in the course of one year and continued for a full year, increase in the concomitant allowances paid consequent on the increase in staff, and expansion in activities. The reasons given for increase in expenditure so far as the Administrative Services are concerned are as follows:

General Administration: . Expansion of activities.

External Affairs . Opening of a number of new missions abroad and the upgrading of some, the revision of rates of foreign allowances, increased expenditure on the carriage of diplomatic mail etc. Increase also due to increase in contribution to U.N.O (Rs. 90 lakhs).

*Figures regarding Sectt. of the Ministry of External Affairs are included under General Administration.

- Mercantile Marine Increase due to the improvement of the facilities and services provided.
- Tribal areas Raising of three more battalions of Assam Rifles for security in the NEFA and Naga Hills Tuensang area (Rs. 2½ crores) and the creation of a new centrally administered area *viz.* Naga Hills Tuensang Area with effect from 1st October, 1957 (Rs. 1 crore).
- *Police Increase due to larger payments to State Governments for services rendered by them.

21. It would be a matter for examination whether there was no scope for effecting economy in expenditure under these items which relate mainly to non-Plan activities.

The Ministry of Finance, commenting on the above observation, has stated as follows:

“The studies made by the Special Reorganisation Unit and the Committee on Plan Projects, show that there is room for economy. This does not, however, necessarily prove that there is extravagance and waste in Government expenditure. Most of the economies suggested have resulted from simplifying and streamlining methods of work, more economical designs and specifications, better organisational structures, etc. These aspects of economic functioning of organisations require patient and laborious analysis of facts and it takes time to arrive at conclusions. The scope for economy will also vary from office to office. In the context of the Plan, however, it is not possible to show a net reduction in expenditure. It has also to be recognised that any expenditure incurred on establishments engaged primarily for the direction of planning and developmental activities should also strictly be treated as Plan expenditure though provision for it might not have been directly included in the Plan.

Ministries have generally been requested to keep the expenditure on staff, travelling allowances, contingencies, etc. to the absolute minimum and a continuous watch is also kept by the Internal Economy Committees appointed under the Ministries.”

The Committee observe that the increase in work on account of expansion of activities, Plan or non-Plan, should be largely met

*The Ministry of Home Affairs have stated during factual verification that the increase is also due to the intensification of police activities particularly in the border areas, raising of armed constabulary and Central Reserve Police Battalions and the strengthening of border check posts and also due to the acceptance of some of the recommendations of the Pay Commission. The Ministry have further stated that the need for economy was always kept in mind.

through a rational husbanding from the existing strength with the minimum possible expansion of establishment. The Committee consider that it would be desirable to apply the basic principles of the work-study technique in each Ministry to streamline the methods of work and to regulate the growth of expenditure in each field of activity.

III

GROWTH OF PERSONNEL

(a) Strength of Civilian Staff

22. The Ministry of Home Affairs was addressed to furnish information regarding the growth of personnel in Central Government employment, the number of Secretaries, Joint Secretaries, Deputy Secretaries and Under Secretaries and also the number of posts abolished or declared surplus since the economy drive in 1957.

The statement showing the staff strength of civilians employed under the Central Government since 1951, as furnished by the Ministry of Home Affairs is reproduced below:

TABLE IV

Statement showing the staff strength of Civilians employed under the Central Government (excluding Railways and the Indian Missions abroad) as on the 31st March of each year from 1951 to 1959. The statistics are based on staff strength returns S.S.R.I. received from establishments under the various Ministries of the Government of India (Regular Establishment only).

Year	Regular Establishment				
	Administrative and Executive	Clerical*	Skilled and semi-skilled	Unskilled	Total
March, 1951	48,685	1,35,201	1,46,975	2,49,544	5,80,405
March, 1952	55,039	1,44,714	1,50,504	2,48,103	5,98,360
March, 1953	58,618	1,52,733	1,50,961	2,55,255	6,17,568
March, 1954	58,747	1,56,380	1,53,490	2,49,969	6,18,586
March, 1955	46,412	1,78,810	1,58,898	2,49,999	6,34,119
March, 1956	54,506	2,01,395	1,50,421	2,47,779	6,54,101
March, 1957	68,935	2,17,536	1,46,725	2,42,895	6,76,091
March, 1958	69,632	2,33,689	1,50,586	2,40,595	6,94,502
March, 1959	74,169	2,41,319	1,58,367	2,45,714	7,19,569

N.B.—1. *From January, 1955 the non-gazetted administrative staff which was so far being shown under the head 'Administrative and Executive' has been added on to the group 'Clerical' to form this new group."

2. The percentage of *Permanent* persons, as calculated by C.S.O. for the years 1955 and 1956 is respectively:—

1955	:	:	:	:	:	:	:	35.3%
1956	:	:	:	:	:	:	:	37.3%

No earlier or later figures are available.

23. *The following points arising from the above Table are worthy of note:*

- (i) *There has been a steep rise under 'administrative and executive' from 48,685 in 1951 to 74,169 in 1959 i.e. by more than 50%.*
- (ii) *Under 'clerical' the rise has been even more marked i.e. from 1,35,201 in 1951 to 2,41,319 in 1959—which is by more than 78%.*
- (iii) *While under 'administrative and executive' there has been a sudden and steep drop of 12,000 from 58,747 in 1954 to 46,412 in 1955—all within the span of one year, there has been a rise in 'clerical', 'skilled' and 'semi-skilled' and 'un-skilled' during the same year.*
- (iv) *There has been a noticeable increase in the strength of 'administrative and executive' personnel to the extent of 60% during the last four years. The increase in 'clerical' staff during the same period is by 34.9 percent.*
- (v) *The strength in the 'unskilled' has fallen from 2,49,544 in 1951 to 2,45,714 in 1959.*

24. The Ministry of Home Affairs has stated as follows regarding Item (iii):

“It may be stated that the terminology adopted by the D.G.R.E. in 1955 was different from that adopted by them earlier. As the Lok Sabha Secretariat wanted information from 1951 onwards, the more detailed information available from 1955 onwards was re-arranged into four broad categories adopted by the D.G.R.E. earlier to 1955. This involved transfer of certain categories of “non-gazetted staff” included in “administrative and executive” group till December, 1954 to the “clerical” group from January 1955 onwards. It has not been possible to effect a similar transfer in respect of the previous years because there was no precise data available for that period regarding the classification of the strength of the non-gazetted staff.

Regarding the comment that the steep increase in the clerical grade is not fully explained, it would appear that the difference of only about 12,000 between the figures of 1954 and 1955 under the head “administrative and executive” has been assumed as due to “transfer”. But if allowance is also made for the increase in 1955 in the strength of the non-gazetted staff hitherto included under ‘administrative—executive’ grade, then the proportionate difference of increase in

the clerical grade may not be higher than the rate at which this grade has been expanding in the previous and succeeding years."

The Committee feel that the increase in the 'administrative and executive' category and 'clerical' category was above the normal growth. As regards the 'clerical' category it is seen that in the previous years the increases were of the order of 9500, 8000 and 3600 during the years 1952, 1953 and 1954 respectively and that the increase in 1955 set the pace for a faster growth in the succeeding years when the increases were of the order of 22,485, 16,141, 16,153 and 7,630 respectively during the years 1956, 1957, 1958 and 1959. The Committee have not been given any reasons for the large increase by 60% in 4 years in the 'administrative and executive' personnel during the period. An analysis of the phenomenal growth in that category may be very revealing and necessary to regulate future expansion.

(b) Strength of Under Secretaries and above

25. A statement is given at Appendix VIII showing the strength of officers of the rank of Under Secretary and above and in equivalent posts (in all the Ministries including their attached offices). It is seen from the following Table that the increases in the number of such officers are significant:

*TABLE V

	1947	1951	1954	1955	1956
Secretary	37	37	42	42	46
Joint Secretary	79	87	106	141	142
Deputy Secretary	210	244	325	410	472
Under Secretary	463	556	713	881	1006

It is interesting to note that the increase in 1955 itself was as follows:

Joint Secretary	35
Deputy Secretary	85
Under Secretary	168

*The Ministry have not furnished figures for the period subsequent to 1956 in respect of the Secretariat and attached offices. However, they have furnished figures as follows regarding the number of posts of Under Secretaries and above and equivalent posts in the Secretariat only for the period 1957 to 1959 :—

	1957	1958	1959
Secretary	40	47	48
Joint Secretary	99	106	106
Deputy Secretary	302	326	329
Under Secretary	544	602	607

The Ministry of Home Affairs has explained that the increase in 1955 was largely due to the increase in the volume of work consequent upon the adoption of the Second Five Year Plan. The increases in different Ministries were brought about according to the specific requirements and it would be difficult to give any single explanation for the Government of India as a whole without examining the position in detail in each Ministry. As regards 1955, the Ministry has mentioned that it was the last year of the First Five Year Plan and also the year when the final preparatory work relating to the Second Five Year Plan was in full speed. *The Committee feel that the increase in strength of Joint Secretaries, Deputy Secretaries and Under Secretaries is unduly high.*

(c) Growth of Staff in the Secretariat

26. A statement showing the number of posts in the Central Secretariat of the Government of India during the years 1948, 1951, 1953, 1955, 1957, 1958 and 1959 is given at Appendix IX. *The following points are observed from the statement:*

- (i) *There has been a steep rise in all categories of posts from 1-4-1948 to 1-4-1959.*
- (ii) *The increase in staff in all categories from 1-4-1955 to 1-4-1959 which covers part of the Second Plan period is more than double the increase in staff from 1-4-1951 to 1-4-1955 which corresponds to the First Plan period, the growth being particularly marked in the Class II (Non-gazetted), Class III and Class IV categories.*
- (iii) *Whereas the number of non-technical posts has risen by 7,970 from 11,538 on 1-4-1955 to 19,508 on 1-4-1959, the number of technical posts has risen by 935 from 727 on 1-4-1955 to 1,662 on 1-4-1959, indicating multiplication of non-technical categories in spite of the demands for technical personnel in the context of the Plan.*
- (iv) *The increase is very high during the period 1-4-1955 to 1-4-1957.*
- (v) *The number of Class III and Class IV posts has continued to increase despite the restrictions on creation of posts imposed during the economy drive in 1957 (Vide Appendix XI).*

(d) Growth of Staff in certain select Ministries

27. A statement showing the number of posts in the Secretariat of the Ministries of External Affairs, Finance, Food and Agriculture (Department of Food), Home Affairs and Law based on the data gathered by the Ministry of Home Affairs for these Ministries is given at Appendix X. *It would be observed that though the bulk of the*

work of these Ministries is not directly connected with the Plan, there is a significant rise in the number of posts in each Ministry during the Second Plan period and that the increase is concentrated during the period 1955 to 1957. The Committee are not sure as to what extent the work relating to the Plan contributed to such expansion. The Committee would point out that the increase of staff in these Ministries is symptomatic of the increase in all other organisations and feel that it is a matter for review whether the growth of staff was commensurate with the increased activities and whether efforts were made to find out personnel from the existing strength. The Committee would refer in this instance to the information gathered by the Estimates Committee in their 55th Report (Second Lok Sabha) on the Ministry of Finance (Department of Expenditure) (Vide para 38 of that report) that overstaffing in Government offices arose because staff requirements were often estimated and sanctioned on the basis of a conjecture in the absence of an analysis of the methods of work. The Committee reiterate the recommendation made in para 46 of that Report that scales of work should be laid down for each job on scientific and business principles and that the staff strength should be based in the light of such standards; and would also emphasise the necessity for properly directed periodical reviews by each Ministry of their Standing charges as well as the continuing services.

IV

ECONOMY MEASURES

(a) Economy Drive

28. A note furnished by the Ministry of Home Affairs about the policy followed with regard to the recruitment to the posts and filling in of vacancies in each category since the commencement of the economy drive in 1957, is given at Appendix XI. Attention is invited in particular to the one year ban imposed on recruitment to all posts not connected with the Plan or which are not required for security purposes and to the stipulation that even in regard to posts connected with the Plan, new items of work should as far as possible be handled by suitable redistribution of work among the existing staff and not by fresh recruitment. *The Committee are glad to note the steps taken by Government and suggest that a report may be presented to Parliament next year before the presentation of the Budget showing the extent of operation of the ban with reference to the relative personnel strength at the end of 1959 and 1960, and also indicating the specific Plan activities of individual Ministries and the actual increase in staff strength which had to be resorted to on that account.*

(b) Programme of work studies

29. It has also been stated that a programme of studies has been formulated by Ministries according to the suggestion of the Central

Economy Board for a study of the working methods in selected sectors within their respective organisations with a view to fresh economies being effected. *The Committee trust that the studies would yield useful results.*

(c) Surplus posts

30. A statement showing the number of posts in the Ministries proper which were abolished and kept in abeyance unfilled for reasons of economy is given at Appendix XII. The total number of posts abolished during the years 1957-58, 1958-59 and 1959-60, is 232, 120 and 77 respectively, and the financial effect of the abolition together with keeping of posts in abeyance unfilled comes to Rs. 10·5 lakhs, Rs. 5·9 lakhs and Rs. 3·1 lakhs respectively during the three years. *The economies effected do not appear to be considerable when viewed against the total strength of the Secretariat at 21,000, there being considerable increase in the total strength of the Secretariat which rose from 19,174 as on 1-4-57 to 21,170 on 1-4-59. The Committee would recommend that a record about the total number of posts abolished in each Ministry every year may be given in the Annual Report of the O. & M. Division.*

(d) Review of efficiency and productivity in Government Offices

31. The Pay Commission have stated that the whole problem of efficiency and productivity in Government offices, services (Railways, Posts and Telegraphs etc.) and workshops requires an urgent and comprehensive review by a number of task forces with a co-ordinating body for that purpose. The Minister of Finance in the statement made in the Lok Sabha on the 30th November, 1959 said regarding the Pay Commission's recommendations:

“Government also intend to rationalise the existing procedures, particularly, in executive and operational agencies, which are responsible for a large proportion of public expenditure. The results of the works and methods studies already carried out lead me to hope that substantial economies can be achieved which will, to some extent, keep in check the mounting costs of administration. It is expected that some of the staff will become surplus following the proposed rationalisation and simplification of procedures and improvement of existing methods. It is Government's intention that the surplus personnel should be absorbed in future vacancies and not retrenched from their existing employment.”

The President's Address to the Members of Parliament in February, 1960, also dealt with the urgent considerations regarding the quality of administration and with the need for importing an ever increasing urgency, rationalisation of procedures, the emergence and

development of greater confidence at all levels and the avoidance of waste of manpower. The Finance Minister in his speech while introducing the Budget, 1960-61 has referred to the concern about the growth of Civil Expenditure and to the steps taken by Government, namely, continuous watch over the growth of expenditure, particularly non-developmental expenditure kept by the Central Economy Board and the Internal Economy Committees set up in the various Ministries, initiation of studies of particular sections of activity in each Ministry and imposition of a ban for one year on the creation of fresh posts and the filling up of vacant posts unless they are related to the Plan or are required for security purposes. *Ad hoc* cuts have also been made in the provision for travelling allowances.

The Committee welcome these steps for overhauling the administrative machinery. It is a matter for study whether the reduction of surplus staff has not actually resulted in more efficiency. Such a process of economy will inevitably lead to rationalisation of procedure and methods of work.

NEW DELHI-1;
The 27th April, 1960

The 7th Vaisakha, 1882(S).

H. C. DASAPPA,
Chairman,
Estimates Committee.

APPENDIX I

(Vide Para 1)

Copy of letter dated the 1st April, 1959 from Shri Arun Chandra Guha, M. P. addressed to the Speaker on the subject of increase in non-Plan expenditure

I am presenting a few facts to you for your consideration and appropriate action.

So long the Central Government have imposed taxation proposals which would yield over Rs. 700 crores during the period of the Second Five Year Plan. Apparently taxation proposals were justified on the grounds of finding money for Plan. The Parliament also approved those taxation proposals on the fond expectation that the money will be utilized for the Plan and within a few years' time development works or subsequent plans would be self-financing without putting any additional heavy tax burden on the people.

But it is a matter of concern that the money realized from these taxation proposals is not being utilized for Plan purposes. In the "Appraisal and Prospects of the Second Five Year Plan" issued about an year ago we find the following statement—"despite the improvement in tax receipts by Rs. 500 crores over the original Plan target the revenue resources available for financing the Centre's Plan outlays are expected to show an improvement of only Rs. 45 crores as compared to the Plan estimate". On this statement, of the additional tax revenue of Rs. 500 crores, at least Rs. 45 crores would be saved for the Plan and the remaining Rs. 455 crores was to be spent on non-Plan items. But a subsequent statement, which may be taken to be a more correct assessment of the latest position, in the Economic Survey of 1958-59 issued with the budget papers this year, is more disconcerting. The passage runs as—"Proportion of public revenues to national income has gone up from 9·1% in 1956-57 to 10·1% and this rise has been absorbed more or less by increase in non-development expenditures". In 1956-57 the national income was Rs. 11,410 crores. There has been some increase since then in the total national income. So 1% proportionate increase of public revenue would give about Rs. 150 crores annually; and this huge amount has been spent on not only non-Plan but on non-development expenditure.

If you can take the trouble of looking into the different books for different Ministries showing their demands, you will please find most of the demands in those Ministries have been explained by some foot-note—"the entire provision is for non-Plan expenditure" e.g. demands 1, 3 & 4 in Commerce & Industry Ministry and similar demands in other Ministries. In some demands amount of expenditure on Plan and non-Plan items has been shown separately—as in demand No. 5 again in Commerce & Industry. In almost every demand of non-Plan nature, you will find an increase of 25% to 30% from the year 1957-58 actuals to this year's budget estimate. As you

know, budget estimates are usually exceeded by a few lakhs every year; so the final assessment of this year's budget estimates is also expected to be exceeded by a few lakhs on every item. Summing up, the total increase would be of a few crores of rupees. You will find similar increase in Defence expenditure also—even in the non-combatant sections.

Thus non-development or non-Plan expenditures are going up from year to year, consuming practically the entire revenue coming out of new taxation proposals meant to finance Plan. I do not know whether you would take it as a case of giving an unreal picture to the Parliament when the taxation proposals are put.

The result of this is that other resources have to be found for the Plan. Our internal loan is mounting up as also the foreign loan. The total loan liability would be about Rs. 5,000 crores at the end of 1959-60. The interest on this would be about Rs. 200 crores annually. These will have to be repaid with interest in the Third or Fourth Plan. They will form a heavy charge on the Consolidated Fund of India. Deficit financing will go beyond the outside limit of Rs. 1200 crores as put in the Plan. Revenue from excise duties has gone up from Rs. 145 crores in 1955-56 i.e. the last year of the First Plan to Rs. 307 crores in 1959-60 which must have the direct effort of increasing the price of consumers goods. The cost of living has gone up by 15% during the first three years of the Second Plan.

I place these things before you to consider if Parliament can or should take any step for the proper utilization of the funds placed at the hands of the Government. I feel this increase in non-Plan expenditure should come under closer scrutiny of the Parliament—preferably through some Parliamentary Committee.

APPENDIX II

(Vide Para 3)

Note explaining the basis on which, for the Centre, the Second Plan Estimate of Rs. 250 crores in respect of 'balance from current revenues at the 1955-56 rates of taxation' was worked out.

Detailed estimates of receipts and expenditure of the Centre and the States for the Second Plan period were first attempted in March, 1955 in a paper entitled "The Second Five Year Plan—An Appraisal of Financial Resources likely to be available in the Public Sector". This paper was submitted to the Panel of Economists and was subsequently incorporated in the document entitled "Papers relating to the formulation of the Second Five Year Plan—Panel of Economists". A copy of this publication is enclosed.*

2. At the time of the preparation of the above-quoted paper, for the Centre, 'revised estimates' for 1954-55 and 'budget estimates' 1955-56 were the latest estimates available. These figures were therefore taken as the base for estimating receipts and expenditure for the Second Plan period. In the paper, for the Centre, the Second Plan estimate of 'balance from current revenues at the 1955-56 rates of taxation' was indicated at Rs. 301 crores.

3. In March 1956 when the Second Plan was about to be finalized for the Centre, 'revised estimates' for 1955-56 and 'budget estimates' for 1956-57 became available. It was, therefore, decided to revise the earlier estimates to take into account major changes between the 'budget' and the 'revised' estimates for 1955-56. It is necessary to emphasise that the revision was not made item-wise; it was in terms of the over-all changes indicated by the latest budget figures. On the revised basis, for the Centre, the estimate of 'balance from current revenues at 1955-56 rates of taxation' was taken at Rs. 250 crores as against the earlier estimate of Rs. 301 crores. Broad details of the estimate of Rs. 250 crores are indicated below.

	(Rs. crores)
1. Total revenue receipts at the 1955-56 rates of taxation	2,580
2. Committed expenditure:	
(a) non-development expenditure on defence, administration, debt services and ancillary activities	1,850
(b) Statutory and other non-Plan grants to Part A and B States including Jammu and Kashmir	97

*Not printed.

(c) Developmental expenditure outside the Second Plan including the revenue gap grants to Part C States towards the financing of their committed expenditures. 380

TOTAL (a to c) 2,327

3. Balance available for the Second Plan 253
or say Rs. 250 crores.

The basis on which the above estimates were worked out is briefly explained in the following paragraphs.

Estimates of total revenue receipts at 1955-56 rates of taxation for the Second Plan period:

4. The estimate of receipts of the Central Government on revenue account for the Second Plan period was taken at Rs. 2580 crores. Broad details of this estimate and the corresponding figures for 1955-56 which were taken as the base are indicated below:

Estimates of revenue receipts for the Second Plan period

(Rs. crores)

	1955-56 (Budget Estimates)	Second Plan period 1956-57 to 1960-61 (Estimates)
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A. Tax Revenue

1. Income-tax (Centre's share only)	77.0	425.0
2. Corporation tax	39.8	234.0
3. Excise duties (Centre's share only)	115.6	} 1256.0*
4. Import duties (Sea customs)	114.8	
5. Export duties (Sea customs)	48.2	248.0
6. Other taxes and duties	3.8	21.0
TOTAL	399.2	2184.0

*For excise duties and import duties a composite estimate was worked out. The assumption made was that with the progress of industrialisation in the Second Plan period revenue from import duties will decline but from excise duties will go up.

B. *Other Receipts*

1. Surplus profits of Reserve Bank of India and coins etc.	23.2	150.0
2. Dividend payable by railways	6.2	} 193.0
3. Contribution from Posts and Telegraphs	0.7	
4. Receipts from civil administration	10.5	
5. Others	25.1	
TOTAL	65.7	343.0

C. *Grand Total* 464.9 2527.0

Adjustment in view of the improvement in receipts in the Revised Estimates (of about 9 crores after eliminating the exceptional receipts from sale of evacuee property) over the Budget Estimates for the base year 1955-56 (+)53.0

GRAND TOTAL AFTER ADJUSTMENT 2580.0

The Second Plan estimates of tax receipts under items-income tax, excise duties and customs referred to Centre's share only; the States' share out of these taxes had been left out on the receipt as well as on the expenditure side. The manner in which the Second Plan estimates were worked out for each of the individual items listed above is explained in the paper mentioned in paragraph 1 above.

Estimate of non-developmental expenditure over the Second Plan period:

5. For the period of the Second Plan the estimate of non-developmental expenditure, including capital outlay on defence, was taken at Rs. 1850 crores. Broad details of this estimate together with the corresponding estimates for 1955-56 are set out below:

Non-development expenditure including Capital outlay on defence
(Rs. crores)

	1955-56	Estimate for the five years of the Second Plan	
	(Budget Estimates)	Total Estimate	Increase over 1955-56 Budget Estimates multiplied by 5
1. Defence—Outlay shown in the revenue budget	202.7	1043.5	(+)30.0
2. Civil Administration	39.2	216.0	(+)20.0

3. Currency and mint	3·4	19·0	(+)2·0
4. Direct demands on revenue (minus transfer of States' share of Central Excise duties)	14·6	81·0	(+)8·0
5. Debt services	39·2	216·0	(+)20·0
6. Miscellaneous and extraordinary	26·3	136·5	(+)5·0
7. Total of 1 to 6	325·4	1712·0	(+)85·0
8. Capital outlay on defence	22·4	137·0	(+)25·0
9. Total non-developmental expenditure including defence capital outlay	347·8	1849·0	(+)110·0 (or say Rs. 1850 crores)

6. For working out the estimate of non-developmental expenditure for the Second Plan period, the 'budget estimates' for 1955-56 were taken as the base which placed the non-developmental expenditure in that year at Rs. 348 crores. According to the 'revised estimates' for 1955-56 which became available in March 1956, non-developmental expenditure in that year was shown at Rs. 323 crores. In spite of this reduction in the estimate for 1955-56, the Second Plan estimate was retained at the earlier figure of Rs. 1850 crores mainly because the 'budget estimate' for 1956-57 (at Rs. 363 crores) was substantially higher than both the revised and the budget estimates for 1955-56 and in the light of that figure it was thought that the figure of Rs. 348 crores as per 'budget estimate' for 1955-56 would be a more reasonable base than the figure of Rs. 323 crores as per "revised estimate" for that year.

7. Brief comments on the estimates in respect of (i) defence, (ii) civil administration and other expenditure and (iii) debt services, are given below:

(i) *Defence*.—According to the budget for 1955-56, the aggregate outlay on defence was Rs. 225.1 crores, Rs. 202.7 crores in the revenue budget and the remaining Rs. 22.4 crores in the capital budget. For working out the estimates for the Second Plan period it was assumed that by the third year of the Second Plan, the defence outlay might go up to Rs. 240 crores, Rs. 210 crores in the revenue budget and Rs. 30 crores in the capital budget and that thereafter it would remain at about this level till the end of the Second Plan period. On this basis the aggregate estimate for the five years of the Second Plan was roughly taken at Rs. 1180 crores, Rs. 1043 crores in the Revenue budget and Rs. 137 crores in the capital budget. As compared to five times the outlay in 1955-56, this would have meant an increase of about Rs. 55 crores, Rs. 30 crores in the revenue budget and Rs. 25 crores in the capital budget.

(ii) *Civil administration and other expenditures*.—In regard to Civil Administration, the 'budget estimate' for

1955-56 was Rs. 39.2 crores. For working out the estimate for the Second Plan period it was assumed that only minimum and unavoidable increases over this level will be permitted. Thus the estimate for the last year of the Second Plan was taken at Rs. 45 crores and the five-year estimate at Rs. 216 crores. Similarly, in regard to items like 'currency and mint', 'direct demands on revenue', and 'miscellaneous and extraordinary', the increases allowed in the Second Plan estimates over the 1955-56 levels were only of a marginal character.

- (iii) *Debt Services*.—In regard to debt services, the budget estimate for 1955-56 was Rs. 39.2 crores. It was estimated that this would go up to Rs. 45 crores in 1960-61. Both the estimates, namely, the estimate of Rs. 39.2 crores for 1955-56 and Rs. 45.0 crores for 1960-61 were on net basis i.e. they represented only the net liability of the Centre which was arrived at after deducting the interest charges charged to States, railways and commercial departments etc.

8. In the Second Plan estimates no provision had been made for food subsidies.

Statutory and other non-Plan grants to States:

9. For the Second Plan period, the estimate of statutory and other non-Plan grants to Part A and B States including Jammu and Kashmir was taken at Rs. 97 crores. This was on the basis of the award of the first Finance Commission; no allowance was made for any possible changes that the award of the Second Finance Commission would have made.

10. As explained in paragraph 4 above, the Second Plan estimates of receipts under such items as income-tax, excises and customs were in respect of Centre's share only. There was therefore no need to provide for any outflows on the expenditure side for transfer of States' share out of these taxes to them.

Development expenditure outside the Second Plan including revenue gap grants to Part C States:

11. In regard to developmental expenditure outside the Plan it was not found possible to work out a detailed estimate, item by item; the estimate for the Second Plan period was prepared on an overall basis. The main reason why an item-wise estimate could not have been worked out was that the Central budget till recently did not exhibit under each head of expenditure like education, health, industries etc., the expenditure on Plan and non-Plan schemes separately. In the absence of this breakdown between Plan and non-Plan, the only method of estimating the developmental expenditure outside the Plan was to work it out on some broad assumptions. For example, for 1955-56, the estimate of develop-

mental expenditure outside the Plan was worked out at Rs. 58·6 crores on the following basis:

	(Rs. crores) 1955-56 (Revised Estimates)
1. Total expenditure on revenue account as shown in the budget	489·4
2. <i>Deduct</i> —transfer to States of their share in excise duty	16·6
3. <i>Deduct</i> —transfer* to capital account of sale proceeds of evacuee property	11·2
4. <i>Add</i> —expenditure financed by transfers from the Special Development Fund and from the deposit account of the Ford Foundation Assistance	7·5
5. <i>Add</i> —capital outlay on defence	20·4
6. Total adjusted expenditure (1 to 5)	<u>489·5</u>
7. <i>Deduct</i> —Statutory grants to Part A and B States and grants-in-Aid to Jammu and Kashmir other than those for primary education and for scheduled areas and tribes	21·3
8. <i>Deduct</i> —non-developmental expenditure	323·0
9. Total Developmental expenditure (6-7-8)	<u>145·2</u>
of this:—	
(i) Outlay on the Central Plan and Central assistance to States from State Plans (rough estimates)	73·0
(ii) Grants for primary education, transfers from revenue account to Handloom and Khadi Industries Development Fund and to Central Road Fund	13·6
(iii) Developmental expenditure outside the Plan	58·6

12. For the Second Plan period, the aggregate developmental expenditure outside the Plan was roughly taken at Rs. 380 crores. This estimate allowed for moderate trend increases in normal expenditures which were outside the Plan in 1955-56 as also for maintenance expenditures on schemes which would have been completed by the end of the First Plan period.

*Transfers from the Special Development Fund etc. are taken in reduction of expenditure in the Central budget.

13. It is necessary to add that at the time of the formulation of the Plan, a complete budget in the same sense in which the annual Central budgets are prepared, had not been attempted. Self-balancing items and transfer entries as between the revenue and the capital accounts and one head of development and other had been ignored. In comparing the Plan estimates as worked out then with the actuals of each year of the Second Plan, this limitation has to be kept in mind.

APPENDIX III

(Vide Para 6)

Resume of the comments given by Planning Commission in regard to increases in non-Plan expenditure

The main reason for the increase in non-Plan expenditure have been given below:

- | | |
|----------------------------------|--|
| Civil Administration | Centre's taking over of the administration of the Naga Hills District and the raising of Police battalions in tribal areas as from 1957-58; also granting of increase in Dearness Allowance to low paid employees. |
| Currency and Mint | Mainly due to change in accounting procedure; for example, profits on the issue of new coins and losses on the discontinuation of old coins are shown 'gross' on the receipts and expenditure side respectively; also due to change over to the decimal system of coinage. |
| Direct Demands on Revenue | Due to cost of collection of additional excise duties and strengthening of administrative machinery in respect of other taxes. |
| Debt Services | Due to growth in public debt, and also due to relief given to the States in the matter of interest charges on Central loans. |
| Miscellaneous and Extra-ordinary | The increase reflects the write back (from capital to revenue account) of losses on trading in foodgrains and payment of compensation to refugees; increase also due to special factors like servicing and other charges in respect of dollar purchases from I.M.F. |
| Transfers to Capital Account | These pertain to the receipts on account of the Steel Equalisation fund, sale proceeds of evacuee property and P.L. 480 grants, which are self balancing entries both on the revenue and the expenditure side. These were not taken into account in the estimates both of revenue and expenditure. |

Statutory grants to States	The increase reflects larger devolution to the States under the award of the Second Finance Commission.
Grants to States for non-developmental purposes.	Entire increase due to grants given for raising emoluments of low paid employees of State Governments (Rs. 50 crores); Food subsidies to Jammu and Kashmir (Rs. 5.25 crores); subsidy to Mysore Government for acquisition of Kolar Gold (Rs. 7.9 crores) and larger grants for refugee relief and relief against natural calamities than visualised earlier.
Non-Plan developmental expenditure including grants to States for developmental schemes not included in the Plan.	About* Rs. 19 crores is in respect of Central Road Fund Grants to States which were visualised as Plan expenditure at the time of formulation of the Second Five Year Plan but subsequently kept outside the Plan. Increase also due to increase in emoluments of low paid employees and rise in prices. In retrospect it also appears that perhaps the earlier estimate was on the low side.

*This represents figures for the first four years of the Plan period.

APPENDIX IV

(Vide Para 10)

Balance from current revenues for the Plan (1956-57 to 1959-60)

(Rs. crores)

	1956-57	1957-58	1958-59	1959-60
	(Accts.)	(Accts.)	(R.E.)	(B. E.)
A.—Revenue Receipts				
1. Revenue receipts as shown in the Financial Statement	590·0	725·8	728·2	780·1*
2. <i>Deduct</i> States' share of Central excise duties	18·2	40·2	73·0	72·4*
3. Revenue receipts retained at the Centre (1-2)	571·8	685·6	655·2	707·7
B.—Expenditure				
<i>Aggregate Expenditure</i>				
4. Revenue expenditure as shown in the Financial Statement	500·6	683·8	788·1	839·2*
5. <i>Deduct</i> transfer to States of their share in Central excise duties	18·2	40·2	73·0	72·4
6. <i>Add</i> expenditure met from the Special Development Fund and from the Deposit account of Ford Foundation Assistance†	6·7	3·8	10·2	12·3
7. Defence capital outlay	19·7	22·9	27·9	32·7

*Exclusive of States' share in additional taxation under Central excise in 1959-60.

†In the Central budget, transfers from S. D. F. to revenue account are shown as deduct entries on the expenditure side. Since plan outlay figures shown under item 11 are on gross basis, it is necessary to make this adjustment.

(Rs. crores)

	<u>1956-57</u>	<u>1957-58</u>	<u>1958-59</u>	<u>1959-60</u>
	(Accts.)	(Accts.)	(R.E.)	(B.E.)
8. Total revenue expenditure at the Centre including defence capital outlay (4—5+6+7) .	<u>508·8</u>	<u>670·3</u>	<u>753·2</u>	<u>811·8</u>
OF THIS				
(i) <i>Plan Expenditure</i>				
9. Outlay on Centre's Plan .	37·0	43·0	71·0	95·0
10. Grants to States for State Plans	30·0	35·0	48·0	63·0
11. Outlay on the Centre's Plan including grants to States for State Plans (9+10)	<u>67·0</u>	<u>78·0</u>	<u>119·0</u>	<u>158·0</u>
(ii) <i>Non-Plan Expenditure</i>				
12. Non-Plan expenditure on revenue account including defence capital (8—11) .	<u>441·8</u>	<u>592·3</u>	<u>634·2</u>	<u>653·8</u>
C.— <i>Balance from current Revenues</i> (3—12)	<u>130·0</u>	<u>93·3</u>	<u>21·0</u>	<u>53·9</u>

APPENDIX V

(Vide Para 15)

Tax Collection Charges

(NOTE:—Figures in brackets indicate percentage increase over 1955-56 level.)

(Rs. Lakhs)

Year	Income tax, Corporation tax, Estate Duty, Wealth tax, Expenditure tax and Gift tax	Customs and Central Excise	Total revenue including allied taxes, customs, Excise and all other taxes	Income and	
	Collection	Collection	Collection	%age cost of collection	
	%age cost of collection	%age cost of collection	%age cost of collection	%age cost of collection	
1955-56	170,21	3,11,95	485,06	12,50	2.56%
1956-57	205,03 (20.5%)	3,63,66 (16.6%)	573,13 (18.2%)	14,45 (15.6%)	2.52%
1957-58	229,18 (34.7%)	4,53,61 (45.4%)	696,17 (42.8%)	16,55 (32.4%)	2.38%
1958-59	240,32 (41.2%)	4,51,23 (44.7%)	715,12 (47.4%)	19,44 (55.6%)	2.71%
1959-60 (R.E.)	246,45 (44.8%)	5,10,82 (63.7%)	781,66 (61.2%)	20,94 (67.2%)	2.68%
1960-61 (B.E.)	251,70 (47.5%)	5,42,44 (73.9%)	818,91 (64.7%)	22,77 (82.2%)	2.78%

APPENDIX VI

(Vide Para 7)

Statement showing the administrative expenditure included in the Civil (expenditure including P. & T. expenditure) met from revenue
 NOTE :—Figures are gross. Figures in brackets indicate percentage increase over 1955-56 level.)
 (In lakhs of rupees)

Year	Administrative Expenditure				Total	Total Civil expenditure
	Pay of Officers	Pay of establishment	Allowances and honoraria	Contingencies		
1953-54** (B.E.)	10,03	34,82	32,12	16,70	93,67	357,21
1954-55** (B.E.)	10,46	36,84	35,12	18,22	100,64	401,85
1955-56** (B.E.)	11,83	39,26	35,33	22,73	109,35	461,42
1956-57	12,73 (7.6%)	37,07 (-5.6%)	37,55 (5.7%)	21,11 (-7.1%)	1,08,46 (-1.8%)	4,69,97 (1.9%)
1957-58	14,91 (36%)	45,33 (15.5%)	43,83 (23.4%)	30,28 (33.2%)	1,34,35 (22.9%)	6,27,70 (36%)
1958-59	14,78 (24.9%)	48,74 (24.1%)	50,73 (42.8%)	38,21 (68.2%)	1,52,46 (39.5%)	7,30,81 (58.5%)

1959-60 (R.E.)	•	•	•	17,10 (44.6%)	54,15 (37.5%)	*54,55 (53.6%)	40,20 (76.9%)	1,66,00 (51.8%)	8,59,61 (86.3%)
1960-61 (B.E.)	•	•	•	18,81 (59%)	62,90 (66.2%)	*59,03 (66.1%)	43,95 (93.4%)	1,84,69 (68.9%)	9,82,84 (113%)
Increase in expenditure during 1956-61 over 1955-56 level	•	•	•	19,18	51,89	68,04	60,10	1,99,21	13,63,83

*D-tails of allowances for the years 1958-61 are given below :

	Travelling allowances	Dearness allowance	Other allowances
1958-59	6,17	31,02	13,54
1959-60	7,18	34,45	12,92
1960-61	7,26	37,92	13,85

(Source : Explanatory Memorandum on the Budget of the Central Government).

**Actuals for 1953-54, 1954-55 and 1955-56 have not been worked out in the Explanatory Memorandum.

APPENDIX VII

(Vide Para 19)

Expenditure on Administrative Services

Heads of Account	(Rs. in lakhs)									
	1955-56	1956-57	1957-58	1958-59	1959-60 (R.E.)	1960-61 (B.E.)	Total Expenditure 1956-57 to 1960-61	Expenditure during 1955-56 + 10%	9	Differ- ence bet- ween Col. 8 and Col. 9
	2	3	4	5	6	7	8	9	10	
General Administration	12,70	14,06	14,74	16,21	15,82	17,10	77,93	69,85	8,08	
Audit	5,45	5,99	6,47	7,05	7,67	8,66	35,84	29,98	5,86	
Administration of Justice	21	26	39	42	46	49	2,02	1,16	86	
Jails and Convict settle- ments	4	8	13	14	15	16	66	22	44	
Police	4,17	6,58	7,81	7,23	9,12	11,16	41,90	22,94	18,96	
Ports and Pilotage	89	80	79	20	43	39	2,61	4,90	(-)	2,29
Mercantile marine . . . . .	..	..	..	56	67	68	1,91	..	1,91	
Lighthouses and light ships	35	45	17	57	63	74	2,56	1,93	63	
Tribal areas	5,01	4,18	5,46	9,61	10,98	12,65	42,88	27,56	15,32	
External Affairs	5,99	6,91	7,00	7,44	9,06	10,37	40,78	32,95	7,83	
Total Administrative Services	34,81	39,31	42,96	49,43	54,99	62,40	249,09	191,49	57,60	

APPENDIX VIII

(Vide Para 25)

Actual strength of Under-Secretaries and above in all Ministries including their Attached Offices as on 1st November during 1947 to 1956

P—Permanent
T—Temporary

(1) Secretaries

	Secy.		Spl.		Secy.		Addl.		Secy.		Ex-Officio		Equivalent		Total		G.T.
	P.	T.	P.	T.	P.	T.	P.	T.	P.	T.	P.	T.	P.	T.	P.	T.	
1947	9	9	..	..	1	3	6	..	6	3	22	15	37
1948	10	9	..	..	1	2	4	1	6	3	21	15	36
1949	11	10	..	1	2	1	3	1	5	5	21	18	39
1950	11	11	..	..	1	..	3	2	5	4	20	17	37
1951	12	9	..	3	..	..	3	3	5	2	20	17	37
1952	13	9	..	1	..	2	3	3	5	2	21	17	38
1953	13	12	..	1	..	..	3	1	5	2	21	16	37
1954	16	11	..	2	..	1	3	1	6	2	25	17	42
1955	16	12	..	..	..	3	3	1	6	1	25	17	42
1956	17	15	..	1	1	1	3	1	6	1	27	19	46

(2) Joint Secretaries

	Jt. Secy.		Ex-Office		Equivalent		Total		G.T.	
	P.	T.	P.	T.	P.	T.	P.	T.		
1947	.	6	21	1	6	23	22	30	49	79
1948	.	9	23	3	5	23	17	35	45	80
1949	.	10	27	3	5	23	14	36	46	82
1950	.	10	27	3	6	23	11	36	44	80
1951	.	12	28	4	6	22	15	38	49	87
1952	.	15	28	4	5	22	19	41	52	93
1953	.	15	27	4	10	21	18	40	55	95
1954	.	15	32	5	7	21	26	41	65	106
1955	.	19	47	5	12	21	37	45	96	141
1956	.	20	51	5	14	20	32	45	97	142

(3) Deputy Secretaries

	Dy. Secy.		Ex-Office		Equivalent		Total		G.T.	
	P.	T.	P.	T.	P.	T.	P.	T.		
1947	.	23	39	3	5	44	96	70	140	210
1948	.	26	46	5	3	50	93	81	142	223

1949	.	.	.	.	.	26	51	5	2	50	90	81	143	224
1950	.	.	.	.	.	28	63	5	2	50	90	83	155	238
1951	.	.	.	.	.	33	59	5	2	53	92	91	153	244
1952	.	.	.	.	.	34	69	6	2	55	95	95	166	261
1953	.	.	.	.	.	36	74	6	4	63	92	105	170	275
1954	.	.	.	.	.	36	98	7	4	64	116	107	218	325
1955	.	.	.	.	.	39	128	7	9	66	161	112	208	410
1956	.	.	.	.	.	54	148	7	13	75	175	136	336	472

(4) *Under Secretaries*

	Under Secy. Equivalent				Total		G.T.
	P.	T.	P.	T.	P.	T.	
1947	49	118	75	221	124	339	463
1948	50	126	96	241	146	367	513
1949	54	139	105	240	159	379	538
1950	61	141	109	221	170	362	532
1951	71	167	114	204	185	371	556
1952	77	163	120	202	197	365	562
1953	85	191	119	233	204	424	628
1954	88	228	122	275	210	503	713
1955	97	302	152	330	249	632	881
1956	127	338	172	369	299	707	1,006

(5) *Total of all categories—Under Secretaries and above*

	P.	T.	G.T.
1947	246	533	779
1948	283	569	852
1949	297	586	883
1950	309	578	887
1951	334	590	924
1952	354	600	954
1953	370	665	1,035
1954	382	803	1,185
1955	431	1,043	1,474
1956	507	1,159	1,666

APPENDIX IX

(Vide para 26)

Total number of posts in the Government of India Secretariat (exclusive of Ministry of Railways)

Year	Class I	Class II (gazetted)	Class II (non-gazetted)	Class III	Class IV	Total		Total
						Non-techni- cal	Technical	
I-4-1948	610	231	2,803	2,448	[2,359	8,165	286	8,451
I-4-1951	666	291	2,947	2,597	2,850	[8,982	369	9,351
I-4-1953	765	463	3,044	2,898	[3,141	[9,752	559	10,311
I-4-1955	976	598	3,392	3,922	3,377	11,538	727	12,265
I-4-1957	1,452	1,012	4,406	7,094	5,210	[17,755	1,419	19,174
I-4-1958	1,610	[1,135	4,641	7,187	[5,548	[18,519	1,602	20,121
I-4-1959	1,746	1,216	4,852	7,752	[5,604	[19,508	1,662	21,170

APPENDIX X

(Vide Para 27)

Number of posts in the Secretariats of certain Ministries

Year	Class I		Class II		Class III		Class IV		Total	
	Gazetted	Non-gazetted	Gazetted	Non-gazetted			Non-technical	Technical		
1	2	3	4	5	6	7	8	9		
	(1) MINISTRY OF EXTERNAL AFFAIRS									
1-4-1948	74	12	301	265	262	914		914		914
1-4-1951	89	14	335	297	282	1,017		1,017		1,017
1-4-1953	93	17	341	305	287	1,043	..	1,043	..	1,043
1-4-1955	117	18	345	423	288	1,191	..	1,191	..	1,191
1-4-1957	117	66	442	534	426	1,585	..	1,585	..	1,585
1-4-1958	137	40	454	537	450	1,618	..	1,618	..	1,618
1-4-1959	155	43	442	501	454	1,595	..	1,595	..	1,595
	(2) MINISTRY OF FOOD; AND AGRICULTURE (DEPARTMENT OF FOOD)									
1-4-1948	63	9	308	242	305	909	18	927		927
1-4-1951	58	11	277	249	237	793	39	832		832
1-4-1953	68	28	274	234	228	781	51	832		832
1-4-1955*	..	..	..	..	..	..	..	..	..	..
1-4-1957	84	62	265	476	283	1,073	97	1,170		1,170
1-4-1958	90	67	280	485	294	1,105	111	1,216		1,216

	166	59	309	496	294	1,156	111	1,461
1-4-1959								
(3) MINISTRY OF FINANCE (DEPARTMENT OF EXPENDITURE)								
1-4-1948†	81	32	278	248	204	816	27	843
1-4-1951	53	30	235	184	215	708	9	717
1-4-1953	56	49	227	185	234	742	9	731

* There was a combined Ministry of Food and Agriculture and the strength of the Food Wing has been included in the Statement furnished by the Department of Agriculture.

† Figures for 1-4-1948 represent the strength of the composite Ministry including the Department of Economic Affairs also.

NOTE: 2. The increases in 1955 over 1953 and again in 1957 over 1955 are due to de-centralised arrangements for financial advice to Ministries in the interests of expedition, particularly in regard to Plan Schemes. They are also due to normal increase in work in the Department of Expenditure attributable to all round increase of work in the Ministries of the Government of India.

3. Towards the end of August, 1958, the scheme of Internal Financial Advisers was introduced. As a consequence four Class I posts were created and the following non-technical posts were transferred to Administrative Ministries:—Class I—38; Class II (Gazetted)—35; Class II (Non-gazetted)—133; Class III—108; and Class IV—79. However combined Internal and External Financial Advice arrangements were introduced subsequently in some Ministries and upto 31st March, 1959, the following posts were retransferred to this Ministry:—Class I—3; Class II (Non-Gazetted)—4; Class IV—5.

The remaining difference between the figures for 1-4-1948 and 1-4-59 is due mainly to additions to the Special Re-organisation Unit and the Cost Accounts Branch.

4. For purposes of classifications of posts as "Technical", the practice followed while furnishing monthly statistics of "Vacancy position and staff strength" to the Directorate General of Recruitment and Re-employment has been adopted. The following categories are, being treated as "Technical" in the said monthly statistics though not necessarily for certain other purposes:—

- (i) Economic Investigators
- (ii) Research Assistant
- (iii) Cost Accountant
- (iv) Technical Assistant (Special Re-organisation Unit)
- (v) Draftsman
- (vi) Comptometer Operator
- (vii) Investigator
- (viii) Staff Car Driver
- (ix) Senior Gestetner Operator
- (x) Junior Gestetner Operator.

In the D.G.R.E.'s statistics, no such classification (i.e. 'technical' and 'non-technical') is adopted for gazetted posts (Class I and Class II).

I 2 3 4 5 6 7 8 9

I-4-1955	74	64	272	238	236	873	11	884
I-4-1957	86	87	358	327	291	1,127	22	1,149
I-4-1958	93	88	370	322	292	1,124	41	1,168
I-4-1959	73	63	248	205	218	766	41	807

4. MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS)

I-4-1951	24	15	81	104	86	226	34	310
I-4-1953	25	24	105	127	104	351	34	385
I-4-1955	38	38	132	194	133	489	46	535
I-4-1957	76	61	148	319	213	729	88	817
I-4-1958	85	71	158	363	209	785	101	886
I-4-1959	81	80	165	355	211	782	110	892

5. MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

I-4-1948	30	..	84	127	101	342	..	342
I-4-1951	36	..	127	120	106	389	..	389
I-4-1953	34	17	131	140	122	444	..	444

I-4-1955	34	24	125	197	123	503	503
I-4-1957	47	40	209	250	166	712	712
I-4-1958	53	42	220	263	164	742	742
I-4-1959	54	43	223	263	164	747	747
6. MINISTRY OF HOME AFFAIRS							
I-4-1948	53	20	197	259	380	909	909
I-4-1951	55	25	223	271	366	940	940
I-4-1953	64	28	266	342	392	1092	1092
I-4-1955	72	32	295	404	462	1265	1265
I-4-1957	112	59	421	845	957	2289	2394
I-4-1958	114	61	431	965	1079	2461	2650
I-4-1959	122	65	460	995	1115	2568	2757

7. MINISTRY OF LAW (DEPARTMENT OF LEGAL AFFAIRS AND LEGISLATIVE DEPARTMENT)

Year	Class I		Class II		Class III	Class IV	Total (all non-technical)
	gazetted	non-gazetted	gazetted	non-gazetted			
I	2	3	4	5	6	7	
I-4-1948	19	9	47	37	75	187	
I-4-1951	23	8	46	42	80	199	

1	2	3	4	5	6	7
1-4-1953	28	8	59	47	94	236
1-4-1955	41	17	77	84	96	315
1-4-1957	58	24	104	116	151	453
1-4-1958	62	26	105	128	154	475
1-4-1959	64	29	126	135	149	503

APPENDIX XI

(Vide Para 28)

Policy followed with regard to the recruitment to the posts and filling in of vacancies in each category since the commencement of the economy drive

In pursuance of a Government decision taken on June 12, 1957, all Ministries and Departments set up internal Economy Committees to review the nature, volume and quality of work done at all levels and to take practical steps to remove defects in organisation and methods and to effect economies. Ministries were required:

- (i) to scrutinise their present and project activities to see whether some of them could be reduced, postponed or abandoned; and
- (ii) to review the expenditure on staff and contingencies so that revised and more austere standards might be adopted.

2. The implementation of the economy measures was to be supervised by a Central Economy Board consisting of the Principal Secretary (Finance), the Home Secretary, and the Director, Organisation & Methods Division. It was re-constituted in April, 1958, to consist of the Cabinet Secretary, the Home Secretary, the Finance Secretary (Expenditure), the Secretary of the administrative Ministry concerned and the Director, O & M Division. The Board has been entrusted with the following functions:—

- (i) to consider outstanding issues arising out of the examination in the Ministries of matters relating to efficiency, integrity and economy in administration;
- (ii) generally to guide and supervise the work of the Economy Unit of the Ministry of Finance.

3. Simultaneously with the setting up of these Committees, Orders were issued that no new posts should be created nor existing vacancies filled without the personal approval of the Secretary concerned and that utmost economy should be observed in the expenditure on travelling allowances, furniture, stationery, electricity, telegrams, telephones and the like. Orders were also issued that whenever a new activity was undertaken or a new office or branch was to be opened, the most suitable organisation and methods should be settled in consultation with the O & M Division before any staff was appointed.

4. A ban was also imposed on (i) the creation and filling of class IV posts and (ii) the creation and filling of class III ministerial posts, in the Secretariat and Attached Offices. The ban also applied to posts of Jammadar and peons in subordinate offices in Delhi|New

Delhi, though not to class IV posts in "subordinate" offices meant for "field duties". Even to such 'field' posts appointment could be made only with the approval of the Joint Secretary|Secretary in the concerned Ministry.

5. On May 30, 1959 the Home Minister issued certain directions concerning the growth in the size of the staff and related problems of administrative organisation. In the light of these directions, instructions were issued to all Ministries emphasising (i) that in future whenever any new piece of work crops up an endeavour should be made to entrust it to existing personnel by suitable re-distribution of work among the existing staff rather than by creating new posts and (ii) that the casual vacancies arising as a result of officers|officials proceeding on leave etc., should not be filled as far as possible.

6. The Central Economy Board which examined the question of internal economies had suggested that Ministries themselves should formulate a programme of study of the working methods etc., in selected sectors within their respective organisations with a view to fresh economies being effected. Accordingly, some Ministries have already undertaken such a study while others would presently do so. It is expected that the proposed study would enable rationalisation of work, simplification of procedure and improvement of existing methods which in turn would also result in some staff becoming surplus.

7. As a further step towards economy it has now been decided that a one year ban should be imposed on recruitment to all posts which are not connected with the Plan or which are not required for security purposes. Even in regard to posts connected with the Plan, new items of work should as far as possible be handled by suitable re-distribution of work among the existing staff and not by fresh recruitment of staff. The ban will be operative not only in the Secretariat and attached offices but also in all subordinate offices. It is, however, not the intention that normal recruitment by a competitive examination for maintaining the strength of cadres of various organised services should be stopped, unless there is already in force an order banning further recruitment to a specified category of posts.

APPENDIX XII

(Vide Para 30)

Number of Posts which were abolished in the Ministries proper for reasons of economy

Year	No. of posts abolished				No. of posts kept in abeyance unfilled for reasons of economy				Financial effect for the period	How many of these posts were subsequently filled			
	Class I		Class II		Class III		Class IV						
	I	II	III	IV	I	II	III	IV					
1	31-3-58 (1957-58)	10	82	85	55	..	38	97	115	55	5	10,47,603.93	131
2	31-3-59 (1958-59)	33	19	48	20	..	19	65	141	61	..	5,88,129.23	39
3	30-9-59 (1959-60)	5	60	9	3	..	11	39	69	16	..	3,10,428.00	7

APPENDIX XIII

Summary of conclusions/recommendations

Serial No.	Reference to Para No.	Summary of Conclusions/recommendations
1	2	3
1	5	As against Rs. 420 crores estimated to be available for the Plan, a sum of Rs. 1044.2 crores was realised but in fact only Rs. 439 crores was available for the Plan.
2	8	Assuming that Rs. 252 crores, as noted in para 2. of this Report, were available for the Plan from the anticipated proceeds of revenue at the 1955-56 rates of taxation, the balance, namely Rs. 187.7 crores only (Rs. 439.7—Rs. 252 crores) should be taken as accruing to the Plan from additional measures of taxation. As the net additional receipts accruing to the Centre from such additional measures of taxation and from better collections from existing sources of revenue comes to Rs. 792 crores, it would appear that the balance of about Rs. 604 crores of additional revenue raised has been absorbed by increases over the Plan estimates in the non-Plan expenditure.

The Plan estimated that, in addition to the revenue surplus of Rs. 252 crores available from the existing sources of revenue for the Plan, Rs. 168 crores would accrue to the Centre from additional taxation making a total of Rs. 420 crores of Plan expenditure to be met from revenue. This left a gap of another Rs. 400 crores which was also expected to be covered largely by additional taxation. Any increase in collection of revenue over Rs. 420 crores should, therefore, have gone to cover this gap. Though additional revenue was raised to the extent of Rs. 792 crores leaving a net advantage of Rs. 624 crores as against Rs. 168 crores, the gap was covered only to a very limited extent of Rs. 19.7 crores.

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As regards the argument of the Ministry of Finance that one could argue with equal force that nearly the whole of the proceeds from additional taxation available for disbursement by the Centre was utilised for financing the plans of the Centre and the States, the Committee are unable to agree with it for the following reasons :—

It appears from a statement furnished to the Committee by the Planning Commission (Appendix IV) that the total revenue expenditure including Plan and non-Plan expenditure during the first 4 years of the Plan was Rs. 2,744 crores against which the total revenue receipts during the period was only Rs. 2,620 crores. There was thus a deficit of Rs. 124 crores on revenue account. The balance available from the revenues after deducting non-Plan expenditure was only Rs. 298 crores. In the circumstances, though Plan expenditure to the extent of Rs. 422 crores is shown to have been met from revenue, the actual amount of Plan expenditure that could be met from revenue would be only Rs. 298 crores. It does not therefore, seem to be correct to say that Plan expenditure to the extent of Rs. 422 crores has been met from revenue.

On the other hand, the Committee consider that in whatever manner the revenue may be paired with the expenditure it is obvious that while Rs. 420 crores was expected to be available from the current sources of revenue and additional revenue was raised to the extent of Rs. 1,044 crores during the full Plan period, the amount available to the Plan would be only Rs. 439 crores as shown in Table III and that the gap in the financing of the Plan would be covered only to the extent of Rs. 19 crores.

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The Committee appreciate the difficulties in making a definite forecast of expenditure for a five year period and the impact of unpredictable developments and conditions which would necessarily affect such a forecast. But they feel that in the context of a planned economy with emphasis on dynamism in the development of the country, too wide a variation in the estimates of resources available for furthering the nation-building activities should not be permitted by allowing

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too free a play for administrative and other non-Plan expenditure to mount up lest the Plan programme is retarded. The Committee consider that in view of the phenomenal rise in non-Plan expenditure in spite of the reasonable size envisaged by the Planning Commission in that direction, it would be most desirable for the Planning Commission to have a special study made of the disproportionate rise and make suitable suggestions to see that such expenditure is kept under control and will not expand in the Third Plan as it has done during the Second Plan period.

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As regards non-Plan developmental expenditure the Committee feel that it is a matter for consideration whether there should be such a wide divergence between the estimates and the actual expenditure and whether there should not be a realistic breaking down of the dimensions indicated into specific targets for each Ministry.

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The Committee appreciate the various factors pointed out by Government with regard to the cost of collection of taxes but are not convinced that there is no scope for reduction in the cost of collection especially that of established taxes and duties. The Committee have seen the reference to this subject in the Report of the Direct Taxes Administration Enquiry Committee, 1959—where they say that the cost of administration should be kept as low as possible though later they refer to the fact that some of their suggestions would involve extra expenditure as necessary to check tax evasion and improve the overall efficiency of the Department. It does not appear that there has been an attempt to make a study of the organisations in other countries with a view to reduce the ratio of costs of administration and to improve its efficiency here. The Committee would urge that the procedure of administering the taxes in the advanced countries should be studied and adopted with modifications to suit our conditions. Also a conscious effort should be made for rationalisation and simplification of procedures and improvement of existing methods of work. This, the Committee feel, would not only result in improved efficiency and larger collection but also bring down the percentage cost of collection.

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- 7 16 The Committee suggest that in order to have an overall assessment of administrative expenditure in broadly defined fields of activity, it would be desirable if the total administrative expenditure is classified under broad heads such as administrative services, tax collection, developmental and social services separately under Plan and non-Plan heads and included in the Explanatory Memorandum on the Central Budget.
- 8 17 The Committee feel that the increases in total administrative expenditure are of considerable magnitude. the maximum increase having been recorded in 1957-58. Whereas it could be expected that efforts would be made to stabilise the expenditure at the 1957-58 level, in which year the internal economy committees were set up in the Ministries, expenditure has been increasing under all heads during the subsequent years also. The Committee feel that intensified efforts are required on the part of all Ministries for checking the growth of administrative expenditure. The Committee are glad to note that the Finance Minister in the course of the speech on the Finance Bill on the 21st April, 1960 said that Government was trying to cover all Ministries to see that work was done in a proper manner so that redundant staff was removed and that it was hoped to cover all the Ministries within two or three years.
- 9 21 With regard to increase in expenditure on Administrative Services pointed out in para 19 and the comments of Government thereon, the Committee observe that the increase in work on account of expansion of activities, Plan or non-Plan, should be largely met through a rational husbanding from the existing strength with the minimum possible expansion of establishment.
- 10 23-24 The following points arising from Table IV regarding staff strength of civilians employed under the Central Government are worthy of note :
- (i) There has been a steep rise under 'administrative and executive' from 48,685 in 1951 to 74,169 in 1959 i.e., by more than 50%.

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- (ii) Under 'clerical' the rise has been even more marked *i.e.*, from 1,35,201 in 1951 to 2,41,319 in 1959—which is by more than 78%.
- (iii) While under 'administrative and executive' there has been a sudden and steep drop of 12,000 from 58,747 in 1954 to 46,412 in 1955—all within the span of one year, there has been a rise in 'clerical', 'skilled and semi-skilled' and 'un-skilled' during the same year.
- (iv) There has been a noticeable increase in the strength of 'administrative and executive' personnel to the extent of 60% during the last 4 years. The increase in 'clerical' staff during the same period is by 34.9 per cent.
- (v) The strength in the 'unskilled' has fallen from 2,49,544 in 1951 to 2,45,714 in 1959.

With regard to the comments of the Ministry of Home Affairs regarding item (iii) in para 23, the Committee feel that the increase in the 'administrative and executive' category and 'clerical' category was above the normal growth. As regards the 'clerical' category it is seen that in the previous years the increases were of the order of 9500, 8000 and 3600 during the years 1952, 1953 and 1954 respectively and that the increase in 1955 set the pace for a faster growth in the succeeding years when the increases were of the order of 22485, 16141, 16153 and 7630 respectively during the years 1956, 1957, 1958 and 1959. The Committee have not been given any reasons for the large increase by 60% in 4 years in the 'administrative and executive' personnel during the period. An analysis of the phenomenal growth in that category may be very revealing and necessary to regulate future expansion.

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The Committee feel that the increase in strength of Joint Secretaries, Deputy Secretaries and Under Secretaries is unduly high.

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12	26	<p>The following points are observed from the statement showing the number of posts in the Central Secretariat of the Government of India :</p> <ul style="list-style-type: none"> (i) There has been a steep rise in all categories of posts from 1-4-1948 to 1-4-1959. (ii) The increase in staff in all categories from 1-4-1955 to 1-4-1959 which covers part of the Second Plan period is more than double the increase in staff from 1-4-1951 to 1-4-1955 which corresponds to the first Plan period, the growth being particularly marked in the Class II (Non-gazetted), Class III and Class IV categories. (iii) Whereas the number of non-technical posts has risen by 7,970 from 11,538 on 1-4-1955 to 19,508 on 1-4-1959, the number of technical posts has risen by 935 from 727 on 1-4-1955 to 1,662 on 1-4-1959, indicating multiplication of non-technical categories in spite of the demands for technical personnel in the context of the Plan. (iv) The increase is very high during the period 1-4-1955 to 1-4-1957. (v) The number of Class III and Class IV posts has continued to increase despite the restrictions on creation of posts imposed during the economy drive in 1957 (<i>Vide</i> Appendix XI).
13	27	<p>It would be observed from the Statement regarding number of posts in certain select Ministries (Appendix X) that though the bulk of the work of these Ministries is not directly connected with the Plan, there is a significant rise in the number of posts in each Ministry during the Second Plan period and that the increase is concentrated during the period 1955 to 1957. The Committee are not sure as to what extent the work relating to the Plan contributed to such expansion. The Committee would point out that the increase of staff in these Ministries is symptomatic of the increase in all other organisations and feel that it is a matter for review whether the growth of staff was commensurate with the increased activities and whether efforts were made to find out personnel from the existing strength. The Committee would refer in this instance to the</p>

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- information gathered by the Estimates Committee in their 55th Report (Second Lok Sabha) on the Ministry of Finance (Department of Expenditure) (*Vide* para 38 of that report) that overstaffing in Government offices arose because staff requirements were often estimated and sanctioned on the basis of a conjecture in the absence of an analysis of the methods of work. The Committee reiterate the recommendation made in para 46 of that Report that scales of work should be laid down for each job on scientific and business principles and that the staff strength should be based in the light of such standards. They would also emphasise the necessity for properly directed periodical reviews by each Ministry of their standing charges as well as the continuing services.
- 14 28 The Committee are glad to note the steps taken by Government regarding economy measures. As regards the one year ban imposed on recruitment the Committee suggest that a report may be presented to Parliament next year before the presentation of the Budget showing the extent of operation of the ban with reference to the relative personnel strength at the end of 1959 and 1960, and also indicating the specific Plan activities of individual Ministries and the actual increase in staff strength which had to be resorted to on that account.
- 15 29 The Committee trust that the studies initiated by Ministries in regard to the working methods in selected sectors within their respective organisations would yield useful results.
- 16 30 The economies effected due to number of posts abolished in the Secretariat do not appear to be considerable when viewed against the total strength of the Secretariat at 21,000, there being considerable increase in the total strength of the Secretariat which rose from 19,174 as on 1-4-1957 to 21,170 on 1-4-1959. The Committee would recommend that a record about the total number of posts abolished in each Ministry every year may be given in the Annual Report of the O & M Division.
- 17 31 The Committee welcome the steps for overhauling the administrative machinery. It is a matter for study whether the reduction of surplus staff has not actually resulted in more efficiency. Such a process of economy will inevitably lead to rationalisation of procedure and methods of work.