

CHAPTER 15

PUBLIC ADMINISTRATION AND DEFENCE

Coverage

15.1 Public administration and defence covers services rendered by the administrative departments of the general government i.e., Central & State governments, union territories, municipal corporations, municipalities, housing boards, cantonment boards, improvement trusts, zila parishads/district and local boards and Panchayati Raj institutions. These services relate to the organs of state dealing with collection of taxes, other fiscal services, interest payments and servicing of debt, defence services, administrative services (such as external affairs, police, jails, supplies and disposal, pensions), social and community services (viz., social security, welfare and relief on account of natural calamities) and economic services (e.g. agriculture, animal husbandry, industries and community development). The management of expenditure of various funds like central road fund, famine relief fund, labour welfare fund also forms part of this industry. The activities of the Issue Department of the RBI are like that of administrative department, and, therefore, this activity is also included. However, economic services like irrigation, forestry etc., are included under respective industry groups. Thus, irrigation systems come under 'agriculture', construction activity undertaken by government under 'construction', education and medical & health services in 'other services' industry groups. The departmental commercial enterprises of government such as railways, posts and telecommunication, overseas communication services, forests, road transport, power projects, distilleries, television and radio broadcasting, milk supply schemes, manufacturing industries including defence manufacturing establishments and government printing presses are included in the appropriate industry groups.

Methodology and Source material

15.2 The expenditure on services produced by the administrative departments are mainly financed by the government themselves and they are consequently considered to be the final consumer of these services except for a minor part sold to other sectors. Most of the buildings occupied by administrative departments and defence organisations are owned by the government. Data on amount of rent paid for hired premises are not separately available as the same are included under the miscellaneous expenses in the budget documents. Interest paid on capital borrowed by the government being included under interest on public debt does not form a part of factor payment. The cost of inputs, comprising purchase of commodities and services, compensation of employees and CFC which is also equal to the value of output produced for own use and a minor part sold to household sector thus does not include the element of operating surplus. GDP from the activities of public administration and defence therefore comprises compensation of employees and CFC only.

15.3 The sources of data are the budget documents of Central Government, State Governments, union territories and local authorities and the information available in the Finance Accounts, Appropriation Accounts and other reports of the Comptroller & Auditor General of India. Besides the data published in these documents, the required additional details on items like Integrated Rural Development Programme, National Rural Employment Programme etc. are collected from the concerned ministries/departments through correspondence. In the case of Issue Department of RBI, the profit and loss accounts of the RBI are analysed and the allocation between the Issue and Banking Departments is done on the basis of data obtained from the RBI directly.

Estimates at Current Prices

15.4 Two detailed exercises namely, the economic and purpose classifications of all the budgetary transactions of the public authorities are undertaken each year. The detailed methodology, the concepts and definitions adopted and the details of the set of four accounts prepared have been discussed in detail in the chapter on 'Public Sector'. The

estimates of compensation of employees for all administrative departments obtained from the production account of producers of government services include that for education, medical & health services, water supply, sanitary services and construction also, which form part of other industries. For instance, education, medical & health and sanitary services form part of 'other services', construction of 'construction' and water supply of 'electricity gas and water supply'. The estimates of compensation of employees for these activities are obtained from the purpose classification and are subtracted from the total to arrive at the estimates for public administration and defence (Table 15.1).

15.5 In the case of local authorities the data availability can not be said to be satisfactory. While there is not much difficulty in the case of bigger local bodies like the Municipal Corporations, housing boards and improvement trusts, the problematic areas are that of municipalities and village panchayats due to their large numbers. In these two cases, the information supplied by some of the states is made use of while for the rest, estimates are prepared by utilising the information on current and capital grants to these local bodies under different account heads available in the State Budgets. The CSO has all along been making concerted attempts to improve the data base of local bodies by impressing upon the DESs in various forums and Working Groups. The matter was taken up in the Fourth Conference of Central and State Statistical Organisations in 1979 also. The Conference agreed on the need for filling up these gaps and on its recommendation, a working group comprising representatives of the CSO, DESs, RBI and the Department of Company Affairs was constituted to examine the data requirements of all the concerned departments and draw up formats for collection of relevant statistics. The Group submitted its report in 1981 and recommended that the responsibility of collection of data be entrusted to the DESs. The CSO, on their part, have all along been pursuing the matter with the DESs.

15.6 In the Budgets, allowance for CFC, as has already been stated, is not made in the case of administrative departments. The same is estimated separately and included to arrive at the estimates of GVA. These details are discussed in the Chapter 22 on consumption of fixed capital.

Estimates at Constant Prices

15.7 In view of the cent percent neutralisation of price rises accepted by the Central Government as a result of Fourth Pay Commission's recommendation for employees drawing pay upto Rs.3,500/- per month and also, adoption of this formula of neutralising the effect of increase in prices by the State Governments (though not necessarily to the extent as in the case of Central Government employees), the estimates of NVA from public administration and defence at constant prices are worked out by deflating the current price estimates by the CPI of Industrial Workers which is the basis for grant of DA. The employees falling under higher income brackets drawing pay above Rs. 3500/- per month for whom the neutralisation is only 75% or less form a microscopic (about 1-2%) minority as per the Census of Central & State Government Employees undertaken by the DGET. The GVA is worked out by adding the constant (1980-81) prices estimates of CFC worked out independently.

Quality and limitations of Data base

15.8 The annual budget documents are the main source of information on the activities of government administrative departments. These details generally give the necessary information for the preparation of estimates of value added. Although the overall structure of the budget, as prescribed, is uniformly followed by the Central and State Governments, there are some variations in the presentation of details from State to State. There are some important items of expenditure about which no details are given. Also, often more detailed information is available in the "budget estimates" or "revised estimates" than in "accounts". In such cases, the actual expenditure on various items presented in the "accounts" is allocated on the basis of "budget" or "revised estimates" of the relevant year. In the case of local bodies, there is a considerable time lag in the availability of state-wise

consolidated accounts for most of the states. The consolidated accounts of Panchayati Raj institutions are also available for some states only.

TABLE 15.1: Compensation of employees from Public Administration & Defence, 1980-81

Item	(Rs. crore)
(1)	(2)
1. Total	8256
Less	
1.2 Construction (Repair & Maintenance)	332
1.3 Ownership of dwelling	1
1.4 Water supply	60
1.5 Other services	2556
1.5.1 Education	1818
1.5.2 Medical and public health	581
1.5.3 Sanitation	157
1.6 Public Administration and defence	5307