



Trends in Capital Expenditure in Haryana (2015-2022)

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Abstract

Indian economy is federal in nature and states play an important role in the development of social and economic areas. Public expenditure is key to the developmental activities of a country and especially state like Haryana which is just less than 60 years of its separate identity. In this view, it becomes very important to analyze the expenditure pattern of the economy to understand the future prospects. The expenditure of a state can broadly be categorized in revenue and capital expenditure, plan and non-plan expenditure and developmental and non-developmental expenditure. Capital expenditure creates capital assets as per plan and add to the long-term development of economy to produce goods and services. Studies in this paper shows that the expenditure pattern followed under capital account in the state of Haryana do not show any consistent pattern. Expenditure incurred in capital head certainly sets the way for further income for the state. Capital expenditure boosts the private investment in the economy which is helpful in achieving economic objectives. The growth of such expenditure of various budget periods reflects the commitment of a state towards development and socio-economic welfare of its people. This paper aims to analyze the trends in capital expenditure in Haryana from the financial year 2015-16 to 2021-22. The trends in capital expenditure reflect the quality expenditure and long-term goals of equitable growth and stability.

Introduction:

Haryana's economy contributes significantly in the development of India and it is very well recognized in all the three sectors i.e. agriculture, industry and services. It is one of the most advanced states in India in terms of economic development. It has many auto companies, auto component manufactures, cement, textiles and garment manufacturing along with major corporate offices. The GSDP of Haryana has been increasing with great stimulus over the years, especially from 2015 which currently stands at Rs. 8,95,671.25 crore for the year 2021-22 with a growth rate of more than 18% over the previous year.

Indian economy adopted a more market-oriented approach through new economic policies in 1991 in the form of LPG (Liberalization Privatization and Globalization) which led to the development of the social and economic services. A greater responsibility was envisaged for the states in terms of development expenditure in creating social and economic infrastructure. The developmental expenditure on economic and social infrastructure determines the path of future growth of an economy to understand the future prospects.



Broadly, basic expenditure of a state is classified into the categories like revenue expenditure and capital Expenditure. Revenue expenditure does not create any assets or reduce liabilities. It is mainly the current consumption expenditure which must be met through revenue receipts. On the other hand, capital expenditure either reduce the liabilities or creates capital assets necessary for economic development and add to the long-term capacity of the economy. The continuous and sustained growth of capital expenditure over the years reflects the commitments of a state towards social and economic welfare of its people.

Objective:

The present study is to analyze the trends in capital expenditure in Haryana over the financial years 2015-16 to 2021-22. The revenue deficit has more or less persisted in post-1991 period in the state of Haryana (State fiscal studies: Haryana, NIPFP 2000). This deficit increased more during the 1994-97 period. The concern here was that earlier the borrowed resources were either lent out or spent on capital account but then it increasingly shifted to expenditure on revenue account. The implementation of 5th pay commission also added fuel to the fire in terms of increasing revenue expenditure. The record of this decade shows that revenue expenditure constituted more than 80% of total expenditure which resulted in decrease the amount incurred on capital expenditure that ultimately affected the development of state and welfare of its people.

Need of the study:

As the revenue expenditure was increasing year by year especially after implementation of New Economic Policy in 1991, it is worth identifying the reasons and to find amicable solution to decrease revenue expenditure and to increase capital expenditure. It is also felt necessary to analyze the trends of capital expenditure and its growth in the state of Haryana and its effects on economic development. To study the growth pattern of expenditure like revenue and capital expenditure is also needful.

Review of literature:

To have better results in any research, it is worth mentioning to go through the earlier work done on the topic or area, one wish to have research on. Literature on finances of Haryana and its allocation to various heads was reviewed to get a thorough understanding of the study related to trends in expenditure.

Data collection:

Secondary sources of data used which included various economic surveys of Haryana, statistical abstract, research paper on state finances and reports on Haryana state finances, newspapers, articles etc.

Methodology:

It involves time series data on variables like expenditure trend graphs of growth rates of the fiscal parameters and graphical representations.



Trends in capital expenditures:

Though revenue expenditure is equally important for development in the form of general administration and maintenance of law and order but capital expenditure is definitely an important aspect of total expenditure of the state finance. It is an expenditure which creates assets or reduce liabilities and hence adds to the income for future generations. Capital expenditure could be divided in developmental and non-developmental expenditure.

- (a) **Developmental expenditure:**It is incurred on social and economic services like infrastructure, education, medical and health water sanitation etc. and economic services like agriculture and allied activities, irrigation and flood control, rural development, transportation, industry etc.
- (b) **Non developmental expenditure:**It comprises the expenditure incurred on carrying out general administration, maintenance of law and order and other necessary non developmental activities.

Table I: Revenue, Capital and Total Expenditure (in Rs. Crore)

Year	Revenue Expenditure	Capital Expenditure	Total Expenditure
2015-16	59235.7	20158.62	79394.32
2016-17	68403.43	11378	79781.43
2017-18	73257.35	14932.8	88190.15
2018-19	77155.54	16062.24	93217.78
2019-20	84848.21	18975.18	103823.39
2020-21	89946.6	7595.4	97542
2021-22 (RE)	105118.91	20103.76	125222.67
2022-23 (BE)	116198.63	26005.15	142203.78

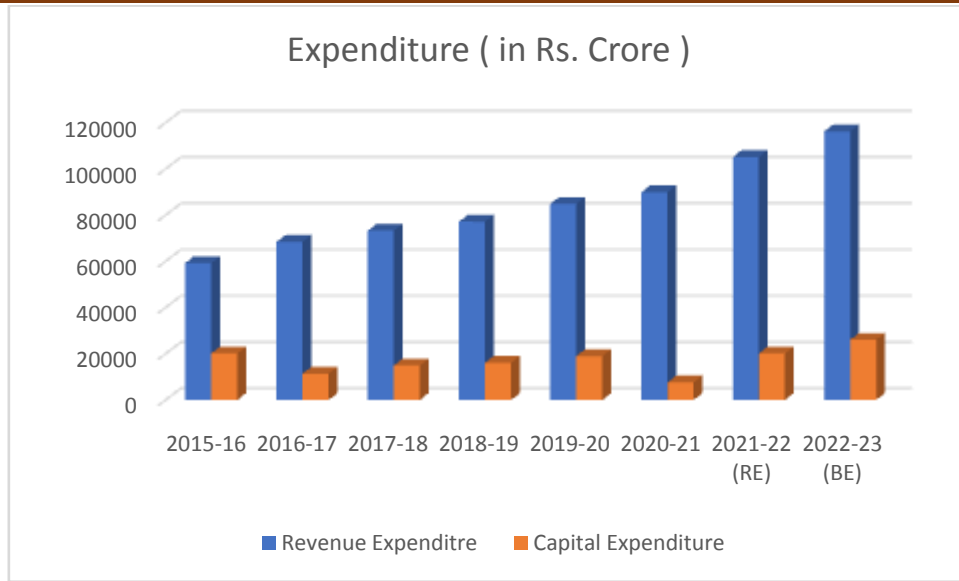


Table I shows the revenue and capital expenditure of Haryana over the period 2015-16 to 2021-22. The revenue pattern has witnessed a continuous rise in the period selected for study. However, the capital expenditure reflects various fluctuations and no clear trends. The year 2020-21 incurred the least expenditure on capital heads which was only Rs. 7595.40 crore. It may be because more resources were pooled towards revenue expenditure to fight the COVID pandemic. It is evident that more resources were transferred towards revenue expenditure to fulfill basic needs of public. In the year 2016-17, capital expenditure decreased nearly 45% over the previous year. After that, till 2019-20, there was a continuous rise in capital expenditure but in 2020-21 deepened more than 50% over the previous year. Preceding two financial years witnessed significant increase over their previous year respectively.

Table II: Rate of growth of various expenditures

Year	Revenue Expenditure	Capital Expenditure	Total Expenditure
2015-16	20.6	342.23	47.91
2016-17	15.48	-43.56	0.49
2017-18	7.1	31.24	10.54
2018-19	5.32	7.56	5.7
2019-20	9.97	18.14	11.38
2020-21	6.01	-59.97	-6.05
2021-22 (RE)	16.87	164.68	28.38
2022-23 (BE)	10.54	29.35	13.56

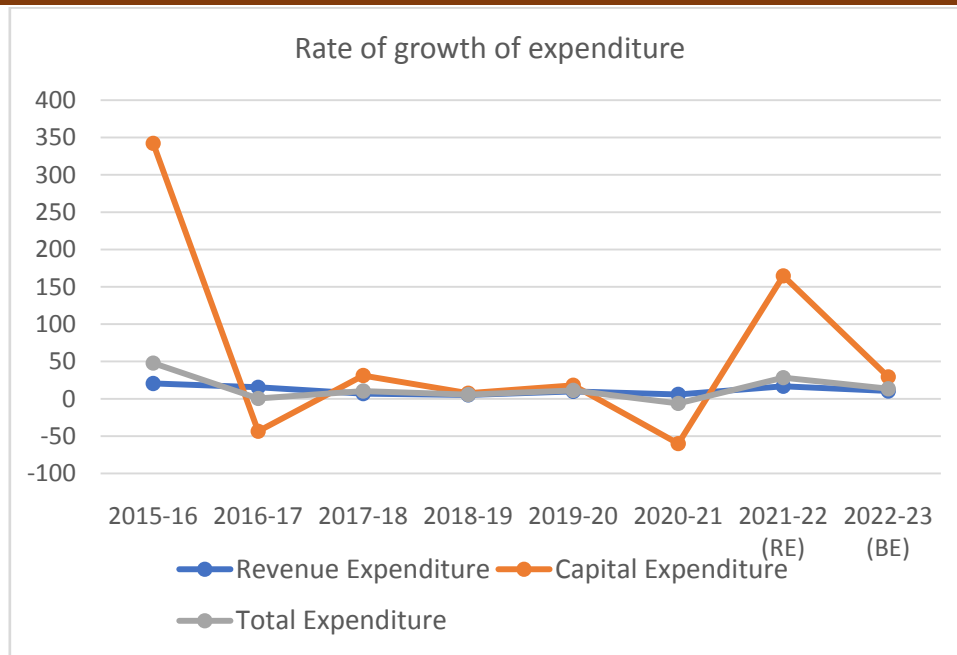


Table II reveals that revenue expenditure decreased from 20.6% to 5.32% from 2015-16 to 2018-19 which is 75% reduction in just four fiscal years. Finance commission recommended to keep fiscal deficit below 3% Of GSDP but unfortunately government was unable to maintain deficit under recommended level. Revenue expenditure never increased or decreased consecutive for two years during the period of study. As far as rate of growth in capital expenditure is concerned, it was recorded negative (-43.6%) in the year 2016-17 and (-59.97%) in the year 2020-21. From the related graph, it is clearly indicated that growth pattern in revenue and total expenditure is not so haphazard but capital expenditure shows sudden fall and rise in consecutive years. Budget estimates (2022-23) in all the three heads are less than the previous year's revised estimates (2021-22).

Table III: Revenue and Capital Expenditure as percentage of Total Expenditure

Year	Revenue Expenditure	Capital Expenditure
2015-16	74.61	25.39
2016-17	85.74	14.26
2017-18	83.07	16.93
2018-19	82.77	17.23
2019-20	81.72	18.28
2020-21	92.21	7.79
2021-22 (RE)	83.95	16.05
2022-23 (BE)	81.71	18.29

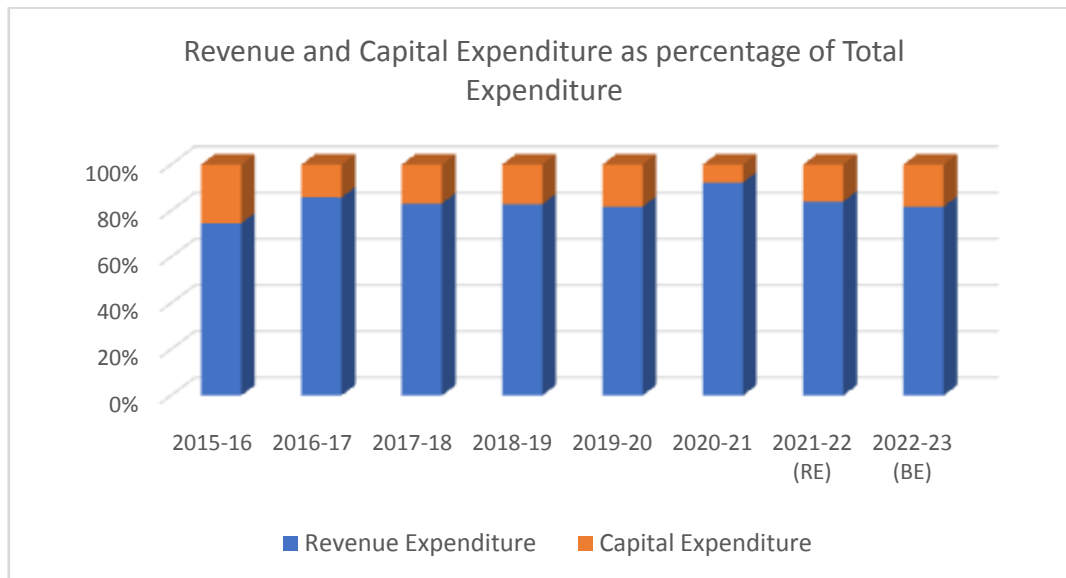


Table III shows that except in the year 2015-16, revenue expenditure has been above 80% of total expenditure. In 2015-16, it was 74.61%. In the year 2020-21, it was even 92.21% of total expenditure leaving only 7.79% capital expenditure for economic development of the state. The trends are again haphazard during the period of study. Until the capital expenditure is increased to a significant percentage of total expenditure, it is difficult to witness a stimulus in economic development of Haryana. State government needs to keep revenue expenditure below 75% and increase the capital expenditure above 25%. Simultaneously, increasing revenue receipts and reducing loan burden is indispensable to better rate of growth. The above table reveals that there is a reduction in revenue expenditure percentage and increase in capital expenditure percentage during last three financial years.

Table IV: Expenditure vis-a-vis Revenue Receipts (in Rs. Crore)

Year	Revenue Expenditure	Capital Expenditure	Revenue Receipts
2015-16	59235.7	20158.62	47556.55
2016-17	68403.43	11378	52496.82
2017-18	73257.35	14932.8	62694.87
2018-19	77155.54	16062.24	65885.12
2019-20	84848.21	18975.18	67858.13
2020-21	89946.6	7595.4	71913.01
2021-22 (RE)	105118.91	20103.76	92595.78
2022-23 (BE)	116198.63	26005.15	106424.7

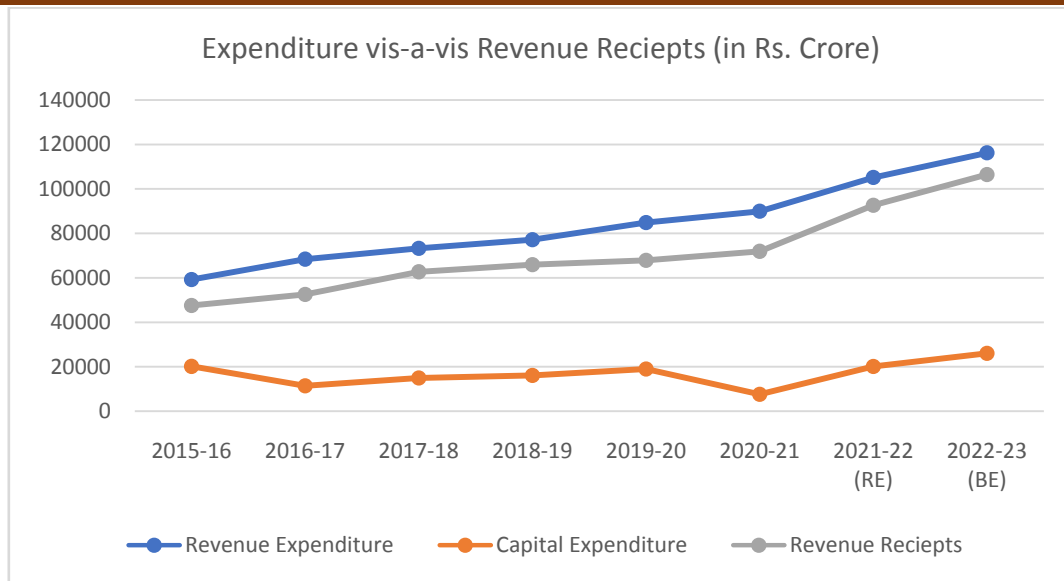


Table V and corresponding graph show that revenue expenditure is more than revenue receipts throughout the period of study witnessing revenue deficit more or less consistently. Both the revenue expenditure and revenue receipts has been increasing since 2015-16. Increase in revenue receipts is necessary so that revenue deficit could be brought down to siphon the amount towards capital expenditure. The gap between revenue expenditure and capital expenditure has been widening year by year which is needed to be taken care of. Reduction in revenue expenditure will allow more amount to be transferred to capital expenditure leaving less dependency on borrowing.

Table V: Revenue Deficit (in Rs. Crore)

Year	Revenue Deficit
2015-16	11679.15
2016-17	15906.61
2017-18	10562.48
2018-19	11270.42
2019-20	16990.08
2020-21	18033.59
2021-22 (RE)	12523.13
2022-23 (BE)	9773.93

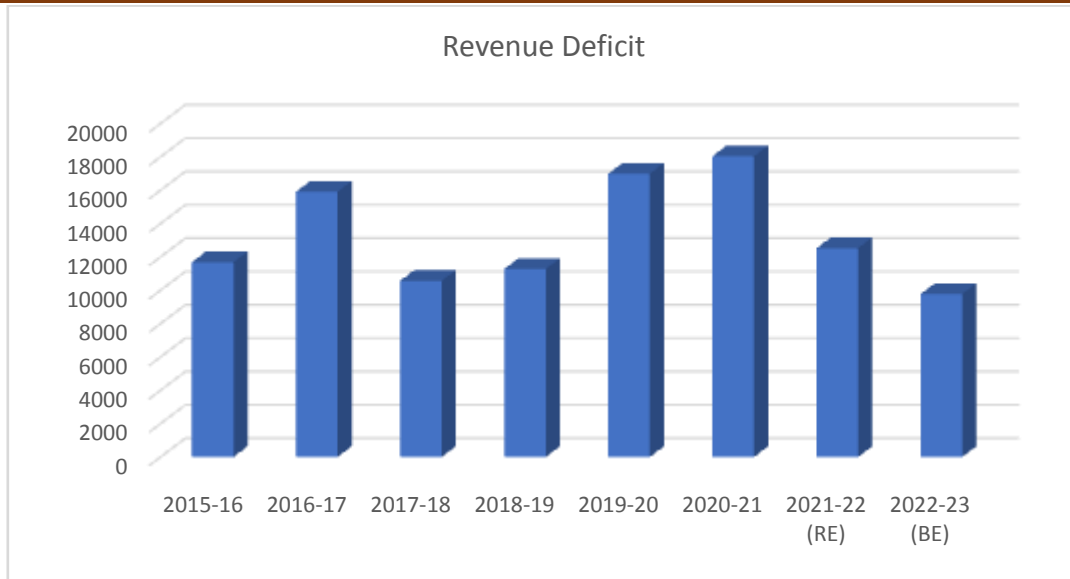


Table V reveals that there are mixed trends in revenue deficit too. It decreased from Rs. 15906.61 crore in 2016-17 to Rs. 10562.48 crore in 2017-18 but again continued to increase till 2020-21 touching Rs. 18033.59 crore. State government has been trying to reduce it giving 2022-23 budget estimates only Rs. 9773.93 crore. It is a good sign that revenue deficit is decreasing giving more space to capital expenditure and hence paving way for economic development in the state.

Table VI: Trends in Budget 2022-2023 - Capital expenditure as a percentage of total expenditure in various sectors.

	2020-21	2021-22 (RE)	2022-23 (BE)
Agriculture and Allied Activities	3.51	24.81	25.19
Education Sports Arts and Culture	2.70	9.53	8.84
Health	13.13	16.01	20.16
Power	9.14	8.12	10.80
Social Justice	0.67	1.19	1.63
Others	40.14	41.45	45.26
Total Allocation	29.20	31.47	34.45

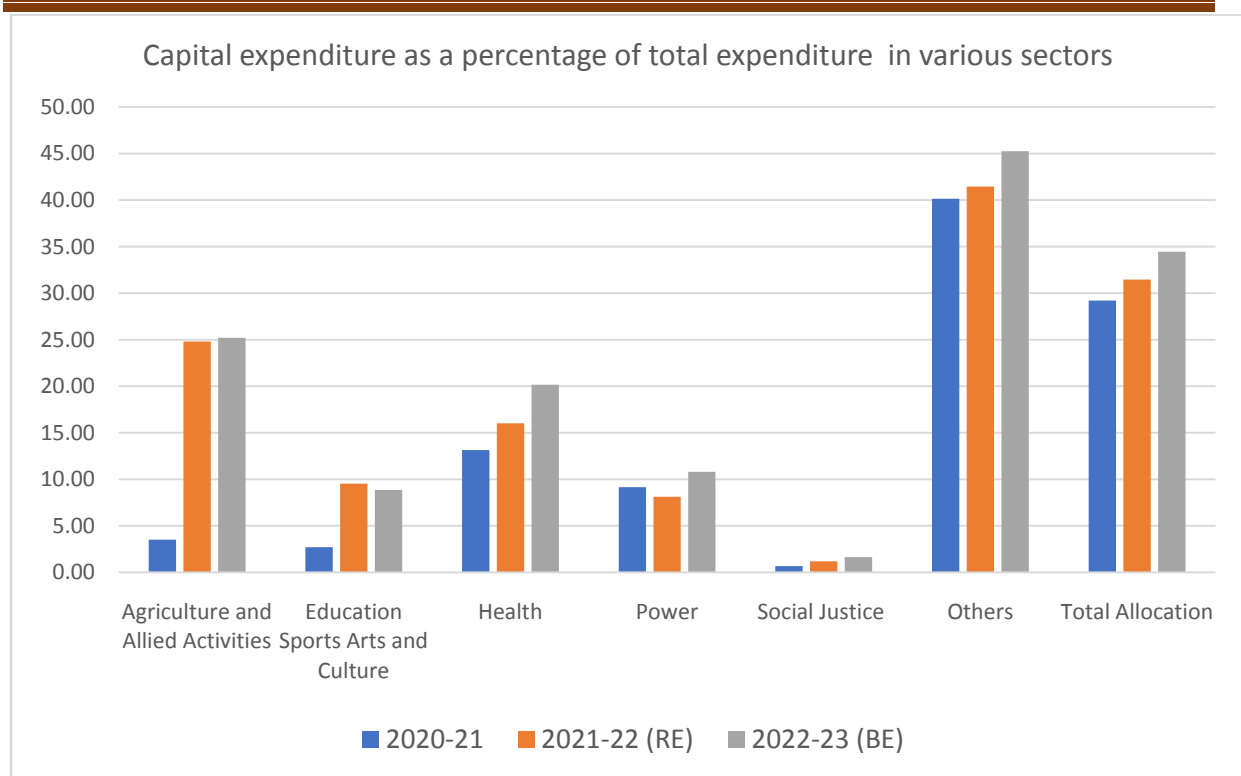


Table VI and associated graph reveals that agriculture and allied activities got only 3.51% of total expenditure but the allocation increased many fold in 2021-22(revised estimates) and 2022-23 budget estimates touching more than 25% of total expenditure. Education sector has not got the desired allocation to uplift the level of quality education. It has been given only about 9% of total allocation. Health sector has been given due importance raising its allocation to more than 20% where as social justice department is on lower side (1.63%) in terms of allocation. Agriculture and health sector together have almost half of total share of capital expenditure. Health sector is getting better attention of state government bringing more population under health cover.

Conclusion:

Expenditure incurred by the government is just not a financial statement but a reflection on the government for its policy and commitment towards the welfare of its people and economic growth of the state. To meet the objective of fiscal policy, public expenditure is an important tool in the hands of government. The goals of stability, growth, economic and social welfare of the people can be fulfilled only when capital expenditure is increased significantly. The extent and pattern of expenditure incurred by the government over the years sets the direction for fiscal achievements and the growth of the economy. Studies in this paper shows that the expenditure pattern followed under capital account in the state of Haryana do not show any consistent pattern. Expenditure incurred in capital head certainly sets the way for further income for the state. Capital expenditure boosts the private investment in the economy which is helpful in achieving economic objectives. If sufficient



capital expenditure is not incurred consistently in the state, it is certainly going to affect the fiscal health of the state.

Increased revenue expenditure leaves less scope for the social and economic development of the state. Meticulous planning in revenue expenditure lowers the misuse of state exchequer which help in increased economic and social welfare of its people. State government must reduce borrowing because it puts additional burden in the form of more interest payments. These borrowings do not create any assets or add to the flow of income in future. Control of consumption expenditure is indispensable to pave the way for more capital expenditure to realize the objectives of sustained economic growth. The increased borrowing on revenue account side may create a vicious circle of deficit, debt and again more borrowing. Keeping fiscal deficit under control is necessary for future economic growth and to keep the fiscal health of the state stable. Further, this paper will help in understanding the pattern of expenditure in the state of Haryana which has performed well in terms of keeping their revenue and fiscal deficit under control within permissible limits.

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