



Dynamic of development policy in Haryana: an analysis of state development expenditure

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Abstract

The main aim of development policy of any welfare state is to improve living standard of people, to empower deprived section of the society which can be secured by expenditure on development sector. The present study analysed the pattern of development expenditure in Haryana during 1990-91 to 2019-20. Total public expenditure and development expenditure both showed increasing trend during the study period. The development expenditure's major share was on economic services during the first two decades of economic reforms. After that, social services expenditure exceeded over economic services expenditure and its share was more than 50 per cent of total development expenditure. The study suggested that government should also focus on other sectors of social and economic services expenditure and make policies for effective utilization of the public expenditure.

Keywords: state development expenditure, social services, economic services

Introduction

After the Keynesian era, the role of governments has required conditions to overcome the negative effect of market failures with public expenditure, not only to accelerate economic growth but also to promote employment opportunities, reduce poverty and inequalities, and stabilise prices as well as exchange rates. In underdeveloped and developing countries, public expenditure has an active role in development of social and economic infrastructure, growth of key industries, research and development, etc. (Singh, 1983) ^[1]. The first foremost analysis on the role of public expenditure in economic activities was discussed by classical economists, they advocated the *laissez faire* policy in which they assumed that government intervention is not necessary in economic activities, it should only focus on defence and administration work (on general services). The classical economists believed that the government should not interfere in the market except in two situations, such as those areas where private investors do not want to invest due to the absence of profitability and internal as well as external security matters. The state was later replaced by a welfare state in which the government's role has changed. Therefore, public expenditure is extremely necessary for distribution of resources and stabilization of the economy. Being a welfare and developing country, Indian government is also giving much emphasis on public expenditure. As being a federal set up in India most of the responsibilities regarding public expenditure on welfare activities has been given to different states governments. The other reason for these responsibilities is that states governments can easily address the needs of the society and also use the financial resources in a better way. The main focus of states governments is on education, health, energy and other infrastructure. The expenditure policy of the governments should emphasise to increase productivity and efficiency so that every rupee spent

should have maximum utility. As being one of the highest income states, it is interesting to analyse the expenditure policy of Haryana state, over the years, states income has increased. However, it is important to examine that increase in public expenditure is on different development and non-development activities.

On the central level in 2003-04 there was decline in the total public expenditure and development due to the implementation of Fiscal Responsibility Budget Management Act, 2003 (FRBM Act, 2003). In Haryana, this Act showed no impact on total public expenditure as there was still an increasing trend. In 2003-04 there was decline in development expenditure of Haryana and there after it is continuously increasing. In 2019-20, the Haryana state government expenditure as percentage of the Gross Domestic Product (GDP) was 17.91 per cent, whereas, it was marginally lower than the central government (18.53 per cent). From 2013-14 to 2018-19, centre government development expenditure had decreased from 8.00 to 7.34 per cent, on contrary the Haryana government had increased expenditure from 9.15 to 11.93 per cent. In 2019-20, centre and state's both total public expenditure and development expenditure was highest. Overall pattern of total public expenditure shows that centre Government expenditure share is more than Haryana state although development expenditure share is much more in Haryana, i.e., 12.24 per cent of Gross State Domestic Product (GSDP), whereas centre Government development expenditure was merely 8.41 per cent of GDP.

Therefore, the present study investigates the expenditure pattern of Haryana during post reform period during 1990-91 to 2019-20. Public expenditure under revenue and capital account has been divided by budgetary policy. However, merely comparing revenue and capital account expenditure will not represent the true picture of development policy of the state. This makes further categorization of these accounts under

development and non-development expenditure, on the basis of functions of the government. These two also reflects the development efforts of the government.

This present paper analyses the decadal growth and the pattern of distribution of development and non-development expenditure. For this the study has been divided in five sections. First section concerned with the interstate comparison of development expenditure in major Indian states. Second section is related with growth and pattern of public expenditure in Haryana with its composition in revenue and capital outlay. Third section makes an analysis of functional classification of public expenditure in Haryana into development and non-development expenditure. Last fourth section is concerned with the further classification of development and non-development expenditure in various components.

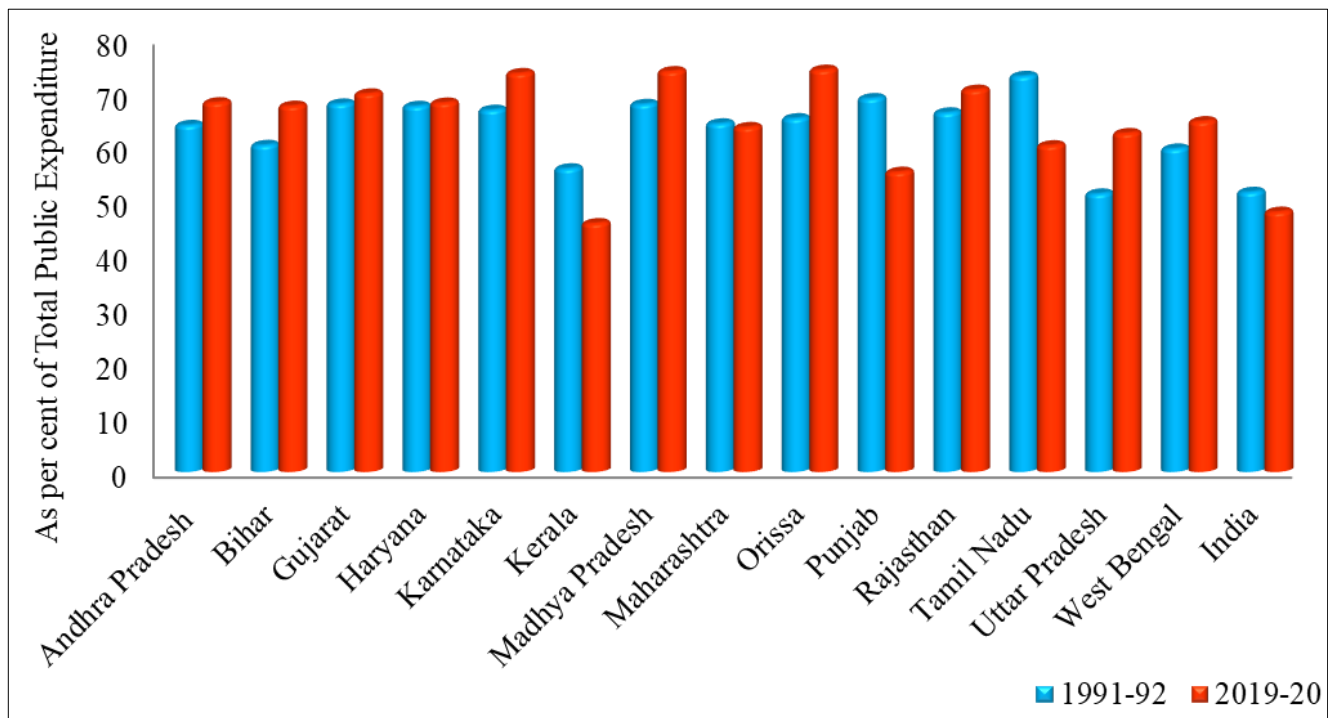
Data sources and methodology

The present study is analysing the development expenditure of Haryana state from 1990-91 to 2019-20. To fulfil the study objectives secondary data have been used, and collected from Statistical Abstract of Haryana (Various Issues), Handbook of Statistics on State Finance (Various Issues), National and International Journal papers, and web articles on various aspects of development expenditure. The collected data has been processed with the help of Microsoft Excel. The data analysis implied trends, aggregation, and composition of development expenditure.

Comparative analysis of development expenditure in major Indian states

Major development responsibilities are given to states

Governments in India. With these responsibilities, selecting priority sectors for public expenditure are crucial issue for state governments. According to different studies in the literature Rao (2002) [3] and Dasgupta (2012) [2], found that revenue expenditure has always been higher in public expenditure as compared to capital expenditure. Moreover, the major share is spending on non-productive activities such as salaries, interest payments and other general administrative services. All this put states under financial stress. It has also been studied that even after introduction of FRBM Act, 2003; states governments are not able to control their expenditures. Figure 1 represents share of development expenditure in total public expenditure in 14 major Indian states during post- reform period. It clearly showed that development expenditure in Haryana has been higher than the national average. In 1991-92, Tamil Nadu, Punjab and Gujarat were top three states with highest development expenditure. In the same year, Haryana was on 5th position. After one decade, development share in almost all state decreased except Uttar Pradesh, and Haryana's rank was 4th after Gujarat, Karnataka and Madhya Pradesh. In 2019-20, overall centre government development expenditure share declined to 48.14 per cent. However, there are fluctuations on state's level. Haryana, itself declined its position from 5th in 1991-92 to 7th position in 2019-20. Orissa, Maharashtra and Karnataka attained first three positions respectively (See Annexure A). It is concluded that despite high variations on state level, national average shows decline in share of development expenditure.



Source: Compiled from RBI- handbook of statistics on Indian economy and handbook of statistics on states government finances

Fig 1: Development expenditure in major Indian states

Classification of total public expenditure in Haryana

The development policy of any government can be evaluated on the basis of classification of public expenditure. It refers to

the systematic arrangement of different categories of public expenditure.

The pattern of total public expenditure has been presented in

the Table 4.2.

a) Revenue and Capital

Budgetary structure of public expenditure is broadly classified on the basis of accounting principles into revenue and capital expenditure. Revenue expenditure is for normal working of the government for providing various public services. Broadly speaking, all those expenditures of the government which not result in creation of physical or financial assets (at the same level) are treated as revenue expenditure.

On the other hand, all those expenditures of the government which leads to the creation of physical or financial assets or reduction in recurring financial liabilities fall under the category of capital outlay.

b) Development and non-development

Revenue expenditure and capital outlay are further categorized into development and non-development expenditure. Broadly, expenditure on social and economic services is called development expenditure and expenditure on other general services is considered as non-development expenditure. Social and economic services are further classified in different sectors. Table 1 depicts the total public expenditure of Haryana state has increased from Rs. 2119.23 crore in 1990-91 to Rs. 102514.17 crore in 2019-20. Over the study period, in 1995-

96, 1999-00 and 2002-03 there was observed a decline in total public expenditure. In 1995-96, total public expenditure declined due to decrease in non-development revenue expenditure. In 1999-00 and 2002-03 total public expenditure decreased because of sharp decline in capital outlay on economic services especially on the agriculture and energy sector. After that there is continuous increase in total public expenditure even after implementation of FRBM Act in Haryana. Development revenue expenditure has increased from Rs. 1295.68 crore to Rs. 52964.28 crore during the study period with small annual decline in 1999-00, 2000-01 and 2017-18. Non-development revenue expenditure has shown increasing trend from Rs. 637.39 crore in 1990-91 to Rs. 31883.95 crore in 2019-20 having some fluctuations in 1992-93, 1995-96, 1998-99 and 2005-06. The findings showed that share of the development revenue expenditure had always been more than non-development expenditure except for two years, i.e., 1994-95 and 1996-97, due to increase in non-development revenue expenditure. Development capital outlay had increased from Rs. 179.17 crore to Rs. 17079.78 crore and non-development capital outlay has increased from Rs. 6.99 crore to Rs. 586.16 crore. Development capital outlay shrunk at Rs. 319.20 crore in 2003-04 and thereafter it increased continuously except in 2010-11, 2013-14 and 2014-15.

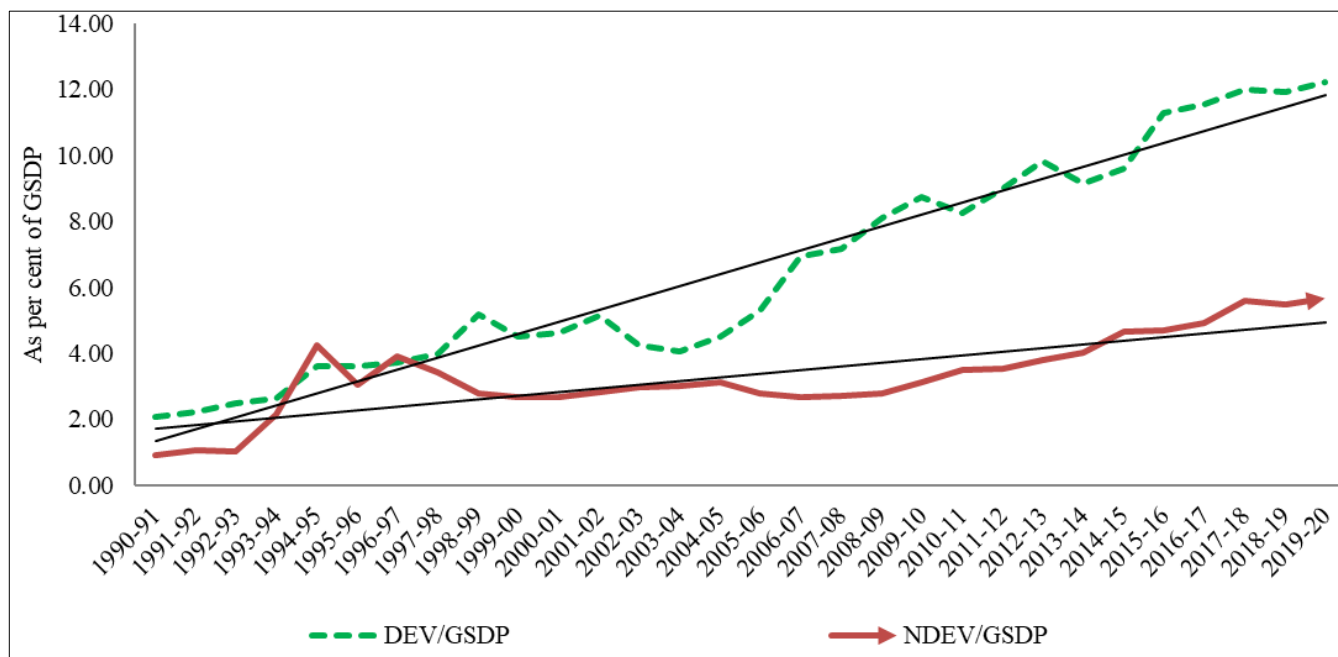
Table 1: Classification of Public Expenditure in Haryana (In Crore Rs.)

Year	Revenue Expenditure			Capital Outlay			Total Public Expenditure
	DE	NDE	Total	DE	NDE	Total	
1990-91	1295.68	637.39	1933.07	179.17	6.99	186.16	2119.23
1991-92	1500.29	773.72	2274.01	138.46	7.53	145.99	2420.00
1992-93	1621.49	757.85	2379.34	222.71	5.62	228.33	2607.67
1993-94	1751.27	1649.75	3401.02	296.08	6.84	302.92	3703.94
1994-95	2781.49	3491.43	6272.92	200.34	6.24	206.58	6479.50
1995-96	2787.24	2574.32	5361.56	277.66	8.21	285.87	5647.43
1996-97	3092.09	3674.91	6767.00	428.94	17.71	446.65	7213.65
1997-98	3355.98	3261.19	6617.17	469.21	23.00	492.21	7109.38
1998-99	4239.96	2778.93	7018.89	997.81	27.96	1025.77	8044.66
1999-00	4048.67	2903.38	6952.05	866.83	27.26	894.09	7846.14
2000-01	4049.11	3132.26	7181.37	1415.08	30.08	1445.16	8626.53
2001-02	5139.61	3516.89	8656.50	1416.45	50.67	1467.12	10123.62
2002-03	5341.17	4000.94	9342.11	390.44	45.36	435.80	9777.91
2003-04	5701.77	4415.43	10117.20	319.20	66.46	385.66	10502.86
2004-05	6417.29	4989.81	11407.10	838.79	58.13	896.92	12304.02
2005-06	7810.37	4829.54	12639.91	1530.14	82.17	1612.31	14252.22
2006-07	11242.29	5119.86	16362.15	2337.70	89.90	2427.60	18789.75
2007-08	11960.55	5566.33	17526.88	3255.40	170.77	3426.17	20953.05
2008-09	14294.48	6240.25	20534.73	4306.86	194.81	4501.67	25036.40
2009-10	17432.13	7825.26	25257.39	5031.11	187.37	5218.48	30475.87
2010-11	18900.81	9409.39	28310.20	3832.16	198.94	4031.10	32341.30
2011-12	21695.64	10319.25	32014.89	5137.02	235.32	5372.34	37387.23
2012-13	26073.09	11998.64	38071.73	5511.24	250.60	5761.84	43833.57
2013-14	28153.61	13733.49	41887.10	3652.44	282.16	3934.60	45821.70
2014-15	32208.56	16909.31	49117.87	3424.83	290.70	3715.53	52833.40
2015-16	40229.23	19006.47	59235.70	6447.77	460.56	6908.33	66144.03
2016-17	46348.71	22054.73	68403.44	6463.73	399.37	6863.10	75266.54
2017-18	46168.16	27089.19	73257.35	13057.01	480.90	13537.91	86795.26
2018-19	48764.77	28390.76	77155.53	14592.04	714.56	15306.60	92462.13
2019-20	52964.28	31883.95	84848.23	17079.78	586.16	17665.94	102514.17

Source: Compiled from Statistical Abstract of Haryana (Various Issues), **Note:** DE- Development Expenditure, NDE- Non-Development Expenditure.

In figure 2 the share of development expenditure as part of GSDP has been presented. Here, development and non-development expenditure includes both revenue and capital expenditure. Non-development expenditure got more share than development expenditure in GSDP in 1994-95 and 1996-97. In rest of the study period development expenditure dominated over non-development expenditure and in 2015-16 the gap between development and non-development expenditure was highest. Development expenditure varied from 2.06 per cent to 12.24 per cent in the study period showing an increasing trend in it. The share of development expenditure remained between 2.06 per cent to 5.18 per cent till 1999-00. It decreased in the next year to 4.51 per cent and then increased

to 5.16 per cent in the next two subsequent years. In 2002-03 and 2003-04, it again declined and reached at 4.05 per cent due to implementation of FRBM Act. It increased there after continuously and got 9.84 per cent in GSDP in 2012-13. There was sudden decrease to 9.15 per cent in 2013-14 and then it increased to 12.24 per cent in 2019-20. The non-development expenditure was 0.90 per cent of GSDP in 1990-91. It increased continuously till 1997-98, i.e., 3.43 and in the next year it declined to 2.77 per cent. It remained below 4 per cent till 2013-14. After that it increased to 5.58 per cent in 2017-18. However, in the next year it declined to 5.48 per cent. In 2019-20, it increased to 5.67 per cent at its maximum level during the study period.



Source: Compiled from Statistical Abstract of Haryana (Various Issues)

Fig 2: Development and Non-development Expenditure in Haryana

Classification of development expenditure

Public expenditure on social and economic services is considered as development expenditure and expenditure on general services is known as non-development expenditure. Further classification of Development Expenditure is presented below:

Social services expenditure

Social sector stands for those sectors that sectors that help in building up of human capabilities. Hence, according to Prabhu and Sarkar (2001) ^[9], the term social services refer Education, Sports, Arts and Culture, Medical and Public Health, Family Welfare, Water Supply and Sanitation, Housing, Urban Development, Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes, Labour and Employment, Natural Calamities, Social Security and Welfare and others. Expenditure on these areas called social services expenditure.

Economic services expenditure

Economic services include expenditure on productive activities within the state. In its expenditure on General Economic Services, Agriculture and Allied Activities, Irrigation and Flood Control, Rural Development, Energy, Industry and Minerals, Science and Technology, Transportation.

Table 2 represents social services and economic services expenditure from 1990-91 to 2019-20. Social and Economic services expenditure is categorised under revenue expenditure and capital outlay. Both total social and economic services expenditure increased during the study period. Total social services expenditure increased from Rs. 670 crores to Rs. 36960.05 crore. Total economic services expenditure also increased from Rs. 804 crores to Rs. 33084 crores. Social services revenue expenditure showed increasing trend during study period (except 1996-97) in 1990-91 from Rs. 646.43 crore to Rs. 33726.49 crore in 2019-20. Economic services revenue expenditure also showed increasing trend from Rs. 649.25 crore in 1990-91 to Rs. 19237.79 crore in 2019-20. Similarly, social services and economic services capital outlay increased over the study period. Economic services capital outlay is always more than social services capital outlay except in 2002-03 and 2003-04. Social services capital outlay increased from Rs. 24.42 crore to Rs. 3233.56 crore during the study period while economic services capital outlay increased from Rs. 154.75 crore to Rs. 13846.22 crore from 1990-91 to 2019-20. As the share of social services expenditure was higher than economic services expenditure, similar trend has been seen in per capita social and economic services expenditure. Per capita social services expenditure increased from Rs.

407.47 to Rs. 12743.97 while economic services expenditure increased from Rs. 488.35 to Rs. 11407.49 during the study period. In the first decade of economic reforms per capita economic services expenditure was higher than the per capita social services expenditure except in 1995-96, due to high non-development expenditure. In 2002-03 and 2003-04, per capita social services expenditure dominated per capita economic

services expenditure. From 2004-05 to 2009-10 per capita economic services expenditure dominated per capita social services expenditure. After that development expenditure increased on social services more than economic services, that's why per capita social services expenditure since 2010-11 increased over economic services expenditure except in 2012-13 and 2015-16.

Table 2: Social and Economic Services Expenditure

Year	Social Services Expenditure (In Crore Rs.)			Economic Services Expenditure (In Crore Rs.)		
	Revenue Expenditure	Capital Outlay	Total	Revenue Expenditure	Capital Outlay	Total
1990-91	646.43	24.42	670.85	649.25	154.75	804
1991-92	710.40	29.51	739.91	789.89	108.95	898.84
1992-93	813.22	61.80	875.02	808.27	160.91	969.18
1993-94	874.94	70.46	945.4	876.33	225.62	1101.95
1994-95	1168.00	90.61	1258.61	1613.49	109.73	1723.22
1995-96	1590.03	94.16	1684.19	1197.21	183.50	1380.71
1996-97	1395.80	193.80	1589.6	1696.29	235.14	1931.43
1997-98	1576.68	129.74	1706.42	1779.30	339.47	2118.77
1998-99	2084.76	148.84	2233.6	2155.20	848.97	3004.17
1999-00	2257.19	164.49	2421.68	1791.48	702.34	2493.82
2000-01	2506.30	142.68	2648.98	1542.81	1272.4	2815.21
2001-02	2724.79	191.19	2915.98	2414.82	1225.26	3640.08
2002-03	2808.69	214.28	3022.97	2532.48	176.16	2708.64
2003-04	2995.71	293.68	3289.39	2706.06	25.52	2731.58
2004-05	3218.21	286.95	3505.16	3199.08	551.84	3750.92
2005-06	3995.60	439.11	4434.71	3814.77	1091.03	4905.8
2006-07	4615.41	649.35	5264.76	6626.88	1688.35	8315.23
2007-08	5738.67	922.17	6660.84	6221.88	2333.23	8555.11
2008-09	7258.73	1109.28	8368.01	7035.75	3197.58	10233.33
2009-10	9902.22	1070.00	10972.22	7529.91	3961.11	11491.02
2010-11	10904.08	1229.71	12133.79	7996.73	2602.45	10599.18
2011-12	12641.67	1367.41	14009.08	9053.97	3769.61	12823.58
2012-13	14516.35	1445.99	15962.34	11556.74	4065.25	15621.99
2013-14	15413.41	1823.94	17237.35	12740.2	1828.50	14568.7
2014-15	19120.56	1897.56	21018.12	13088.00	1527.27	14615.27
2015-16	21538.86	1539.99	23078.85	18690.37	4907.78	23598.15
2016-17	25473.49	1586.41	27059.9	20875.22	4877.32	25752.54
2017-18	28061.34	3172.70	31234.04	18106.82	9884.31	27991.13
2018-19	29743.19	3804.65	33547.84	19021.58	10787.39	29808.97
2019-20	33726.49	3233.56	36960.05	19237.79	13846.22	33084.01

Source: Compiled from Statistical Abstract of Haryana (Various Issues)

Non-development expenditure of Haryana

Components of non-development expenditure includes organs of state, administrative services, fiscal services, pensions, debt services and interest payments, local bodies and Panchayati raj institutions and other general services. Non-development expenditure in Haryana has increased from Rs. 1468.67 crore to Rs. 26213.33 crore from 1990-95 to 2015-20 (Table 4). Development expenditure dominated over non-development expenditure during the whole study period except in 1994-95 and 1996-97. Total non-development expenditure was highest in 2019-20 i.e. Rs. 32470.11 crore. It was 30.41 per cent of total

public expenditure in 1990-91. It increased to 53.98 per cent in 1994-95 then it declined in the next subsequent year to 45.73 per cent. In 1996-97, it increased to 51.19 per cent and after that it varied from 46.20 per cent to 25.70 per cent. In 2019-20, it is 31.67 per cent of total public expenditure (see table 3). It was highest in 1994-95 (53.98 per cent), and minimum in 2008-09 (25.70 per cent).

Non-development revenue expenditure share in total public expenditure was stable from 1990-91 to 2019-20. In 1990-91, it was 30.08 per cent and in 2019-20 it was 31.10 per cent.

Table 3: Non-Development Expenditure of Haryana (As Percentage of Total Public Expenditure)

Year	Non-Development Revenue Expenditure	Non-Development Capital Expenditure	Total Non-Development Expenditure
1990-91	30.08	0.33	30.41
1991-92	31.97	0.31	32.28
1992-93	29.06	0.22	29.28
1993-94	44.54	0.18	44.73
1994-95	53.88	0.10	53.98

1995-96	45.58	0.15	45.73
1996-97	50.94	0.25	51.19
1997-98	45.87	0.32	46.20
1998-99	34.54	0.35	34.89
1999-00	37.00	0.35	37.35
2000-01	36.31	0.35	36.66
2001-02	34.74	0.50	35.24
2002-03	40.92	0.46	41.38
2003-04	42.04	0.63	42.67
2004-05	40.55	0.47	41.03
2005-06	33.89	0.58	34.46
2006-07	27.25	0.48	27.73
2007-08	26.57	0.82	27.38
2008-09	24.92	0.78	25.70
2009-10	25.68	0.61	26.29
2010-11	29.09	0.62	29.71
2011-12	27.60	0.63	28.23
2012-13	27.37	0.57	27.94
2013-14	29.97	0.62	30.59
2014-15	32.00	0.55	32.56
2015-16	28.73	0.70	29.43
2016-17	29.30	0.53	29.83
2017-18	31.21	0.55	31.76
2018-19	29.56	1.18	30.74
2019-20	32.00	1.33	33.33

Source: Compiled from Statistical Abstract of Haryana (Various Issues)

Conclusion

Government has predominant role in expenditure policy for the development of any economy. The study had showed that share of revenue expenditure had always been higher than capital outlay in GSDP during the whole study period. Moreover, the development expenditure was also more than non-development expenditure except 1994-95 and 1996-97. On disaggregated level, it was observed that from 1990-91 to 2009-10 economic services expenditure was higher than social services expenditure except three years, i.e., 1995-96, 2002-03, and 2003-04 in total development expenditure. From 2007-08 and afterwards, social services expenditure exceeded over economic services expenditure and its share was more than 50 per cent of total development expenditure except in 2015-16. In social services education and in economic services energy sector received highest share of development expenditure. The study suggested that government should also focus on other sectors of social and economic services expenditure. Government should make policies for effective utilization of its expenditure.

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