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CONTENTS

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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

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GROWTH AND PATTERN OF PUBLIC EXPENDITURE IN HARYANA

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ABSTRACT
Fiscal performance of national and sub-national governments, both in developed and developing economies is an important measure to assess the macro-economic stability. Decentralisation has given significant spending and taxation responsibilities to subnational governments in developing countries. The performance of the subnational governments has a direct effect on the fiscal performance of the national government. In India, states have been given an important role in human and economic development. Growing responsibilities of the state governments has resulted in huge revenue and fiscal deficits of the state governments. Increasing public expenditure of the state governments has also resulted in wasteful and inefficient utilization of resources. Therefore it is necessary to analyse the trends and pattern of public expenditure of the state governments. In this context present study analyse the pattern of public expenditure in Haryana since 1997-98.

KEYWORDS
Public Expenditure, Subnational Finances, Pattern of Expenditure.

INTRODUCTION
A growing trend worldwide is towards decentralised delivery of government services. The need to improve the quality and efficiency of government spending has placed subnational governments at the forefront of service delivery, particularly in the social sectors. In many countries, it has been recognized that subnational governments have an important role to play in the implementation of public policies aimed at fostering social and human development. The key argument for reliance on subnational governments for service delivery is that they are closer to the intended beneficiaries of public programs (de Mello, 2003). Consequently, the expenditure obligations of sub-national tiers of governments have risen without commensurate growth in their own and devolved sources from the central government.

India is a classical federation with the constitutional division of powers. The Constitution of India specifies the distribution of powers between the Centre and the states in the Seventh Schedule of the constitution. The Seventh Schedule provides three lists, i.e. Union List, State List and Concurrent List, which clearly states the exclusive powers and functions of the central and state governments and those falling under their joint jurisdiction are specified in the Concurrent list. All residuary powers are assigned to the centre. In this division of power, the major subjects assigned to the states include police, public health, agriculture, irrigation, fisheries and industries and minor minerals. The states also have an important role regarding the subjects falling under concurrent list such as education, social security and social insurances, transportation etc. In this scheme, the states have been entrusted with a crucial role in the growth process and most of the developmental functions have been assigned to them. Both the centre and the state governments exercise their powers to raise revenues and determine the expenditure pattern based on the constitutional classification but it has been observed that the Constitutional assignment of expenditure responsibilities and taxation powers to the states does not give them resources sufficient to meet the responsibilities bestowed upon them (Bagchi, 1992).

There was a paradigm shift in the economic policy and role of the central and the state governments in 1991, with the introduction of the New Economic Policy (NEP). The current fiscal challenges facing the states are closely tied to the process of economic reform that began (or accelerated, depending on the particular analysis) in 1991 (Singh, 2006). This was because of increasing responsibilities of the state governments. "Transition from plan to market based development since 1991 has envisaged greater role for sub national governments in providing physical and social infrastructure and creating accommodating investment climate" (Rao, 2002). After the introduction of the NEP in India, the powers of the state governments also expanded as Bagchi (2003) pointed out that "With liberalization of the economy in the 1990s came delicensing of industries and the restoration of the powers of the states over industrial policy. They also gained more room to pursue their own social and economic priorities."

While the role of states are thus seen to be growing over the years, the deterioration in the fiscal position of the states in terms of rising debt and persistent revenue-expenditure imbalances have been causes of concern. Large and increasing fiscal imbalances at the state level, besides their adverse consequences for macro-economic stability, raise major concerns about resource allocation and inter-generational equity. Unsustainable fiscal policy at the subnational level jeopardises service delivery, the safety of the national financial system, and macroeconomic stability (Ianchovichina, Liu, Nagarajan, 2006). The fiscal situation of the state governments became worrisome by the mid-1990s. Observing this worsening trend in state finances, the report of 12th Finance Commission stated, "… the six years from 1997-98 to 2002-03 have been the worst in the history of State Finances". In this context, the present study will examine the trends and pattern of public expenditure in Haryana from the period 1997-98 to 2011-12.

REVIEW OF LITERATURE
The increasing trend of decentralization and rising importance of subnational finances has attracted a lot of attention during last two decades. In this line, some prominent works have been reviewed.

Mundle and Rao (1991) estimated the volume of subsidies provided by the centre and the states, after leaving out cost of transfer payment and general services, these being pure public goods in nature, and netting out revenue in the form of user charges from various social and economic services and other receipts from the total cost of all the services.

Rao (1992) highlighted in his study that there was a continuous 44 of the growth of revenue expenditures by that of revenues, both in 1970s and 1980s and it has led to serious deterioration in the state's budgetary position. The huge burden of subsidies on the state government was clearly shown by

Shankar (1998) observed trends similar to those noted for Indian states in general by Rao (1992) and other studies for the individual state of U.P during 1993-94 to 1998-99. The government financed the revenue deficit by borrowings and curtailing capital expenditure. Therefore annual borrowings doubled and share of capital outlays in total disbursement declined continuously from 37 percent to 33 percent during last two years of the study period.

Saumitra Chaudhuri (2000) examined the changes in the finances of the state governments in India, at the aggregate level, during 1980-2000. He concluded that implementation of Fifth Central Pay Commission, and cost of debt servicing (both non-developmental expenditures) were major factors in revenue expenditure increasing very fast and occupying an increasing share in total expenditure.

Khan and Hasan (2006) in their paper analysed the fiscal reforms initiated at the state level for the period 1990-91 to 2001-02. They find that the financial position of the state governments continues to show sharp deterioration since 1998-99. The strain on state finances is largely the outcome of significant growth in committed expenditures. The revenue expenditure mismatches and the consequential rise in the borrowings by the states added further stress to the state finances and fiscal sustainability.

Bhargava (2006) in his paper analysed the fiscal position of state governments from 1991-92 to 2000-01. He observed that state governments are discharging more functions and their expenditure has increased several times, leading to increasing stress for the states. This situation has called for reforms measures at subnational level to sustain the fiscal position of state governments.

Chakraborty, Mukherjee and Amarnath (2009) in their paper found that in the post-economic liberalisation era, financial sector and fiscal sector reforms by the central government have adversely affected sub-national finances. The study uses panel dataset for a period of 23 years from 1980-81 to 2002-03, for 14 major states. The fiscal space has been defined in two ways – total expenditure and primary expenditure, both taken as a percentage of the respective states' GSDP. The study found that impact of own revenue, transfers and cost of debt on total expenditure were unambiguously expansionary.

IMPORTANCE OF THE STUDY

A growing trend worldwide is towards decentralised delivery of government services which has resulted in increasing expenditure responsibilities of the subnational entities. With the introduction of New Economic Policy in India, states have been given more responsibility in the development of the basic infrastructure, providing better environment for investors apart from providing good quality basic necessities for the well-being of the residents. This has increased the sub-national expenditure to manifold which in some cases has resulted in huge debt accumulation & unsustainable fiscal situations. In this context, the present study will analyse the growth and pattern of this increasing public expenditure trend of the State Government of Haryana.

OBJECTIVES

The present study has the following objectives:

1. To analyse the growth of the public expenditure of the State Government of Haryana.
2. To examine the trend of development expenditure of the State.
3. To scrutinize the pattern of social service expenditure of the State.
4. To analyse the burden of the committed expenditure of the State.

CLASSIFICATION OF EXPENDITURE

Total expenditure of the State can be classified as revenue expenditure and capital expenditure, both containing plan and non-plan heads. All the expenditure under the non-plan head is the one which is incurred to maintain the facilities created during the previous plans. Plan expenditure accordingly is taken as the expenditure required for creating new assets or facilities during the current plan. For the present study only capital outlay has been taken into account instead of total capital expenditure.

TABLE 1 HARYANA: CLASSIFICATION OF EXPENDITURE (Rs. Crores)

Year	Plan Expenditure			Non-Plan Expenditure			Total Expenditure (Total Revenue Expenditure + Capital Outlay) 7 (3+6)
	Plan Revenue 1	Plan Capital Outlay 2	Total Plan Expenditure 3 (1+2)	Non-Plan Revenue 4	Non-Plan Capital Outlay 5	Total Non-Plan Expenditure 6 (4+5)	
1997-98	645.00 (9.07)	481.12 (6.77)	1126.12 (15.84)	5972.17 (84.00)	11.09 (0.16)	5983.26 (84.16)	7109.38 (100)
1998-99	768.63 (9.55)	866.30 (10.77)	1634.93 (20.32)	6250.26 (77.69)	159.46 (1.98)	6409.72 (79.68)	8044.65 (100)
1999-00	901.35 (11.49)	886.01 (11.29)	1787.36 (22.78)	6050.70 (77.12)	8.08 (0.10)	6058.78 (77.22)	7846.14 (100)
2000-01	991.69 (11.50)	913.90 (10.59)	1905.59 (22.09)	6189.68 (71.75)	531.26 (6.16)	6720.94 (77.91)	8626.53 (100)
2001-02	1197.57 (11.83)	901.97 (8.91)	2099.54 (20.74)	7458.92 (73.68)	565.15 (5.58)	8024.07 (79.26)	10123.61 (100)
2002-03	1049.18 (10.73)	846.28 (8.65)	1895.46 (19.39)	8292.97 (84.81)	-410.47 (-4.20)	7882.50 (80.61)	9777.96 (100)
2003-04	1124.38 (10.71)	1053.67 (10.03)	2178.05 (20.74)	8992.81 (85.62)	-668.00 (-6.36)	8324.81 (79.26)	10502.86 (100)
2004-05	1452.70 (11.81)	1141.90 (9.28)	2594.60 (21.09)	9954.40 (80.90)	-244.97 (-1.99)	9709.43 (78.91)	12304.03 (100)
2005-06	2014.80 (14.14)	1651.86 (11.59)	3666.66 (25.73)	10625.09 (74.55)	-39.55 (-0.28)	10585.54 (74.27)	14252.20 (100)
2006-07	2454.12 (13.06)	2486.21 (13.23)	4940.33 (26.29)	13908.04 (74.02)	-58.61 (-0.31)	13849.43 (73.71)	18789.76 (100)
2007-08	3175.51 (15.16)	3410.72 (16.28)	6586.23 (31.43)	14351.36 (68.49)	15.43 (0.07)	14366.79 (68.57)	20953.02 (100)
2008-09	3917.91 (15.65)	3989.85 (15.94)	7907.76 (31.59)	16616.81 (66.37)	511.81 (2.04)	17128.62 (68.41)	25036.38 (100)
2009-10	5714.77 (18.75)	4203.29 (13.79)	9918.06 (32.54)	19542.62 (64.12)	1015.19 (3.33)	20557.81 (67.46)	30475.87 (100)
2010-11	6251.50 (19.33)	3845.04 (11.89)	10096.54 (31.22)	22058.68 (68.21)	186.07 (0.58)	22244.75 (68.78)	32341.29 (100)
2011-12	7791.99 (20.84)	4354.17 (11.65)	12146.16 (32.49)	24222.90 (64.79)	1018.17 (2.72)	25241.07 (67.51)	37387.23 (100)
CAGR	19.48	17.23	18.53	11.40	-	11.51	13.20

Note: Figure in parenthesis is per cent to total.

Source: RBI State Finances: A Study of State Budgets, various issues

Table 1 show that out of total expenditure (Revenue expenditure and capital outlay) share of plan expenditure is very low. Although total plan expenditure has shown improvement during the study period and its share doubled from 15.84 per cent in 1997-98 to 32.49 per cent in 2011-12 in total expenditure but still it is less than half to the total non-plan expenditure. Within the total plan expenditure, share of plan revenue expenditure remained slightly more than the plan capital outlay, for most of the years. However the difference between the plan revenue and capital expenditure is not very high but this gap started increasing since 2009-10. Both plan revenue expenditure and plan capital outlay registered a very high compound annual growth rate (CAGR) of 19.48 per cent and 17.23 per cent respectively. Total plan expenditure increased at a CAGR of 18.53 per cent during the study period.

Non-plan expenditure dominated the major portion of the total expenditure and grew at a CAGR of 11.51 per cent. The share of non-plan expenditure in total expenditure reduced from 84.16 per cent in 1997-98 to 67.51 per cent in 2011-12. The composition of total non-plan expenditure shows that share of non-plan capital outlay is negligible throughout the study period and it was also negative from 2002-03 to 2006-07. It is non-plan revenue expenditure that constituted the major portion of the total non-plan expenditure and during 2002-03 to 2006-07 share of non-plan revenue expenditure was more than 100 per cent in total non-plan expenditure.

This analysis indicates that it is the non-plan revenue expenditure that constituted the major part of the total expenditure of the State. Although State has shown some improvements by increasing the share of plan expenditure but for last five years this increase has almost stagnated and share of plan expenditure is moving around 32 per cent

ANALYSIS OF REVENUE EXPENDITURE

Revenue expenditure includes all current expenditure of the government and it is met out of current revenues. Total revenue expenditure of Haryana exhibited a continuously increasing trend during the study period. It can be seen in table 2 that revenue expenditure has increased from Rs. 6617.17 crores in 1997-98 to Rs. 32014.89 crores by the end of 2011-12 with a compound annual growth rate (CAGR) of 15.25 per cent per annum. Composition of Total revenue expenditure is given into table 2.

Social service expenditure on revenue account includes expenditure on education, sports, health and medical facilities, water and sanitation services, welfare of depressed classes, labour welfare, expenditure on social security services and other such services for social welfare. In absolute terms, expenditure on social services had doubled from Rs. 1576.68 crores in 1997-98 to Rs. 3218.22 crores in 2004-05 and further increased to Rs. 12641.67 crores by the end of 2011-12. Share of social services in total revenue expenditure increased from 23.83 per cent in 1997-98 to 39.49 per cent in 2011-12. This increase indicates a positive development in terms of allocation of resources on the revenue account.

Economic services expenditure comprises expenditure on general economic services, agriculture, industry, water and power development and transport. Share of expenditure on economic services in total revenue expenditure fell from 30.71 per cent in 1998-99 to 21.48 per cent in 2000-01 and started increasing thereafter and in 2006-07 this share reached to 40.50 per cent. However in absolute terms revenue expenditure on economic services increased continuously till 2011-12 but its relative share in total revenue expenditure started falling and declined to 28.28 per cent in 2011-12.

TABLE 2 HARYANA: COMPOSITION OF REVENUE EXPENDITURE (Rs. Crores)

Year	Social Services	Economic Services	General Services	Grants-in-Aid	Total
1997-98	1576.68 (23.83)	1779.30 (26.89)	3260.69 (49.28)	0.50 (0.01)	6617.17 (100)
1998-99	2084.76 (29.70)	2155.19 (30.71)	2778.45 (39.59)	0.49 (0.01)	7018.89 (100)
1999-00	2257.19 (32.47)	1791.48 (25.77)	2902.92 (41.76)	0.46 (0.01)	6952.05 (100)
2000-01	2506.30 (34.90)	1542.81 (21.48)	3117.33 (43.41)	14.93 (0.21)	7181.37 (100)
2001-02	2724.78 (31.48)	2414.82 (27.90)	3486.19 (40.27)	30.70 (0.35)	8656.49 (100)
2002-03	2808.72 (30.07)	2532.49 (27.11)	3995.31 (42.77)	5.63 (0.06)	9342.15 (100)
2003-04	2995.71 (29.61)	2706.05 (26.75)	4367.72 (43.17)	47.71 (0.47)	10117.19 (100)
2004-05	3218.22 (28.21)	3199.07 (28.04)	4898.10 (42.94)	91.71 (0.80)	11407.10 (100)
2005-06	3995.60 (31.61)	3814.77 (30.18)	4579.67 (36.23)	249.86 (1.98)	12639.90 (100)
2006-07	4615.40 (28.21)	6626.89 (40.50)	4845.05 (29.61)	274.81 (1.68)	16362.15 (100)
2007-08	5738.67 (32.74)	6221.88 (35.50)	5229.68 (29.84)	336.65 (1.92)	17526.88 (100)
2008-09	7258.73 (35.35)	7035.75 (34.26)	6024.47 (29.34)	215.78 (1.05)	20534.73 (100)
2009-10	9902.22 (39.21)	7529.91 (29.81)	7755.35 (30.71)	69.91 (0.28)	25257.39 (100)
2010-11	10904.08 (38.52)	7996.73 (28.25)	9328.14 (32.95)	81.24 (0.29)	28310.19 (100)
2011-12	12641.67 (39.49)	9053.97 (28.28)	10219.83 (31.92)	99.42 (0.31)	32014.89 (100)

Note: Figure in parenthesis is per cent to total.

Source: RBI State Finances: A Study of State Budgets, various issues

General Services include expenditure on different organs of state, interest payments, administrative services, fiscal services and payment of pensions. In general services expenditure the most significant constituents are Interest Payments, Administrative Services, Pensions and Miscellaneous General Services and these four heads constitutes almost all the expenditure on general services. In 1997-98 expenditure on general services was Rs. 3260.69 crores and its share stood at 49.28 per cent in total revenue expenditure. In the next year this expenditure declined to Rs. 2155.19 crores and its relative share in total revenue expenditure fell sharply to 39.59 per cent. However, later this expenditure increased in absolute terms but its share declined to 31.92 per cent by the end of the financial year 2011-12.

The share of grants-in-aid constitutes a very small proportion of total revenue expenditure and this whole sum goes as Compensation and Assignments to Local Bodies (LBs) and Panchayati Raj Institutions (PRIs) during the study period.

The above analysis shows that composition of social and economic services, which together constitutes the development expenditure, has shown a progressive trend during the study period. Growth of expenditure on social services has increased faster than the expenditure on economic services signifying a positive trend of revenue expenditure. However, social and economic services are complimentary but expenditure on social services helps more directly in developing human resources and benefitting the weaker sections of the society. Faster growth and increasing share of developmental expenditure in total revenue expenditure indicates that revenue expenditure of the State government of Haryana is heading towards right direction.

Share of general services and grants-in-aid constitutes the non-development expenditure of the State. Non-developmental revenue expenditure increased in absolute terms but its share in total revenue expenditure declined from significantly from 49.29 per cent to 32.23 during the study period.

Capital Expenditure of the State

Expenditure on capital account largely affects the State's capacity to generate resources though its affects are felt after a comparatively long period. Capital expenditure by the State involves the creation of assets by the State Government. These investments augment the productive capacity of the economy through provision of the infrastructure and capital goods. The real effect of these investments on the growth process is expanded by the "crowding-in" impact on private investment.

Although capital outlay of Haryana increased from Rs. 492.21 crores in 1997-98 to Rs. 5372.34 crores by the end of 2011-12 but the pattern of capital outlay is very inconsistent. Capital outlay increased from Rs. 492.21 crores in 1997-98 to Rs. 1025.76 crores in 1998-99, decreased to Rs. 894.09 crores in 1999-00 and again increased to Rs. 1467.12 crores in 2001-02. However it declined sharply to Rs. 385.67 crores in 2003-04 but from 2004-05 total capital outlay started increasing and it reached to Rs. 5372.34 crores in 2011-12.

TABLE 3 HARYANA: TOTAL CAPITAL OUTLAY AND ITS COMPOSITION (Rs. Crores)

Year	Social Services	Economic Services	Non-Developmental	Total Capital Outlay
1997-98	129.74 (26.36)	339.47 (68.97)	23.00 (4.67)	492.21 (100)
1998-99	148.84 (14.51)	848.97 (82.76)	27.95 (2.72)	1025.76 (100)
1999-00	164.49 (18.40)	702.34 (78.55)	27.26 (3.05)	894.09 (100)
2000-01	142.68 (9.87)	1272.40 (88.05)	30.08 (2.08)	1445.16 (100)
2001-02	191.19 (13.03)	1225.26 (83.51)	50.67 (3.45)	1467.12 (100)
2002-03	214.29 (49.17)	176.16 (40.42)	45.36 (10.41)	435.81 (100)
2003-04	293.68 (76.15)	25.53 (6.62)	66.46 (17.23)	385.67 (100)
2004-05	286.96 (31.99)	551.84 (61.53)	58.13 (6.48)	896.93 (100)
2005-06	439.11 (27.23)	1091.03 (67.67)	82.17 (5.10)	1612.31 (100)
2006-07	649.35 (26.75)	1688.35 (69.55)	89.90 (3.70)	2427.60 (100)
2007-08	922.16 (26.92)	2333.22 (68.10)	170.77 (4.98)	3426.15 (100)
2008-09	1109.28 (24.64)	3197.58 (71.03)	194.81 (4.33)	4501.67 (100)
2009-10	1070.00 (20.50)	3961.11 (75.91)	187.37 (3.59)	5218.48 (100)
2010-11	1229.71 (30.51)	2602.46 (64.56)	198.94 (4.94)	4031.11 (100)
2011-12	1367.41 (25.45)	3769.61 (70.17)	235.32 (4.38)	5372.34 (100)

Note: Figure in parenthesis is per cent to total.

Source: RBI State Finances: A Study of State Budgets, various issues

Total capital outlay and its composition shows that State government of Haryana is not incurring any significant amount as capital outlay. Composition of capital outlay indicates that share of economic services dominated the total capital outlay except for the years 2002-03 and 2003-04 and non-development expenditure constituted very small proportion of total capital outlay.

Although capital outlay during last four-five years has increased significantly but this smaller amount of capital outlay indicates the trend of compressing the capital outlay as a measure of fiscal consolidation.

Trends in Development Expenditure

In view of the significance of public expenditure on developmental activities from the point of view of social and economic development, it is essential for the government to take suitable expenditure rationalisation measures and lay stress on provision of core public and merit goods. Development expenditure consists of items such as education, public health, agriculture, industries and miscellaneous items, where development revenue expenditure finances the current expenditure needs and development capital expenditure is productive in nature.

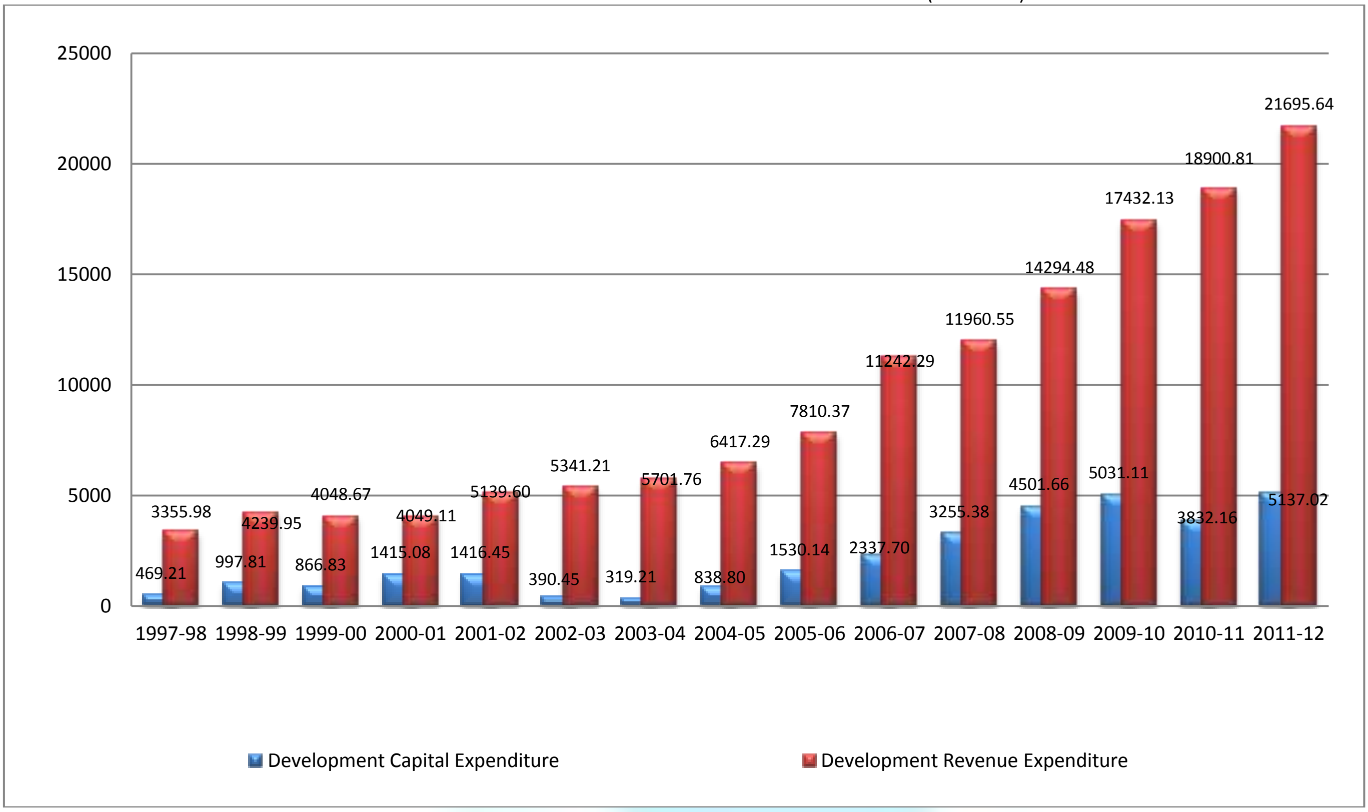
TABLE 4 HARYANA: TRENDS IN DEVELOPMENT EXPENDITURE (Rs. Crores)

Year	Development Capital Expenditure	Development Revenue Expenditure	Total Development Expenditure
1997-98	469.21	3355.98	3825.19
1998-99	997.81	4239.95	5237.76
1999-00	866.83	4048.67	4915.50
2000-01	1415.08	4049.11	5464.19
2001-02	1416.45	5139.60	6556.05
2002-03	390.45	5341.21	5731.66
2003-04	319.21	5701.76	6020.97
2004-05	838.80	6417.29	7256.09
2005-06	1530.14	7810.37	9340.51
2006-07	2337.70	11242.29	13579.99
2007-08	3255.38	11960.55	15215.93
2008-09	4501.66	14294.48	18796.14
2009-10	5031.11	17432.13	22463.24
2010-11	3832.16	18900.81	22732.97
2011-12	5137.02	21695.64	26832.66
CAGR	17.82	14.80	15.26

Source: RBI State Finances: A Study of State Budgets, various issues

Table 4 shows that total development expenditure of the state has been continuously increasing since last one and half decade. However development expenditure did not increase at a high rate during the first half of the study period but since 2003-04 it registered a massive increase and this increase is mainly attributed to the revenue expenditure. Total development expenditure nearly doubled from Rs. 3825.19 crores in 1997-98 to Rs. 7256.09 crores in 2007-08 and further increased to Rs. 26832.66 crores in 2011-12 registering a very high compound annual growth rate (CAGR) of 15.26 per cent. The share of development revenue expenditure increased from Rs. 3355.98 crores in 1997-98 to Rs. 21695.64 crores in 2011-12 with CAGR of 14.80 per cent.

FIGURE 1 HARYANA: DEVELOPMENT EXPENDITURE OF THE STATE (Rs. Crores)



Source: RBI State Finances: A Study of State Budgets, various issues

This is clear from the figure 1 that share of revenue development expenditure is comparatively very large to capital outlay. Capital development expenditure of the State fluctuated till 2004-05 and experienced a sharp decline during 2002-04 period. Since 2005-06 it has been continuously increasing at a very fast rate and by the year 2011-12 it increased more than three times to Rs. 5137.02 crores in 2011-12 from Rs. 1530.14 crores in 2005-06.

Committed Liabilities

Committed liabilities of the governments are that part of the non-plan expenditure which government has to pay without an option of avoidance. Such expenditure includes pension liabilities, interest payments and expenditure incurred on the administrative services. This amount of expenditure is non-developmental in nature and due to its rigid nature it drains a major share of government revenues.

Table 5 shows that expenditure on interest payment was Rs. 820.33 crores in 1997-98 which doubled within a period of five years and became Rs. 1624.47 crores in 2001-02. However later State government controlled the rapid growth of interest payments and from 2002-03 to 2009-10 it increased from Rs. 1945.97 crores to Rs. 2736.53 crores only. This was the result of Debt Swap Scheme (DSS) and Debt Consolidation and Relief Facility (DCRF)which were in operation from 2002-03 to 2004-05 and from 2005-06 to 2009-10 respectively. These schemes helped to reduce the debt burden of the State government thereby controlling the growth of interest payments. However, after 2009-10 the interest payments registered a high growth and reached to Rs. 4000.81 crores in 2011-12.

TABLE 5 HARYANA: COMMITTED LIABILITIES OF THE STATE (Rs. Crores)

Year	Interest Payment	Administrative Services	Pension	Total Committed Expenditure	Committed/RR (Per Cent)	Committed/RE (Per Cent)
1997-98	820.33	402.46	257.55	1480.34	25.10	22.37
1998-99	996.99	532.92	530.71	2060.62	37.61	29.36
1999-00	1357.41	516.53	587.36	2461.30	42.68	35.40
2000-01	1491.91	587.86	570.84	2650.61	40.32	36.91
2001-02	1624.47	628.06	657.05	2909.58	38.28	33.61
2002-03	1945.97	688.88	745.91	3380.76	39.05	36.19
2003-04	2112.65	716.71	765.70	3595.06	36.52	35.53
2004-05	2234.50	800.73	901.93	3937.16	35.31	34.51
2005-06	2099.83	948.62	1033.13	4081.58	29.46	32.29
2006-07	2265.06	1076.59	1173.33	4514.98	25.15	27.59
2007-08	2345.77	1226.46	1297.51	4869.74	24.66	27.78
2008-09	2338.91	1599.62	1614.17	5552.70	30.09	27.04
2009-10	2736.53	2026.86	2390.37	7153.76	34.08	28.32
2010-11	3318.56	2191.18	3094.27	8604.01	33.66	30.39
2011-12	4000.81	2176.56	3204.16	9381.53	30.70	29.30

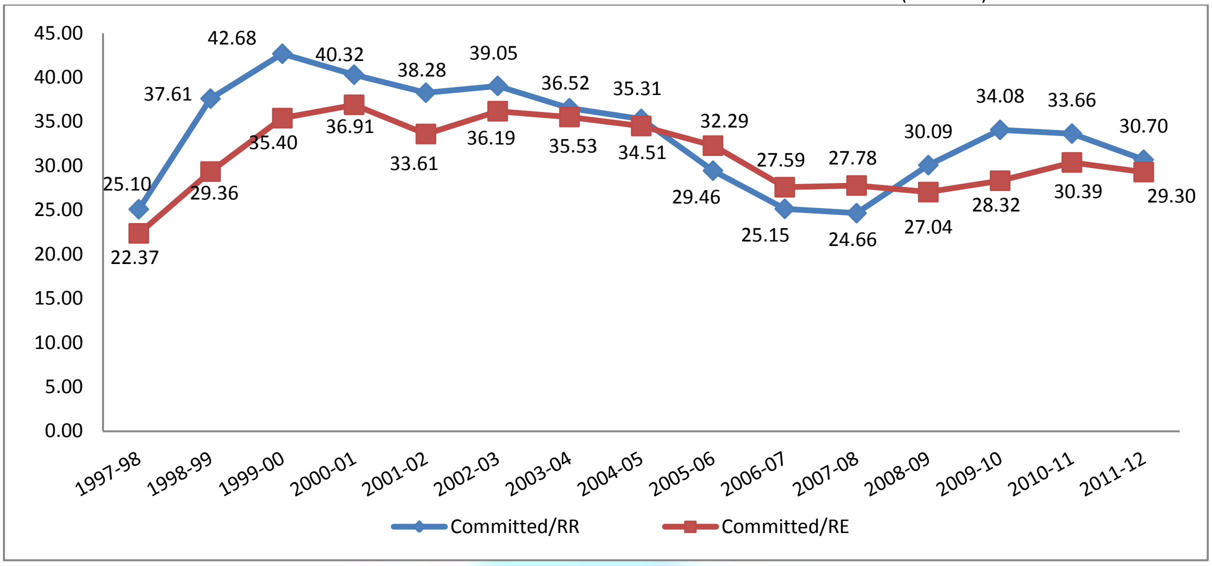
Source: RBI State Finances: A Study of State Budgets, various issues

Expenditure on administrative services also increased consistently and it increased from Rs. 402.46 crores in 1997-98 to Rs. 1226.46 crores in 2007-08. However this pace of growth in administrative services enhanced after the awards of the Sixth Pay Commission and by the year 2011-12 it increased to Rs 2176.56 crores.

Expenditure on Pension is also a major burden on the economy of state government. With the implementation of the recommendations of the Sixth Pay Commission the burden of pensions got further amplified. This can be seen in the table that in 1997-98 expenditure on pensions was Rs. 275.55 crores and within a period of ten years it registered a five-fold increase and in 2007-08 it increased to Rs. 1297.51 crores in 2007-08. This trend continued with the implementation of the Sixth Pay Commission awards and expenditure on pensions reached to Rs. 3204.16 crores by the end of financial year 2011-12.

Figure 2 shows that share of committed expenditure in total revenue expenditure is very large and from 1999-00 to 2004-05 it remained around 35 per cent of the total revenue expenditure.

FIGURE 2 HARYANA: BURDEN OF COMMITTED EXPENDITURE OF THE STATE (Per Cent)



Source: RBI State Finances: A Study of State Budgets, various issues

In 2006-07 this ratio declined steeply to 27.59 per cent from 32.29 per cent in 2005-06 and further declined to 27.04 per cent in 2008-09. This implies that in the second half of the study period there are some positive developments in terms of committed liabilities. However, this ratio slightly increased to 29.30 per cent by the end of 2011-12. Ratio of total committed expenditure to revenue receipts shows that from 1998-99 to 2004-05 committed expenditure consumes more than 35 per cent of the total revenue receipts of the State. However, from 2005-06 to 2007-08 this ratio of committed expenditure to revenue receipts declined below 30 per cent before it started rising again in 2008-09 and remained more than 30 per cent by the end of 2011-12.

The major cause of increasing burden of committed liabilities after 2007-08 is the implementation of recommendations given by the Sixth Pay Commission.

The analysis of total committed liabilities shows that around one-third of the revenues of the State are consumed by this committed expenditure, indicating increasing reliance of the State on the borrowed funds and central transfers to finance other developmental and non-developmental activities of the State.

Subsidies

Expenditure on subsidies is a crucial element of government expenditure particularly in the light of targeting poverty alleviation and the growing need to rationalise expenses for fiscal consolidation. However while allocating funds for subsidies the government should focus on specific key areas of utmost public importance. During the first half of the study, though the finances of the State were under strain but government was paying subsidies to the various Nigams, Corporations, etc. In 1998-99, the total amount of subsidy was Rs. 891 crores which declined to Rs. 226 crores in 2000-01. In the next five years, from 2001-02 to 2005-06, the subsidies paid by the State Government registered a six fold increase and amounted to Rs. 1466 crores in 2005-06.

TABLE 6 HARYANA: EXPENDITURE ON SUBSIDIES (Rs. Crores)

Year	Subsidies	Power Subsidies	Subsidy/RR (Per Cent)	Subsidy/RE (Per Cent)	Subsidy/GSDP (Per Cent)
1998-99	891	846 (94.95)	16.26	12.69	2.04
1999-00	469	412 (87.85)	8.13	6.75	0.96
2000-01	226	138 (61.06)	3.44	3.15	0.41
2001-02	860	764 (88.84)	11.31	9.93	1.42
2002-03	884	829 (93.78)	10.21	9.46	1.26
2003-04	957	924 (96.55)	9.72	9.46	1.16
2004-05	1157	1102 (95.25)	10.38	10.14	1.23
2005-06	1466	1392 (94.95)	10.58	11.60	1.39
2006-07	3852	3759 (97.59)	21.46	23.54	2.96
2007-08	3057	2568 (84.00)	15.48	17.44	2.02
2008-09	3190	2997 (93.95)	17.29	15.53	1.75
2009-10	3089	2780 (90.00)	14.71	12.23	1.39
2010-11	3285	2949 (89.77)	12.85	11.60	1.24
2011-12	3853	3585 (93.04)	12.61	12.04	1.25

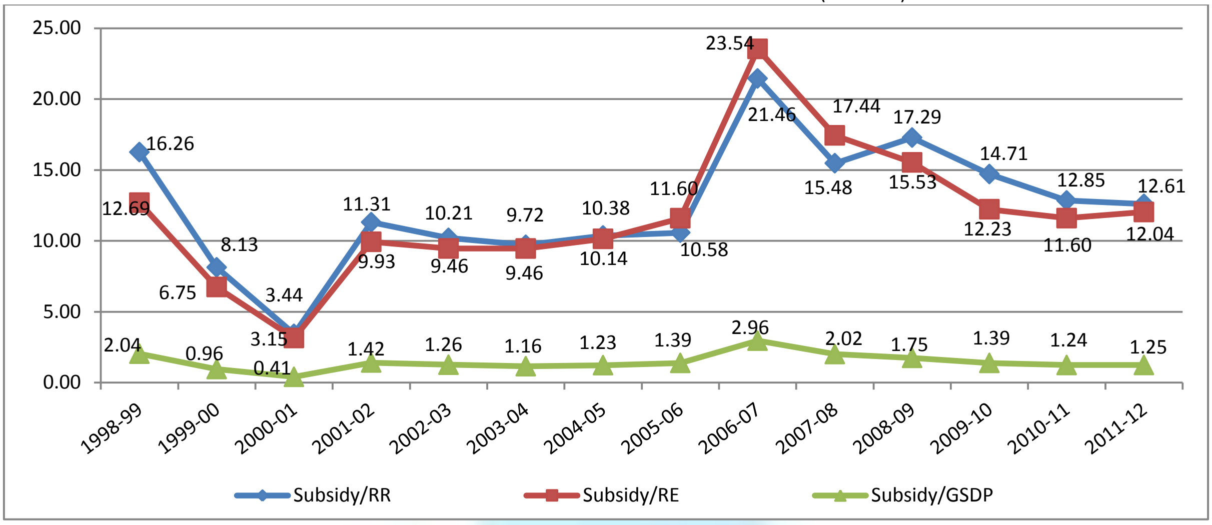
Note: Figure in parenthesis is per cent to total.

Source: RBI State Finances: A Study of State Budgets, various issues

Trends in table 6 indicate a steep rise in the payment of subsidies during 2006-07 over the previous year and constituted around one fifth portion of the total revenue expenditure. Out of total subsidies of Rs 3,852.45 crore in 2006-07, Rs 3,759.34 crore were for power and energy Sector, majority of which was for rural electrification (Rs 1,544.37 crore), fuel surcharge adjustment (Rs 2,022.29 crore) and electricity arrear waiver scheme (Rs 188.76 crore). During 2006-07 it was noticed that the actual expenditure on subsidy to power and energy sector was more than 2.5 times as against the projection of Rs 1,464.80 crore in State's own Fiscal Correction Path (FCP).

However total amount to subsidies declined in 2007-08 and changed slightly thereafter but by the end of 2011-12 total subsidies amounted to the same level (Rs. 3853 crores) as it was in 2006-07. Out of total subsidies of Rs. 3853 crores, Rs. 3585 crores was for the power and energy sector. This actual amount was higher than the projections of Rs. 3321 crores in FCP.

FIGURE 3 HARYANA: MEASURING BURDEN OF SUBSIDIES (Per Cent)



Source: CAG Reports, various issues

Figure 3 represents the burden of subsidies on the finances of the State government. Share of subsidies as per cent to revenue receipts and revenue expenditure declined steeply from 1998-99 and reduced to 3.44 per cent and 3.15 per cent respectively from 16.26 per cent and 12.69 per cent in 1997-98. This ratio of subsidies to revenue receipts and revenue expenditure again jumped in the year 2001-02 to 11.31 per cent and 9.93 per cent respectively. After showing a constant trend this ratio again shot up in 2006-07. This high growth was mainly on account of subsidies for rural electrification. Since 2007-08 this ratio has been continuously declining and this decline is because of continuous increase in revenue receipts and revenue expenditure and not because of declining expenditure on subsidies.

CONCLUSION

The economic performance of Haryana has enabled it to significantly increase public expenditure without affecting the future sustainability of the State. In terms of overall performance it is worth noting that State is performing well in terms of increasing development expenditure, decreasing the burden of committed liabilities and subsidies. However vary low share of plan expenditure indicates the lack of long term planning perspectives. Very low level of capital expenditure is a cause of concern because for improving the quality of education, health and other social services it is very necessary to build a wide infrastructure for providing these services and allocating funds for maintain the existing capital base. Apart from this keeping a check on the quality of services provided by this expenditure is also necessary.

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