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Public Expenditure of Haryana on Development Sector

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Abstract:

Present study highlights the pattern of public expenditure on development sector in Haryana (1990-91 to 2009-10). Development sector comprises the subheads: social and economic services. The composition of government expenditure reflects its priorities. The size and share of developmental expenditure (social and economic services) would reflect the state's concern for development. The paper examines the developmental expenditure of Haryana and its components. The non development expenditure is more in 1994-95 and 1996-97 due to large expenditure on lotteries, pension and other miscellaneous general services including payments on account of state lotteries. The development expenditure major share is on economic services during the initial years of study period as per the plans having more focus on economic growth. In the recent years the gap between economic and social services is shrinking. In social services, education and in economic services, energy sector gain the major account expenditure in the recent years. To raise the share of development expenditure non development expenditure need to be reduced by stressing the least burden on general services expenditure.

1. Introduction

Public expenditure may be defined as the expenditure incurred by public authorities like central, state and local governments to satisfy the collective social wants of the people. It plays a significant role during all stages of economic development of the economy. Trends, size and composition of public expenditure in any country is associated with its development process. The composition of government expenditure reflects its priorities. If development (social or economic) were its major concern, this sector will automatically receive higher allocation (Krishan, 1987). Public expenditure can stimulate economic productivity by directly affecting the education, health, housing and the provision of basic needs. It can, through the provision of infrastructure, make it possible for existing resources to be put to their best uses (Smith and Wahba, 1995). The geographic analysis of public finance is essentially concerned with the spatial context, pattern, and impact of revenue raising, expenditure allocations, and resultant surplus/deficit situations of the governments (Bennett, 1980).

In developing countries revenue expenditure constitutes the lion's share in total expenditure; further, with the development of the economy, share of services in total expenditure increases. Current expenditure has no direct effect on growth whereas aggregate capital expenditure has a positive effect; therefore, developing countries should try to increase capital expenditure in their planning processes. Most studies on state finances in India are agreed that after the mid-1980s, growth of revenue expenditure has been faster than the revenue receipts in the states on account of increasing burden of wages and salaries, subsidies to the various loss bearing PSUs, implicit subsidies especially to the SEBs and interest liabilities etc. (Rao, 1992). This caused most of the Indian state governments to face deterioration in their financial position. In this paper the pattern of development expenditure and its subheads will be examined.

2. Classification of Public Expenditure

Classification of public expenditure refers to the systematic arrangement of different categories of government expenditure. In the government accounts, the categorization is partly on the basis of primary accounting principles and partly on the basis of various functions that the government spends on.

2.1. Revenue and Capital Expenditure

Revenue expenditure relates to the normal running of government departments and various services, interest charges on debt incurred by the government and all transfers including grants given to the state government (in case of Central Government's expenditure), local bodies and other parties (in case of state governments). Capital expenditure includes those expenditures of the Government which lead to the creation of physical or financial assets or reduction in recurring financial liabilities. Capital disbursements are of two kinds: those spent directly (capital outlays i.e. direct expenditure on the Social, Economic and General Services from the capital account of the state government) and those spent indirectly by extending loans and advances or repaying (liquidating) loans (liabilities) incurred earlier.

2.2. Developmental and Non Developmental Expenditure

Revenue and Capital Expenditure may be further divided into developmental and non-developmental expenditure. Generally, expenditures on Social and Economic Services are considered as developmental expenditure and expenditures on General Services are considered as a non developmental expenditure.

2.2.1. Social Services refer to the expenditure on basic amenities to benefit citizens as consumers. It relates to expenditure on Education, Sports, Art 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 Labour Welfare, Social Security and Welfare, Nutrition, Relief on account of Natural Calamities and Other Social and Community Services.

2.2.2. Economic Services refer to all such expenditure which promotes productive activities within the economy. The major heads of expenditure in this sector are: Agricultural and Allied Services, Special Area Programmes, Irrigation and Flood Control (includes expenditure on Major and Medium Irrigation, Minor Irrigation and Flood Control and Drainage), Energy, Industry and Minerals, Transport and Communications, Science, Technology and Environment, and General Economic services like Secretariat (Economic Services), Tourism, Civil Supplies and Others (includes expenditure on Foreign Trade and Export Promotion, Census, Survey and Statistics and Other General Economic Service)

2.2.3. General Services includes expenditure on both civil and defence services. The major heads of expenditure of this sector are: Organs of State, Fiscal services, Interest Payments and Servicing of Debt, Administrative Services. Besides development and non-development revenue expenditure, the state government also incurs expenditure on Grant in Aid and Contributions to the Local Bodies and Other Parties, Compensation and Assignments to Local Bodies and Panchayati Raj Institutions, and to maintain Reserves with Finance Department of the state. Similarly expenditure on following heads is also being included in.

2.3. Total Capital Disbursement

Like revenue expenditure in addition to capital outlay for development and non development purpose it also includes the following heads: Discharge of Internal Debt, Repayment of Loan to the Centre, Loan and Advances by State Government, Loan and Advances for Developmental and Non-Developmental Purposes.

All kinds of expenditure whether it is revenue expenditure or capital expenditure, developmental or non-developmental expenditure, may be further categorized into Plan and Non-Plan Expenditure.

3. Objectives

The objectives of this paper are: (1) to examine the share of development and non development expenditure in Haryana (2) to explore the pattern of revenue and capital share in development and non development expenditure of Haryana (3) to identify the pattern of social and economic services with its subheads in development expenditure of Haryana.

4. Data Source and Methodology

For the present study data have been collected from the Hand Book of Statistics on State Finance (2010) published by Reserve Bank of India. Variables taken under the present study are total development and non development expenditure in Haryana, share of revenue and capital in development and non development expenditure, subheads of development expenditure consisting social and economic services. The present study is concentrated on the post reform period from 1990-1991 to 2009-2010.

5. Development and Non development expenditure

The share of development expenditure is above 70 percent from 1990-91 to 1992-93 and 2006-07 to 2009-10. It is below 50 percent in 1994-95 (Figure 1). It reflects that in the initial years the development expenditure exceeds the non development expenditure due to more expenditure on providing the social and economic services. The non development expenditure includes the expenditure on general services (organs of state, fiscal services, interest payments and servicing of debt, Administrative services and pensions).

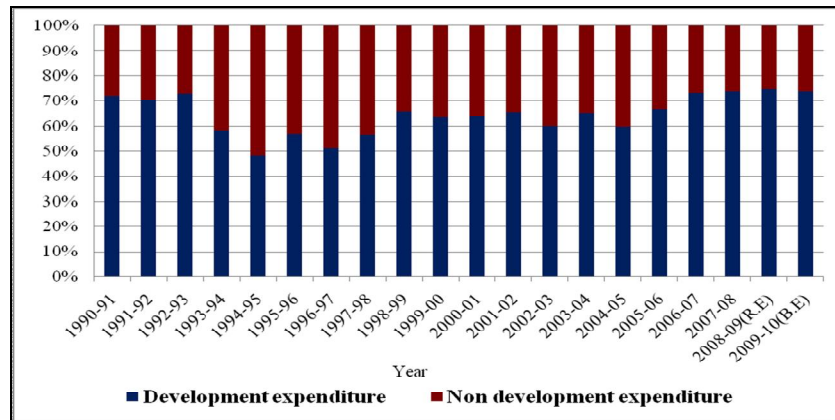


Figure 1: Share of Development and Non Development Expenditure in Haryana
Source: Handbook of Statistics on State Government Finances (2010)

6. Revenue and Capital Expenditure

The revenue accounts maximum share of public expenditure on the development and non development subheads. In the development expenditure, revenue comprises about two third of the expenditure as comparative to capital expenditure whereas in the non development expenditure revenue accounts above 95 percent of total expenditure (Table 1). It shows the capital expenditure more in the development as comparative to non development reflecting more focus on social and economic services. The major burden of the non development revenue expenditure is due to the high expenses on pensions, organs of state and fiscal services consisting major on interest payments.

Year	Development		Non development	
	Revenue	Capital	Revenue	Capital
1990-91	77.63	22.37	97.50	2.50
1991-92	81.01	18.99	97.28	2.72
1992-93	78.06	21.94	97.71	2.29
1993-94	75.36	24.64	98.82	1.18
1994-95	84.27	15.73	99.31	0.69
1995-96	81.39	18.61	98.82	1.18
1996-97	79.45	20.55	98.88	1.12
1997-98	78.71	21.29	99.30	0.70
1998-99	78.05	21.95	97.85	2.15
1999-00	78.40	21.60	97.81	2.19
2000-01	71.02	28.98	97.64	2.36
2001-02	75.42	24.58	97.39	2.61
2002-03	86.90	13.10	97.87	2.13
2003-04	67.79	32.21	97.64	2.36
2004-05	86.39	13.61	98.11	1.89
2005-06	82.77	17.23	96.55	3.45
2006-07	82.15	17.85	96.60	3.40
2007-08	77.57	22.43	95.40	4.60
2008-09(R.E)	80.02	19.98	94.95	5.05
2009-10(B.E)	77.48	22.52	96.74	3.26

Table 1: Percentage Share of Revenue and Capital in Development and Non development Expenditure
Source: Handbook of Statistics on State Government Finances (2010)

7. Social and Economic Services

The major share of the development expenditure constitutes the economic sector. The expenditure on economic sector is more than the social sector from 1990-91 to 2009-10 except the year 2002-03 and 2009-10 (Figure 2). It shows that the share given to the economic sector is decreasing because in the earlier plans more importance was given to the agriculture and industrial sector and other economic services but now the focus is on social sector.

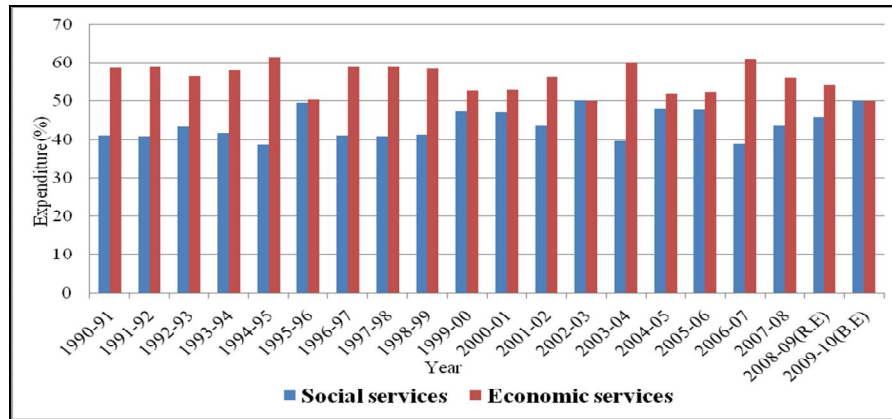


Figure 2: Share of Social and Economic Services in Development Expenditure of Haryana
Source: Handbook of Statistics on State Government Finances (2010)

7.1. Social Services

The social sector expenditure in Haryana depicts that education has captured more share in the social service expenditure (Table 2). The share of education covers near about 50 percent. The share of health is very less compared to the education and decreased from 12.67 to 8.29 percent whereas the share of water supply is increased from 6.80 to 13.09 percent from 1990-91 to 2009-10. The share of housing is very meagre and decreased from 3.76 to 0.24 percent from 1990-91 to 2009-10. The other social welfare expenditure also increased from 28.46 to 31.16 percent from 190-91 to 2009-10. Others category includes family welfare, urban development, welfare of scheduled castes, scheduled tribes and other backward classes, labour and labour welfare, social security and welfare, nutrition, relief on account of natural calamities and other social welfare measures. The social security and welfare, Nutrition, labour and labour welfare and welfare of scheduled castes, scheduled tribes and other backward classes constitutes the major portion of other social welfare sector expenditure.

Year	Percentage to total social services expenditure				
	Education	Health	Water Supply	Housing	Others
1990-91	48.30	12.67	6.80	3.76	28.46
1991-92	49.59	13.69	8.00	2.57	26.15
1992-93	49.29	13.59	9.64	2.84	24.64
1993-94	48.70	11.98	10.54	3.19	25.60
1994-95	43.23	12.11	18.90	1.91	23.85
1995-96	38.99	7.88	9.62	1.30	42.21
1996-97	47.33	9.88	17.87	1.08	23.83
1997-98	49.62	11.19	14.49	0.57	24.13
1998-99	55.34	11.52	12.73	0.43	19.98
1999-00	51.86	10.27	14.52	0.55	22.80
2000-01	49.75	9.84	12.88	0.46	27.08
2001-02	49.91	9.20	14.55	0.45	25.89
2002-03	47.25	9.69	16.12	0.43	26.51
2003-04	46.09	9.42	18.50	0.45	25.53
2004-05	47.05	9.41	15.88	0.50	27.16
2005-06	44.33	8.97	16.27	0.41	30.02
2006-07	43.68	8.09	17.94	0.49	29.80
2007-08	42.14	7.71	18.31	0.55	31.29
2008-09(RE)	46.64	8.67	16.00	0.53	28.17
2009-10(BE)	47.23	8.29	13.09	0.24	31.16

Table 2: Social Services Expenditure in Haryana
Source: Handbook of Statistics on State Government Finances (2010)

7.2. Economic Services

The economic services expenditure includes more than one third of the total expenditure in energy (36.2 percent) followed by transport and communications (28.1 percent), irrigation and flood control (15.2 percent), rural development (8.8 percent), agriculture and allied services (7.0 percent), general economic services (3.5 percent) and industry and minerals, science, technology and environment less than 1 percent in the state in 2009-10 (Table 3). General economic services include secretariat, tourism and civil supplies and others. The energy sector shows the maximum increase from 19.7 percent in 1990-91 to 36.2 percent in 2009-10 whereas the Transport and communication, rural development, general economic services and science, technology and environment increase is meagre. On the other side the agriculture and allied activities decreased from 20.2 percent in 1990-91 to 7.0 percent in 2009-10 whereas irrigation and flood control decreased from 23.6 percent in 1990-91 to 15.2 percent in 2009-10. In the initial years agriculture and allied activities and irrigation and flood control hold the maximum share of economic service expenditure as necessary to give the initial infrastructure to the state. Being agriculturally developed state now Haryana is shifting towards the energy sector by increasing its share in economic expenditure leaving behind the agriculture sector. Industry and minerals sector also decreased from 3.1 percent in 1990-91 to 0.9 percent in 2009-10.

Year	Percentage to total economic service expenditure							
	Agriculture & Allied Activities	Rural Development	Irrigation & Flood Control	Energy	Transport & Communications	Industry & Minerals	Science, Technology & Environment	General Economic Services
1990-91	20.2	7.0	23.6	19.7	24.3	3.1	0.2	1.9
1991-92	17.6	6.0	26.0	19.8	25.0	2.5	0.2	2.8
1992-93	19.4	4.3	26.3	19.0	25.6	3.0	0.2	2.3
1993-94	19.2	5.0	41.9	4.5	25.5	2.1	0.2	1.6
1994-95	8.6	3.1	30.1	37.3	18.4	1.3	0.1	1.1
1995-96	12.1	3.2	23.4	31.0	24.6	4.1	0.3	1.3
1996-97	11.2	2.5	21.3	41.0	19.9	3.0	0.1	0.9
1997-98	11.1	2.6	22.0	39.7	19.5	3.5	0.1	1.6
1998-99	15.4	2.0	18.9	39.7	18.8	4.1	0.1	0.9
1999-00	12.2	4.4	22.8	31.5	22.3	3.8	0.1	2.9
2000-01	32.3	3.0	21.5	16.4	21.5	3.8	0.1	1.5
2001-02	25.2	3.5	20.2	23.4	22.8	2.8	0.1	2.0
2002-03	0.3	4.4	25.6	33.4	26.4	8.5	0.1	1.3
2003-04	-4.9	2.7	12.6	64.3	19.6	2.2	0.1	3.2
2004-05	5.8	4.3	18.4	37.9	29.4	3.2	0.2	1.0
2005-06	10.3	5.7	19.6	34.4	25.8	3.0	0.2	1.0
2006-07	6.9	3.9	13.3	54.5	18.4	2.2	0.1	0.7
2007-08	12.8	6.8	18.4	39.4	18.8	1.6	0.1	2.1
2008-09(RE)	10.5	9.5	17.2	37.3	21.0	1.7	0.1	2.6
2009-10(BE)	7.0	8.8	15.2	36.2	28.1	0.9	0.3	3.5

Table 3: Economic Services Expenditure in Haryana
Source: Handbook of Statistics on State Government Finances (2010)

8. Conclusion

The development of any state depends on the pattern of public expenditure in which it further considers its prior sector whether development and non development. For the economic development of the state it should focus more on development expenditure. The share of development expenditure is more than the non development expenditure in Haryana. The size of development expenditure on the revenue part has shrunk due to the high expenses of non development expenditure comprising pensions, organs of state and fiscal services consisting major on interest payments. In the initial years the development expenditure exceeds the non development expenditure due to more expenditure on providing the social and economic services. The wide gap between the social and economic services is also decreasing as in the earlier plans more importance was given to the agriculture and industrial sector and other economic services but now the focus is on social services. In social services the major expenditure is on education whereas in the economic services energy accounts the major expenditure. The state government has to reduce its non development expenditure to defend the share of development expenditure by lowering the payments of interest and other general service expenses.

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