



Fiscal Position of Punjab and Haryana Since Since 1990S - A Comparative Analysis

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ABSTRACT

In India, sharp deterioration in state finances - as evidenced by sharp increases in revenue, fiscal and primary deficits, increases in their indebtedness and contingent liabilities, and decline in capital and maintenance expenditures - has been a matter of serious concern to policy-makers. The poor financial position of Punjab for the last many years has cast a shadow on its development. The state plans of Punjab are suffering due to a resource crunch and Haryana is pushing behind Punjab from last many years in all aspects. It is significant to study the fiscal performance, revenue receipts and expenditure structure of Punjab and Haryana. In this framework the present study would analyse fiscal performance of Punjab and Haryana states since 1990s.

KEYWORDS : Revenue surplus/deficit, Capital surplus/deficit , overall budgetary position

Introduction

The issue of state governments' finances has drawn attention of economists, administrators and planners all over India. Since the 1980s state governments' finances in Indian economy have been found under heavy stress as most of the state governments are facing a worsening budgetary situation which has substantially affected their development expenditure. The state governments have to mobilize resources to meet the ever growing expenditure on social and economic development in their respective regions. They derive their resources besides state tax and non-tax sources of revenue through their share in central taxes, grants-in-aids from central government and other borrowings. State Governments rely heavily on transfer of resources from the centre, while carrying out bulk of the expenditure commitments of the government. The State Governments undertaken around 57 per cent of the total government (centre and state combined) expenditure, while raise around 36 per cent of the total resources. Moreover, there is also a persistent disparity in the developmental status of the states which underlines their expenditure requirements and an emerging divergence in the level of economic growth within the states which impairs the ability of the poorer states to raise revenue to finance their developmental needs (Ganguly, K., 2009).

After the re-organisation of Punjab state in 1966, a part of it was carved out and Haryana state was formed. Haryana which was initially at a lower level of economic development picked up subsequently. Now a stage appears to have reached where Haryana's per capita income is more as compared with that of Punjab. Further, Haryana's economy is growing at 11.2 per cent as compared to economy of Punjab (6.32 per cent). Haryana has been pioneer in carrying out fiscal reforms. Since 2005, Haryana has become a revenue surplus state. In 1980-90, the growth rate of GDP in Punjab was 5.14 per cent which fell to 4.14 per cent in 1990-2004 but in case of Haryana, it was 6.68 per cent in 1980-90 and 6.63 per cent in 1990-2004. So, till 2004, Haryana's all over growth rate was higher than that of Punjab. The poor financial position of Punjab for the last many years has cast a shadow on its development. The state plans of Punjab are suffering due to a resource crunch and Haryana is pushing behind Punjab from last many years in all aspects. It is significant to study the fiscal performance, revenue receipts and expenditure structure of Punjab and Haryana. In this framework the present study would analyse fiscal performance of Punjab and Haryana states since 1990s.

Fiscal Position of Punjab State Since 1990s

Revenue Account

Table 1.01 exhibits the overall budgetary position of the Punjab state since 1990s. The amount of revenue receipts of Punjab government has increased from Rs. 1975.69 crore in 1990-91 to Rs. 26235.78 crore in 2011-12 at the overall growth rate of 12.59 per cent per annum while revenue expenditure increased from Rs. 2519.91 crore in 1990-91 to Rs. 33045.32 crore in 2011-12 at the overall growth rate of 12.30 per cent per annum. Such a situation has resulted into growing revenue deficit of state government. Since 1984-85, Revenue deficit has continuously grown till the end of twentieth century except two years. Revenue deficit was mounted to the peak level of Rs. 3781.19 crore during the year 2001-02. This is the worst year in the history of Punjab. After this year revenue deficit started declining and it

turned into surplus during 2006-07.

Revenue account of the Punjab's budget since 1990-91 has been showing deficit expect 2006-07. The situation became grim in 2001-02 when revenue deficit was the highest during the study period. But, it started declining gradually after this year. During the year 2006-07, it has showed surplus, because committed expenditure on salaries, pensions and interest payments has decreased from 118.24 per cent of revenue receipts in 2001-02 to 73.91 per cent in 2006-07. But from 2007-08, it has again showing deficit. The excess of revenue expenditure over revenue receipts into the revenue deficit of the state. Increasing revenue deficit means on the one hand less funds available for development/capital works and growing indebtedness of the state, as the gap in revenue account is filled by high cost borrowing by the state. An orthodox principle of fiscal management suggests that revenue expenditure, which is basically consumption expenditure, should be fully met from revenue receipts. In fact, an even more conservative principle of budgeting is to generate revenue surplus for capital expenditure i.e., for creation of durable assets or extinguishing further liabilities.

Capital Account

While analyzing the total receipts on capital account increased from Rs. 1305.89 crore in 1990-91 to Rs. 8549.86 crore in 2011-12 at the overall growth rate of 9.56 per cent per annum. This leads to more expenditure on interest payments and highest debt burden. Normally borrowed funds should be used for productive purposes and creating capital assets which generate income to service the debt, but this has not been the case in Punjab. Capital expenditure like expenditure on general services, social services and economic services has increased from Rs. 740.04 crore in 1990-91 to Rs. 1774.73 crore in 2011-12 and grew at 7.51 per cent per annum. Lower expenditure and higher receipts on capital account is very unhealthy development as it indicates declining public investment as well as use of public borrowings for financing current expenditure.

Surplus on capital account increased from Rs. 565.85 in 1990-91 to 3742.54 Crore in 2002-2003, but it decreased to Rs. 1030.91 Crore in 2005-06. But after that capital account showing surplus reveal the picture of borrowed amount used to meet current account expenditure.

The overall budgetary position of the state government includes transactions on both revenue and capital accounts. So far as overall account in Punjab is concerned, there have been wide fluctuations over the period under the study. However, overall behavior shows surplus in 10 years and deficit during a longer duration of period, i.e., the other 12 years.

The state's finance has been under stress since 1987-88, when Punjab became a revenue deficit state from a revenue surplus state. This requires a restoration of balance between revenue receipt and revenue expenditure. The state government would have to ensure that its expenditure doesn't grow at a higher rate as compared to it. For this purpose, there is an urgent need to contain Governments expenditure especially non-plan non development public expenditure in the state. The tendency of growing non development expenditure needs to be reversed. This is required urgently in the state at present because there must be massive efforts to improve social infrastructures

and strengthen physical infrastructure to the levels where it can attract the private capital investment in the state.

Overall Budgetary Position of the Haryana State Since 1990s Revenue Account

The budgetary position of Haryana state on both accounts, i.e., revenue account and capital account from 1990-91 to 2011-12 has been shown in the table 1.02. Revenue receipts as well as revenue expenditure have been continuously increasing in Haryana state throughout the study period. The amount of revenue receipts of Haryana government has increased from Rs. 1913.42 crore in 1990-91 to Rs. 30557.59 crore 2011-12 with the overall compound growth rate of 12.70 per cent, while revenue expenditure has increased from Rs. 1933.07 crore to Rs. 32014.89 crore with the compound growth rate of 12.67 per cent per annum during the same period. It has been also observed, there was a small difference between growth rate of revenue receipts and revenue expenditure of Haryana state if the period of 22 years is taken into consideration. It has been also observed from the table that Haryana state showed revenue deficit position in 16 years out of 22 years.

Capital Account

Capital account gives the comparative statements of borrowings and investments of the government. Capital receipts are of capital nature which cannot be applied as a set-off to capital expenditure. Capital expenditure deals with the expenditure usually met from borrowed funds with the main objective of increasing capital assets. The dynamics of capital account of Haryana government are also depicted in the table 1.02. Capital receipts of Haryana had mounted from Rs.319.17 crore in 1990-91 to Rs.7033.06 crore in 2011-12. While in Haryana,

penditure reforms in order to curtail non-development expenditure.

capital expenditure had mounted from Rs. 186.16 crore to Rs. 5999.41 crore during the same period. In Punjab, it grew at 12.96 per cent per annum, while in Haryana it grew at 19.39 per cent per annum.

The overall Budgetary position of the state government includes transaction on both revenue and capital account so far as overall account in Haryana is concerned; there have been wide fluctuations over the period under the study. For instance, during 1990-91 to 1995-96 there were surpluses. Thereafter, there were deficits during 1996-97 to 2001-02, after this year, the state enjoyed surpluses to 2006-07, but economic recession has again pushed the state into the condition of deficit. And during 2007-08 to 2011-12 there were deficits. However, overall behavior shows surplus in 12 years and deficit during the other 10 years.

Conclusion

Since 1990s, fiscal situation of the Punjab and Haryana was not good and experiencing higher levels of deficits and debt. Revenue account of the Punjab's budget since 1990-91 has been showing deficit except 2006-07 and on the other hand, Haryana state showed revenue deficit position in 16 years out of 22 years. However, in Punjab overall behavior shows surplus in 10 years and deficit during a longer duration of period, i.e., the other 12 years. While in Haryana, overall behavior shows surplus in 12 years and deficit during the other 10 years. Both states should make more efforts to raise their current account revenue through own tax revenue as well as own non-tax revenue in order to raise revenue resources and it will help to reduce lower revenue deficit. Punjab and Haryana both spend more than their means and are suffering from imbalance in revenue and expenditure and deteriorating fiscal position. But, fiscal scenario is the worst in Punjab. Thus, both states should keep their houses in order. They should go for tax reforms in order to augment revenue and adopt rigorous ex-

Table 1.01 Overall Budgetary Position of the Punjab State Since 1990s (Rs. Crore)

Year	Revenue Receipts	Revenue Expenditure	Revenue Surplus/deficit	Capital Receipts	Capital Expenditure	Capital Surplus/Deficit	Overall Budgetary Position
1990-91	1975.69	2519.91	-544.22	1305.89	740.04	565.85	21.63
1991-92	3715.84	4196.71	-480.87	1272.32	710.98	561.34	80.47
1992-93	2786.93	3422.52	-635.59	1228.53	660.81	567.72	-67.87
1993-94	3276.63	4043.56	-766.93	1476.2	791.5	684.7	-82.23
1994-95	5300.92	6042.76	-741.84	1759.13	1089.9	669.23	-72.61
1995-96	5184.79	5634.99	-450.2	1664.55	968.22	696.33	246.13
1996-97	5568.61	6925.67	-1357.06	1647.67	189.31	1458.36	101.3
1997-98	6351.3	7835.2	-1483.9	2373.88	1088.54	1285.34	-198.56
1998-99	5755.97	8384.31	-2628.34	4012.19	1255.25	2756.94	128.60
1999-2000	7467.86	10194.98	-2727.12	3208.9	575.97	2632.93	-94.19
2000-01	9376.86	11712.83	-2335.97	4224.78	1694.68	2530.1	194.13
2001-02	8928.62	12709.81	-3781.19	5750.51	2050.11	3700.40	-80.79
2002-03	11071.18	14825.12	-3753.94	4501.69	759.15	3742.54	-11.4
2003-04	12138.96	15701.92	-3562.96	4906.56	1422.23	3484.33	-78.63
2004-05	13807.48	17198.03	-3390.55	4345.48	858.26	3487.22	96.67
2005-06	16966.48	18206.73	-1240.25	2581.28	1550.37	1030.91	-209.34
2006-07	20567.14	18543.78	2023.36	4928.83	3030.82	1898.01	3921.37
2007-08	23213.05	24493.62	-1280.57	5043.82	3445.14	1598.68	318.11
2008-09	20712.79	24568.99	-3856.20	6392.50	2913.00	3479.50	-376.7
2009-10	22156.58	27407.94	-5251.36	7472.63	2195.25	5277.38	26.02
2010-11	27608.47	32897.18	-5288.71	7322.11	2452.49	4869.62	-419.09
2011-12	26235.78	33045.32	-6809.54	8549.86	1774.73	6775.81	-33.73
Overall Growth Rate	12.59	12.30		9.56	7.51		

Source: Statistical Abstract of Punjab: Various Issues

Table 1.02 Overall Budgetary Position of Haryana State Since 1990s (Rs. Crore)

Year	Revenue Receipts	Revenue Expenditure	Revenue Surplus/Deficit	Capital Receipts	Capital Expenditure	Capital Surplus/Deficit	Overall Budgetary Position
1990-91	1913.42	1933.07	-19.65	319.17	186.16	133.01	113.36
1991-92	2241.78	2274.02	-32.24	268.32	145.99	122.33	90.09
1992-93	2377.63	2379.34	-1.71	286.46	228.33	58.13	56.42
1993-94	3481.45	3401	80.45	423.59	202.92	220.67	301.12
1994-95	5882.41	6272.92	390.51	800.61	206.58	594.03	984.54
1995-96	5014.73	5361.56	-346.83	852.18	285.87	566.31	219.48
1996-97	6048.33	6767	-718.67	961.22	446.65	514.57	-204.10
1997-98	5716.8	6617.17	-900.37	1385.13	492.21	892.92	-7.45
1998-99	6504.69	7018.89	-514.2	1672.12	1025.77	646.35	132.15
1999-2000	5766.76	6952.05	-1185.29	1728.42	894.09	834.33	-350.96
2000-01	6573.89	7181.37	-607.48	1194.26	1445.16	-250.9	-858.38
2001-02	7598.55	8834.69	-1236.14	2475.9	1467.12	1008.78	-227.36
2002-03	8657.37	9342.13	-684.76	1822.96	435.8	1387.16	702.40
2003-04	9843.48	10117.19	-273.71	2650.53	385.65	2264.88	1991.17
2004-05	11149.06	10407.1	714.96	1617.27	896.93	720.34	1435.30
2005-06	13853.31	12639.9	1213.41	2531.14	1788.98	742.16	1955.57
2006-07	17952.43	16362.15	1590.28	3098.86	2612.32	486.54	2076.82
2007-08	19750.74	17526.87	2223.87	226.53	3711.67	-3485.14	-1261.27
2008-09	18452.31	20534.73	-2082.42	2954.83	4833.98	-1879.15	-3961.57
2009-10	20992.66	25257.38	-4264.72	5931.63	6048.17	-116.54	-4381.26
2010-11	25563.68	28310.19	-2746.51	6112.69	4752.97	1359.72	-1386.79
2011-12	30557.59	32014.89	-1457.30	7033.06	5999.41	1033.65	-423.65
Overall Growth Rate	12.70	12.67		12.96	19.39		

Source: Statistical Abstract of Haryana: Various Issues

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