

# Final Report on Evaluation of Finances of State of Haryana

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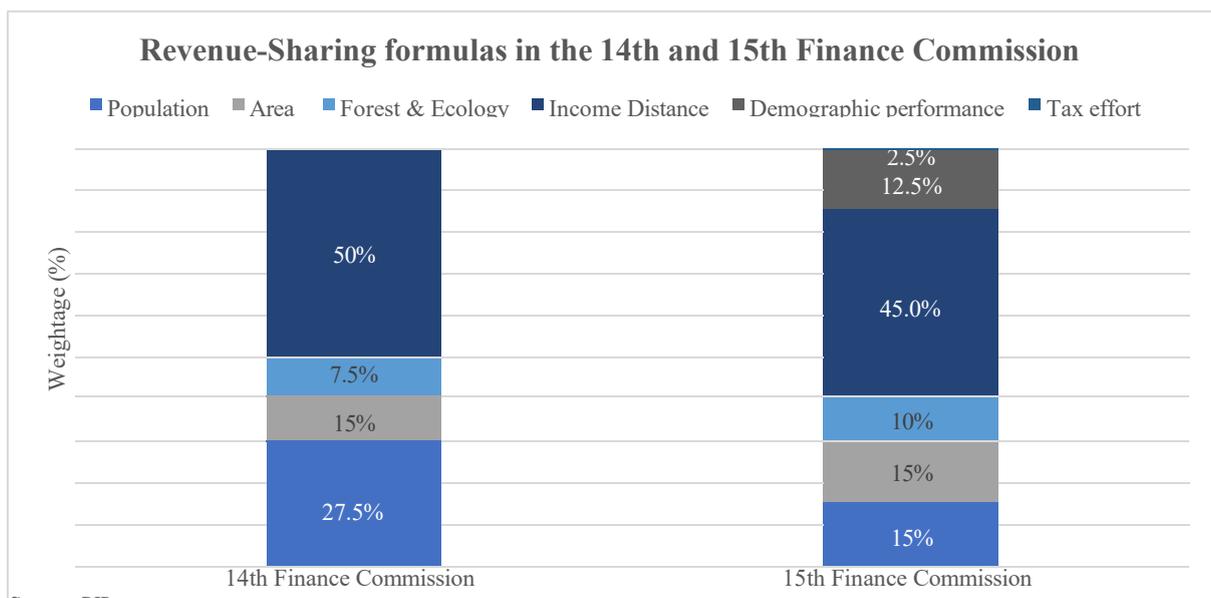
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## Executive Summary

### Background of this Study:

Fifteenth Finance Commission recommendations, which were approved by the Government of India in 2021, had kept the devolution of States’ share of taxes intact as recommended by the Fourteenth Finance Commission. It also recommended withdrawal of some of the centrally sponsored schemes (CSS). Fiscal consolidation roadmap suggested by Fourteenth Finance Commission included a ceiling of Fiscal deficit to 3% of GSDP from 2016 - 17 onwards for the states. Moreover, the states’ share of pooled Union Taxes was decided on the basis of population (2011 census); demographic changes in population since 1971; income distance calculated by difference between the three-year GSDP average for each state with respect to the state having highest per capita GSDP; Forest cover as an opportunity cost for areas not available for other activities; and geographical areas of the states. In Fifteenth Finance Commission’s report the same reference of population and other parameters have been used in tax efforts. The highest weightage was given to Income Distance (45%) followed by the Population, and Geographical Area (15% each), a new parameter to reward the states with better demographic performance (12.5%) was introduced and to enhance sustainability efforts forest cover and ecology (10%) were given a bit more weightage than earlier. Tax efforts also were given due recognition by sharing 2.5% of the revenue to emphasize States’ greater Fiscal responsibilities. There was guarantee, agreed upon by the Union Government, for Revenue compensation due to GST implementation for states, which may undergo revenue losses due to newly implemented uniform GST system across the country and all the states; jurisdiction. Under such a framework it would be pertinent to study the impact of Fifteenth Finance Commission on State Finances of Haryana with respect to the different parameters of revenue, expenditure, deficits, and debt of the states.

The following figure summarizes the comparative analysis of the sharing formulae between the Fourteenth and Fifteenth Finance Commissions:



Haryana is one of the smaller states of Indian Union with only 1.3% of country's geographical area and 2.09% of the population of India (White Paper, Ministry of Finance, Government of Haryana, 2015). Accordingly, the Fifteenth Finance Commission had recommended a little over 1% of tax devolution for the state, not much different from the recommendations of the previous Finance Commission. Haryana was not recognized as a Revenue Deficit state by the Fourteenth Finance Commission. A Revenue deficit state was endowed with separate Grant-in-aid by the Fourteenth Finance Commission. It is pertinent to study the impact of such devolution on State finances of Haryana and also to understand FRBM of this state. With the implementation of GST in 2017-18, this study would explore whether Haryana has implemented GST in an efficient manner and whether GST has improved the revenue receipts of the state.

The Fourteenth Finance Commission also suggested to amend Electricity Act of 2003 for each state to incorporate any levy of penalty for delayed subsidy payments by the States. The study proposes to explore the policy and impact on power subsidy. The study proposes to arrive at a Fiscal Roadmap for the State of Haryana for the next five years.

### **Objectives of the study:**

#### **General Objective:**

- Critical evaluation of the overall Haryana's State finances over the twelve-year period with reference to the Schedule 1 of TOR of the 16<sup>th</sup> Finance Commission.
- To suggest ways for improved financial performance of Haryana.

#### **Specific Objectives:**

- i. To estimate of revenue capacities of State and Measures to improve the tax-GSDP ratio during last five years.
- ii. To suggest for enhancing the revenue productivity of the tax system in the State
- iii. To analysis of the state's own non-tax revenues and suggestion to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.
- iv. To study the Expenditure pattern and trends separately for Revenue and Capital, and major components of expenditure thereunder.
- v. To identify Measures to enhance allocative and technical efficiency in expenditures during the last 5 years and provide Suggestions for improving efficiency in public spending.
- vi. To analyze the state deficits – fiscal and revenue
- vii. To analyze the level of debt to GSDP ratio and the use of debt (i.e., whether it has been used for capital expenditure or otherwise).
- viii. To identify Composition of the state's debt in terms of market borrowing, off-budget borrowings, Central government debt (including those from bilateral/ multilateral lending agencies routed through the Central government), liabilities in public account

(small savings, provident funds etc.) and borrowings from agencies such as NABARD, LIC etc.

- ix. To understand the Implementation challenges of FRBM Act and commitment towards targets.
- x. To Analyze the MTFP of various departments to get a comprehensive picture.
- xi. To Analysis the state's transfers to urban and rural local bodies in the State and Major decentralization initiatives.
- xii. To analyze the Impact of State Public Enterprises finances on the State's financial health and measures taken to improve their performance and/or alternatives of closure, disinvestment etc.
- xiii. To analyze the Impact of Power Sector Reforms on States' fiscal health. In case reforms have not been implemented, the study shall identify the likely outcome on the States' fiscal health.
- xiv. To analyze the contingent liabilities of the State.
- xv. To analyze the Subsidies given by the States (Other than Central subsidies), their costs and benefits, targeting and evaluation.
- xvi. To analyze the Outcome Evaluation of State Finances in the context of recommendations of the 14th and 15th FC, in particular:
  - a. analysis of the flow of resources from Centre to States through various schemes, the expenditure of States in those schemes, resources of States channeled towards these schemes and the overall impact on development spending of the States;
  - b. States' own schemes for different development objectives
  - c. Determination of a sustainable debt roadmap for 2026-31, taking into account tax/non-tax trend forecasts.

## **Research Methodology**

- **Literature Survey** – A thorough Literature survey from various sources would be undertaken
- **Data collection from secondary sources**
- **Sources of Secondary Data**
  - Budget Documents of Ministry of Finance, Haryana Government
  - Reports of Health Department, Education Department and Power sector, Government of Haryana
  - Economic Survey Reports of Haryana, Department of Economic Affairs, Haryana Government
  - White Paper on State Finances, Ministry of Finance, Haryana Government, 2014
  - State Finances – A study of Budgets, yearly release by RBI (various years)
  - Budgets of Haryana, Ministry of Finance, Haryana website (various years)

- Indian Public Finance Statistics, yearly publication of Department of Economic Affairs, Ministry of Finance
- Ministry of Statistics and Programme Implementation (MOSPI) database
- Indiastat.com data on Haryana
- CMIE Reports and Database of Haryana
- Reports of Haryana Public Finances from NIPFP, New Delhi
- Finances of States – EPWRF database
- CAG reports (various years)
- Auditor General reports of Haryana (various years)
- Energy Statistics
- Road Statistics – SRTCs
- **Details of Methodology used:**
  - a) Trend graphs of growth rates of fiscal parameters have been used
  - b) Tax buoyancy and Tax-GSDP ratio are used for understanding taxable capacity with respect to own tax revenue of the state of Haryana and also with respect to total tax revenue including the share of the state in central taxes.
  - c) Composition in percentages and absolute numbers of sources of tax and non-tax revenues have been analyzed
  - d) Estimation of long run tax buoyancy and short run tax buoyancy have been done.
  - e) For Non-tax revenue and Expenditure analysis various fiscal ratios and fiscal indices were measured
  - f) Estimation of Non-tax revenue growth rate based on GSDP growth rate has been done
  - g) User fee has been analyzed based on the Non-tax revenue earned in social and economic services separately using Margit (2014). In this study, Non-plan revenue expenditure on social services and economic services have been used as proxy for cost of providing these services. Then a Revenue-Cost analysis has been conducted to check whether user fees are adequate to meet the cost of providing such services and by how much they are falling short of planned social and economic expenditure incurred by State government.
  - h) Composition of expenditure and allocation ratios of expenditure between capital and revenue expenditure and development and non-development expenditure and investment (capital expenditure) in social and economic services have been measured.
  - i) Fiscal Deficit, Revenue Deficit and Primary deficit to GSDP ratios have been measured and compared with various other fiscal variables such as State's own tax revenue, total tax revenue, non-tax revenue, revenue expenditure, capital outlay and total expenditure. The study period performance has been compared with the same measures for previous decade and also compared with six high income states.
  - j) Debt-GSDP ratio has been used as the major indicator for Debt-sustainability. Effective interest rates have been compared with GSDP growth rates to understand sustainability of Debt. Apart from Debt-GSDP ratio, Debt-trap scenario of the state is checked through a measure of resource gap as suggested by Eleventh Finance Commission. It recommended that debt of a state would only reduce if incremental non-debt receipts are enough to meet incremental primary expenditure and

incremental interest liabilities. So, if the resource gap to meet primary expenditure after servicing debt is positive debt is sustainable, otherwise it is unsustainable if resource gap is negative. (Goel, et al, 2014)

- k) Assessment made by FRBM and Fourteenth Finance Commission have been analyzed based on a comparison of actual and targets.
- l) Following Margit (2014), we have used Fiscal performance indicators for outcome evaluation of State Finances of Haryana. The following Table shows the various Fiscal indicators defined and measured in the study:

#### Individual Indices and the Indicator Variables

Indices	Indicator Variable Used
Own Tax Earnings Performance Index	Own Tax Revenue/GSDP
Own Tax Spending Performance Index	Own Tax Revenue/Total Revenue Expenditure
Development Expenditure Performance Index	Development Expenditure/Non Development Expenditure
Commitment Capacity Performance Index	$1 - (\text{Committed Expenditure} / \text{Total Revenue Receipt})$
Committed Expenditure Performance Index	$1 - (\text{Committed Expenditure} / \text{Total Revenue Expenditure})$

The above indices have been used to compare Haryana's fiscal performance vis a vis six other high-income states (ranked based on per capita income). However, Overall Fiscal Performance Index was measured only for state of Haryana.

- a. **Forecasting for Sustainable Debt Road Map:** Trend forecasting exercise based on various scenarios on fiscal parameters were conducted to estimate Debt-GSDP ratio for sustainable road map. AR(1) process has been followed in estimating trend growth rate as the time series of fiscal indicators were found to be non-stationary
- **Data Analysis Tools:** Macroeconomic data required are mostly annual time series data. Twelve years annual data may be analyzed through
  - a) Graphical representations
  - b) Descriptive Statistical Analysis
  - c) Time Series trend analysis and forecasting tools with Moving Averages, Exponential Smoothing techniques.
  - d) Forecasting based on CAGR modelling with optimistic and conservative assumptions shall be conducted.
- **Sample period of study** – FY 2010-11 to 2023-24. However, for forecasting purpose trend growth rates were estimated based on two scenarios: taking period from 1980-81 till 2022-24 data and also from 2011-12 till 2022-23. Forecasted values are presented from the year of 2023-24 till 2029-30.
- **Statistical Software Tools to be used:** Excel, E-Views and STATA

## Major Findings of Revenue Analysis

- Haryana's Total Revenue Receipts grew substantially from 2011-12 to 2023-24, with a Compound Annual Growth Rate of 8.16%. But, revenue growth slowed between 2013-15 and remained stagnant from 2018-2020 before declining during the COVID-19 lockdown. Post-COVID, Revenue Receipts showed healthy growth.
- Tax Revenue and Own Tax Revenue showed an upward trend with intermittent slowdowns in 2018-21, while Non-Tax Revenue faced significant drops in 2012-13 and 2021-22 and 2022-23. State GST collections slowed in 2019-20 and 2020-21 but have since rebounded, though they have a slower CAGR of 7.34%. This may be the reason for steady Tax-GSDP ratio due to both Share in Central Taxes and Own tax efforts. As per Fifteenth Finance Commission, States were needed to step up field efforts for expanding the GST base and for ensuring compliance. The post COVID SGST's remarkable performance may be a result of State's own reforms. Also, the collection of arrears of previous tax liabilities have increased in recent years. This was one of the priority areas of FRBM Act of 2005 of the state of Haryana,
- However, there is a scope to increase other taxes. As per Fifteenth Finance Commission's suggestions, State of Haryana could tap Stamp duty and registration fees potential post COVID. The e-stamp policy undertaken by Stockholding Corporation of India in many parts of Haryana led to computerised property records for the registration of transactions and the market value of properties. State governments are yet to streamline the methodology of property valuation. Moreover, CAG report (March 2025) has pointed out that till 2021-22 there have been some revenue which could not be realized as some sales deed were mis-appropriately shown as released deed, reducing realized revenue from stamp duties.
- Haryana's Tax-to-GSDP ratio has not shown significant improvement over this period, hovering around 7%. The Own Tax to GSDP ratio has declined post-GST implementation, averaging 3% of GSDP in recent years compared to 6% in pre-GST years. This has happened due to merging of many taxes in GST. The tax efforts in the last five years are the following:
  - i. **Excise Department:** Despite the challenges posed by the COVID-19 pandemic, the Excise Department set a new record in tax collection. In the first six months of the 2020-21 fiscal year, the department collected ₹660 crore more than the previous year. The new excise policy implemented in May 2020 contributed significantly to this increase.
  - ii. **Revenue Department Modernization:** The government has taken steps to modernize and digitize the Revenue Department. This includes large-scale drone mapping to make the state 'Lal-Dora free' and digitizing all records by December 31, 2023. This initiative aims to ensure clear property ownership and reduce disputes.
  - iii. **Property ID Generation:** As part of the 'Svavitva' scheme, the government has generated over 25 million property IDs, providing clear property ownership records to citizens.
- Long period tax buoyancy for Own Tax Revenue is estimated at 0.98, suggesting Tax Revenue growth moderately and significantly responsive to GSDP growth. The short-term Tax buoyancy is low at 0.1, implying a less responsive and insignificant tax structure

in the short period. Sales tax buoyancy has been negative in the longer period, indicating Sales Tax Revenue does not proportionally increase with economic growth. This is an obvious outcome of replacement of Sales tax by GST in majority of the commodities except alcohol, fuel and power.

- Sales tax has the highest share in Total Revenue Receipts but has been declining since 2017-18 due to GST reforms. Other significant contributors include State Excise, which has a CAGR of 11.4%, and Stamps and Registration with an 11.7% CAGR. There is ample scope to improve Sales Tax as recommended by us in the next section.

The Non-Tax Revenue to GSDP ratio has been fluctuating, peaking at 1.58% in 2011-12, falling to a low of 0.96% in 2015-16, and rebounding in recent years to a budgeted 1.16% in 2023-24. This volatility indicates that Non-Tax Revenue has not kept pace with GSDP growth. There is a need to revise to enhance efficiency of public sector enterprises and rationalize user fee to improve this, discussed in the next section.

- Trend regression analysis on the Non-Tax to GSDP ratio shows a negative trend growth rate, suggesting that Non-Tax Revenue growth is lagging behind GSDP growth. Long-term tax buoyancy for Non-Tax Revenue (2012-13 to 2023-24) is close to zero.
- User fees for Social and Economic Services cover only around 7% and 9% of costs on average respectively, with Social Services experiencing a steady decline in cost recovery since 2011-12.
- Haryana's share of total Central grants has dropped significantly, from 2.16% in 2009-10 to 1.19% in 2023-24, with substantial volatility. The grants to GSDP ratio remain low and has shown limited growth in recent years. There is a gap between what Central government has provided as funds and what State government has received through Single Nodal Agency introduced in the year 2021-22 by the Central Government. This may be one reason for the decrease in actual grants in 2022-23.

### **Expenditure Analysis**

Haryana's Revenue Expenditure has been growing at a compound annual growth rate of 10.79% from 2011-12 to 2024-25, reflecting a steady increase over the years.

- Expenditure on Economic Services has experienced noticeable growth, with key sectors such as agriculture and rural development seeing a significant rise in their share of total Economic Services expenditure. However, spending in sectors like energy and transportation has weakened.
- The education sector continues to dominate social services expenditure, comprising nearly 38% of total social expenditure in 2023-24. While spending on health has been relatively stable, Haryana spends significantly less on education and health compared to other high-income states, despite having a much higher per capita income than the national average.
- General services expenditure, which includes essential administrative services, pensions, and debt servicing, ranges between 30 to 40 percent of Total Revenue Expenditure. Interest payments, Pension and Administrative Services together make up nearly 93% of General Services Expenditure. A large proportion of General Services expenditure (47%) is allocated to debt servicing and interest payments. Additionally, pension costs (30%) are a substantial component of general services expenditure, putting a strain on the state's

fiscal flexibility.

- Haryana's revenue deficit reached 1.75% of GSDP in 2022-23, exceeding the target of 1% and indicating potential fiscal stress. Although the deficit is expected to reduce in 2023-24 and 2024-25, it remains a concern for the state's fiscal health and debt sustainability.
- Capital Expenditure as a share of Total Expenditure fluctuated between 12% and 30%, peaking at 30.23% in 2023-24. In contrast, Revenue Expenditure's share ranged
- 4.27 between 70 and 88 percent, reflecting a heavy reliance on present compared to future potential of the states.

Within Social Expenditure, sectors like 'Water Supply and Sanitation', and Urban Development have seen reduced emphasis, while allocations for Education and Health. have improved. However, Haryana lags behind other states in education spending but leads in health sector investments in recent years.

- A significant portion of Economic Expenditure has been directed towards Energy, Transport, Agriculture, and Rural Development. The Energy sector saw increased spending during 2015-16 and 2016-17.

### **Analysis of Deficits and Debt**

- For the state of Haryana, the Gross Fiscal Deficit has generally been managed reasonably well despite various disruptions in this period.
- The Revenue Deficit situation has been difficult to manage as there have been very few years with a deficit below 1 percent of GSDP in the revenue account. This has been one of the main reasons for less resources being available for capital expenditure in the state.
- Government further plans to fund schemes such as CHIRAYU-Ayushman Bharat scheme, PM Suvidya Yojana - Assistance for solar rooftop, etc. which may further stress the state finances in coming years. It would be a challenging task to manage these upcoming commitments and still manage the deficit indicators of the state to stay in the sustainable zone.
- Debt with respect to GSDP have been increasing secularly in the study period but well within the target of 25% as recommended by Fourteenth Finance Commission. Moreover, Fifteenth Finance Commission recommended the Debt-GSDP ratio to be 33% for the year 2020-21 and to be brought down to 32.5% by 2025-26. The debt- GSDP ratio of Haryana was comfortably within the Fifteenth Finance Commission's recommendations and performed considerably well in this regard.
- Burden of debt servicing has been going up indicating that debt sustainability may become an issue in few years. With a growing debt burden, maintaining fiscal sustainability becomes a challenge. The state's ability to generate sufficient revenue to cover its obligations is increasingly under stress.
- Resource gap analysis or sufficiency of non-debt receipts for debt servicing reveals that debt has been more or less sustainable for most of the years under consideration.
- The state's nearly static internal revenue buoyancy versus its mounting interest payment load reduces the amount of money available for development expenditures. The state's growing reliance on central transfers is not a healthy sign for state fiscal prudence.

## **FRBM Implementation and Outcome Evaluation of Fourteenth and Fifteenth Finance Commission's targets**

- The states in India lack alternative sources of funding, such as the center's unlimited internal borrowing power or the ability to monetize the deficits, but it does have greater expenditure responsibilities than the center in terms of providing various entitlement programs of public services. As a result, it appears that the state is unable to provide any more funds to the development sectors given its commitment to the FRBM Act, its essentially flat own revenues to GDP ratio, and its high percentage of committed spending in total own revenues.
- The 15th Finance Commission's proposals have not been fully implemented in the FRBM Act. The State still has a revenue shortfall. Compared to 33.13 percent in 2020–21, the revenue deficit in 2021–22 was 26.03 percent of T R R . The revenue deficit for 2021–2022 was Rs. 20,333 crores, compared to zero in 2011–12. It suggests that money borrowed by the State was used to cover existing expenses. The State's fiscal deficit for 2021–2022 was Rs. 31,778 crores, or 3.55% of the GDP, which was within the limit set by the State Government as per the September 2020 amendments to the FRBM Act. The primary source of funding for the fiscal deficit has been market borrowing.
- The FRBM 2024 Report for Haryana highlights areas of development and progress in financial management techniques, while also underlining the state of the state's finances. The focus on cutting deficits and increasing income sources is indicative of a strategy to ensure the state's long-term budgetary stability.

## **Budgetary Transfers to Local Bodies**

- The financial analysis of Urban Local Bodies (ULBs) and Panchayati Raj Institutions reveal that these entities' financial autonomy tends to decrease with time and it had been most affected by the global pandemic of COVID-19. Since Tax revenue was the main source of their income, a fall in this item meant a domino effect on its spending capacity especially on crucial social sectors. Because of their increasing spending responsibilities in comparison to their declining income mobilization from internal sources, it has led the local bodies to become overly dependent on transfers.
- The fact that there are voluntary money transfers from Central Finance Commissions (CFCs) and State Finance Commissions (SFCs) as well as governmental budgetary support exacerbates their financial condition. In fact, SFC grants have become main source as a proportion of the total funds devolved in the recent years.
- A more concerning trend was the strong reliance on grants and transfers which barring the COVID years have maintained a significant presence.
- The over-lapping and lack of synchronization between CFC and SFC has led to different formulae's for SOTR division to PRIs and ULBs.

- The data base for local bodies is also poorly kept and needs to be made more systematic for easier and more efficient access for public accountability and for policy as well as research analysis to improve their effectiveness for public well-being.
- There is a significant amount of adhoc-ism in the fiscal devolution to the ULBs in Haryana as well as most other states, which are constraining the growth and development of the states.

### **Performance of PSEs**

- Public Sector Enterprises (PSEs) in Haryana significantly impact the state's economy but face many financial challenges.
- **The Agriculture and Allied Sector** shows growth in turnover alongside rising debt and fluctuating profitability, highlighting a need for better debt management.
- In the **Cooperative Sector**, profit improvements are offset by growing debt and accumulated losses, indicating financial strain.
- The **Industrial and Infrastructure Sector** experiences high turnover growth but unstable profits and increasing losses, suggesting a need for cost control.
- **Haryana Roadways and Gurugram Metropolitan City Bus Limited (GMCBL)** illustrate the importance of operational efficiency in public transport, with GMCBL making progress towards profitability. Effective policy interventions and financial management are essential to ensuring long-term sustainability across these enterprises.

### **Performance of Power Sector**

- Haryana's power sector reforms have made significant progress, particularly in improving per capita availability and reducing T&D losses.
- The UDAY scheme has contributed to improved operational efficiency.
- Continuous modernization and investment in infrastructure are essential for meeting future energy demands and enhancing sectoral efficiency. This would require more investments.
- Private sector involvement remains crucial for further growth, especially in transmission. Haryana has used public-private partnerships (PPPs) for specific projects, such as transmission line projects, to facilitate sectoral growth.
- Haryana has witnessed significant growth in renewable energy capacity, especially since 2022, driven primarily by solar power initiatives and government-backed schemes such as the PM-KUSUM and Solar Programme. The total renewable energy capacity has grown from 213.63 MW in 2014-15 to 2,449.94 MW in 2024-25, registering a strong CAGR of 27.17%. Despite this progress, the state has only utilised 26.27% of its estimated renewable energy potential, indicating considerable scope for further expansion. Solar energy has emerged as the dominant source, with a CAGR of 68.13%. However, only 32.37% of the estimated solar potential has been tapped. Biomass energy, despite its promise given Haryana's agricultural strength, remains underutilised at just 20.96% of its potential. Notably, the share of renewable energy in Haryana's overall energy distribution has declined from 2.02% in 2011-12 to 0.33% in 2023-24, implying

that renewable capacity has not kept pace with growing energy demand in the state.

### **Analysis of Contingent Liabilities**

- Haryana's guarantees for Public Sector Undertakings (PSUs) and other entities have increased significantly, from ₹17,726 lakhs in 2001-02 to ₹2,93,123 lakhs in 2022-23.
- The **Power Sector** historically received the highest share of guarantees, peaking in 2014-15. but later declined with the adoption of the UDAY scheme.
- The **Urban Development and Planning Sector** has seen an increase in guarantee allocation since 2016-17, reflecting the state's growing focus on urban infrastructure.
- The **Cooperative Sector**, in contrast, has seen a decrease in guarantees, possibly indicating financial stabilization. Haryana has made notable progress in managing contingent liabilities by reducing the share of guarantees relative to total liabilities and reallocating support toward infrastructure and urban development. More would be needed in future to improve the situation on the same lines.

### **Analysis of Subsidies**

- The State Budget's largest receiver of subsidies during this period has been the energy sector and it consistently garnered a large share of the state subsidies. Despite this, Haryana has been a fiscally responsible state with comparatively minimal subsidies, which have been declining in this period.
- The UDAY scheme has had a mixed effect on Haryana's power sector, highlighting significant challenges in subsidy distribution equity while also bringing about some improvements in the financial health and operational efficiency of power DISCOMs.
- While the percentage of social welfare subsidies have decreased since 2010 and remained at a lower level, the share of SC/ST/OBC welfare within social sector subsidies has grown. However, overall expenditure on this head has been declining in real terms (and often in nominal terms) and has been unable to keep pace with inflation.

### **Sustainable Fiscal Roadmap Recommendations**

Table E1 summarizes the results for various fiscal indicators along with the Debt-to-GSDP ratio. The trend forecast for GFD/GSDP ratio has been above 3% in the recent period and if this trend continues then it can create serious challenges for state finances in coming years. This may feed into larger levels of public Debt/GSDP ratio and it could seriously dampen the discretionary power of the elected government as a larger and larger share may be eaten up by interest payment and servicing of Debt. This trend from the recent experience shows that it could reach more than 25% of the Non-Debt Receipts of the state government, unless adequate measures are initiated by FC.

**Table E1: Forecasts based on Trend Regression**

(Rs in billions)

Items	Trend ROG	2023	2024	2025	2026	2027	2028	2029	2030	2031
OTR	12.6	653.36	735.88	828.82	933.5	1051.4	1184.19	1333.76	1502.21	1691.49
	10.1		719.55	792.44	872.72	961.14	1058.51	1165.74	1283.84	1413.51
ONTR	10.17	109.54	120.68	132.94	146.46	161.35	177.75	195.82	215.73	237.67
	8.47		118.81	128.87	139.78	151.62	164.46	178.38	193.48	209.87
SCT	12.57	103.78	116.82	131.51	148.03	166.64	187.58	211.15	237.69	267.57
	12.1		116.34	130.42	146.21	163.9	183.74	205.98	230.91	258.85
CG	13.21	103.34	117	132.45	149.96	169.77	192.21	217.6	246.36	278.90
	11.1		114.81	127.56	141.72	157.46	174.94	194.36	215.94	239.91
TRE	13.32	1150.08	1303.21	1476.74	1673.37	1896.18	2148.66	2434.75	2758.94	3126.43
	11.4		1281.15	1427.17	1589.82	1771.01	1972.86	2197.7	2448.17	2727.26
Interest Payment	14.71	209.89	240.77	276.2	316.83	363.45	416.92	478.27	548.63	629.33
	14.37		240.06	274.58	314.05	359.2	410.83	469.9	537.45	614.68
TE	14.71	1324.73	1496.05	1689.53	1908.04	2154.8	2433.47	2748.19	3103.6	3560.14
	14.37		1473.71	1639.45	1823.83	2028.94	2257.12	2510.96	2793.35	3194.75
Non Debt Receipts	24.81	977.45	1219.97	1522.68	1900.49	2372.05	2960.61	3695.21	4612.07	5756.32
	11.31		1088.02	1211.1	1348.1	1500.6	1670.35	1859.31	2069.64	2303.72
Public Debt	14.62	3055.87	3502.6	4014.63	4601.52	5274.21	6045.23	6928.97	7941.9	9103.01
	15.32		3523.88	4063.56	4685.9	5403.56	6231.12	7185.42	8285.88	9555.28
GFD	13.68	327.27	372.04	422.94	480.8	546.57	621.34	706.34	802.97	912.82
	12.48		368.1	418.46	475.7	540.78	614.76	698.86	794.47	893.62
GSDP	13.64	9799.25	11135.46	12653.87	14379.33	16340.07	18568.17	21100.09	23977.26	27247.76
	10.72		10849.84	12013.07	13301	14727.02	16305.93	18054.11	19989.71	22132.61
(Public Debt)/GSDP	Percent	31.18	31.45	31.73	32	32.28	32.56	32.84	33.12	33.41
			32.48	33.83	35.23	36.69	38.21	39.8	41.45	43.17
Interest Payment/TExp	Percent	15.84	16.09	16.35	16.61	16.87	17.13	17.4	17.68	20.13
			16.29	16.75	17.22	17.7	18.2	18.71	19.24	22.54
Interest Payments /Non Debt Receipts	Percent	21.47	19.74	18.14	16.67	15.32	14.08	12.94	11.9	10.93
			22.06	22.67	23.3	23.94	24.6	25.27	25.97	26.68
Interest Payment /GSDP	Percent	2.14	2.16	2.18	2.2	2.22	2.25	2.27	2.29	2.31
			2.21	2.29	2.36	2.44	2.52	2.6	2.69	2.78
GFD/GSDP	Percent	3.34	3.34	3.34	3.34	3.34	3.35	3.35	3.35	3.35
			3.39	3.48	3.58	3.67	3.77	3.87	3.97	4.04
Interest Payment /Public Debt	Percent	6.87	6.87	6.88	6.89	6.89	6.9	6.9	6.91	6.91
	Percent		6.81	6.76	6.70	6.65	6.59	6.54	6.49	6.43

Based on estimated AR(1) trend equations in EViews software NOTE:

1. OTR-Own tax Revenue; ONTR-Own Non-Tax Revenue; SCT-Share in Central Taxes; CG-Central Grant; GSDP-Gross State Domestic Product; TRE-Total Revenue Expenditure; TE-Total Expenditure; GFD-Gross Fiscal Deficit
2. For FY 2023, the revised estimates have been taken as baselines for forecasting
3. Green forecasted values For FY2024-FY2030 represents optimistic scenario based on a long run series from 1980-81 to 2023-24
4. Blue forecasted values For FY2024-FY2030 represents pessimistic scenario based on the study period 2011- 12 to 2023-24

## Major Recommendations

### Revenue Capacity of the State

- There seems to be ample scope of increase in the Revenue Capacity of the State. There is good potential to improve own tax buoyancy both in the short run and long run by more effective GST implementation. Although GST has been increasingly contributing to state's exchequer post COVID, but the hurdles related to inverted duty structure as suggested out by Fifteenth Finance Commission needed to be streamlined. GST implementation has simplified the tax systems and improved the tax collection across states in India and expanded the tax base. However, there is scope for improvement in terms of streamlining and tracking each transaction.
- In Punjab, government has implemented zero cost on transforming conversion of agricultural land use to other commercial uses along the Highway. This has helped the state to improve their economic activities, employment and thereby tax revenue. Haryana can also consider implementing similar measures. This measure can help in fostering growth and thereby improving tax-GSDP ratio.
- Following Laffer curve argument, tax rates of vehicles can enhance the total tax revenue of the State government subject to the rates applied in nearby states.
- Sales tax (VAT) on alcohol is the lowest in Haryana (20%) as compared to other states, whereas in Delhi and UP (the neighbouring states), VAT are 25% and 69% respectively. Similarly, VAT in Haryana on petrol and diesel are lower than that of Delhi and UP. There is a spillover effect which Haryana enjoyed due to lower VAT on these products as compared to the neighbouring states. UP could however improve their overall tax-GSDP ratio in recent years. despite increased rates due to inelastic demand of these products. Haryana too has the scope to increase VAT on alcohol and fuel which can enhance the revenue without significantly affecting demand to a large extent. In the process the tax collection can improve, raising the Tax-GSDP ratio. Moreover, these goods are either merit bads or have negative externalities. So, it is all the more important to increase taxes on these commodities.
- There is a large number of pending arrear assessments required as per the latest CAG report of 2024. If these are resolved, the tax collection can further improve in the process, particularly that of Sales tax. The Sales Tax to GST transition has been quite complex and time consuming. However full transition to GST in another five years can resolve many of these issues. There is a need to speed up the resolution of high arrear assessments.
- With noticeable fluctuations in own Non-Tax Revenues, it would be beneficial for the state to strengthen and stabilize these revenue sources by revising rates for fees, fines, and service charges. Interest receipts and dividends have gone down. There is scope for improvement in financial performance of State PSEs that can fetch more non-tax revenue

for the states. Also, the user fee to cost ratio has been quite low in social and economic services.

For example, Haryana Roadways and public transportation sector have the scope of rationalizing bus fares and improved utilization of assets. Our study on GMCBL in Gurgaon amply demonstrated in Chapter 9, that the capacity utilization could be improved by fare rationalization and reduced costs by route rationalisation based on the traffic demand. This fare rationalization (e.g. off-peak price discounts) can be based on time-of-the-day pricing just like being done by Delhi Metro presently and other similar pricing strategies, which can be based on the demand and capacity utilization at different times of the days.

Number of buses on road during lean hours may be reduced and number of buses during peak hours may be increased. This would help enhance productivity, and revenue; and improve operational viability of state's public transport PSUs.

- There are rooms for improvement by providing various technology led innovative social and economic services. More focus on health related services are required to generate revenue on one hand and effective health service access on the other hand. Haryana has not secured a good rank as far as Education and Health are concerned, given its good economic ranking.
- Maharashtra had reduced the registration fee on property and land, which helped them to fetch better revenue. Following Laffer curve, if user fee is reduced, that can help in enhancing revenue of the government. In this context, Haryana already has a low registration fee, which is around one percent of the property value. It was even lower, but since 2018, a maximum of Rs 50000 is charged on property value of Rs 90 lakhs and above. But stamp duties in rural and urban areas are 5% and 7% respectively. So there is a scope to reduce and rationalize the stamp duty rates which may improve the total collection.
- User charges can be increased slowly to avoid heavy burden on people and only on essential services which are quite inelastic in nature. This will help ensure better quality of services with adequate investments.
- Strengthen collection mechanisms for Non-Tax Revenue sources, particularly focusing on sectors with lower contributions like Agriculture, Forestry, Crop and Animal Husbandry, and the Power sector. The PSEs of the Haryana state have accumulated rising debt and their servicing are adding to the burden of state finances. From Chapter 9, it can be noticed that the PSEs in agriculture, cooperatives, and road transport are particularly in difficult situation and need restructuring or structural reforms. These PSEs could help enhance non-tax revenue to improve the state finances. This may require a detailed analysis involving experts in the field to achieve their true potential. The agricultural PSEs are profitable and the debts are based on capital expenditure, which in turn can promote agricultural markets and increase the profitability further for these PSEs. Power sector PSEs have contributed substantially to the total turnover of state PSEs. Earlier the power sector reforms in terms of tariff rationalization, debt restructuring and UDAY scheme has improved their performance and enhanced profitability in the last three years. Similar reforms may be initiated in other loss-making PSEs. Public Private partnerships (PPPs) can help in restructuring other PSEs of the

state of Haryana as well. A good example is Jhajjar K.T. Transco Private Limited which was selected through a robust transparent process.

- Given the volatility in Central Grants as a percentage of Total Revenue Receipts, Haryana may need to improve its advocacy and planning to secure higher fiscal transfers and central assistance, especially for healthcare, infrastructure, and social welfare projects, where it is lagging behind.
- The Central Grants through Single Nodal Agency is effective enough to transfer the amount as demanded by the States. All Centrally sponsored schemes are very significant in creating social impact and State of Haryana having low ranks should demand and utilize these funds more effectively, so that the gap reduces.

### **Expenditure Trends**

- Haryana should consider increasing its capital expenditure, particularly in infrastructure and sectors with growth potential such as manufacturing, to enhance allocative efficiency to boost productivity and long-term economic growth. Although there has been growth in sectors like agriculture and rural development, resources could be better allocated to sectors such as manufacturing, energy and public transportation, where the state's expenditure has been declining. Prioritizing these sectors could enhance overall technical efficiency and growth.
- The state needs to take steps to reduce its revenue deficit, particularly by curbing inefficient spending and increasing revenue generation through better tax collection and improving Non-Tax Revenue. Maintaining a balanced budget will help Haryana meet its Fiscal Responsibility and Budget Management targets as well as restore fiscal health.
- With a large portion of the General Services budget tied up in debt servicing and pensions, Haryana could explore ways to restructure its liabilities.
- State should continue to build on successful agricultural programs like Mera Pani Meri Virasat and promote diversification away from water-intensive crops, besides popularizing technologies such as Direct Seeding of Rice (DSR). Enhancing the focus on rural infrastructure and sustainable agricultural practices can improve long-term rural development outcomes.
- Initiatives like e-Adhigam and digital educational resources should be expanded, with an emphasis on improving educational quality and accessibility. Similarly, more investment in public health infrastructure and preventive care is needed to improve overall health outcomes and mitigate future healthcare burdens on state finances.
- The state should consider improving its revenue generation mechanisms to reduce the dependency on borrowing and loans. A strategic plan to close the revenue deficit by enhancing own revenue receipts (i.e. improving tax collection and non-tax revenue efficiency) could help stabilize the fiscal situation.
- While Haryana has done well in health sector investments, it needs to reallocate more resources to the education sector. The state's investment in education as a percentage of total

social expenditure is lower than most other high-income states, and improving educational infrastructure and quality can lead to long-term socio-economic benefits.

- Given the importance of sectors like Transport and Irrigation, further investments in infrastructure can stimulate economic growth. Prioritizing projects that integrate sustainable development goals, such as renewable energy, would further enhance long-term growth prospects.
- To meet the needs of Health and Education sector and overall capital expenditure, the state government can consider raising funds for social expenditure through CSR funds. Cities like Gurgaon, Panchkula, Faridabad, Hissar, Jhajhar and Rohtak are hubs of corporate and industry. Thus, raising CSR funds for Education infrastructure of government schools and imparting quality education can be one way out to resolve the expenditure needs. For infrastructure projects state can go for public-private-partnerships.

### **FRBM and Budget Management**

- The 15th Finance Commission's proposals have not been fully implemented in the FRBM Act. The State still has a revenue shortfall. Compared to 33.13 percent in 2020–21, the revenue deficit in 2021–22 was 26.03 percent of TRR. The revenue deficit for 2021–2022 was Rs. 20,333 crores, compared to zero in 2011–12. It suggests that money borrowed by the State has been used to cover existing expenses. The State's fiscal deficit for 2021–2022 was Rs. 31,778 crores, or 3.55% of the GSDP, which was within the limit set by the State Government as per the September 2020 amendments to the FRBM Act. The primary source of funding for the fiscal deficit has been market borrowing.
- The FRBM 2024 Report for Haryana highlights areas of development and progress in financial management techniques, while also underlining the state of the Haryana finances. The focus on cutting deficits and increasing income sources is indicative of a strategy to ensure the state's long-term fiscal stability.
- Establishment of an independent State Fiscal Council which provide oversight and accountability in fiscal management especially with regard to adherence to both FRBM and Central Finance Commission targets is needed. This organization could also recommend key areas of improvement in revenue generation and improving efficiency of public expenditure. They could be granted some statutory powers if deemed necessary.

### **Budgetary Allocation to ULBs and PRIs**

- There is a need to enhance the financial autonomy of ULBs and PRIs to have a domino effect on its spending capacity especially on crucial social sectors.

- A more concerning trend has been the strong reliance on grants and transfers which barring the COVID years have maintained a significant presence. Moreover, the over-lapping and lack of synchronization between CFC and SFC has led to different formulae's for SOTR division to PRIs and ULBs. There remains a strong need to regularize and streamline this.
- Moreover, the data base for local bodies is also inadequately maintained and needs to be made more systematic for easier and more efficient access for public accountability and for policy-making as well as research analysis to improve their effectiveness for public well-being.
- There is a significant amount of adhocism in the fiscal devolution to the ULBs in Haryana as well as most other states which really needs urgent attention to meet the needs of urbanization and associated challenges which are constraining the growth and development of the states and its people.
- In order to ensure efficient fiscal delegation, there is an urgent need to map out the activities of the enlisted 18 subjects in order to determine the subfunctions of each function, the number of functionaries needed for each function, and the corresponding amount of funding. In this manner, efficient financial devolution from several sources would provide the intended outcomes benefiting the urban areas and their residents improving their living standards.

### **Performance of PSEs**

- **Debt Management:** Rising debt across sectors, particularly in agriculture, cooperatives, and road transport sectors need to be addressed through restructuring and targeted reforms to reinvigorate them. These PSEs could help enhance non-tax revenue to improve the state finances. This may require a detailed analysis involving experts in the field to achieve their true potential.
- **Operational Efficiency:** Investments in technology and capacity-building could further improve profitability and turnover per employee. This requires a detailed analysis and involving of experts to support them in their turnaround. Power sector PSEs have contributed substantially to the total turnover of state PSEs. The power sector reforms in terms of tariff rationalization, debt restructuring and UDAY scheme has fostered recovery in terms of profitability in the last three years. Similar reforms may be initiated in other loss-making PSEs. Public Private partnerships (PPPs) can help in restructuring other PSEs of the state of Haryana as well.
- **Focus on sectors:** Sectors like agriculture, cooperatives, and industrial infrastructure require strategic support to reduce dependence on electricity PSEs. The agricultural PSEs are profitable and the debts are based on capital expenditure, which in turn can promote agricultural markets and increase the profitability further for these PSEs.
- The modernization of Haryana's public transport infrastructure could play a transformative role in addressing both current and future challenges. By enhancing the fleet with diverse and modern buses, the initiative could not only meet the immediate transportation needs of a growing population but also prepares for long-term environment and social sustainability. The

emphasis on reliable and comfortable transportation options for residents thereby contributes to the state's overall development agenda.

- For example, Haryana Roadways and public transportation sector have the scope of rationalizing bus fares and improved utilization of existing assets. Our analysis of GMCBL in Gurgaon indicates (Chapter 9) that the capacity utilization could be improved by fare rationalization and route rationalisation based on the traffic demand. The fare rationalization (e.g. off-peak price discounts) can be based on time-of-the-day pricing just like being done presently by Delhi Metro and other similar pricing strategies based on the demand and capacity utilization at different times of the days.
- Number of buses on road during lean hours may be reduced and number of buses during peak hours may be increased. This would help enhance productivity, and revenue; and improve operational viability of state's public transport PSUs.

### Power Sector

- Haryana's power sector reforms have made significant progress, particularly in improving per capita availability and reducing T&D losses.
- The UDAY scheme has contributed to improved operational efficiency. Continuous modernisation and investment in infrastructure would be essential for meeting future energy demands and enhancing sectoral efficiency.
- Private sector involvement remains crucial for further growth, especially in transmission. Haryana has used public-private partnerships (PPPs) for specific projects, such as transmission line projects, to facilitate sectoral growth.
- Haryana has witnessed significant growth in renewable energy capacity, especially since 2022, driven primarily by solar power initiatives and government-backed schemes such as the PM-KUSUM and Solar Programme. The total renewable energy capacity has grown from 213.63 MW in 2014-15 to 2,449.94 MW in 2024-25, registering a strong CAGR of 27.17%. Despite this progress, the state has only utilised 26.27% of its estimated renewable energy potential, indicating considerable scope for further expansion. Solar energy has emerged as the dominant source, with a CAGR of 68.13%. However, only 32.37% of the estimated solar potential has been tapped. Biomass energy, despite its promise given Haryana's agricultural strength, remains underutilised at just 20.96% of its potential. Notably, the share of renewable energy in Haryana's overall energy distribution has declined from 2.02% in 2011-12 to 0.33% in 2023-24, implying that renewable capacity has not kept pace with growing energy demand in the state.

### Contingent Liabilities

- The **Power Sector** historically received the highest share of guarantees, peaking in 2014-15. but later declined with the adoption of the UDAY scheme. The **Urban Development and Planning Sector** has seen an increase in guarantee allocation since 2016-17, reflecting the state's growing focus on urban infrastructure. The **Cooperative Sector**, in contrast, has seen a decrease in guarantees, possibly indicating financial stabilization. Haryana has made notable

progress in managing contingent liabilities by reducing the share of guarantees relative to total liabilities and reallocating support toward infrastructure and urban development within it.

## **Subsidies**

- State government should reconsider and allocate a larger share of subsidies to the social sector, mainly the health and education sectors, in order to improve social welfare and strengthen the sustainability of the growth process, which has been beset by social inequity. While the percentage of social welfare subsidies have decreased since 2010 and remained at a lower level, the share of SC/ST/OBC welfare in social sector subsidies has grown. However, overall expenditure on this head has been declining in real terms and has been unable to keep pace with inflation.
- The energy sector has been the highest recipient of subsidies in Haryana. By addressing shortcomings through targeted reforms and better management practices, Haryana can increase the efficacy of its subsidy policies while guaranteeing sustainable growth to its power sector. The UDAY scheme has had a mixed effect on Haryana's power sector, highlighting significant challenges in subsidy distribution equity while also bringing about some improvements in the financial health and operational efficiency of power DISCOMs. To improve the health of the energy industry, strong institutional reforms are needed to guarantee that power subsidies reach the intended recipients which require plugging the loopholes in its billing revenue collection system.

## **Fiscal Deficits and Sustainable Roadmap Debts**

- For the state of Haryana, the Gross Fiscal Deficit has generally been managed reasonably well despite various disruptions in this period. The Revenue Deficit situation has been difficult to manage as there have been very few years with a deficit below 1 percent of GSDP in the revenue account. This has been one of the main reasons for less resources being available for capital expenditure in the state. Government further plans to fund schemes such as CHIRAYU-Ayushman Bharat scheme, PM Suvidya Yojana (Assistance for solar rooftop), etc. which may further affect the state finances in coming years. It would be a challenging task to manage these upcoming commitments and still manage the deficit indicators of the state to stay in the sustainable zone.
- Debt with respect to GSDP have been increasing secularly in the study period, though well within the target of 25% as recommended by Fourteenth Finance Commission. Moreover, Fifteenth Finance Commission recommended the Debt-GSDP ratio to be 33% for the year 2020-21 and to be brought down to 32.5% by 2025-26. The debt-GSDP ratio of Haryana was comfortably within the Fifteenth Finance Commission's recommendations and performed considerably well in this regard.
- Burden of debt servicing has been going up indicating that debt sustainability may become an issue in few years. With a growing debt burden, maintaining fiscal sustainability could

become a challenge. The state's ability to generate sufficient revenue to cover its obligations is increasingly under stress. Thus, our recommendations on revenue may provide some ideas in containing revenue deficits of the state.

- Resource gap analysis or sufficiency of non-debt receipts for debt servicing reveals that debt has been more or less sustainable for most of the years under consideration.
- The state's nearly static internal revenue buoyancy versus its mounting interest payment load reduces the amount of money available for development expenditures. The state's growing reliance on central transfers is not a healthy sign for state fiscal prudence. Thus budget transition towards more developmental expenditure and less revenue expenditure is the need of the hour.
- In context of how the debt has been utilized, our data analysis shows us that the rise in debt can't be accounted by capital expenditure. In fact, it seems that most of the debt has been utilized to meet revenue expenditures. As Appendix 4.1 illustrates, the pace of growth of expenditure on general services seems to be exceeding the growth of expenditure on social services. This is a worrying trend given Haryana's poor performance in socio-economic indicators. Thus, one can surmise that debt utilization has been rather unproductive and allocative efficiency towards productive debt needs to be emphasized on.
- The state faces significant challenges in managing its liabilities and ensuring that interest payments do not further crowd out essential public services and investments undermining the state's human development. Thus, more expenditure toward human capital that enhances GSDP should be the emphasized.
- The trend forecast for GFD/GSDP has been above 3% in the recent period and if this trend continues then it can create serious challenges for state finances in coming years. This may feed into larger levels of public Debt/GSDP ratio and it could seriously dampen the discretionary power of the elected government as a larger and larger share may be eaten up by interest payment and servicing of Debt. This trend from the recent experience shows that it could reach more than 25% of the Non-Debt Receipts of the state government.
- FRBM requirements need to be implemented more strictly to make sure that the state finances do not get out of control and lead to adverse consequences for the people and the state economy at large. This point needs buttressing that for the Haryana state which has been spending much less on development and social sector (especially education) than other similarly placed states.
- Tighter finances and larger levels of debt and rising interest payment could be a serious challenge which necessitates a more careful and calibrated approach by the Finance Commission to keep the fiscal discipline and order to ensure Macroeconomic stability.

## CHAPTER I

### Introduction: State of Haryana

The State of Haryana is one of the smaller states of India with an area covering 1.3% of India. It has a population of 2.09% of India's population as per Census of 2011. The state has an urbanisation rate of 34.88% compared to the All India level of 31.14%. The state as the data suggests encompasses both rural areas and urban centres like Gurugram, Panchkula, etc. The economic activities have led to the decline in the percentage of multi-dimensional poverty in India declined from 11.88% in 2015-16 to 7.07% in 2019-21. The state rural headcount ratio of multidimensional poverty has reduced from 14.61% in 2015-16 to 8.41% in 2019-21. Similarly, the urban poverty headcount ratio has reduced from 7.52% in 2015-16 to 4.26% in 2019-21. The overall multi-dimensional poverty in the state is low as compared to the national average.

### State of the Haryana Economy

The state of Haryana has been prosperous, contributing almost 3.7% to India's GDP. The Gross State Domestic Product at current prices is estimated at Rs 10.97 lakh crores (Advanced Estimates) for 2023-24. GSDP at constant (2011-12) prices is Rs 6.34 lakh crores in 2023-24. Gross State Value Added (GSVA) of the State, which grew at the same rate in the years 2022-23 and 2023-24 at constant (2011-12) prices, had been estimated at 7.6 per cent. The state registered an annual average growth rate of 6.49% from 2011-12 to 2023-24. The annual average growth rate has been around 8.66% from 2011-12 to 2018-19, but since then, it has decelerated to 3.53% for the period between 2018-19 to 2023-24 due to various disruptions in the economy like the onset of COVID-19 crisis, breakdown of global supply- chains, erratic monsoon, farmer protest, the impact of demonetisation etc. In 2023-24, the growth rate of GSDP was at 8.0% which was above the All India average of 7.3%.

**Table 1.1: Growth Rate of GSVA  
(At Constant Prices)**

Sectors	Haryana								India
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 (Q)	2023-24 (A)	2023-24
Agriculture & Allied	7.9	7.0	8.8	5.3	-1.5	-0.9	2.2	4.4	1.4
Industry	12.9	3.6	13.0	-2.5	-7.4	13.9	7.7	7.2	9.5
Services	8.6	5.6	8.5	5.0	-10.5	11.3	9.5	9.0	7.6
<b>GSVA</b>	<b>9.9</b>	<b>5.2</b>	<b>10.0</b>	<b>2.6</b>	<b>-7.9</b>	<b>9.7</b>	<b>7.6</b>	<b>7.6</b>	<b>8.2</b>

Source: RBI Handbook of Statistics on State Finances

With the advent of the Information Technology (IT) revolution, globalisation and growth of big corporates and MNCs, the state of Haryana has been seeing a rapidly growing service sector over the years. The share of the service sector increased to 50.7% of GSDP in 2023-24 from around 26.67% in 1995-2000. On the other hand, the share of the agricultural sector has declined to just 16.2% in 2023-24 from around 39% in 1995-2000. Share of the industrial sector also declined though only marginally to 33.1% in 2023-24 from around 34.4% in 1995-2000. The share of agriculture as a proportion of GSDP, has almost halved whereas the contribution of the service sector has doubled in 25 years. This highlights the movement of Haryana towards a more service-driven economy well before becoming an industry oriented one.

As compared to the other high-income states such as Gujarat, Punjab, Tamil Nadu, Karnataka, Kerala and Maharashtra, the sectoral contribution of agriculture in GSDP is lower in Haryana, but the shares of service and the industry sector are higher. Even, as compared to the All India level, the contribution of the agriculture sector in the Haryana GSDP is lower (16.2%) compared to the agriculture sector contribution at the national level. The share of agriculture sector contribution to the national GDP at the All India level is 17.7 %. However, Haryana's share of the industrial sector to the GSDP is higher as compared to the national average of 27.6 %. However, the contribution of the service sector to GSDP in Haryana is lower as compared to the national average as the state-level contribution to GSDP has been 50.7% whereas the national-level contribution of the service sector was 54.4%. Barring COVID years of 2019-21, the economy has consistently witnessed a growth of more than 5 % on a year-on-year basis.

**Table 1.2: Haryana - Per Capita Income  
(at Current & Constant Prices)**

Years	Per Capita Income of Haryana (₹)		Per Capita Income of India* (₹)	
	At Current Prices	At Constant Prices (2011-12)	At Current Prices	At Constant prices (2011-12)
2011-12	106085	106085	63462	63462
2012-13	121269	111780	70983	65538
2013-14	137770	119791	79118	68572
2014-15	147382	125032	86647	72805
2015-16	164963	137833	94797	77659
2016-17	184982	150259	104880	83003
2017-18	208437	156200	115224	87586
2018-19	223022	169604	125946	92133
2019-20	232530	170765	132341	94420
2020-21	224587	150754	127065	86054
2021-22	264729	163285	148524	92583
2022-23 (Q)	296592	173973	172276	98374
2023-24 (A)	325759	185490	185854	104550

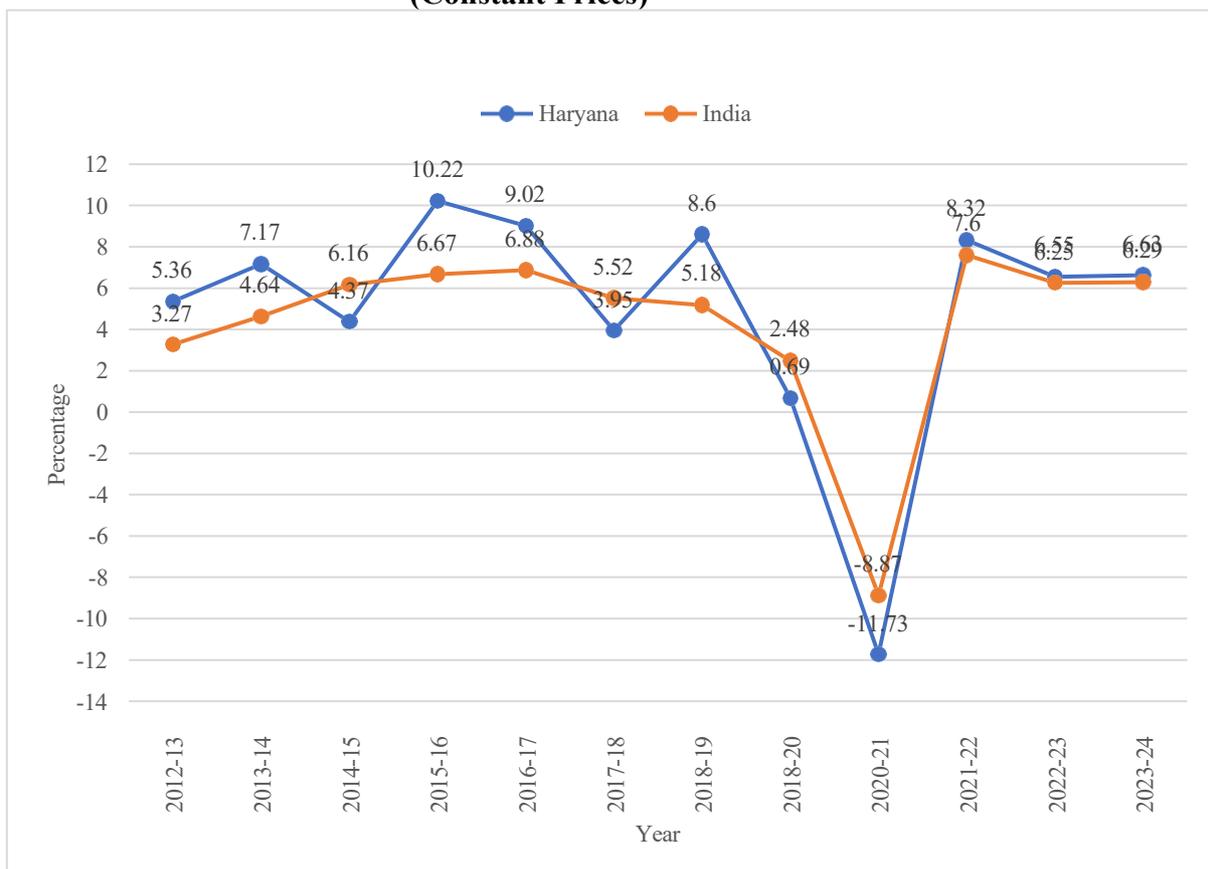
Q: Quick Estimates A: Advance Estimates

\*Source: Press Release of NSO, New Delhi dated 5th January 2024  
Source: Department of Economic and Statistical Affairs, Haryana.

From Table 1.2, one can note that the per-capita income of the state is almost double the national average when compared at the current prices, making Haryana one of the high-income states of India in terms of per-capita income. The state of Haryana is economically well performing in terms of growth rate and per capita income. However, the State had been lagging in some of the social indicators, like the sex ratio, education and unemployment, especially among the youth.

***The State is facing challenges to maintain fiscal balance, on one hand, to achieve high growth and improving the social sector development indicators, on the other.***

**Figure 1.1 Comparison of GDP Growth Rate of Haryana and India (Constant Prices)**



Source: Department of Economic and Statistical Affairs, Haryana; Press Release of NSO, New Delhi, dated 5th January 2024

The above table indicates that Haryana has performed better than India in 9 out of 13 years, for which a comparison of GDP growth rate has been made. The Haryana economy has grown by leaps and bounds over this period owing to the IT revolution, the emergence of newer urban centres, and the focus on innovation and research. Haryana has one of the highest per-capita incomes among the higher states and is used by the National Finance Commission to calculate the income distance. The Haryana GDP saw a sharp decline during the onset of COVID-19 but it has successfully recovered with effective policy interventions and Centre’s support.

## Education & Literacy

Education is considered the main antidote to poverty. Education is crucial for the development of an individual, which eventually leads to the development of a state and, ultimately, the nation. The government recognising this has been concentrating its efforts on reaching the 'Education for All'. The Haryana Government is also committed to ensuring the availability, accessibility and affordability of education to achieve the goals as enshrined in the National Education Policy - 2020 and Sustainable Development Goal 4, related to education. Schemes like the Institution of Eminence, NIRF Ranking, Aarohi Model Schools, Mukhya Mantri Shiksha Deeksha Yojna (MMSDY), etc., have contributed towards the attainment of improved quality universal education for all.

**Table 1.3: Literacy Rate (Census & MOSPI Data Based)**

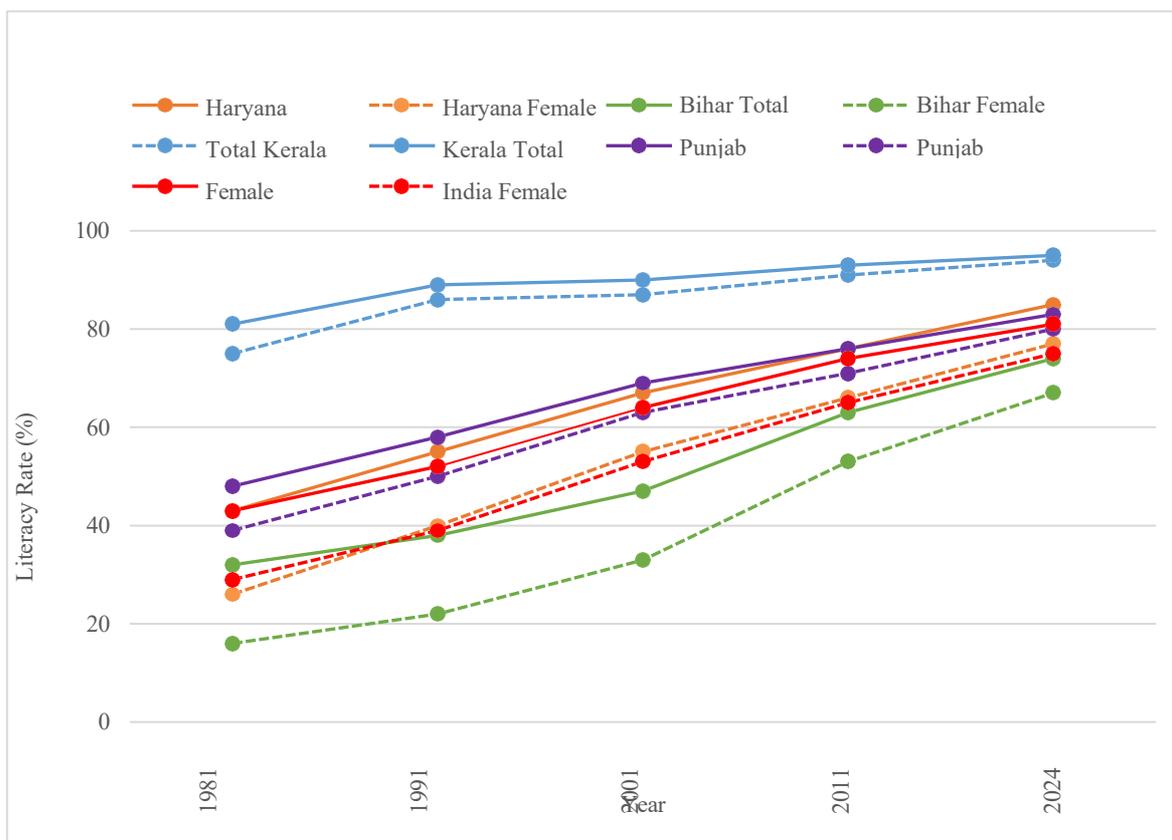
State	Total					Female				
	1981	1991	2001	2011	2024	1981	1991	2001	2011	2024
Andhra Pradesh	35	44	60	67	73	29	39	53	65	67
Assam	0	52	63	73	87	0	43	54	67	84
Bihar	32	38	47	63	74	16	22	33	53	67
Gujarat	52	61	69	79	85	38	48	57	70	78
Haryana	43	55	67	76	85	26	40	55	66	77
Karnataka	46	56	66	75	83	33	44	56	68	77
Kerala	81	89	90	93	95	75	86	87	91	94
Madhya Pradesh	34	44	63	70	75	19	28	50	60	67
Maharashtra	55	64	76	82	87	41	52	67	75	82
Odisha	40	49	63	73	79	25	34	50	64	73
Punjab	48	58	69	76	83	39	50	63	71	80
Rajasthan	30	38	60	67	76	14	20	43	52	66
Tamil Nadu	54	62	73	80	86	40	51	64	73	81
Uttar Pradesh	33	41	56	69	78	17	25	42	59	71
West Bengal	48	57	68	77	83	36	46	59	71	79
India	43	52	64	74	81	29	39	53	65	75

Source: Census (1981-2011), MOSPI (2024)

The Census of India is the most authentic source of data related to literacy. The latest data from the 2011 Census indicates that the literacy rate has increased from 43 to 74 per cent in three decades. The Haryana literacy rate is a little higher than the national average. There seems to be a difference between the average and literacy rates for women. Campaigns like 'Beti Bachao, Beti Padhao' have been initiated to ensure equal opportunities for growth and development for women. The literacy rate has been consistently increasing for both men and women in Haryana as well as India. The data for 2024 is extracted from the Ministry of Statistics and Policy Implementation (MOSPI), which suggests that the trend of movement towards universal education as the state has gained around 9 per cent in the last 13 years in terms of literacy rate on an overall basis. The female literacy rate has also increased from 66 per cent in 2011 to 77 per cent in 2024 which suggests a movement towards more and more women becoming literate.

The Figure 1.2 tracks the performance of Haryana, All India, along with the best and worst-performing states in terms of literacy rate since 1981 Census. It indicates that India is moving towards its goal of universal education. The better-performing states like Kerala has done a great job in bridging the gap between male and female literacy rates. Haryana also has, over the period, begun to bridge the gap between the Punjab and itself, which is its immediate neighbour and from which Haryana was carved out in 1966.

**Figure1.2- Literacy Rate (Total & Female) of Selected States and India (1981-2011)**



Source: Census data, \*Data for the year 2024 is extracted from MOSPI

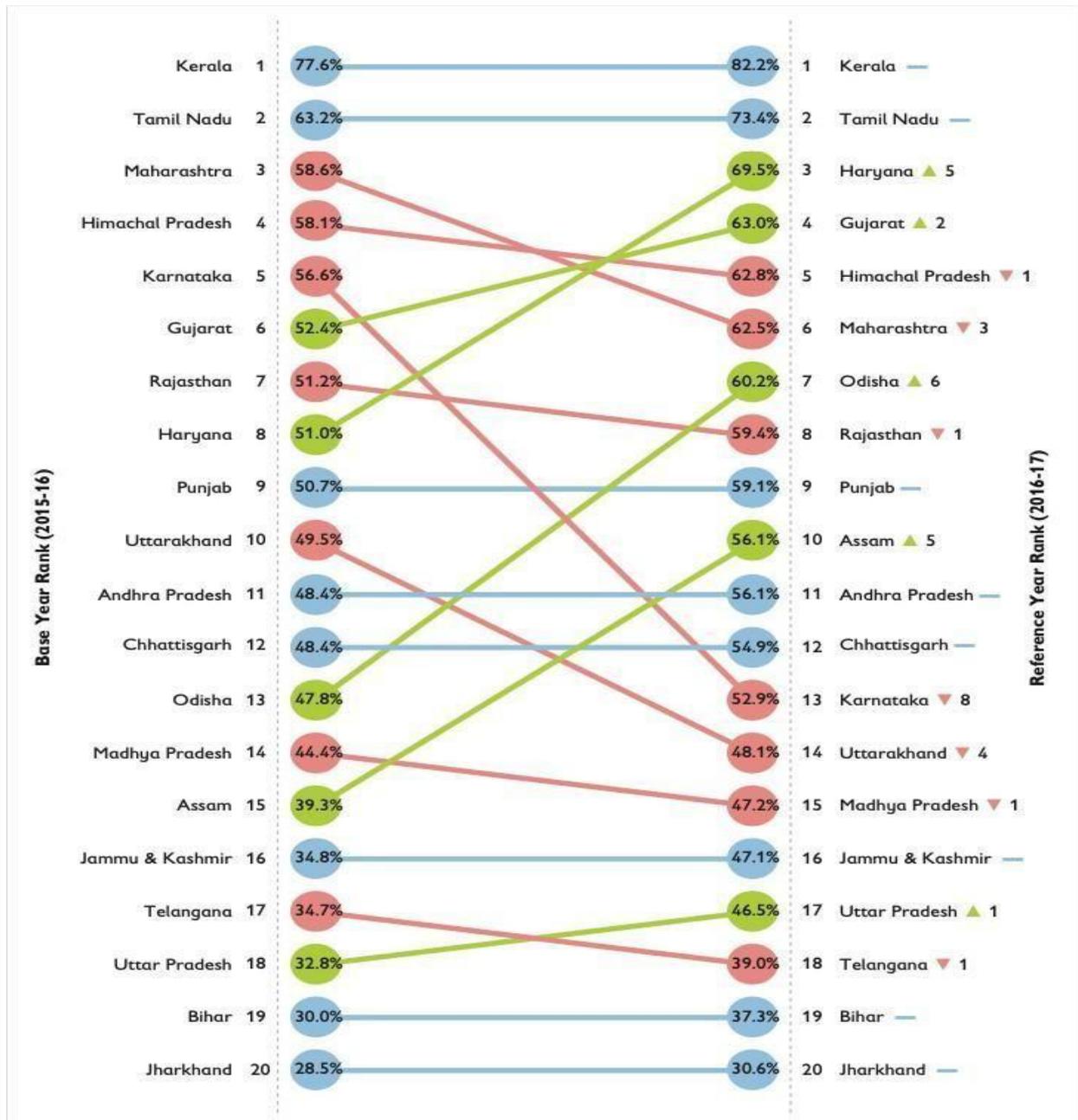
The Gross Enrolment Ratio (GER) is an indicator of children in a particular age group attending schools. The largest growth has been in the higher secondary sector, which is seeing a continuous increase from 48 to 58 per cent in the last four years at the All India level (2017-18 to 2021-22). Whereas, the GER in Haryana at the higher secondary level has jumped from 55.21 to 75.54, which is much higher than the national average. The Haryana state has already achieved an enrolment rate of more than 100% at the primary and upper primary levels, i.e. 103.52 and 101.95 respectively. The state has also reached GER at the secondary level, around 95 per cent which is quite impressive. The issue of the dropout rate and the amendments in the Right to Education that withdraw the necessity of compulsory passing the students after Class 5 and Class 8 have also affected the enrolment at different stages of education, mainly upper primary and secondary stages. Also, the state policy of consolidation of schools at the primary level could impact the GER at various levels.

**Table 1.4: Gross Enrolment Ratio at various levels in India**

States	2017-18				2018-19				2019-20				2020-21				2021-22			
	Primary	Upper Primary	Secondary	Higher Secondary	Primary	Upper Primary	Secondary	Higher Secondary	Primary	Upper Primary	Secondary	Higher Secondary	Primary	Upper Primary	Secondary	Higher Secondary	Primary	Upper Primary	Secondary	Higher Secondary
<b>All India</b>	102.79	88.27	76.46	48.13	101.25	87.74	76.90	50.14	102.74	89.67	77.90	51.42	103.28	92.17	79.77	53.78	103.39	94.67	79.56	57.56
Andhra Pradesh	94.35	85.80	76.44	40.18	96.31	87.56	79.69	46.88	101.42	91.30	81.42	52.19	102.97	94.68	84.24	53.37	101.66	97.62	85.38	56.70
Assam	108.18	86.63	70.51	31.33	113.11	90.74	72.76	30.93	115.67	94.38	74.04	30.90	119.06	96.83	75.59	32.29	119.64	95.00	74.48	40.04
Bihar	99.44	79.89	59.70	20.55	93.13	78.37	57.67	26.39	93.49	79.19	58.50	30.80	98.69	83.19	63.52	34.01	102.49	85.96	64.94	35.88
Gujarat	96.09	96.83	75.27	41.47	94.83	93.76	76.10	41.20	96.36	89.52	77.43	43.15	93.40	90.15	78.56	41.78	93.09	91.13	75.16	48.19
<b>Haryana</b>	102.85	96.19	92.69	55.21	104.08	97.61	93.92	56.00	105.21	98.69	93.88	61.74	101.15	98.49	95.15	66.79	103.92	101.95	94.74	75.54
Karnataka	106.24	93.68	80.93	45.05	108.37	98.24	83.70	44.40	107.42	101.07	86.35	52.13	105.08	103.13	90.62	55.64	108.04	105.51	94.73	56.60
Kerala	97.61	97.06	99.13	77.00	98.68	96.58	97.97	80.27	100.27	97.31	97.16	82.99	100.17	98.09	97.55	84.15	102.06	99.34	97.85	85.04
Madhya Pradesh	97.66	90.60	79.71	41.83	93.91	88.91	77.42	43.72	92.93	91.35	75.50	45.01	89.49	92.00	71.30	45.43	86.84	92.01	69.95	51.33
Maharashtra	104.65	98.65	91.63	68.04	105.39	98.04	91.14	68.91	106.33	99.01	91.41	66.97	104.82	99.60	92.64	68.19	106.86	100.39	93.65	71.48
Odisha	99.22	92.33	77.07	35.07	96.17	90.29	80.68	65.86	96.80	89.64	79.00	47.56	97.39	93.21	84.52	46.39	97.94	91.27	80.36	43.58
Punjab	108.95	101.47	90.88	66.17	107.54	99.89	93.15	68.17	111.21	106.25	103.05	71.28	111.57	110.67	109.17	77.76	111.37	106.75	95.06	82.02
Rajasthan	105.55	88.85	76.77	54.27	104.74	86.93	81.60	56.51	106.11	88.85	84.21	58.44	106.52	93.13	84.82	62.06	105.09	95.99	79.23	70.33
Tamil Nadu	100.75	94.36	89.43	74.41	100.10	95.30	90.46	72.31	98.92	96.53	90.54	73.21	98.51	96.91	92.59	76.51	99.02	98.31	95.59	81.45
Telangana	107.91	92.21	81.49	51.41	108.42	93.11	84.75	56.52	111.96	97.44	87.97	57.18	110.62	103.73	92.32	61.88	112.52	106.52	94.06	64.84
Uttar Pradesh	106.03	75.32	65.90	46.90	100.44	77.00	65.39	46.12	102.93	81.70	65.79	46.88	103.16	85.00	66.41	48.78	101.87	90.97	69.26	50.65
West Bengal	101.72	93.04	81.63	50.56	107.58	86.45	81.54	51.73	113.32	88.64	86.25	55.21	120.73	92.23	91.18	58.50	115.26	98.02	88.20	62.00

Source: Unified District Information System for Education, Ministry of Education, Government of India

The goal of state government has been to ensure quality education for all. Haryana government has taken advantage of schemes like DIKSHA, EQUIP, ARPIT, etc., for capacity building of various stakeholders to ensure universal delivery of quality education. The School Education Quality Index compiled by NITI Aayog effectively tracks the performance of schools in the state on multiple parameters. The state of Haryana has seen the largest improvement among big states and improved its position from 8th rank to 3rd rank in one year. The improvement in the ranking is an indicator of the state’s resolve to deliver quality education to its people.



Source: NITI Aayog (2019), School Education Quality of India Report

## Health

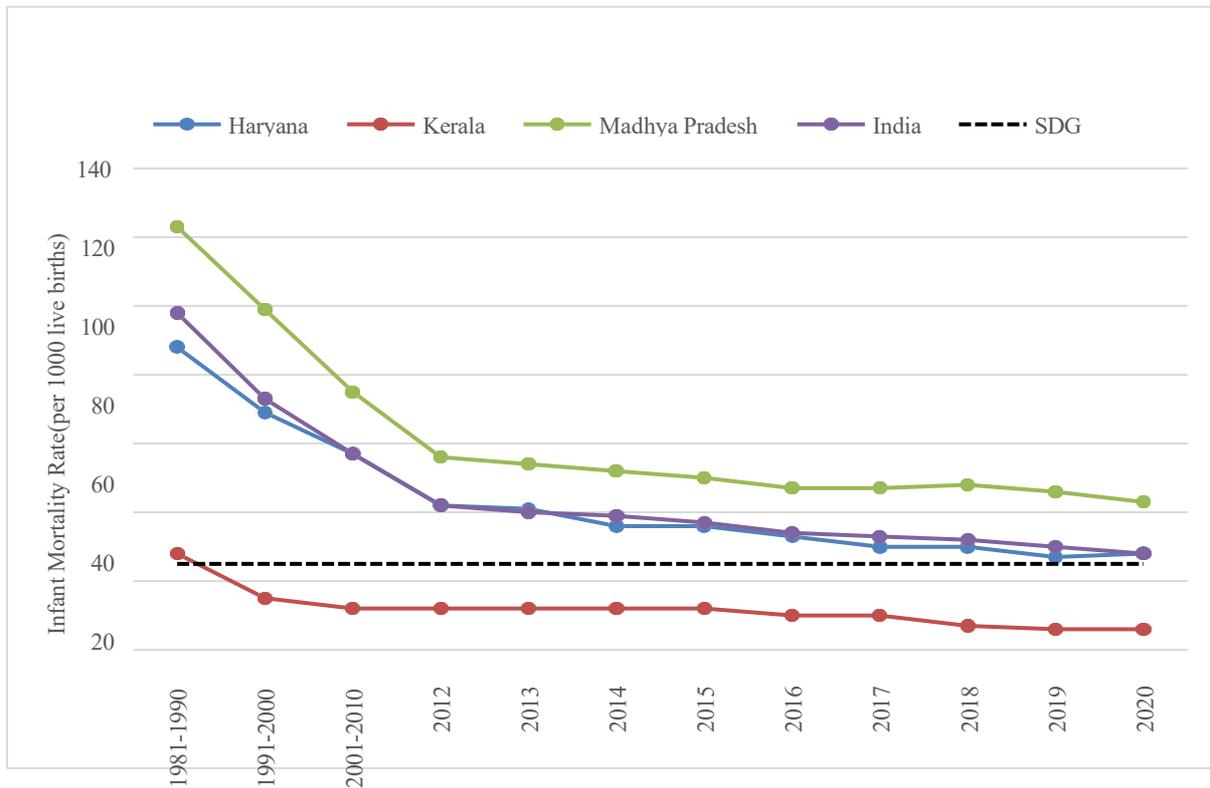
The vision of the Government of India has been to build a Swasth and Samridhdh Bharat. The aim could only be achieved with a robust healthcare system. Health is a state subject under the Indian constitution, which makes it the responsibility of states to achieve the goal of universal and affordable health care for all. The international target of an Infant Mortality Rate (IMR) of 25 per thousand live births could only be achieved with a properly focused strategy and adequate funding. Haryana has come a long way in reducing the IMR from 88 in the 1981- 90 decade to 28 in 2020. Haryana is performing at par with the all-India average. It has been performing better than its neighbours, such as Rajasthan, which has an IMR of 32. Some of the poorer states have shown remarkable improvements in this period, such as Bihar, Odisha, Rajasthan and UP. In the recent years, Bihar has a lower IMR than Haryana.

**Table 1.5: Infant Mortality Rate (IMR)  
(per thousand live births)**

States	1981-1990	1991-2000	2001-2010	2012	2013	2014	2015	2016	2017	2018	2019	2020
Andhra Pradesh	80	67	56	41	39	39	37	34	32	29	25	24
Assam	99	78	66	55	54	49	47	44	44	41	40	36
Bihar	100	69	58	43	42	42	42	38	35	32	29	27
Gujarat	99	63	53	38	36	35	33	30	30	28	25	23
<b>Haryana</b>	<b>88</b>	<b>69</b>	<b>57</b>	<b>42</b>	<b>41</b>	<b>36</b>	<b>36</b>	<b>33</b>	<b>30</b>	<b>30</b>	<b>27</b>	<b>28</b>
Karnataka	72	62	48	32	31	29	28	24	25	23	21	19
Kerala	28	15	12	12	12	12	12	10	10	7	6	6
Madhya Pradesh	123	99	75	56	54	52	50	47	47	48	46	43
Maharashtra	69	52	36	25	24	22	21	19	19	19	17	16
Odisha	127	104	75	53	51	49	46	44	41	40	38	36
Punjab	69	53	44	28	26	24	23	21	21	20	19	18
Rajasthan	104	83	68	49	47	46	43	41	38	37	35	32
Tamil Nadu	78	55	37	21	21	20	19	17	16	15	15	13
Uttar Pradesh	135	89	71	53	50	48	46	43	41	43	41	38
West Bengal	77	58	40	32	31	28	26	25	24	22	20	19
<b>India</b>	<b>98</b>	<b>73</b>	<b>57</b>	<b>42</b>	<b>40</b>	<b>39</b>	<b>37</b>	<b>34</b>	<b>33</b>	<b>32</b>	<b>30</b>	<b>28</b>

Source: Ministry of Home Affairs, GOI & Office of the Registrar and Census Commissioner, India

**Figure1.3 - Infant Mortality Rate of Selected States and India (1981-2020)**



Source: Ministry of Home Affairs, GOI & Office of the Registrar and Census Commissioner, India

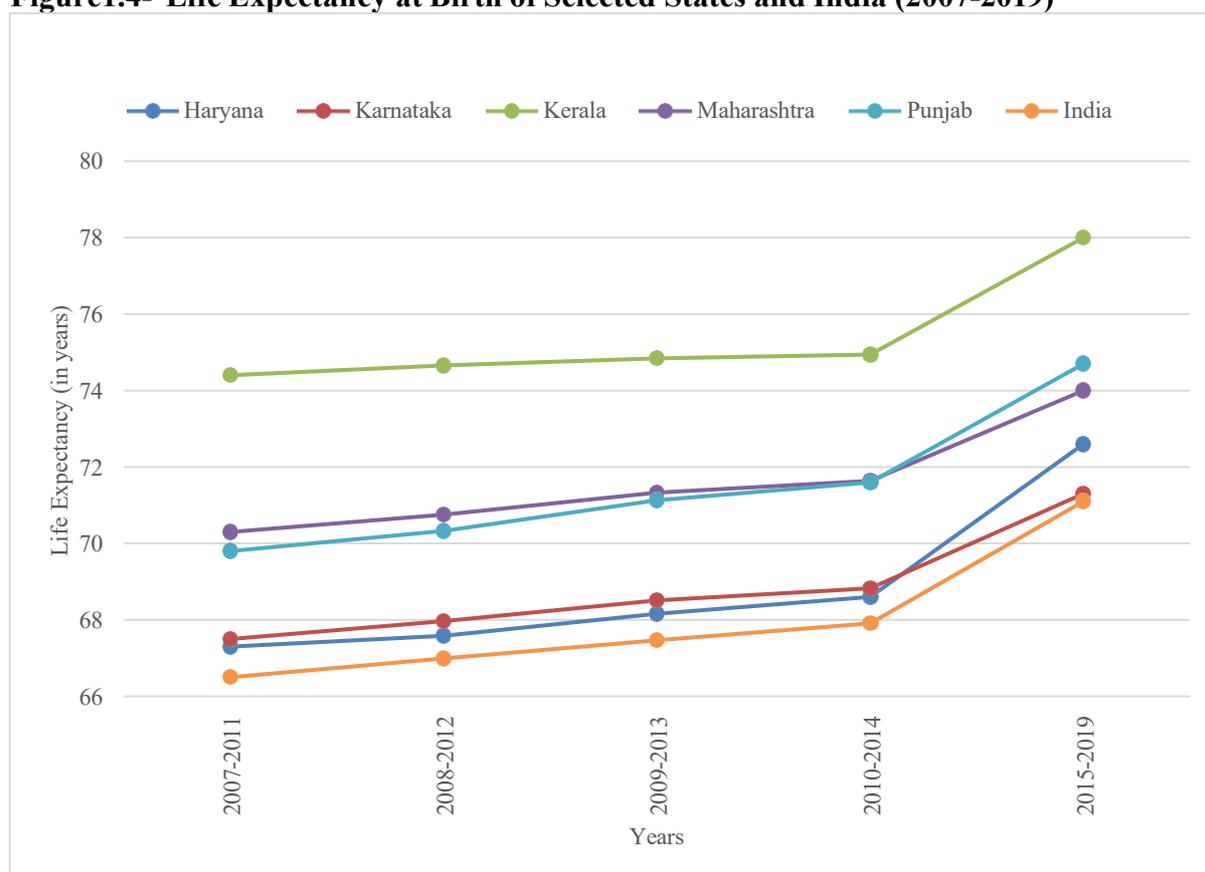
The increased life expectancy is often the by-product of the creation of a robust healthcare system which crucially depend on schemes like Ayushman Bharat, Mukyamantri Muft Ilaaj Yojana (MMIY), National Health Mission (NHM), etc. Haryana has been well above the national average in terms of life expectancy. It has been doing better than the states like Bihar, Assam and Madhya Pradesh. Over time, there has been an improvement in life expectancy of around five years in a period between 2007 and 2021 (Table 1.6).

**Table 1.6: LIFE EXPECTANCY (AT BIRTH)**

State	2007-11	2008-12	2009-13	2010-14	2015-19
1) Andhra Pradesh	66.3	67.03	67.89	68.46	71.8
2) Assam	62.2	62.74	63.31	63.92	68.3
3) Bihar	66.3	67.17	67.69	68.09	68.8
4) Gujarat	67.3	67.71	68.15	68.69	72.8
<b>5) Haryana</b>	<b>67.3</b>	<b>67.58</b>	<b>68.16</b>	<b>68.60</b>	<b>72.6</b>
6) Karnataka	67.5	67.97	68.51	68.83	71.3
7) Kerala	74.4	74.66	74.84	74.94	78.0
8) Madhya Pradesh	62.8	63.33	63.80	64.16	69.1
9) Maharashtra	70.3	70.75	71.33	71.64	74.0
10) Odisha	63.7	64.29	64.82	65.83	71.1
11) Punjab	69.8	70.33	71.13	71.60	74.7
12) Rajasthan	66.8	67.18	67.54	67.72	71.3
13) Tamil Nadu	69.4	69.83	70.20	70.61	74.9
14) Uttar Pradesh <sup>6</sup>	63.0	63.48	63.82	64.14	66.2
15) West Bengal	69.4	69.67	69.92	70.16	73.2
<b>India</b>	<b>66.5</b>	<b>66.99</b>	<b>67.47</b>	<b>67.91</b>	<b>71.1</b>

Source: Office of the Registrar and Census Commissioner, India

**Figure 1.4- Life Expectancy at Birth of Selected States and India (2007-2019)**



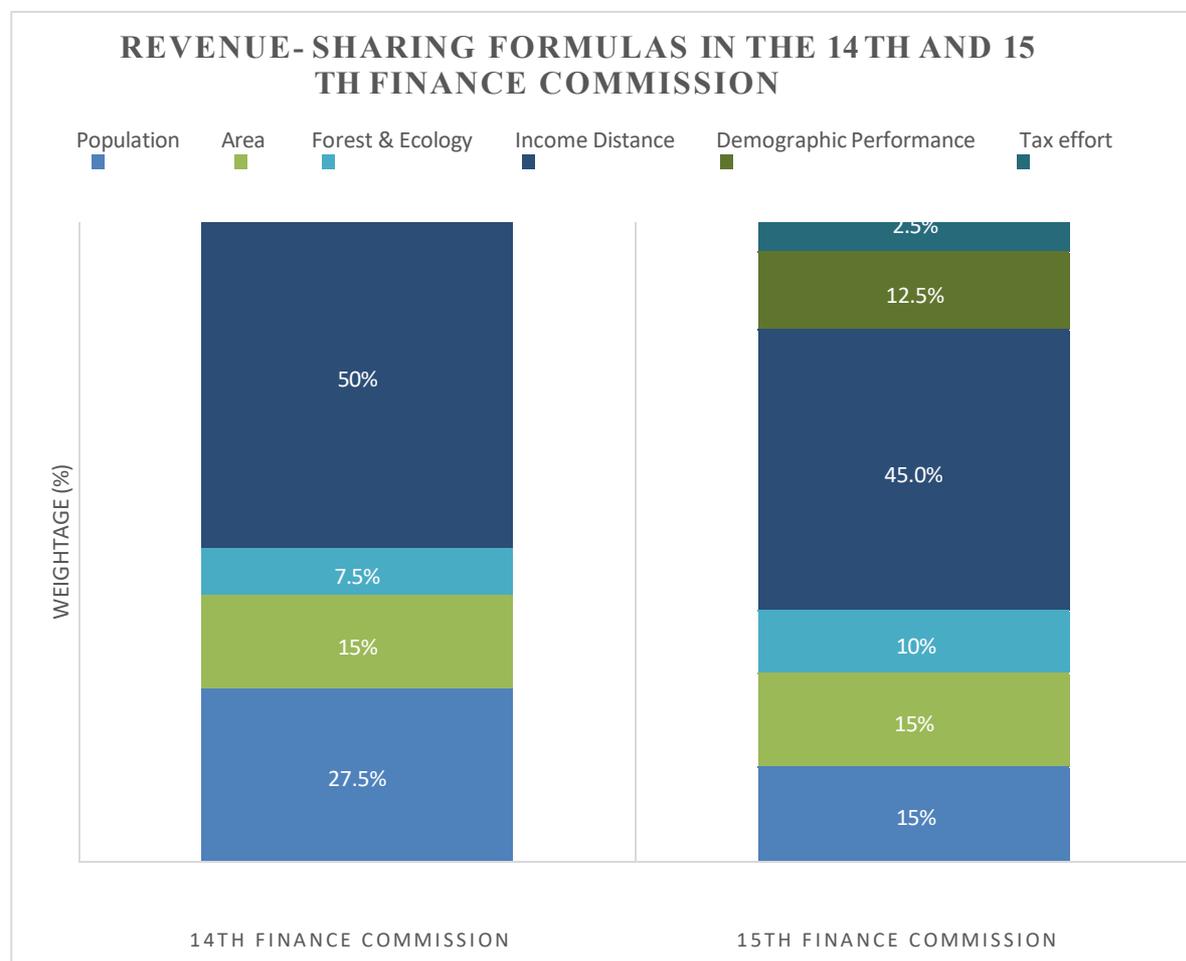
Source: Office of the Registrar and Census Commissioner, India

This study in the next chapters focuses on the State Finances of Haryana as per the Terms of Reference (TOR) as put forward by the Sixteenth Finance Commission to look into the challenges of the State's fiscal capacity and debt-sustainability issues.

### **Background of this Study:**

Fifteenth Finance Commission recommendations had kept the devolution of States' share of pooled Union Taxes unchanged, as stipulated by the Fourteenth Finance Commission, at 42%. It took into consideration the change of status of Jammu & Kashmir from a full-fledged state to Union Territory and thus one percent has been earmarked for J&K from the 42% allotment. The Fourteenth Finance Commission recommended withdrawing some of the Centrally Sponsored Schemes (CSS). The fiscal consolidation roadmap suggested by the Fourteenth Finance Commission included a ceiling of the Fiscal Deficit to 3% of GSDP from 2016 - 17 onwards, which was also reviewed by a N.K. Singh Committee (2017) to review the FRBM. In the Fourteenth Finance Commission, the states' share of pooled Union Taxes was decided on the basis of population (2011 census), demographic changes in population since 1971, income distance calculated by the difference between the three-year GSDP average for each state concerning the state having the highest per capita GSDP; Forest cover as an opportunity cost for areas not available for other activities; and geographical areas of the states. In the fifteenth Finance Commission recommended devolution, the highest weightage was given to Income Distance (45%) followed by the Population and Area (15% each), a new parameter to reward the states with better demographic performance (12.5%) was introduced and to enhance sustainability efforts forest cover and ecology (10%) were given a bit more weightage than earlier. Tax efforts also were given due recognition by sharing 2.5% of the revenue to emphasize States' greater fiscal accountability. There was a guarantee, agreed upon by the Central Government, for Revenue compensation due to GST implementation for states, which may undergo revenue losses due to uniform GST across states. Under such a framework it would be pertinent to study the impact of the Fifteenth Finance Commission on the State Finances of Haryana concerning the different parameters of revenue, expenditure and the deficits of the states.

The following Table summarizes the comparative analysis of the sharing formulae between the Fourteenth and Fifteenth Finance Commissions:



Source: PIB

Haryana being a small state with only 1.3% of country’s area and 2.09% of the population of India (White Paper, Ministry of Finance, Government of Haryana, 2015). Accordingly, the Fifteenth Finance Commission has recommended at little over 1% of tax devolution for the state, which is not much different from the recommendations of the previous Finance Commission. Haryana was not recognized as a Revenue Deficit state in the Fourteenth Finance Commission. A Revenue deficit state was endowed with separate Grant-in-Aid by the Fourteenth Finance Commission. It is pertinent to study the impact of such devolution on State finances of Haryana and also to understand progress in implementation of the FRBM in the state. With the implementation of GST in 2017-18, this study would explore whether Haryana has implemented GST in an efficient manner and whether GST has improved the revenue receipts of the state.

The Fourteenth Finance Commission also suggested to amend Electricity Act of 2003 for each state to incorporate any levy of penalty for delayed subsidy payments by the States. The study proposes to explore the policy and impact on power subsidy too. The study proposes to arrive at a Fiscal Roadmap for the State of Haryana for the next five years.

## CHAPTER 2

### Methodology of the Study

#### Objectives of the study:

#### General Objective:

- Critical evaluation of the overall Haryana's State finances over the twelve-year period with reference to the Schedule 1 of TOR of the 16<sup>th</sup> Finance Commission.
- To suggest ways for improved financial performance of Haryana.

#### Specific Objectives as per Terms of Reference (TOR) listed in Schedule 1 of Haryana Finances Study

- i. Estimation of revenue capacities of State and Measures to improve the tax-GSDP ratio during last five years. Suggestions for enhancing the revenue productivity of the tax system in the State
- ii. Analysis of the state's own non-tax revenues and suggestion to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.
- iii. Expenditure pattern and trends separately for Revenue and Capital, and major components of expenditure thereunder. Measures to enhance allocative and technical efficiency in expenditures during the last 5 years. Suggestions for improving efficiency in public spending.
- iv. Analysis of deficits – fiscal and revenue
- v. The level of debt to GSDP ratio and the use of debt (i.e., whether it has been used for capital expenditure or otherwise). Composition of the state's debt in terms of market borrowing, off-budget borrowings, Central government debt (including those from bilateral/ multilateral lending agencies routed through the Central government), liabilities in public account (small savings, provident funds etc.) and borrowings from agencies such as NABARD, LIC etc.
- vi. Implementation of FRBM Act and commitment towards targets. Analysis of MTFP of various departments and aggregate.
- vii. Analysis of the state's transfers to urban and rural local bodies in the State. Major decentralization initiatives.
- viii. Impact of State Public Enterprises finances on the State's financial health and measures taken to improve their performance and/or alternatives of closure, disinvestment etc.
- ix. Impact of Power Sector Reforms on States' fiscal health. In case reforms have not been implemented, the likely outcome on the States' fiscal health.
- x. Analysis of contingent liabilities of the State.
- xi. Subsidies given by the States (Other than Central subsidies), their costs and benefits, targeting and evaluation.

- xii. Outcome Evaluation of State Finances in the context of recommendations of the 14th and 15th FC, in particular
  - a. analysis of the flow of resources from Centre to States through various schemes, the expenditure of States in those schemes, resources of States channeled towards these schemes and the overall impact on development spending of the States;
  - b. States' own schemes for different development objectives
  - c. Determination of a sustainable debt roadmap for 2026-31, taking into account the tax/non-tax revenue trend forecasts for the state.

### **Research Methodology**

- **Literature Survey** – A thorough Literature survey from various sources would be undertaken
- **Data collection from secondary sources**
- **Sources of Secondary Data**
  - Budget Documents of Ministry of Finance, Haryana Government
  - Reports of Health department, Education department and Power sector, Government of Haryana
  - Economic Survey Reports of Haryana, Department of Economic Affairs, Haryana Government
  - White Paper on State Finances, Ministry of Finance, Haryana Government
  - State Finances – A study of Budgets, yearly release by RBI
  - Budgets of Haryana, Ministry of Finance, Haryana website
  - Indian Public Finance Statistics, yearly publication of Department of Economic Affairs, Ministry of Finance
  - MOSPI
  - Indiatat.com data on Haryana
  - CMIE data of Haryana
  - Reports of Haryana Public Finances from NIPFP, New Delhi
  - Finances of States – EPWRF data
  - CAG reports
  - Auditor General reports of Haryana
  - Energy Statistics
  - Road Statistics – SRTCs
- **Details of Methodology used:**
  - a. Trend graphs of growth rates of fiscal parameters have been used
  - b. Tax buoyancy and Tax-GSDP ratio are used for understanding taxable capacity with respect to own tax revenue of the state of Haryana and also with respect to total tax revenue including the share of the state in central taxes.
  - c. Composition in percentages and absolute numbers of sources of tax and non-tax revenues have been analyzed
  - d. Estimation of long run tax buoyancy and short run tax buoyancy have been done.
  - e. For Non-tax revenue and Expenditure analysis various fiscal ratios and fiscal indices were measured
  - f. Estimation of Non-tax revenue growth rate based on GSDP growth rate has been done

- g. User fee has been analyzed based on the Non-tax revenue earned in social and economic services separately using Margit (2014). In this study, Non-plan revenue expenditure on social services and economic services have been used as proxy for cost of providing these services. Then a Revenue-Cost analysis has been conducted to check whether user fees are adequate to meet the cost of providing such services and by how much they are falling short of planned social and economic expenditure incurred by State government.
- h. Composition of expenditure and allocation ratios of expenditure between capital and revenue expenditure and development and non-development expenditure and investment (capital expenditure) in social and economic services have been measured.
- i. Fiscal Deficit, Revenue Deficit and Primary deficit to GSDP ratios have been measured and compared with various other fiscal variables such as State's own tax revenue, total tax revenue, non-tax revenue, revenue expenditure, capital outlay and total expenditure. The study period performance has been compared with the same measures for previous decade and also compared with six high income states.
- j. Debt-GSDP ratio has been used as the major indicator for Debt-sustainability. Effective interest rates have been compared with GSDP growth rates to understand sustainability of Debt. Apart from Debt-GSDP ratio, Debt-trap scenario of the state is checked through a measure of resource gap as suggested by Eleventh Finance Commission. It recommended that debt of a state would only reduce if incremental non-debt receipts are enough to meet incremental primary expenditure and incremental interest liabilities. So if the resource gap to meet primary expenditure after servicing debt is positive debt is sustainable, otherwise it is unsustainable if resource gap is negative. (Goel, et al, 2014)
- k. Assessment made by FRBM and Fourteenth Finance Commission have been analyzed based on a comparison of actual and targets.
- l. Following Margit (2014), we have used Fiscal performance indicators for outcome evaluation of State Finances of Haryana. The following Table shows the various Fiscal indicators defined and measured in the study:

#### **Individual Indices and the Indicator Variables**

<b>Indices</b>	<b>Indicator Variable Used</b>
Own Tax Earnings Performance Index	Own Tax Revenue/GSDP
Own Tax Spending Performance Index	Own Tax Revenue/Total Revenue Expenditure
Development Expenditure Performance Index	Development Expenditure/Non-Development Expenditure
Commitment Capacity Performance Index	$1 - (\text{Committed Expenditure}/\text{Total Revenue Receipt})$
Committed Expenditure Performance Index	$1 - (\text{Committed Expenditure}/\text{Total Revenue Expenditure})$

The above indices have been used to compare Haryana's fiscal performance vis a vis six other high-income states (ranked based on per capita income). However, Overall Fiscal Performance Index was measured only for state of Haryana.

- **Forecasting for Sustainable Debt Road Map:** Trend forecasting exercise based on various scenarios on fiscal parameters were conducted to estimate Debt-GSDP ratio for sustainable road map. AR(1) process has been followed in estimating trend growth rate as the time series of fiscal indicators are non-stationary.

- **Data Analysis Tools:** Macroeconomic data required are mostly annual time series data. 12 years annual data may be analysed through
  - Graphical representations
  - Descriptive Statistical Analysis
  - Time Series trend analysis and forecasting tools with Moving Averages, Exponential Smoothing techniques.
  - Forecasting based on CAGR modelling with optimistic and conservative assumptions shall be conducted.
- **Sample period of study** – FY 2010-11 to 2023-24. However, for forecasting purpose trend growth rates were estimated based on two scenarios: taking period from 1980-81 till 2022-24 data and also from 2011-12 till 2022-23. Forecasted values are presented from the year of 2023-24 till 2029-30.
- **Statistical Software Tools to be used:** Excel, E-Views and STATA

## CHAPTER 3

### Estimation of the Revenue Capacity of State

The chapter explores the revenue-generating potential of Haryana. Revenue expenditure, a critical aspect of state finances, includes spending on operational and maintenance costs, salaries, subsidies, grants, and welfare schemes. It directly affects the state's capacity to fund essential services and developmental programs, making it a cornerstone of financial health and service delivery.

The total Revenue Receipt of the state of Haryana has increased by multiple folds in absolute terms during our study period from 2011–13 to 2023–24. The total Revenue Receipts have been increasing till 2017-18. Although there has been a continuous increase in absolute terms throughout this period, there was a slight slowdown in the growth rate between 2013-14 and 2014-15. After that, the growth in revenue collection has been stagnant over the next two years, 2018-2019 and 2019-2020. The Revenue collection then fell from its previous year's level, in 2020-2021, due to COVID lockdown. But the revenue collection has picked up post-second COVID lockdown, and it has been exponentially growing since FY 2021-2022. The CAGR of total Revenue receipts has been 8.16%, which indicates that it has grown significantly over the last 12 years.

A similar exponential trend has been observed in Tax Revenue and Own Tax Revenue, with a slowdown in three FYs, 2018-19 to 2020-21<sup>1</sup>. Non-tax Revenue fell once in 2012-13 and then again after 9 years in 2021-22. These variables have a relatively higher CAGR of 8.20% and 8.09%, respectively, among the other variables.

Similarly, own non-tax revenue collection also fell in 2012–13. It has surpassed its 2011-12 levels after 5 years, in 2016-17. And fell again in 2018-19 and kept falling till 2021-22. It has picked up quite significantly in the last two years.

The State GST collection has also faced a deceleration during 2019-20 and 2020-21; since then it has recovered and has been growing well in the past three years. It has a CAGR of 7.34%.

Share in Central Taxes has had two major slumps, one in 2017-18 and 2019-20 to 2020-21, but it has picked up well in the last three FYs. And it has the highest CAGR among all the indicators (Appendix Table 3.1), of 9.86%.

Central Grants fell in 2012-13, 2016-17, and 2017-18, but there was an increase in 2019-20 and 2020-21, and it has fallen again since then. This was due to initial rise in Finance Commission grants to meet the loss in Revenue deficit and loss in GST collection due to implementation challenges, which were later on withdrawn in Post COVID years. The back to back loans led to reduced compensation on account of revenue deficits in 2021-22, 2022-23 and 2023-24. GST collection of states improved Post COVID leading to less grants on account of losses due to GST implementation (elaborated later in the chapter).

The share of Own Tax Revenue (without SGST) out of Total Revenue Receipts has been declining since 2017, quite expectedly due to consolidation of many taxes under the new GST regime. This value has been stagnant over the last 6 years, around an average of 36%. In 2023-24, Own Tax Revenue with SGST constitutes 71.57% of the TRR. Compared to pre-GST year

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<sup>1</sup> Total Tax Revenue = Own Tax revenue + Share of State in Central taxes such CGST, IGST and all direct taxes

Total Non-Tax Revenue = Own Non-tax revenue that includes the income of states from various services + Central Grants

2016-17, SGST has not been able to improve the State's own tax collection performance as much. Own Tax Revenue (including SGST) as a percentage of TRR has been around 67% in the last 15 years on an average. SGST has made a significant contribution in the years post COVID.

On the other hand, the share of the Haryana State in central taxes out of the TRR has increased in the last few years. It was 9.10% in 2012-2013, which has now increased to 11.41% (RE) in 2023-24. This value has rose to 12.28% in the pre-COVID year 2018-19. After reaching its peak, in the post-COVID year 2021-22 level of 12.45%, it went down to 11.64% in the next year, 2022-23.

**Table 3.1: Components of Revenue Receipts as % of TRR**

Year	Own Non-Tax Revenue (1)	Own Tax Revenue (without SGST) (2)	Own Tax Revenue including SGST (3)	Share in Central Taxes (4)	Central Grants (5)
2011-2012	15.45	66.76	67	8.78	9
2012-2013	13.89	70.05	70.05	9.10	6.96
2013-2014	13.09	67.26	67.26	8.80	10.86
2014-2015	11.31	67.73	67.73	8.70	12.26
2015-2016	9.99	65.04	65.04	11.56	13.41
2016-2017	11.80	64.81	64.81	12.57	10.82
2017-2018	14.54	48.27	66.73	10.46	8.27
2018-2019	12.11	36.38	64.88	12.28	10.74
2019-2020	10.90	35.30	63.11	10.48	15.51
2020-2021	10.30	35.05	62.04	9.53	18.13
2021-2022	9.47	39.00	68.35	12.45	9.73
2022-2023	9.01	41.30	73.25	11.64	7.97
2023-2024 RE	7.87	39.93	71.57	11.41	10.91
Average	11.28	50.84	67.07	10.75	11.30
SD	1.90	14.70	3.37	1.44	3.19

Source: Author's calculations based on RBI Data, *State Finances: A study of Budgets. Appendix I: Revenue Receipts of States and Union Territories with Legislature, States: Chhattisgarh, Goa, Gujarat, Haryana.*

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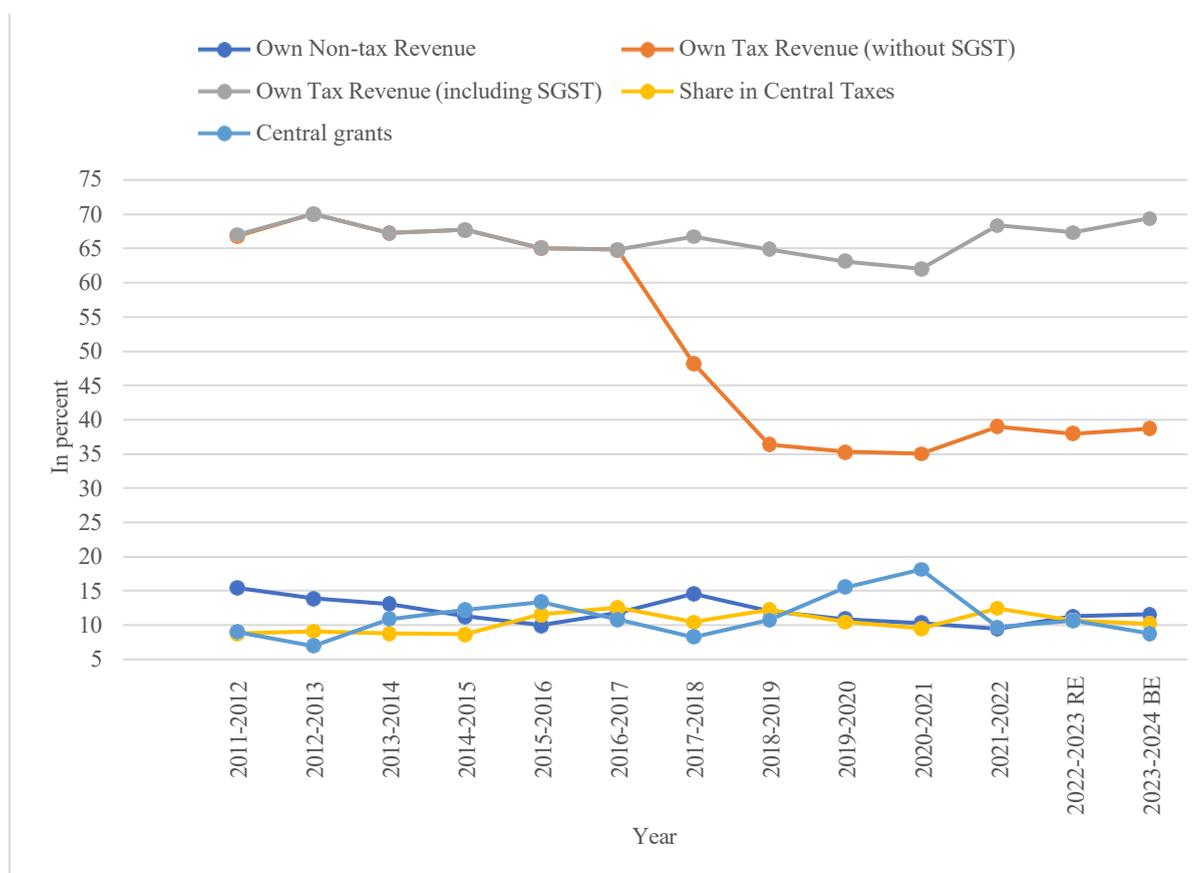
Note. TRR stands for Total Revenue Receipts of States, RE is Revised Estimate, -, Average and SD is calculated based on the period 2012-2013 to 2023-2024.

In case of State's Own Non-Tax Revenue seen as a percentage of TRR, the average of the last 12 years has been 11.28%. Since 2011-12, it has fluctuated with a downward trend falling from a high of 15.45% in 2011-12 to 9.99% in 2015-16. It did pick up from 2017-18 onwards to reach 14.54%, but fell in the next year, 2018-19 onwards, till 2022-23. As per CAG report on Haryana State Finances (2024), this slowdown of non-tax revenue in last five years is due to the following reasons:

- Sharp fall in interest receipts since 2018-19;
- Stagnancy of dividends and receipts except an increase witnessed in 2021-22;
- Decline in road transportation revenue which picked up post-COVID;
- Sharp decline in receipts from urban development services
- Sharp decline in Education and Sports revenue during COVID times and an increase post- COVID

Central Grants as a percentage of TRR has averaged 11.34% over the last 15 years. It declined sharply to 6.96% in 2012-13 from 9% in 2011-12, which has been the lowest level in 15 years. The value picked up from 2013-14 onwards, but it soon fell in 2016-17. There have been many fluctuations in this component over the years. There has been increase in compensation of loss in GST after its introduction that led to increase in grants in 2018-19 and 2019-20. Overall Central Grants had reached its peak during COVID 2020-21 to 18.13%, as the government increased the release of COVID-relief funds. Although the Central grants as percentage of TRR is 7.97% in 2022-23 but revised estimates of 2023-24 shows a sharp increase to 10.91% in 2023–24.

**Figure 3.1: Components of Revenue Receipts as a % of TRR**



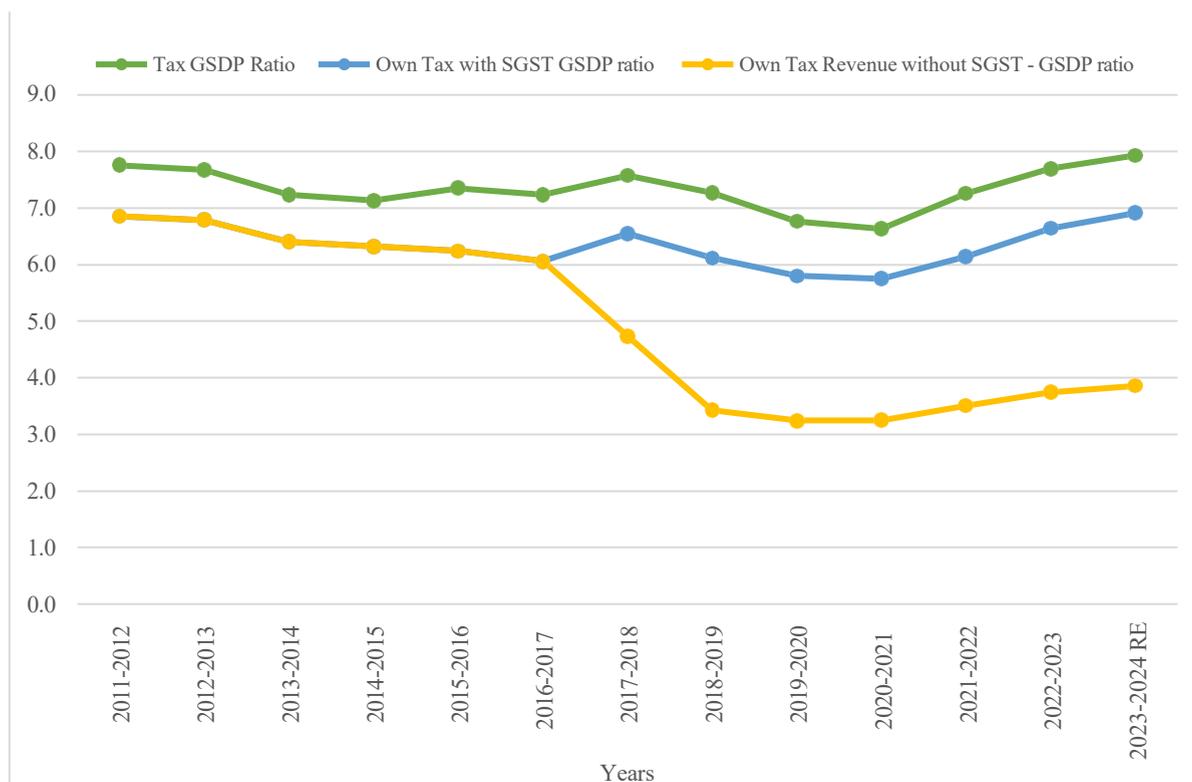
Source: Based on Table 3.1

Tax effort is generally measured by the Tax to GSDP ratio. The state’s tax-to-GSDP ratio was 7.73% in 2011-12, which grew to 7.96% in 2023-24. In 2012-13, it grew to 7.8 % which is the highest level it has risen until FY 2023-24. Since then it has been declining till 2015-16, where the ratio increased to 7.38% and remained around that level till 2018-19. And it declined again in 2019-20 to 6.79% and kept declining due to COVID lockdown. It recovered in 2021-22, when the ratio got up to 7.29%, and it has been increasing since then.

Since the implementation of GST in 2017, the state's Own Tax to GSDP (without SGST) ratio has been declining. In pre-GST years, from 2011-12 to 2016-17, the state's own tax to GSDP ratio has been roughly around 6%. But since then, the value has fallen to around 3% of the GSDP. The value declined from 6.09% in 2016-17 to 4.76% in 2017-18. It fell to its lowest levels in 2019-20 and 2020-21 to 3.26%. It has slightly improved post-COVID and increased to 3.87% in 2023-24.

Hence the overall Tax efforts have not improved significantly in the last 12 years. The average Tax to GSDP ratio has been around 7%, and the average Own Tax to GSDP ratio has been 6%, which indicates reasonably good fiscal health for the state of Haryana.

**Figure 3.2 Tax-GSDP Ratios**



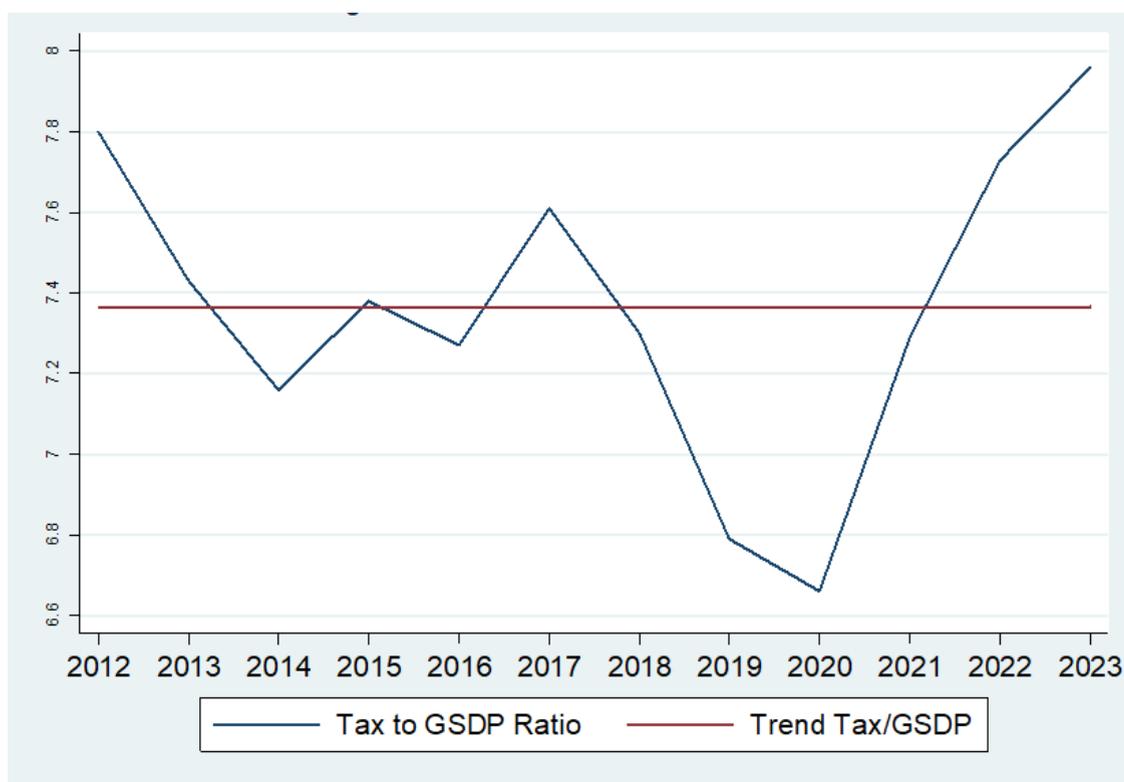
Source: Based on Table 3.1

For analysing tax efforts, we have estimated the Tax-GSDP ratio through a long run trend regression taking data from 2011-12 to 2023-24. The long run trend curve of Tax-GSDP from Fig 3.2 shows that there is no visible improvement or decline in tax efforts as the trend curve of Tax-GSDP is neither upward nor downward sloping, but horizontal.. The estimated trend equation is:

$$\text{(Tax-GSDP Ratio)} = 7.224 - 0.0000699 \text{ (Time Trend)}$$

The trend estimation results are provided in detail in Appendix Table 3.2. Since the trend shows statistical insignificance, it implies there is no increasing or decreasing trend. The tax efforts of the state have neither improved nor worsened. The Actual Tax/GSDP ratio was higher than the trend equation from 2012-13 to 2013-14. The Actual Tax/GSDP ratio stayed below the trend line in 2013-14, 2014-15, and 2016-17. From 2013-14 to 2018-19, the gap between the Actual Tax/GSDP ratio and the trend ratio has narrowed down significantly. But this gap has drastically increased from 2018-19 onwards. The Actual Tax/GSDP ratio has improved in post COVID years 2022-23 and 2023-24. The trend line is not a good fit of the actual data, as there is high volatility in the actual data.

**Figure 3.3 Actual to Trend- Tax to GSDP Ratio**



Source: Based on the estimation of the equation of Tax/GSDP ratio.

Comparing Haryana with other high performing General category states, its Tax Revenue as a ratio of Total Non-Special category states has been hovering around 3%. During the pre COVID years, the tax revenue ratio went from 3.30% in 2017-18 to 3.08% in 2019-20. But during the COVID year 2020-21, it has been around 3.22%. It increased to 4.50% in 2021-22, but has declined to its lowest level in the last 7 years to 2.51% in 2023-24. Haryana and Punjab have the lowest Tax Revenue ratio of the total Non-Special category states, among the high- income states Gujarat, Kerala, Karnataka, Maharashtra, and Tamil Nadu.

While comparing the pre COVID values of Own Tax Revenue ratios of the state, there is a declining trend from 4.33% in 2017-18 to 4.02% in 2019-20. It rises slightly in 2019-20 by 4.19% and then reaches its peak in COVID year 2020-21 of 6.29% and then goes back to 4.51% in 2022-23.

The states' share in central taxes has been rather low. It has been varying between 1 to 2% consistently. It has slightly declined in 2019-20 and 2020-21, but increased in 2021-22 to 1.54%. But it has fallen to 1.16% in 2023-24, the lowest it has been in the last 7 years. There is not much difference in the pre and post COVID years of these values.

**Table 3.2.1: Tax Revenue as a percentage of General Category States (Pre COVID)**

(in percent)									
State	Tax Revenue			Own tax revenue			Shares in central taxes		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Tamil Nadu	8.23	8.21	8.27	9.99	10.20	10.10	4.85	4.85	4.76
Karnataka	8.10	8.00	8.23	9.36	9.37	9.62	5.69	5.69	5.57
Gujarat	6.29	6.24	6.13	7.63	7.74	7.42	3.72	3.72	3.65
Haryana	3.30	3.06	3.08	4.33	4.11	4.02	1.31	1.31	1.28
Kerala	4.31	4.20	4.12	4.99	4.90	4.73	3.01	3.02	2.96
Maharashtra	13.98	13.83	13.91	17.78	18.10	17.76	6.67	6.65	6.53
Punjab	2.80	2.63	2.49	3.26	3.06	2.82	1.90	1.90	1.86

Source : Authors' calculations based on RBI data, *State Finances: A study of Budgets. Appendix I: Revenue Receipts of States and Union Territories with Legislature.*

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**Table 3.2.2: Tax Revenue as a percentage of General Category States (Post COVID)**

(in percent)												
State	Tax Revenue				Own tax revenue				Shares in central taxes			
	2020-21	2021-22	2022-23 RE	2023-24 BE	2020-21	2021-22	2022-23 RE	2023-24 BE	2020-21	2021-22	2022-23 RE	2023-24 BE
Tamil Nadu	8.73	8.31	8.56	8.85	10.60	10.21	10.47	10.77	4.98	5.16	4.99	4.98
Karnataka	7.91	7.98	8.02	8.36	9.69	10.03	9.92	10.31	4.34	4.58	4.46	4.46
Gujarat	6.03	6.68	7.48	6.93	7.02	8.12	9.20	8.26	4.04	4.28	4.26	4.25
Haryana	3.22	4.50	3.40	2.51	4.19	6.29	4.51	3.17	1.29	1.54	1.34	1.16
Kerala	3.94	3.95	3.95	4.07	4.76	4.85	4.84	4.82	2.31	2.45	2.29	2.56
Maharashtra	13.37	14.27	15.09	14.41	16.40	18.36	19.02	17.73	7.30	7.48	7.73	7.72
Punjab	2.71	2.73	2.75	2.79	3.00	3.10	3.04	3.08	2.13	2.11	2.21	2.21

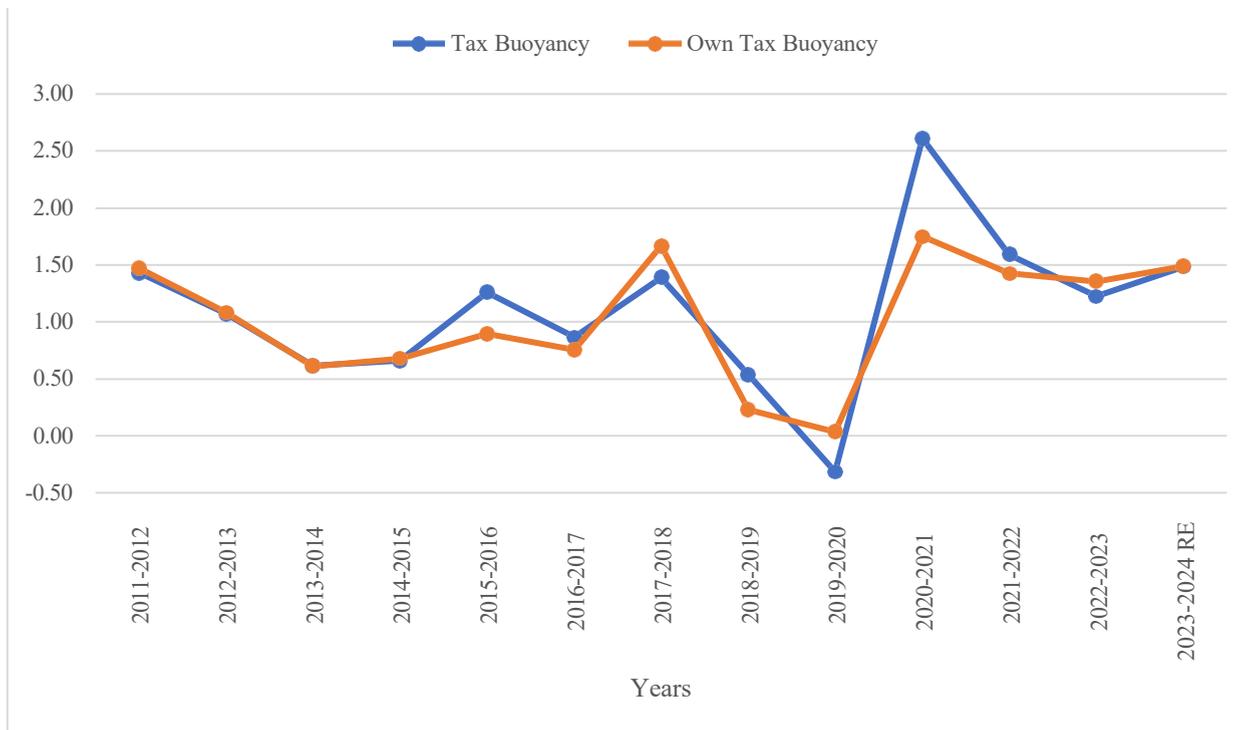
Source : Authors' calculations based on RBI data, *State Finances: A study of Budgets. Appendix I: Revenue Receipts of States and Union Territories with Legislature.*

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Note. RE is Revised Estimate, BE is Budget Estimate.

Tax Buoyancy is defined as (Rate of growth of Tax collections) divided by (Rate of Growth of GSDP). From Figure 3.4, it is observed that both Tax and Own Tax buoyancy moves in the same direction, showing high volatility throughout. In 2013-2014, Tax Buoyancy and Own tax buoyancy was 0.62 and 0.61 respectively indicating taxes are less buoyant. From 2014-15 onwards, there has been diversion in the paths, Tax Buoyancy reaching 1.26 in 2015-16 whereas Own tax buoyancy was 0.89. The buoyancy of Tax Revenue fell in the following year, it picked up again in 2017-18, and fell again in 2018-19. In 2019-20, Tax revenue buoyancy was negative at -0.32 and Own tax buoyancy was 0.03. It increased in COVID year 2020-21 to 2.61 and 1.75 for Tax Buoyancy and Own Tax buoyancy respectively. The values kept falling for Tax Revenue in the last 3 years, whereas it increased slightly for Own Tax Revenue in 2022-23 in the last 3 years.

**Figure 3.4 Tax Buoyancy with respect GSDP**



Source: Plotted based on Author's calculation of Tax-buoyancy

In order to understand the Longer period Tax buoyancy of the state, we estimate the following equations which will give us an indicator of the trend in tax-buoyancy.

$$\text{Log (Tax collection)} = a + b * \text{Log (Taxable Capacity)} + \text{error term}$$

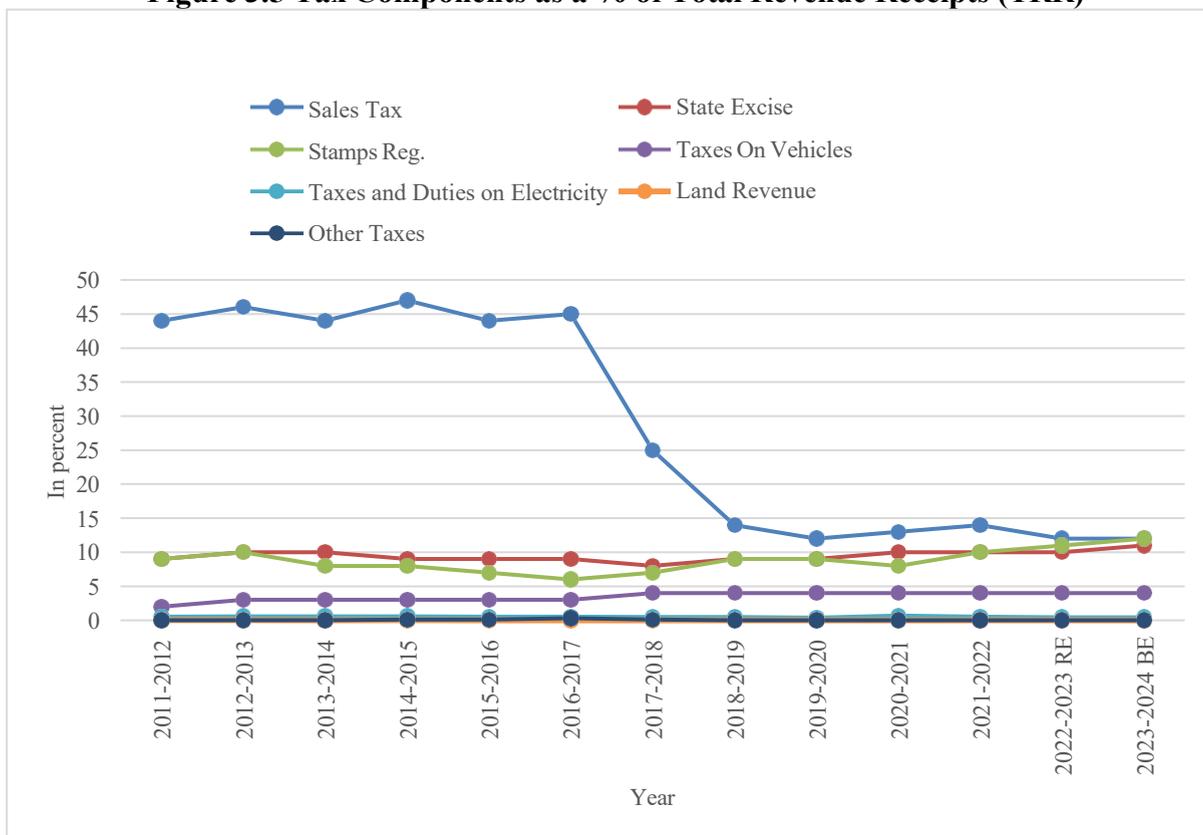
Here the slope coefficient 'b' indicates longer period tax buoyancy. We have used Nominal GSDP as proxy for 'Taxable Capacity' and Own Tax Revenue (OTR) as dependent variable for Tax collection.

This equation is applied on long run data from 2011-12 to 2023-24(BE) and short run data from 2017-18 to 2023-2024(BE). Appendix Table 3.4 and Appendix Table 3.5 shows the coefficient for Long run Own tax buoyancy and short run Own Tax buoyancy respectively, which is statistically significant. The estimates of buoyancy are 0.98 for Longer period own tax buoyancy and 0.1 for shorter period own tax buoyancy respectively. This indicates that in the longer period, growth in the tax revenue is more responsive to growth in GSDP than that of the shorter period. In the shorter period, the Own Tax revenue is less elastic which implies that it suggests a less responsive tax structure, although statistically significant.

In the Appendix Table 3.6, we observe that sales tax and stamps & registration tax are the major contributors of the state's own tax revenue. But the CAGR of Stamps and registration tax (11.70%) for the study period is 2011-12 to 2023-24 is higher than that of Sales Tax (- 1.42%). State Excise also has a relatively high CAGR of 11.14%. The highest CAGR of 14.90% is for Taxes on Vehicles. There is a negative CAGR of -31.53% observed for Taxes on Goods and Passengers, mainly due to coming of GST regime.

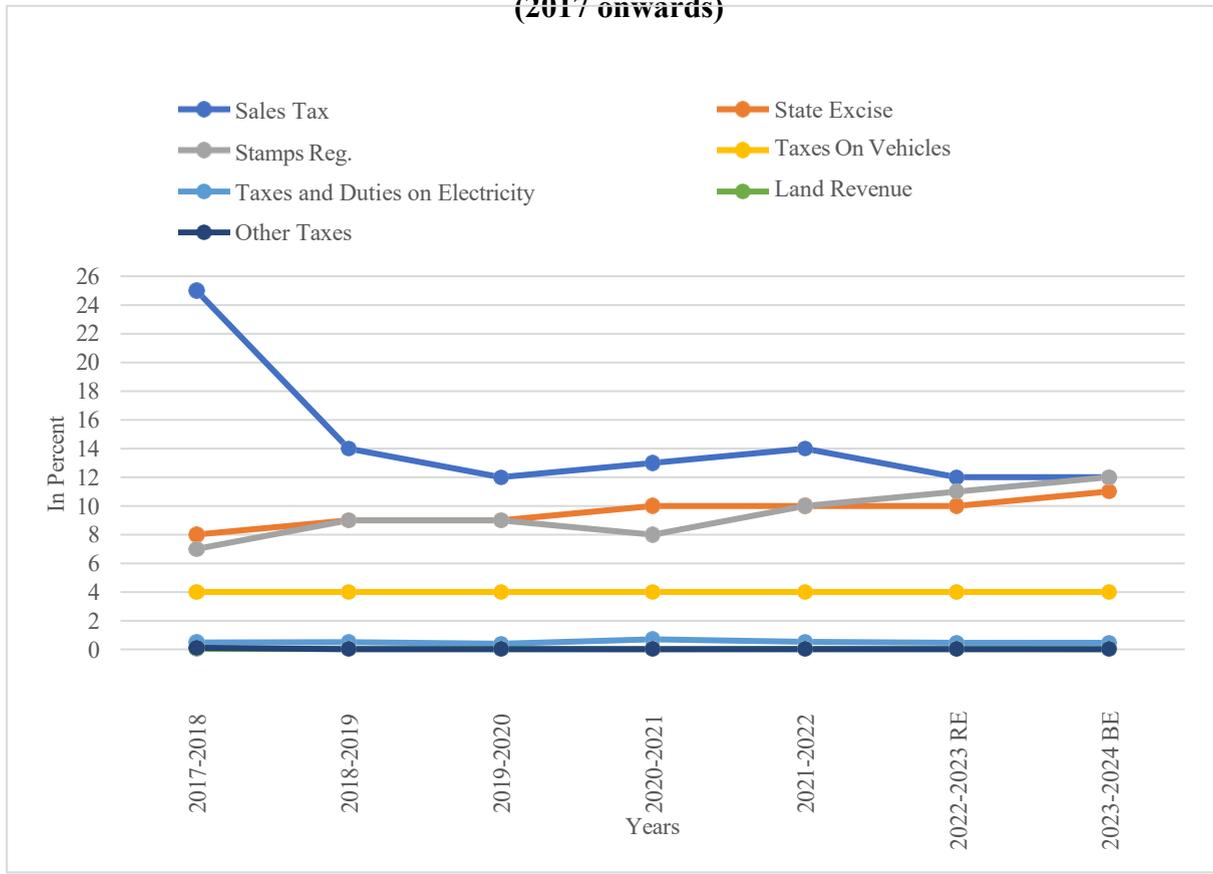
From Fig 3.4 and Table 3.4, it is understood that even though Taxes on Vehicles has the highest CAGR, it does not have the highest share out of Total Revenue Receipts. The growth rate of taxes on vehicles fell tremendously in 2014-15, then again in 2018-19 and 2019-20, and it was negative in 2020-21 due to COVID lockdown. Taxes on Stamps and electricity, Land revenue, and other taxes though have a very small share out of TRR, but have a relatively high CAGR. Taxes and duties on electricity had a share of 0.5% on average. Its growth rate has been relatively high overall, except from 2014–15 to 2016–17 when it declined, and also in 2019–20 and 2021–22 when it turned negative. Land revenue and other taxes have a share of 0.03% and 0.05% on average respectively. Although the growth rate of land revenue has peaked in a few years, 18.54% in 2012-13, 23.03% in 2014-15, and 28.74% in 2021-22. It has also been negative during 2013-14, 2015-16, and 2020-21. Not much change has been observed in the ratio during those years. Similarly, other taxes have also experienced a growth of around 135.7% in 2013-14 to 253.9% in 2014-15, which did increase the ratio from 0.04 to 0.14. It became negative the following year and peaked again in 2016-17 but fell to -55.79% in 2017-18. The growth rate kept falling further till 2019-20, but the ratio has remained around 0.01%. Sales Tax has the highest share out of TRR, followed by State Excise and Stamps Registration. Although the share of Sales tax out of the TRR, has been declining since 2017-18, when the ratio went from 45% in 2016-17 to 25% in 2017-18. As for State Excise and Stamps and Registration, the CAGR has been relatively high about 11.40% and 11.70% respectively. Yet the share out of TRR on an average has remained around 9.46% for State Excise and 8.6% for Stamps and Registration.

**Figure 3.5 Tax Components as a % of Total Revenue Receipts (TRR)**



Source: Table 3.4

**Figure 3.5a Tax Components as a % of Total Revenue Receipts (TRR)  
(2017 onwards)**



Source: Table 3.4

**Table 3.3: Tax Components-GSDP Ratio (in percentage)**

Year	Sales Tax		State Excise		Stamps Reg. (1)		Taxes on Vehicles		Taxes and Duties on Electricity		Land Revenue (2)		Taxes on Property & Capital Transactions (1+2)	
	(As % of GSDP)	Aggregate (in Cr)	(As % of GSDP)	Aggregate (in Cr)	(As % of GSDP)	Aggregate (in Cr)	(As % of GSDP)	Aggregate (in Cr)	(As % of GSDP)	Aggregate (in Cr)	(As % of GSDP)	Aggregate (in Cr)	(As % of GSDP)	Aggregate (in Cr)
2011-2012	4.48	1,338,4	0.95	2832	0.94	2793	0.25	740	0.06	166	0.004	11	0.94	2804
2012-2013	4.50	1,537,7	0.95	3236	0.97	3326	0.26	88,	0.06	192	0.004	13	0.98	3340
2013-2014	4.31	1,677,4	0.95	367	0.82	3202	0.28	1095	0.06	220,	0.003	12	0.83	3215
2014-2015	4.36	1,899,3	0.80	3470	0.71	3109	0.27	1192	0.06	240	0.004	15	0.72	3124
2015-2016	4.27	21060	0.89	4371	0.65	3191	0.28	1400	0.05	257	0.003	15	0.65	3206
2016-2017	4.20	2,348,8	0.83	4613	0.59	3283	0.28	1583	0.05	276	0.003	16	0.59	3299
2017-2018	2.45	1,560,9	0.78	4967	0.66	4192	0.44	2778	0.05	306	0.003	18	0.66	4211
2018-2019	1.29	899,8	0.87	6042	0.81	5636	0.42	2908	0.05	337	0.003	20	0.81	5655
2019-2020	1.14	839,8	0.86	6323	0.82	601,	0.40	2916	0.04	262	0.003	21	0.82	6034
2020-2021	1.19	866,1	0.95	686,4	0.71	5157	0.34	2495	0.07	476	0.002	17	0.71	5174
2021-2022	1.30	1,1221	0.92	793,3	0.88	7598	0.38	3265	0.05	404	0.002	21	0.88	7620
2022-2023	1.17	1,1262	1.02	9673	1.09	8607	0.43	4231-	0.05	578	0.003	22	1.09	8630-
2023-2024 RE	1.19	11460	1.05	11400	1.15	12480	0.43	4740	0.05	575	0.002	25	1.15	12505
CAGR	-1.42	-10.52	11.14	0.89	11.70	1.39	14.90	4.30	8.30	-1.69	5.61	-4.13	11.68	1.38
SD	499,889	1.55	262,398	0.08	313,924	0.18	124,463	0.07	10,577	0.01	421	0.00	314,316	0.18

Source: Authors' calculations based on RBI data, State Finances: A study of Budgets. Appendix I: Revenue Receipts of States and Union Territories with Legislature, States: Chhattisgarh, Goa, Gujarat, Haryana.

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Authors' calculations of Nominal GSDP (base year-2004-05) is taken from RBI data, Handbook of Statistics on Indian States, Gross State Domestic Product (Current Prices).

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Note RE is Revised Estimate, BE is Budget Estimate. CAGR and SD calculations are based on the period 2011-13 to 2023-24.

**Table 3.4: Components of Own tax as a percentage of TRR and growth rates**

Year	Sales Tax		State Excise		Stamps Reg.		Taxes on Vehicles		Taxes and Duties on Electricity		Land Revenue		Other Taxes	
	As % of TRR	R.O.G	As % of TRR	R.O.G	As % of TRR	R.O.G	As % of TRR	R.O.G	As % of TRR	R.O.G	As % of TRR	R.O.G	As % of TRR	R.O.G
2011-2012	44	20.77	9	19.7	9	20.43	2	61.83	0.54	27.76	0.04	9.28	0.01	20.06
2012-2013	46	14.89	10	14.3	10	19.09	3	19.88	0.57	15.35	0.04	18.54	0.02	68.30
2013-2014	44	9.09	10	14.2	8	-3.72	3	23.39	0.58	14.18	0.03	-4.31	0.04	135.77
2014-2015	47	13.23	9	6.1	8	-2.93	3	8.83	0.59	9.37	0.04	23.03	0.14	253.99
2015-2016	44	10.88	9	26.0	7	2.65	3	17.53	0.54	7.06	0.03	-2.03	0.11	-9.43
2016-2017	45	11.53	9	5.5	6	2.87	3	13.05	0.53	7.41	0.03	7.48	0.31	209.44
2017-2018	25	-33.55	8	7.7	7	27.72	4	75.46	0.49	11.01	0.03	12.29	0.11	-55.79
2018-2019	14	-42.35	9	21.7	9	34.43	4	4.71	0.51	10.09	0.03	6.21	0.01	-89.48
2019-2020	12	-6.67	9	4.6	9	6.69	4	0.26	0.39	-22.23	0.03	7.77	0.01	-47.81
2020-2021	13	3.12	10	8.6	8	-14.24	4	-14.43	0.70	81.70	0.02	-19.73	0.01	26.62
2021-2022	14	29.57	10	15.6	10	47.34	4	30.84	0.52	-15.06	0.03	28.24	0.01	27.54
2022-2023	12	2.49	10	26.0	11	40.16	4	28.65	0.46	11.29	0.03	17.44	0.01	-0.70
2023-2024 RE	12	12.61	11	15.0	12	17.84	4	11.90	0.46	11.11	0.02	0.00	0.01	3.21

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets. Appendix I: Revenue Receipts of States and Union Territories with Legislature, States: Chhattisgarh, Goa, Gujarat, Haryana.*

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Authors' calculations of Nominal GSDP (base year-2004-05) is taken from RBI data, *Handbook of Statistics on Indian States, Gross State Domestic Product (Current Prices).*

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20States>

Note RE is Revised Estimate.

The Shorter period and Longer period of Sales tax buoyancy are estimated and provided in Appendix table 3.7 and Appendix table 3.8 respectively. Longer period buoyancy is -0.55 estimates the buoyancy of the period 2009-10 to 2023-24, and shorter period buoyancy is 0.13, it estimates the buoyancy of the period 2017-18 to 2023-24. The longer period sales tax buoyancy is negative which implies that if there is a 1% increase in the GSDP, it will cause a 0.091% decrease in the sales tax revenue. The shorter period tax buoyancy value is also very low, which means sales tax revenue is not responsive to economic growth.

## Non-Tax Revenue

Non-Tax Revenue is also an important source of Haryana's State's Own Revenue Receipts.

**Table 3.6: Own Non-Tax Revenue as percentage of GSDP and TRR.**

Year	Own Non-Tax Revenue	R.O.G	As % of GSDP	As % of TRR
2011-2012	472,165	27.55	1.58	15.45
2012-2013	467,315	-1.04	1.37	13.89
2013-2014	497,506	6.07	1.28	13.09
2014-2015	461,311	-7.85	1.06	11.31
2015-2016	475,249	2.93	0.96	9.99
2016-2017	619,609	23.30	1.11	11.80
2017-2018	911,285	32.01	1.43	14.54
2018-2019	797,564	-14.26	1.15	12.11
2019-2020	739,975	-7.78	1.01	10.90
2020-2021	696,149	-6.30	0.96	10.30
2021-2022	739,413	5.85	0.85	9.47
2022-2023	8,74,262.70	15.42	<b>0.88</b>	9.01
2023-2024 RE	8,58,267.70	-1.86	<b>0.78</b>	7.87
<b>Average</b>	6,62,313	6	1.1	11.52

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets. Appendix I: Revenue Receipts of States and Union Territories with Legislature, States: Chhattisgarh, Goa, Gujarat, Haryana.*

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Authors' calculations of Nominal GSDP (base year-2004-05) is taken from RBI data, *Handbook of Statistics on Indian States, Gross State Domestic Product (Current Prices).*

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20States>

Note RE is Revised Estimate, TRR is Total Revenue Receipt. Average is calculated based on the period 2011-12 to 2023-24.

From Table 3.6, we observe that State's Own Non-Tax Revenue constitutes 7.87% of Total Revenue Receipts in 2023-24. In the last 12 years, the ratio fell from 2012-13 onwards after reaching a peak of 15.45% in 2011-12. It fell to 9.99% in 2015-16 but recovered to 11.80% the next year. The ratio grew to 14.54% in 2017-18, but kept declining from 2018-19 onwards. It reached its lowest to 7.87% in 2023-24. Since then, the ratio has picked up to be around 11% in the last two years. But the state's Own Non-Tax revenue has potential to grow further as it has a CAGR of 6.86% which is relatively low.

The Own Non-Tax to GSDP ratio has been between 0.85 to 1.58% in the last 13 years. Like the trend of Own Non-Tax to GSDP ratio, this ratio also peaked in 2011-12, to 1.58%. Then it kept declining and reached 0.96% in 2015-16. The ratio started to improve from 2016-17 onwards, and reached 1.43% in 2017-18. It fell again from the next year onwards, and kept declining through the COVID years. Since 2022-23 it has started to increase, and in 2023-24 the own non tax revenue is budgeted at 1.16% of the GSDP.

We have run a trend regression equation of Non-Tax GSDP ratio to estimate the compounded growth rate. The equation is given by

$$\text{Log (Non-Own Tax-GSDP ratio)} = 31.32 - 0.177 (\text{Time})$$

The detailed estimation results reported in Appendix Table 3.9. It shows a negative trend growth rate which indicates that the Own Non-Tax Revenue has been growing at a much slower rate than the growth of GSDP.

The longer period estimation of buoyancy of Own Non-Tax revenue for the period of 2012-13 to 2023-24 is 0.84, which is also statistically significant buoyancy. And the shorter period estimation of tax buoyancy for the period of 2018 to 2023-24 is very close to zero and insignificant which implies that despite higher growth rate of GSDP, own non-tax revenue growth is not significant.

**Table 3.7: Composition of Non-Tax Revenue's Own Non-Tax Revenue (Rs in lakhs)**

Year	Total Own Non-Tax Revenue	Interest Receipts	Dividends & Profits	General Services	Social Services	Economic Services
2011-2012	472,165.0	86496	164	33602	148353	203550
2012-2013	467,315.0	105821	705	53515	159120	148154
2013-2014	497,506.0	109071	649	58550	168766	160470
2014-2015	461,311.0	93359	580	25735	56448	168619
2015-2016	475,249.0	108749	1589	40368	137089	187454
2016-2017	619,609.0	230979	589	31850	145541	210649
2017-2018	911,285.3	222,782.1	753.2	65,637.1	389,678.9	232,434.0
2018-2019	797,563.8	195,383.6	5,659.8	61,458.1	307,664.2	227,398.2
2019-2020	739,974.5	197,486.4	8,700.6	45,927.0	271,941.4	215,919.0
2020-2021	696,149.1	156,173.7	16,314.3	33,711.2	294,822.1	195,127.8
2021-2022	739,413.3	137,823.2	100,758.7	62,154.3	186,585.6	252,091.5
2022-2023	8,74,262.70	146,409.3	19,199.6	44,801.8	261,970.5	401,881.5
2023-2024 RE	858,267.7	172,000.0	25,000.0	62,770.0	296,214.7	302,283.0
CAGR (%)	5.20	4.13	34.63	1.34	5.31	6.12
Average	660,331.2	156336.4	15041.5	48873.1	222986.8	225206.7
SD	165577.7	47585.1	28299.6	13740.3	94796.8	69995.4

Source: Authors' calculations based on RBI data, State Finances: A study of Budgets.

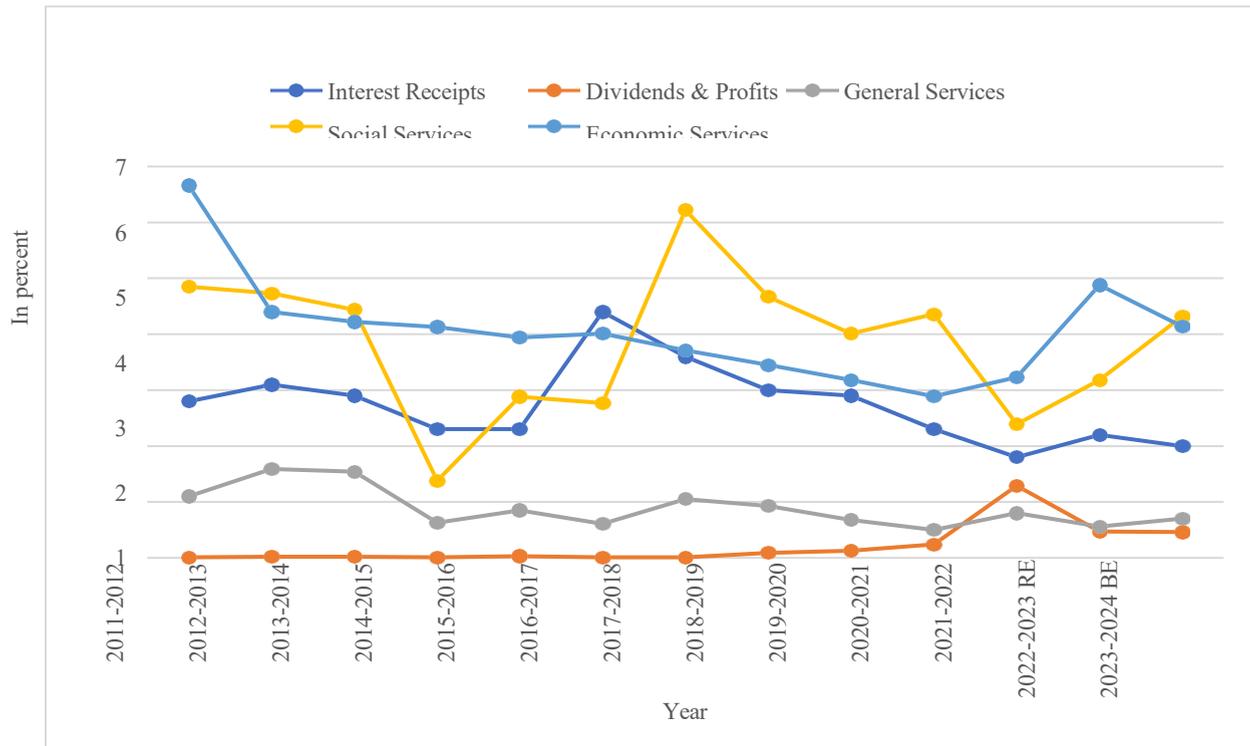
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note RE is Revised Estimate, BE is Budget Estimate. TRR is Total Revenue Receipt. Average and SD is calculated based on the period of 2012-13 to 2023-24.

The decomposition of the Non-Tax Revenue in Table 3.7 shows that Dividends and Profits has the highest CAGR among the other components of Own Non-Tax revenue, in the last 13 years. It can be also explained by the sudden hike in value from 2018-19 onwards. General Services and

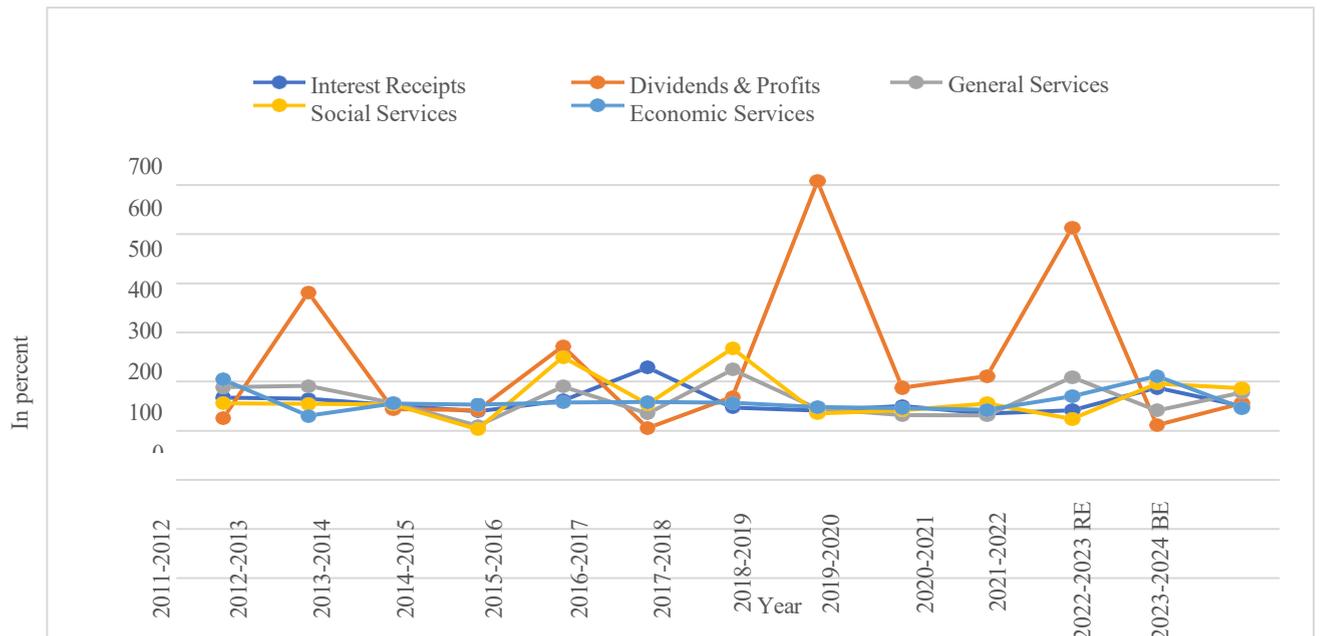
Economic Services has a CAGR of 3.01% and 9.74% respectively which is a more realistic rate at which the value is increasing. Social Services has a relatively higher CAGR of 9.48%.

**Figure 3.6 Components of Own Non-Tax Revenue as a % of TRR**



Source: Plotted based on Table 3.8

**Figure 3.7 Growth rates of Components of Non-Tax Revenue**



Source: Plotted based on Table 3.8

From the graph in Fig 3.6, one can see that Economic services and Social Services have a larger share out of TRR in 2023-24, of 4.14% and 4.32% respectively. But from the graph in Fig 2.6, we can see that the Rate of growth of Social services in 2023-24 is 52.73% whereas for Economic services in 2023-24 it is -4.55%. Previously this ratio for Social Services peaked in 2017-18 to 6.22%. Then it kept declining till 2021-22, and from 2022-23 onwards it started picking up. As for Economic services, this ratio peaked in 2011-12 to 6.66% and since then it kept falling and reached its lowest in COVID year 2020-21. But it picked up from 2021-22 onwards. This means that both Social services and Economic services have good room for improvement in the state.

For General services and Dividends and Profits, its share out of the TRR in 2023-24 is quite low at 0.70% and 0.46% respectively. Dividends and Profits share in TRR peaked once in the last 15 years in 2021-22 to 1.29%. And for Interest Payments, this ratio is expected to be 2% in 2023-24, which is also rather low. Although it did reach a high of 4.4% in 2016-17 but since then it has been declining.

**Table 3.8: Components of State's Own Non-Tax Revenue**  
(As a % of TRR and Rate of Growth)

Year	Interest Receipts		Dividends & Profits		General Services		Social Services		Economic Services	
	As a % of TRR	R.O.G	As a % of TRR	R.O.G	As a % of TRR	R.O.G	As a % of TRR	R.O.G	As a % of TRR	R.O.G
2011-2012	2.8	25.48	0.01	-33.87	1.10	55.32	4.85	8.80	6.66	77.12
2012-2013	3.1	22.34	0.02	329.88	1.59	59.26	4.73	7.26	4.40	-27.21
2013-2014	2.9	3.07	0.02	-7.94	1.54	9.41	4.44	6.06	4.22	8.31
2014-2015	2.3	-14.41	0.01	-10.63	0.63	-56.05	1.38	-66.55	4.13	5.08
2015-2016	2.3	16.48	0.03	173.97	0.85	56.86	2.88	142.86	3.94	11.17
2016-2017	4.4	112.40	0.01	-62.93	0.61	-21.10	2.77	6.17	4.01	12.37
2017-2018	3.6	-3.55	0.01	27.88	1.05	106.08	6.22	167.75	3.71	10.34
2018-2019	3.0	-12.30	0.09	651.43	0.93	-6.37	4.67	-21.05	3.45	-2.17
2019-2020	2.9	1.08	0.13	53.73	0.68	-25.27	4.01	-11.61	3.18	-5.05
2020-2021	2.3	-20.92	0.24	87.51	0.50	-26.60	4.36	8.41	2.89	-9.63
2021-2022	1.8	-11.75	1.29	517.61	0.80	84.37	2.39	-36.71	3.23	29.19
2022-2023	1.6	6.23	<b>0.22</b>	<b>-80.94</b>	<b>0.50</b>	<b>-27.92</b>	<b>2.94</b>	<b>40.40</b>	<b>4.51</b>	<b>59.42</b>
2023-2024 RE	1.6	17.48	<b>0.24</b>	<b>30.21</b>	<b>0.59</b>	<b>40.11</b>	<b>2.80</b>	<b>13.07</b>	<b>2.86</b>	<b>-24.78</b>
Average	-5.35	-2.02	22.37	-18.06	-7.89	-3.20	-4.28	5.03	-3.54	-0.78
SD	2.65	9.68	0.19	142.48	0.86	16.07	3.63	21.34	3.71	5.59

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

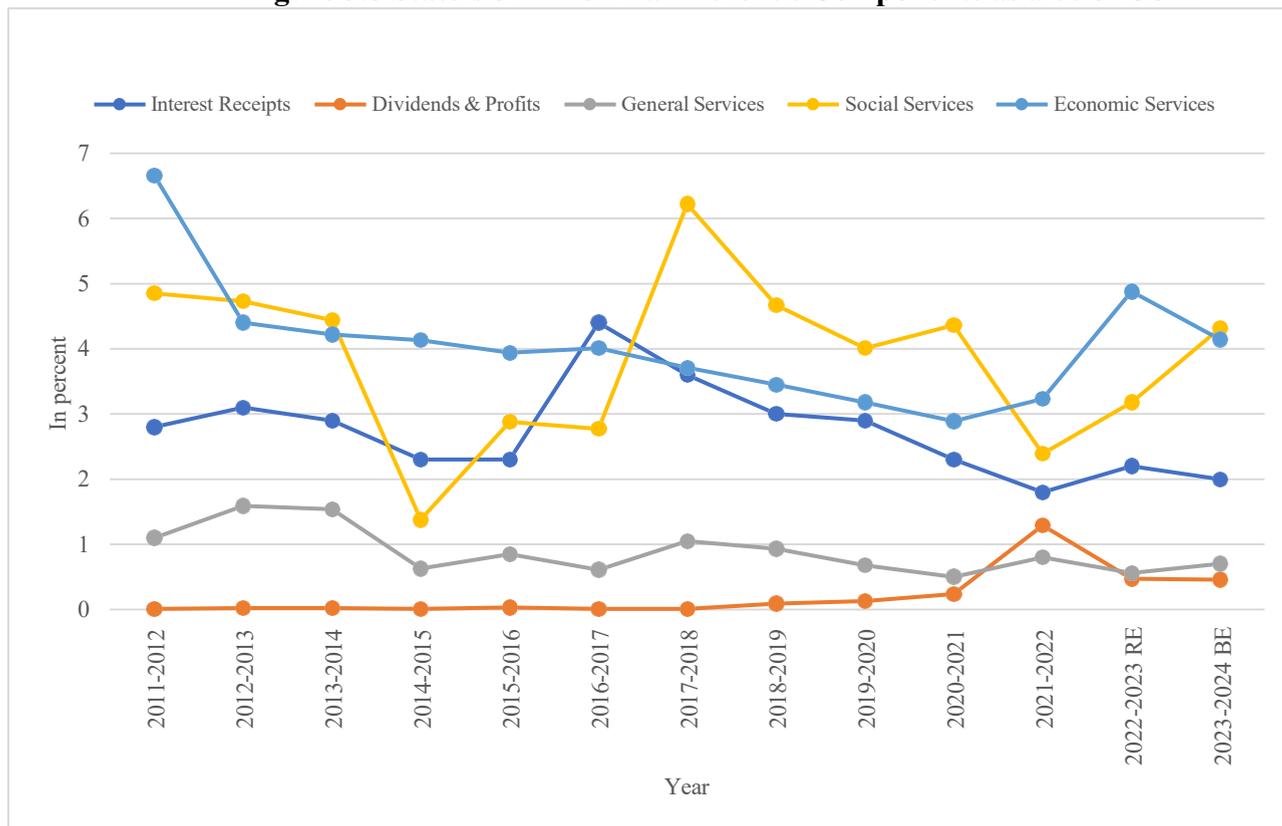
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Authors' calculations of Nominal GDP (base year-2004-05) is taken from RBI data, *Handbook of Statistics on Indian States, Gross State Domestic Product (Current Prices)*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20States>

Note RE is Revised Estimate. TRR is Total Revenue Receipt. Average & SD are calculated based on the period 2013-14 to 2023-24.

**Figure 3.8 State's own Non-Tax Revenue Components as a % of GSDP**



Source: Plotted based on Table 3.9

**Table 3.9: State's Own Non-Tax Revenue Components as % of GSDP**

Year	Interest Receipts	Dividends & Profits	General Services	Social Services	Economic Services
2011-2012	0.29	0.0005	0.11	0.50	0.68
2012-2013	0.31	0.0021	0.16	0.47	0.43
2013-2014	0.28	0.0017	0.15	0.43	0.41
2014-2015	0.21	0.0013	0.06	0.13	0.39
2015-2016	0.22	0.0032	0.08	0.28	0.38
2016-2017	0.41	0.0011	0.06	0.26	0.38
2017-2018	0.35	0.0012	0.10	0.61	0.37
2018-2019	0.28	0.0081	0.09	0.44	0.33
2019-2020	0.27	0.0118	0.06	0.37	0.29
2020-2021	0.21	0.0220	0.05	0.40	0.26
2021-2022	0.16	0.1157	0.07	0.21	0.29
2022-2023	0.15	0.0193	0.05	0.26	0.40
2023-2024 RE	0.16	0.0228	0.06	0.27	0.28

Source: Authors' calculations based on RBI data, State Finances: A study of Budgets.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Authors' calculations of Nominal GDP (base year-2004-05) is taken from RBI data, Handbook of Statistics on Indian States, Gross State Domestic Product (Current Prices).

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20States>

Note: RE is Revised Estimate.

Following a study of West Bengal State Finances by Margit (2012) for 14<sup>th</sup> Finance Commission, we have estimated how much of Revenue from User Fee has been recovered as the costs of providing the public services. We have estimated Non-Tax Revenue Receipts/Total Expenditure for both Social Services and Economic Services.

**Total Expenditure = Total Revenue Expenditure + Total Capital Expenditure (incurred separately for Economic services and Social services)**

These calculations are presented in Table 3.10

**Table 3.10: User fee to Cost Ratios (percent)**

Year	Ratio of (Non-Tax Revenue Receipts/Total Expenditure) from	
	Social Services	Economic Services
2011-2012	10.59	15.87
2012-2013	9.97	9.48
2013-2014	9.79	11.01
2014-2015	2.69	11.54
2015-2016	5.94	7.94
2016-2017	5.38	8.18
2017-2018	12.48	8.30
2018-2019	9.17	7.63
2019-2020	7.36	6.53
2020-2021	7.53	9.06
2021-2022	4.02	10.26
2022-2023	5.52	14.35
2023-2024 RE	5.82	8.75
Average	7.14	9.42

Source: Authors' calculations based on RBI data, State Finances: A study of Budgets. <https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>  
 Note RE is Revised Estimate, BE is Budget Estimate.

User fees to cost ratio of Social Services covers about 7.14% on average and that of Economic Services is 9.42%. This value for Social Services it has been continuously going down and became worse during COVID times. It slightly improved in 2017-18, but again declined from 2018-19, and it reached its lowest in 2021-22 to 4.02% and it has recovered since then. As for Economic Services, the ratio also has gone down from 15.87% in 2011-12 to 8.75% in 2023-24. It is important to note that it has on the contrary not fallen in COVID years, indicating the needs for these services

**Table 3.11: Main Components of Non-Tax revenue under three categories (In Lakhs Rupees)**

Year	General Services		Social Services				Economic services									
	Total	State Lotteries	Total	Education, sports, art & culture	Medical and public health	Urban development	Total	Village and small industries	Industries	Road Transport	Power	Major and Medium Irrigation Projects	Forestry & wildlife	Crop husbandry	Animal Husbandry	Co-operation
2011-2012	33,602	441	148,353	29,572	5,479	103,935	203,550	579	7,560	85,296	322	58,316	3,912	875	40,742	466
2012-2013	53,515		159,120	38,543	7,801	99,070	148,154	287	7,552	99,987	285	13,912	4,136	551	128	418
2013-2014	58,550		168,766	31,894	14,807	110,454	160,470	272	7,917	109,754	822	9,504	3,737	2,717	1,526	629
2014-2015	25,735		173,018	56,448	14,550	86,111	168,619	170	4,351	123,531	1	12,927	4,429	1,201	171	871
2015-2016	40,368	2	137,089	63,742	14,206	42,195	187,454	150	27,180	125,455	1	11,049	5,190	715	100	948
2016-2017	31,850	5	145,541	64,048	3,117	59,900	210,649	131	49,696	126,513		11,343	5,538	974	307	923
2017-2018	65,637	8	389,679	67,403	18,934	286,145	232,434	886	71,293	127,966	279	13,242	3,310	1,352	631	1,178
2018-2019	61,458	2	307,664	27,217	19,570	231,560	227,398	87	58,331	119,665		16,419	2,853	1,116	2,478	971
2019-2020	45,927		271,941	45,794	17,189	185,551	215,919	746	70,234	111,451		17,174	2,307	1,219	4,057	992
2020-2021	33,711	0	294,822	59,547	19,719	195,392	195,128	134	102,103	58,538		20,967	1,997	2,578	403	967
2021-2022	62,154		186,586	22,011	22,187	124,074	252,092	152	83,785	107,744		23,210	1,673	2,061	541	1,043
2022-2023	44,801.8	0	2,61,970.5	67,773.3	47,252.7	1,28,423.6	4,01,881.	233.1	84,350.1	1,33,343.1		36,010.5	2,126.6	91.7	345.7	1,011.7
2023-2024 RE	62,770.0	3.0	2,96,214.7	68,000.0	54,649.0	1,45,000.0	3,02,283.0	500	92,333.0	1,36,400.0		45,400.0	1,800.0	3,400.0	300	900.0

Source: Authors' calculations based on RBI data, State Finances: A study of Budgets.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note RE is Revised Estimate, TRR is Total Revenue Receipt.

Table 3.11 shows that the User fee has had the substantial contribution from Social Services. Among Social services, Education has the highest non-tax revenue receipts, followed by Urban development, sports, art and culture, and Medical and public health. Among the Economic Services, Road Transport has the highest contribution. Industries and major Irrigation Projects also have a relatively high contribution. But one of the most important sources, the Power sector, has not seen any revenue contribution from 2018-19 to 2023-24. Also in the Agricultural sector, forestry, crop husbandry, animal husbandry, and cooperation have a lower contribution to the overall revenue receipts. Hence, there is a scope of improvement in Economic and general services than focusing on higher fees on social services.

### **Grants from the Centre**

Grants from the Centre are determined by the Central Government based on the Finance Commission's Report. Haryana's share out of the total grants has gone down significantly from 2.16% in 2009-10 to 1.56% in 2023-24. It has fluctuated a lot in these 15 years, in which it has reached its lowest at, 1.08% in 2022-23 -. The growth rate of the share of Haryana's grant out of the total, has been 62.32% in 2023-24. It has been very volatile in the short run, as it has decreased by -37.96% in 2021-22, and it further got reduced by 6.38% and again rose by 63.32%. Also, the ratio of Haryana's grants to GSDP has been very low, varying between 0.69% in 2012-13 to 1.65% in 2020-21. The rate of growth of share in COVID years of 2020- 21, 2021-22, and 2022-23 has reduced as compared to the previous years due to reduced compensation of loss of revenue arising out of implementation of GST. These excludes back to back loans to states in lieu of GST compensation in 2020-21 and 2021-22. Thus, it is clear that Central government funds were provided more in the form of loans rather than Finance Commission's grants.

From Table 3.12a it is evident that the decrease in 2022-23 has been due to no receipt of revenue deficit grants as part of Finance Commission's recommendations and reduced compensation of loss of revenue arising out of implementation of GST, however these components increased in the more than budgeted in the following year as per the revised estimates of 2023-24 suggest. However, in the last six years grants from centrally sponsored schemes have exhibited an increasing trend, except 2022-23.

**Table 3.12: Grants from Centre**

Year	All State	Haryana	Share of Haryana in total Grants	R.O.G of share of Haryana grants	Ratio of Grants to GSDP
	(in Lakh Rupees)		(in percent)		
2011-2012	18641646	275,493.00	1.48	-9.69	0.92
2012-2013	18868177	233,925.00	1.24	-15.09	0.69
2013-2014	20595201	412,718.00	2.00	76.43	1.06
2014-2015	33080468	500,288.00	1.51	21.22	1.15
2015-2016	32589560	637,876.00	1.96	27.50	1.29
2016-2017	35,609,129	567,757.00	1.59	-10.99	1.02
2017-2018	40,595,793	518,512.20	1.28	-8.67	0.82
2018-2019	43,986,868	707,354.50	1.61	36.42	1.02
2019-2020	53,456,746	1,052,191.00	1.97	48.75	1.43
2020-2021	64,384,091	1,224,812.60	1.90	16.41	1.65
2021-2022	62,262,786	759,824.40	1.22	-37.96	0.87
2022-2023	66,145,690	711,325.90	1.08	-6.38	0.72
2023-2024 RE	74,082,170	1,154,616.30	1.56	62.32	1.05

Source: Authors' calculations based on RBI data, State Finances: A study of Budgets and latest CAG report, 2024.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note \*RE is Revised Estimate.

**Table 3.12a Showing Composition of Grants-in-aid received from GoI (₹ in crore)**

Head	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24***
Grants for Centrally Sponsored Schemes	2,843.09	2,851.99	3,135.18	3,332.31	2,919.81	4,494.19
Finance Commission Grants	1,274.26	2,005.74	2,364.00	1,192.05	1,617.56 <sup>§</sup>	3,394.82
Compensation for Loss of Revenue arising out of implementation of GST	2,820.00	5,453.43	5,065.81*	2,908.67**	2,575.89	3,504.89
Other Transfer/Grants to States	136.19	210.75	1,683.14	165.21	0	152.26
<b>Total</b>	<b>7,073.54</b>	<b>10,521.91</b>	<b>12,248.13</b>	<b>7,598.24</b>	<b>7,113.26</b>	<b>11,546.16</b>
<b>Percentage of increase/decrease over the previous year</b>	<b>36</b>	<b>49</b>	<b>16</b>	<b>(-38)</b>	<b>(-) 6</b>	<b>62</b>
<b>Percentage of GIA to Revenue Receipts</b>	<b>11</b>	<b>16</b>	<b>18</b>	<b>10</b>	<b>8</b>	<b>11</b>

Source: CAG report on 2022-23 tabled on 13th November 2024 extracted from Finance Accounts of the respective years

\* Excludes ₹ 4,352 crore as back-to-back loan to State from Government of India in lieu of GST compensation shortfall during the year 2020-21

\*\* Excludes ₹ 7,394 crore as back-to-back loan to State from Government of India in lieu of GST compensation shortfall during the year 2021-22

§ During 2022-23, the State Government has not received revenue deficit grant.

\*\*\*Revised estimate

The Centrally sponsored grants include the following:

- AMRUT (Atal Mission for Rejuvenation and Urban Transformation and Smart Cities Mission)
- Anganwadi Service (ICDS)
- Indira Gandhi National Pension Scheme
- National Education Mission- Samagra Shiksha Secondary Education, Samagra Shiksha Elementary Education
- Pradhan Mantri Gram Sadak Yojna
- Pradhan Mantri Poshan Shakti Nirman (Poshan)
- Rashtriya Krishi Vikas Yojna

There was an increase in all the above grants. However, there was a challenge in the transfer of funds through a Single Nodal Agency. There was a mismatch between the transfer of funds by the Central Government and the funds received by the State in FY 2022-23.

Finance Commission's grants also include the transfers to Urban local bodies and Panchayati Raj Institutions. As per the grants recommended by the Fifteenth Commission to PRIs, the Central and State governments have provided equal share of grants amounting to more than what Commission has recommended. In case of ULBs, Central grants are falling short of State government's grants to these.

### **Share of Taxes of the Central Government**

As far as the devolution of Fifteenth Finance Commission is concerned, the state of Haryana is supposed to get 41% share in Central taxes. In the fiscal years 2019-20 and 20-21, there has been a decline in the amount of Central tax transfers to the state of Haryana but picked up in 2021-22 and 2022-23. This is due to reduced CGST, Income tax, and Corporate taxes. This is a period when India went through a slowdown before the beginning. In the last two years the collection of these taxes is more than projected.

**Table 3.13: Details of Central Tax Transfers in the since 2018-19 till 2022-23**  
(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Central Goods and Services Tax (CGST)	2,037.54	2,018.07	1,907.46	2,763.35	2,932.91
Integrated Goods and Services Tax (IGST)	162.6	--	--	--	4
Corporation Tax	2,870.86	2,424.73	1,946.54	2,846.17	3,478.57
Taxes on Income other than Corporation Tax	2,114.27	1,899.93	1,996.13	2,874.79	3,397.23
Customs	585.17	450.77	338.27	709.48	407.99
Union Excise Duties	388.87	313.42	215.83	390.43	128
Service Tax	75.03	--	28.52	127.53	16.22
Other Taxes	20.26	4.61	4.84	10.41	17.08
<b>Central Tax transfers</b>	<b>8,254.60</b>	<b>7,111.53</b>	<b>6,437.59</b>	<b>9,722.16</b>	<b>10,378.00</b>
Percentage of increase over previous year	13	(-) 14	(-) 9	51	7
Percentage of Central tax transfers to Revenue Receipts	13	10	10	12	12

Source: CAG report 2024

### Major Findings and Conclusion of Revenue Capacity of Haryana

The revenue capacity of the state has improved in Haryana over the years due to own Tax revenue receipts and other non-tax revenue receipts. But the Tax-GSDP ratio is stable and has not seen any increase. The following findings are important in understanding various aspects of revenue capacity of the state.

- Haryana's Total Revenue Receipts grew substantially from 2011-12 to 2023-24, with a Compound Annual Growth Rate of 8.16%. But, revenue growth slowed between 2013-15 and remained stagnant from 2018-2020 before declining during the COVID-19 lockdown. Post-COVID, Revenue Receipts showed healthy growth.
- Tax Revenue and Own Tax Revenue showed an upward trend with intermittent slowdowns in 2018-21, while Non-Tax Revenue faced significant drops in 2012-13 and 2021-22 and 2022-23. State GST collections slowed in 2019-20 and 2020-21 but have since rebounded, though they have a slower CAGR of 7.34%. This may be the reason for steady Tax-GSDP ratio due to both Share in Central Taxes and Own tax efforts. As per Fifteenth Finance Commission, States were needed to step up field efforts for expanding the GST base and for ensuring compliance. The post COVID SGST's remarkable performance may be a result of State's own reforms. Also, the collection of arrears of previous tax liabilities have increased in recent years. This was one of the priority areas of FRBM Act of 2005 of the state of Haryana,
- However, there is a scope to increase other taxes. As per Fifteenth Finance Commission's suggestions, State of Haryana could tap Stamp duty and registration fees potential post COVID. The e-stamp policy undertaken by Stockholding Corporation of India in many parts of Haryana led to computerised property records for the registration of transactions and the market value of

properties. State governments are yet to streamline the methodology of property valuation. Moreover, CAG report (March 2025) has pointed out that till 2021-22 there have been some revenue which could not be realized as some sales deed were mis-appropriately shown as released deed, reducing realized revenue from stamp duties.

- Haryana's Tax-to-GSDP ratio has not shown significant improvement over this period, hovering around 7%. The Own Tax to GSDP ratio has declined post-GST implementation, averaging 3% of GSDP in recent years compared to 6% in pre-GST years. This has happened due to merging of many taxes in GST. The tax efforts in the last five years are the following:
  - iv. **Excise Department:** Despite the challenges posed by the COVID-19 pandemic, the Excise Department set a new record in tax collection. In the first six months of the 2020-21 fiscal year, the department collected ₹660 crore more than the previous year. The new excise policy implemented in May 2020 contributed significantly to this increase.
  - v. **Revenue Department Modernization:** The government has taken steps to modernize and digitize the Revenue Department. This includes large-scale drone mapping to make the state 'Lal-Dora free' and digitizing all records by December 31, 2023. This initiative aims to ensure clear property ownership and reduce disputes.
  - vi. **Property ID Generation:** As part of the 'Svomitva' scheme, the government has generated over 25 million property IDs, providing clear property ownership records to citizens.
- Long period tax buoyancy for Own Tax Revenue is estimated at 0.98, suggesting Tax Revenue growth moderately and significantly responsive to GSDP growth. The short-term Tax buoyancy is low at 0.1, implying a less responsive and insignificant tax structure in the short period. Sales tax buoyancy has been negative in the longer period, indicating Sales Tax Revenue does not proportionally increase with economic growth. This is an obvious outcome of replacement of Sales tax by GST in majority of the commodities except alcohol, fuel and power.
- Sales tax has the highest share in Total Revenue Receipts but has been declining since 2017-18 due to GST reforms. Other significant contributors include State Excise, which has a CAGR of 11.4%, and Stamps and Registration with an 11.7% CAGR. There is ample scope to improve Sales Tax as recommended by us in the next section.

The Non-Tax Revenue to GSDP ratio has been fluctuating, peaking at 1.58% in 2011-12, falling to a low of 0.96% in 2015-16, and rebounding in recent years to a budgeted 1.16% in 2023-24. This volatility indicates that Non-Tax Revenue has not kept pace with GSDP growth. There is a need to revise to enhance efficiency of public sector enterprises and rationalize user fee to improve this, discussed in the next section.

- Trend regression analysis on the Non-Tax to GSDP ratio shows a negative trend growth rate, suggesting that Non-Tax Revenue growth is lagging behind GSDP

growth. Long- term tax buoyancy for Non-Tax Revenue (2012-13 to 2023-24) is close to zero.

- User fees for Social and Economic Services cover only around 7% and 9% of costs on average respectively, with Social Services experiencing a steady decline in cost recovery since 2011-12.
- Haryana's share of total Central grants has dropped significantly, from 2.16% in 2009- 10 to 1.19% in 2023-24, with substantial volatility. The grants to GSDP ratio remain low and has shown limited growth in recent years. There is a gap between what Central government has provided as funds and what State government has received through Single Nodal Agency introduced in the year 2021-22 by the Central Government. This may be one reason for the decrease in actual grants in 2022-23.

## **Recommendations**

- There seems to be ample scope of increase in the Revenue Capacity of the State. There is good potential to improve own tax buoyancy both in the short run and long run by more effective GST implementation. Although GST has been increasingly contributing to state's exchequer post COVID, but the hurdles related to inverted duty structure as suggested by Fifteenth Finance Commission needed to be streamlined. GST implementation has simplified the tax systems and improved the tax collection across states in India and expanded the tax base. However, there is scope for improvement in terms of streamlining and tracking each transaction.
- In Punjab, government has implemented zero cost on transforming conversion of agricultural land use to other commercial uses along the Highway. This has helped the state to improve their economic activities, employment and thereby tax revenue. Haryana can also consider implementing similar measures. This measure can help in fostering growth and thereby improving tax-GSDP ratio.
- Following Laffer curve argument, tax rates of vehicles can enhance the total tax revenue of the State government subject to the rates applied in nearby states.
- Sales tax (VAT) on alcohol is the lowest in Haryana (20%) as compared to other states, whereas in Delhi and UP (the neighbouring states), VAT are 25% and 69% respectively. Similarly, VAT in Haryana on petrol and diesel are lower than that of Delhi and UP. There is a spillover effect which Haryana enjoyed due to lower VAT on these products as compared to the neighbouring states. UP could however improve their overall tax-GSDP ratio in recent years. despite increased rates due to inelastic demand of these products. Haryana too has the scope to increase VAT on alcohol and fuel which can enhance the

revenue without significantly affecting demand to a large extent. In the process the tax collection can improve, raising the Tax-GSDP ratio. Moreover, these goods are either merit bads (addictive) or have negative externalities (as well as negative internalities). So, it is all the more important to increase taxes on these commodities.

- There is a large number of pending arrear assessments required as per the latest CAG report of 2024. If these are resolved, the tax collection can further improve in the process, particularly that of Sales tax. The Sales Tax to GST transition has been quite complex and time consuming. However full transition to GST in another five years can resolve many of these issues. There is a need to speed up the resolution of high arrear assessments.
- With noticeable fluctuations in own Non-Tax Revenues, it would be beneficial for the state to strengthen and stabilize these revenue sources by revising rates for fees, fines, and service charges. Interest receipts and dividends have gone down. There is scope for improvement in financial performance of State PSEs that can fetch more non-tax revenue for the states. Also, the user fee to cost ratio has been quite low in social and economic services.
- For example, Haryana Roadways and public transportation sector have the scope of rationalizing bus fares and improved utilization of assets. Our study on GMCBL in Gurgaon amply demonstrated in Chapter 9, that the capacity utilization could be improved by fare rationalization and reduced costs by route rationalisation based on the traffic demand. This fare rationalization (e.g. off-peak price discounts) can be based on time-of-the-day pricing just like being done by Delhi Metro presently and other similar pricing strategies, which can be based on the demand and capacity utilization at different times of the days.

Number of buses on road during lean hours may be reduced and number of buses during peak hours may be increased. This would help enhance productivity, and revenue; and improve operational viability of state's public transport PSUs.

- There are rooms for improvement by providing various technology led innovative social and economic services. More focus on health related services are required to generate revenue on one hand and effective health service access on the other hand. Haryana has not secured a good rank as far as Education and Health are concerned, given its good economic ranking.
- Maharashtra had reduced the registration fee on property and land, which helped them to fetch better revenue. Following Laffer curve, if user fee is reduced, that can help in enhancing revenue of the government. In this context, Haryana already has a low registration fee, which is around one percent of the property value. It was even lower, but since 2018, a maximum of Rs 50000 is charged on property value of Rs 90 lakhs and above. But stamp duties in rural and urban areas are 5% and 7% respectively. So there is a scope to reduce and

rationalize the stamp duty rates which may improve the total collection.

- User charges can be increased slowly to avoid heavy burden on people and only on essential services which are quite inelastic in nature. This will help ensure better quality of services with adequate investments.
- Strengthen collection mechanisms for Non-Tax Revenue sources, particularly focusing on sectors with lower contributions like Agriculture, Forestry, Crop and Animal Husbandry, and the Power sector. The PSEs of the Haryana state have accumulated rising debt and their servicing are adding to the burden of state finances. From Chapter 9, it can be noticed that the PSEs in agriculture, cooperatives, and road transport are particularly in difficult situation and need restructuring or structural reforms. These PSEs could help enhance non- tax revenue to improve the state finances. This may require a detailed analysis involving experts in the field to achieve their true potential. The agricultural PSEs are profitable and the debts are based on capital expenditure, which in turn can promote agricultural markets and increase the profitability further for these PSEs. Power sector PSEs have contributed substantially to the total turnover of state PSEs. Earlier the power sector reforms in terms of tariff rationalization, debt restructuring and UDAY scheme has improved their performance and enhanced profitability in the last three years. Similar reforms may be initiated in other lossmaking PSEs. Public Private partnerships (PPPs) can help in restructuring other PSEs of the state of Haryana as well. A good example is Jhajjar K.T. Transco Private Limited which was selected through a robust transparent process.
- Given the volatility in Central Grants as a percentage of Total Revenue Receipts, Haryana may need to improve its advocacy and planning to secure higher fiscal transfers and central assistance, especially for healthcare, infrastructure, and social welfare projects, where it is lagging behind.
- The Central Grants through Single Nodal Agency is effective enough to transfer the amount as demanded by the States. All Centrally sponsored schemes are very significant in creating social impact and State of Haryana having low ranks should demand and utilize these funds more effectively, so that the gap reduces.

## CHAPTER 4

### Expenditure Patterns of State of Haryana

Public expenditure is comprised of Revenue Expenditure and Capital Expenditure. Revenue expenditure includes the day-to-day functioning expenditure of the government. Capital expenditure includes spending for the creation of long-term assets. Increasing the capital expenditure increases the prospects of future growth and productivity in an economy. On the other hand, Revenue expenditure brings macroeconomic stability to the economy. However, Revenue expenditure cannot go out of proportion, as it will increase the fiscal deficit making it difficult to maintain the state's fiscal health and push it away from its FRBM targets. Haryana's revenue deficit in 2023-24 was 1.20% of GSDP. For 2024-25, the revenue deficit is budgeted to be at 1.47% of GSDP. The budgets earlier were classified into Plan Expenditure (related to the government's five-year plans) and Non-Plan Expenditure (related to maintenance of the government's essential services). This disaggregation of revenue and capital expenditure was discontinued in 2017.

#### Revenue Expenditure

The CAGR of Revenue Expenditure for the study period 2012-13 to 2023-24 has been around 10.79%. It can be divided into two categories-

1. Development Expenditure which consists of Economic Services Expenditure and Social Services Expenditure.
2. Non-Development Expenditure which consists of General Services.

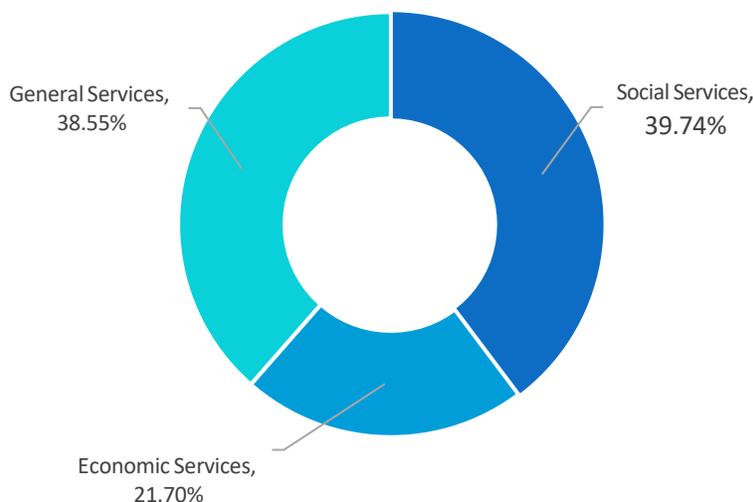
#### Development Expenditure

Spending on economic Services are the expenses on activities that contribute to economic growth and development. It stimulates infrastructure development, production, and employment. General Services is the expenditure on essential administrative services and for the maintenance of law and order. Social Services covers the expenditure that directly focuses on the wellbeing of citizens.

The Development Expenditure for FY 2023-2024 (RE) constitutes around 61.45% of the Total Revenue Expenditure of FY 2023-2024 (Figure 4.1). Table 4.1 examines the composition of three categories of the State Government Expenditure under the broad categories Development and Non-Development Expenditure, for the last 14 years. Overall, the composition percentages have not fluctuated drastically for Social Services.

Although for Economic Services, the share fell from 28.28% in 2011-12 to 21.81% in 2023-24 of the total Revenue Expenditure.

**Figure 4.1: Composition of Revenue Expenditure (in %)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Economic services expenditure's share in Total Revenue Expenditure was almost equal to the share of General Services Expenditure in 2012-13 and 2013-14, varying around 30 to 33 percent each. In the subsequent years, the share of economic services expenditure fell, while that of General Services increased.

**Table 4.1: Components of Revenue Expenditure  
(As a % of Total Revenue Expenditure and GSDP)**

Year	As a % of Total Revenue Expenditure			As a % of GSDP			
	Social Services	Economic Services	General Services	Social Services	Economic Services	General Services	Total Revenue Expenditure
2011-2012	39.49	28.28	31.92	4.25	3.04	3.43	10.76
2012-2013	38.13	30.36	31.25	4.18	3.33	3.43	10.97
2013-2014	36.80	30.42	32.46	3.86	3.19	3.41	10.49
2014-2015	38.93	26.65	34.13	4.37	2.99	3.84	11.24
2015-2016	36.36	31.55	31.59	4.35	3.77	3.78	11.95
2016-2017	37.24	30.52	31.62	4.54	3.72	3.85	12.18
2017-2018	38.31	24.72	36.45	4.39	2.83	4.18	11.47
2018-2019	38.55	24.65	36.51	4.26	2.72	4.03	11.04
2019-2020	39.75	22.67	37.58	4.61	2.63	4.35	11.59
2020-2021	40.21	21.18	38.62	4.87	2.57	4.68	12.12
2021-2022	41.58	19.86	38.56	4.70	2.25	4.36	11.30
2022-2023 RE	41.05	19.41	39.54	4.39	2.08	4.23	10.70
2023-2024 BE	38.41	21.81	39.78	4.17	2.37	4.32	10.86

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

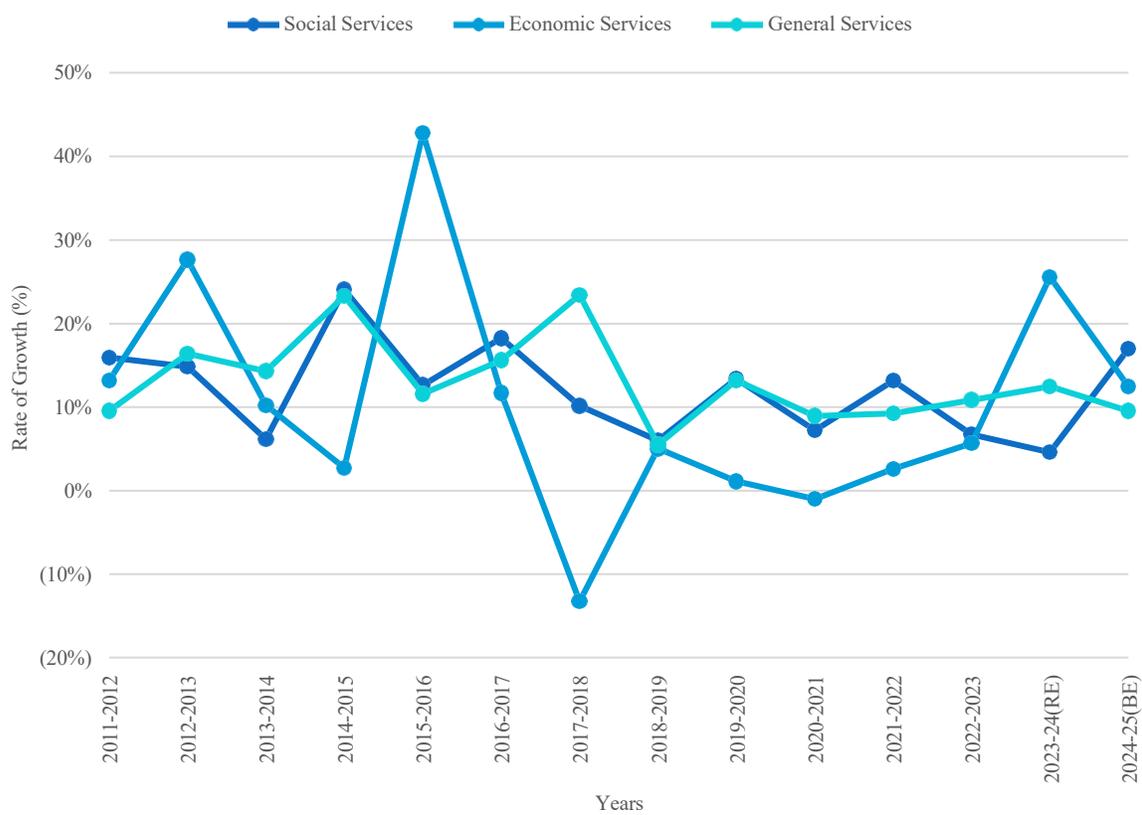
**Figure 4.2: Components of Revenue Expenditure (as a % of Total Revenue Expenditure)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

From Appendix of Table 4.1 it is evident that the CAGR of Expenditure on Social Services and General Services has been significantly higher at 10.39% and 12.51%, respectively, whereas Economic service's CAGR has been lower at 8.43%. Figure 4.2 shows the rate of growth of these three components of Revenue Expenditure. Among the three categories of Revenue Expenditure, Social services have had the fewest fluctuations in its growth rate. Its overall share out of the Revenue Expenditure has been relatively higher than the rest. Even though the share of the Economic Services out of the Revenue Expenditure has been the lowest, its growth rate has had sharp fluctuations in the last 12-13 years. It grew sharply in 2015-2016, followed by a slump in 2017-18, where the growth rate fell to -13.26%, most likely due to the demonetization which led to shortage of liquidity in the economy. It has been recovering slowly through the COVID years, and since 2022-2023 the growth rate has significantly increased. On the other hand, the growth rate of General services has also been through multiple fluctuations. The most significant spike happened in 2017-2018, when the growth rate rose to 23.43%, followed by a drastic fall in the next year, 2018-2019.

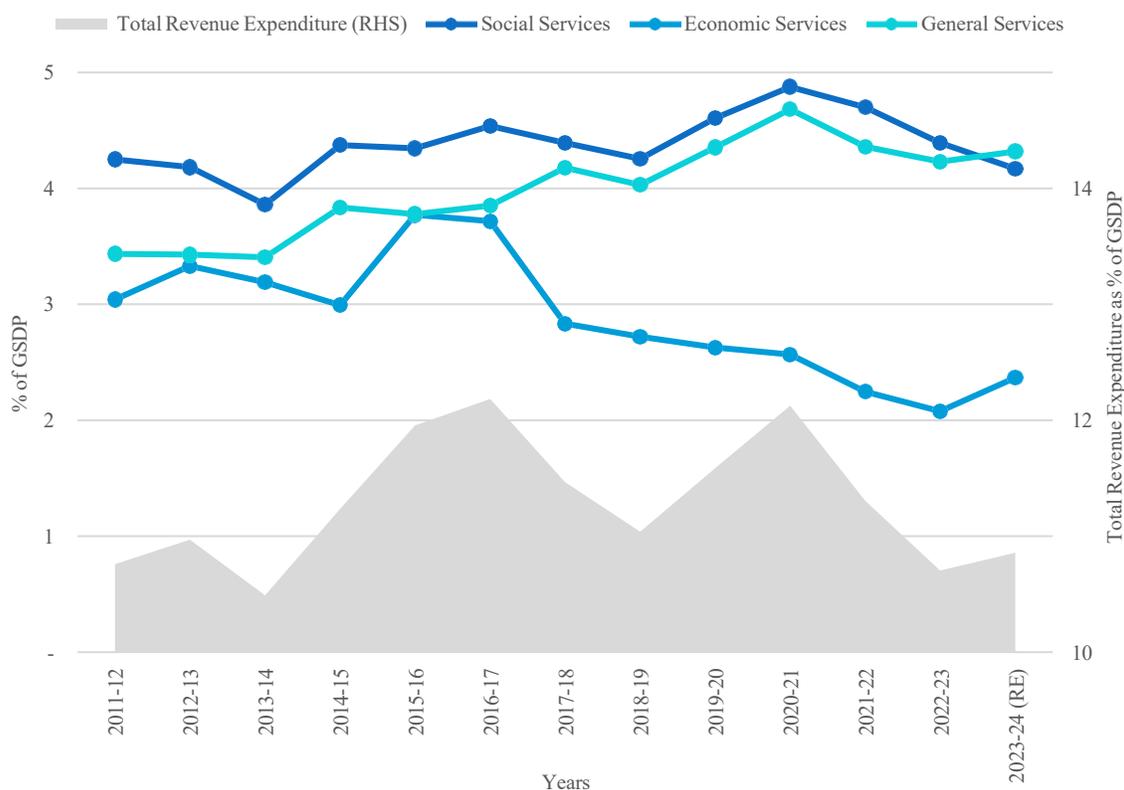
**Figure 4.3: Rate of growth of components of Revenue Expenditure**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Social Services expenditure as a percentage of GSDP has varied around 4 to 5 percent. It fell slightly in 2013-14 to 3.86%; since then, it increased smoothly over the next three years. It fell again in 2018-19 to 4.26% and recovered slightly in the COVID year 2020-21 to 4.87%. In the case of Economic services, its percentage share of GSDP increased in 2015-16 to 3.77% from 2.99% in 2014-15. It fell in 2017-18 to 2.83%, and since then it has been gradually declining. It recovered slightly in the year 2023-24 to 2.37%. On the other hand, for General Services, a significant spike occurred in 2017-18, when its percentage share of GSDP increased to 4.18% from 3.85% in 2016-17. This significant spike has been reflected in the percentage share of Total Revenue Expenditure out of GSDP in Figure 4.4. The General Services percentage share out of GSDP fell to 4.03% in the next year and since then the percentage has been around 4% to 5% of the GSDP. The Total Revenue Expenditure as a percentage of GSDP peaked in 2016-17 at 12.18% and then it fell immediately to 11.04% in 2018-19. The percentage recovered quickly the next year to 11.59% in 2019-20. And since then, the value has revolved around 11 to 13 percent from 2014-15 to 2023-24.

**Figure 4.4 : Components of Total Revenue Expenditure as a % of GSDP**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

### Components of Development Expenditure on Economic Services

Expenditure on Economics Services comprises Grants, Subsidies and Administrative costs for providing services to broad categories of Economic Activities in Agriculture and Allied Sector, Irrigation, Rural Development, Energy, Industry and Mining, Transportation, etc. Comparing the allocation of resources to the different sectors under Development expenditure's economic services (Figure 4.5), one observes that the agriculture, rural development, irrigation, and industry and minerals sectors have experienced noticeable growth in the last 12 years. Among which agriculture and rural development have experienced significant growth, as their percentage share out of the total Economic service expenditure has increased from 15.70% in 2011-12 to 20.52% in 2023-24 for Agriculture and Allied activities, 12.12% in 2011-12 to 19.65% in 2023-24 for Rural development, and 11.01% in 2011-12 to 19.65% in 2023-24 for Irrigation and Flood control. Whereas the share of Energy Sector and Transportation & communications sector has fallen in the last 12 years. Although there is a slight increase expenditure in the Science, Technology and Environment sector, the percentage share has been around 0.18% in 2023-24, which is very low given that this sector tends to be important for bringing economic growth and sustainable development.

**Table 4.2: Components of Revenue Expenditure on Economic Services**

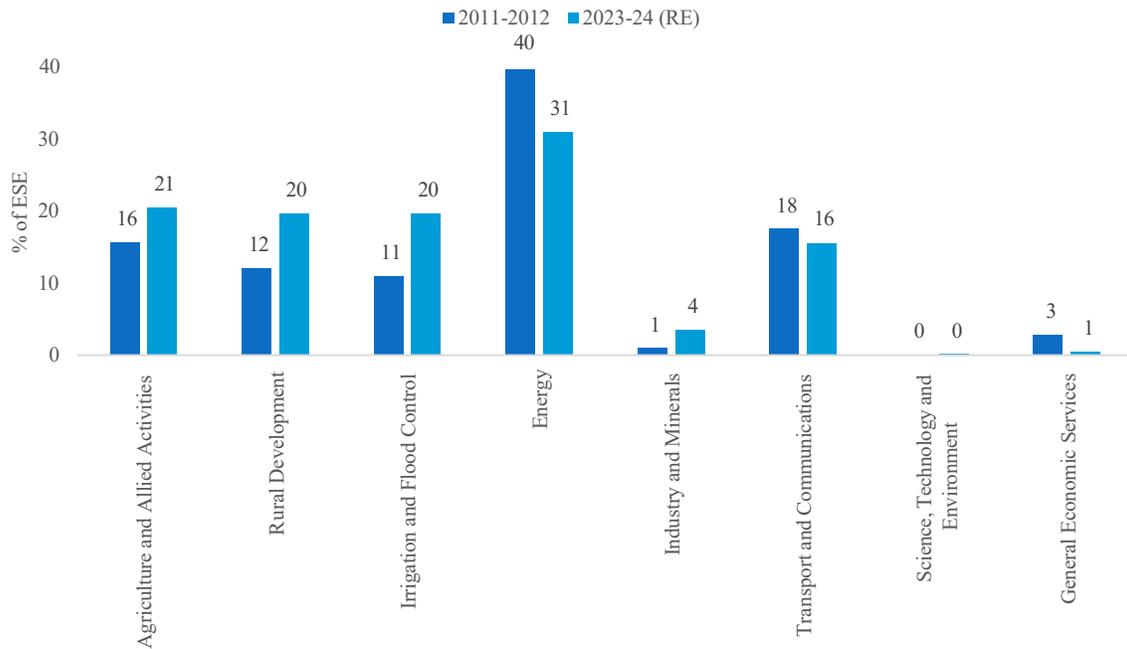
Year	Agriculture and Allied Activities	Rural Development	Transport and Communications	Energy	Irrigation and Flood Control	Others	Developmental Expenditure (RHS)	Economic Services (RHS)	Economic Services (in Lakhs)
	(As a % of ESE)						(As a % of TRE)	(As a % DE)	
2011-2012	15.70	12.12	17.59	39.66	11.01	3.00	67.77	41.73	9,05,397
2012-2013	14.76	11.16	18.26	44.48	9.17	2.00	68.48	44.32	11,55,674
2013-2014	14.49	13.56	18.68	40.91	9.12	3.00	67.21	45.25	12,74,018
2014-2015	15.37	14.08	19.61	40.07	8.86	2.00	65.57	40.64	13,08,800
2015-2016	12.28	9.90	13.89	54.68	7.52	1.00	67.91	46.46	18,69,036
2016-2017	12.07	13.85	13.51	50.37	6.76	3.00	67.76	45.04	20,87,521
2017-2018	15.10	16.46	16.03	42.15	8.08	2.00	63.02	39.22	18,10,682
2018-2019	17.83	17.97	14.67	39.15	7.73	2.00	63.20	39.01	19,02,158
2019-2020	16.64	20.57	16.00	36.47	7.76	2.00	62.42	36.32	19,23,778
2020-2021	22.08	23.62	12.82	30.39	8.27	2.00	61.38	34.50	19,04,847
2021-2022	24.51	10.16	15.02	36.47	10.46	3.00	61.44	32.33	19,54,946
2022-2023	23.27	11.91	14.87	34.24	11.74	3.00	60.46	32.11	20,65,718
2023-24 (RE)	20.52	19.65	15.55	30.99	9.08	4.00	60.22	36.22	25,94,319
2024-25 (BE)	24.24	22.68	13.95	23.21	10.53	5.00	61.45	35.32	29,18,254

Source: Authors' calculations based on RBI data, State Finances: A study of Budgets.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

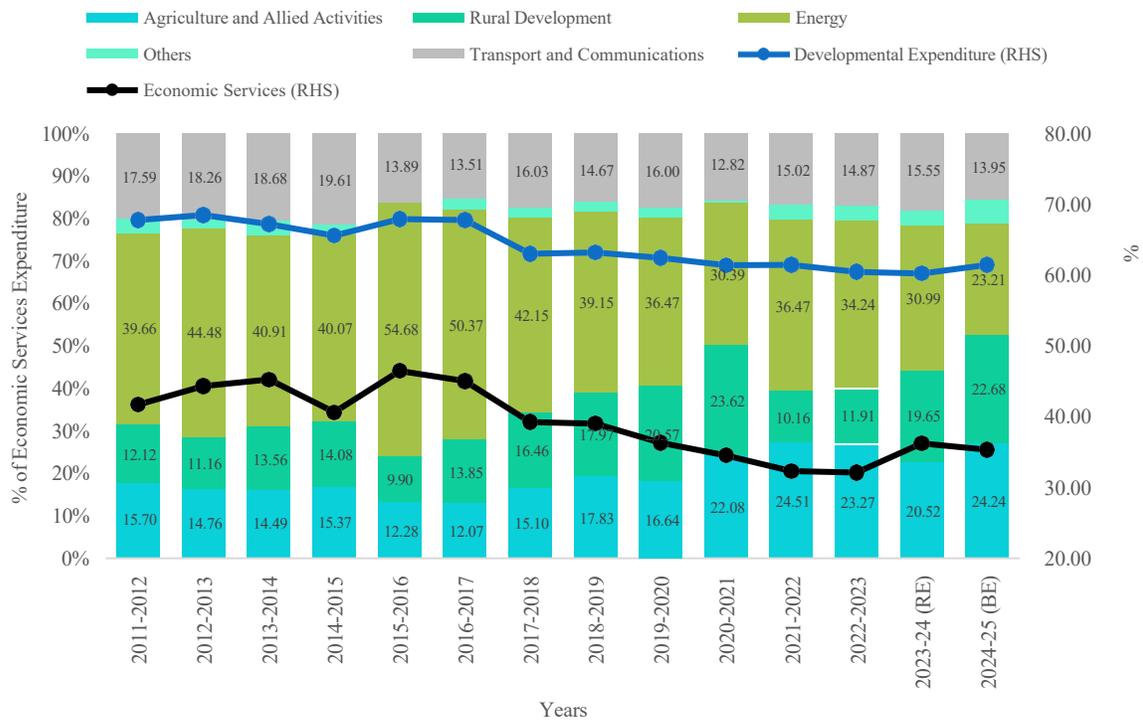
Note \*RE is Revised Estimate, BE is Budget Estimate. TRE is Total Revenue Expenditure. DE is Development Expenditure. ESE is Economic Service Expenditure.

**Figure 4.5: Components as a % of Economic Services Expenditure**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

**Figure 4.6: Components of Revenue Expenditure on Economic Services**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

## Components of Social Expenditure

Social services spending has been the highest in the Education, Sports, Arts, and Culture sector. The Education sector constitutes about 37.54% of the Total Social Expenditure in 2023-24. Although the share has fallen over the last 12 years. It has fallen significantly in the COVID years, to 38.79% in 2020-21 from 42.93% in 2019-2020. This is followed by the health sector, which constitutes about 13.37% of the Total Social Expenditure in 2023-2024. The share of expenditure on the health sector has experienced a sustained rise from 2018-19 with peaks in COVID years. The share of social expenditure in this sector increased during COVID years. For urban development, the share of expenditure has fallen to 8.21% in 2023–24, which is expected to increase in 2024-25. It increased slightly in 2020-21, to 10%, and in 2021-22 to 11.43%, possibly due to COVID fallout.

**Table 4.3: Components of Social Expenditure (%)**

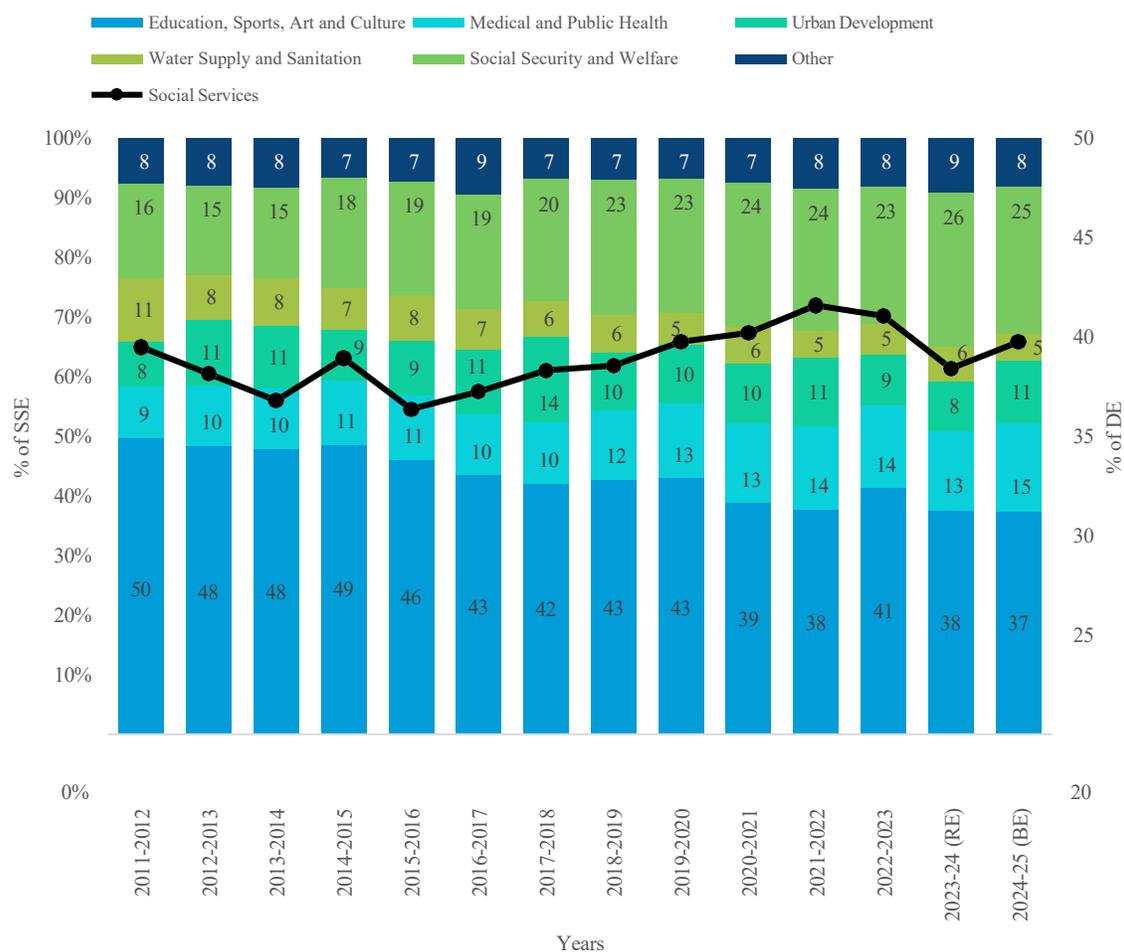
Years	Education, Sports, Art and Culture	Medical and Public Health	Urban Development	Water Supply and Sanitation	Social Security and Welfare	Other	Social Services	Social Services (in Lakhs)
	% of SSE						% of DE	
2011-2012	50	9	8	11	16	8	39	12,64,167
2012-2013	48	10	11	8	15	8	38	14,51,636
2013-2014	48	10	11	8	15	8	37	15,41,340
2014-2015	49	11	9	7	18	7	39	19,12,055
2015-2016	46	11	9	8	19	7	36	21,53,887
2016-2017	43	10	11	7	19	9	37	25,47,349
2017-2018	42	10	14	6	20	7	38	28,06,134
2018-2019	43	12	10	6	23	7	39	29,74,319
2019-2020	43	13	10	5	23	7	40	33,72,648
2020-2021	39	13	10	6	24	7	40	36,16,396
2021-2022	38	14	11	5	24	8	42	40,92,767
2022-2023	41	14	9	5	23	8	41	43,68,040
2023-24 (RE)	38	13	8	6	26	9	38	45,68,923
2024-25 (BE)	37	15	11	5	25	8	40	53,43,661

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note \*RE is Revised Estimate, BE is Budget Estimate. DE is Development Expenditure. SSE is Social Service Expenditure

**Figure 4.7: Components of Social Expenditure (%)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

A state wise comparison on Revenue Expenditure on Education sector (Table 4.3a) reveals that Haryana is spending relatively low in the education sector. Even though it has a literacy rate slightly higher than the average literacy rate of India, its spending is lower than Kerala, Punjab, Gujarat and Tamil Nadu. From Table 1.3 in Chapter 1, we can observe that Haryana's enrolment ratio is lower than other high-income states like Kerala, Punjab, and Tamil Nadu.

**Table 4.3a: State-wise % of Social Expenditure spent on Education**

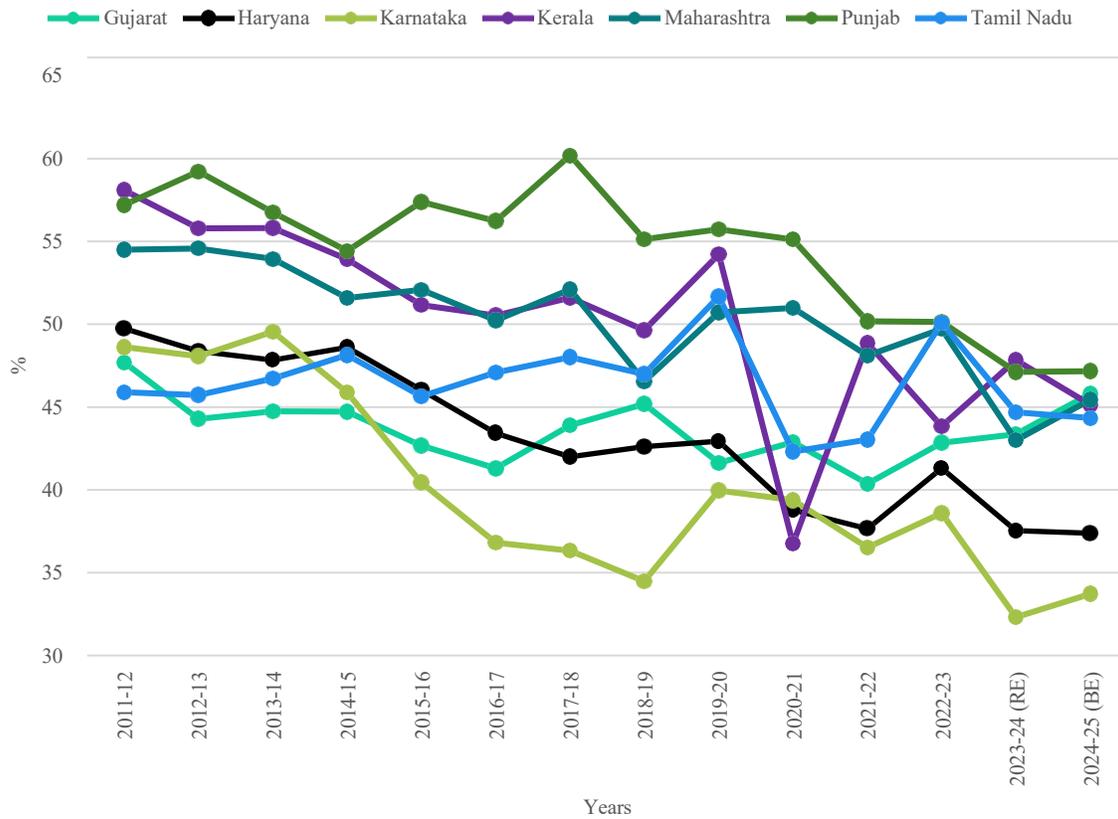
States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)	2024-25 (BE)	Average
Gujarat	47.70	44.29	44.74	44.73	42.68	41.31	43.90	45.18	41.63	42.88	40.37	42.85	43.35	45.80	43.67
Haryana	49.74	48.38	47.84	48.60	46.04	43.42	41.99	42.60	42.93	38.79	37.66	41.30	37.54	37.38	43.16
Karnataka	48.63	48.07	49.55	45.88	40.44	36.82	36.33	34.48	39.95	39.39	36.51	38.59	32.31	33.72	40.05
Kerala	58.09	55.79	55.81	53.93	51.15	50.53	51.61	49.64	54.22	36.75	48.86	43.83	47.84	45.14	50.23
Maharashtra	54.51	54.57	53.95	51.58	52.08	50.24	52.09	46.55	50.72	50.98	48.10	49.72	42.99	45.43	50.25
Punjab	57.21	59.24	56.74	54.42	57.38	56.24	60.20	55.14	55.74	55.13	50.18	50.14	47.12	47.16	54.43
Tamil Nadu	45.90	45.73	46.73	48.15	45.64	47.08	48.01	46.98	51.67	42.31	43.03	50.09	44.69	44.34	46.45

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note \*RE is Revised Estimate, BE is Budget Estimate.

**Figure 4.8: State-wise % of Social Expenditure spent on Education**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>  
 Note: \*RE is Revised Estimate, BE is Budget Estimated

The state comparison on the health sector also reveals that now Haryana is spending more on health sector compared to states such as Gujarat, Karnataka and Maharashtra. Earlier Punjab was spending more as compared to Haryana on health, but now in year 2023-24 it is 14.18% for Punjab whereas Haryana is not far behind at 13.37%.

**Table 4.3b: State-wise percent of Social Expenditure spent on Health**

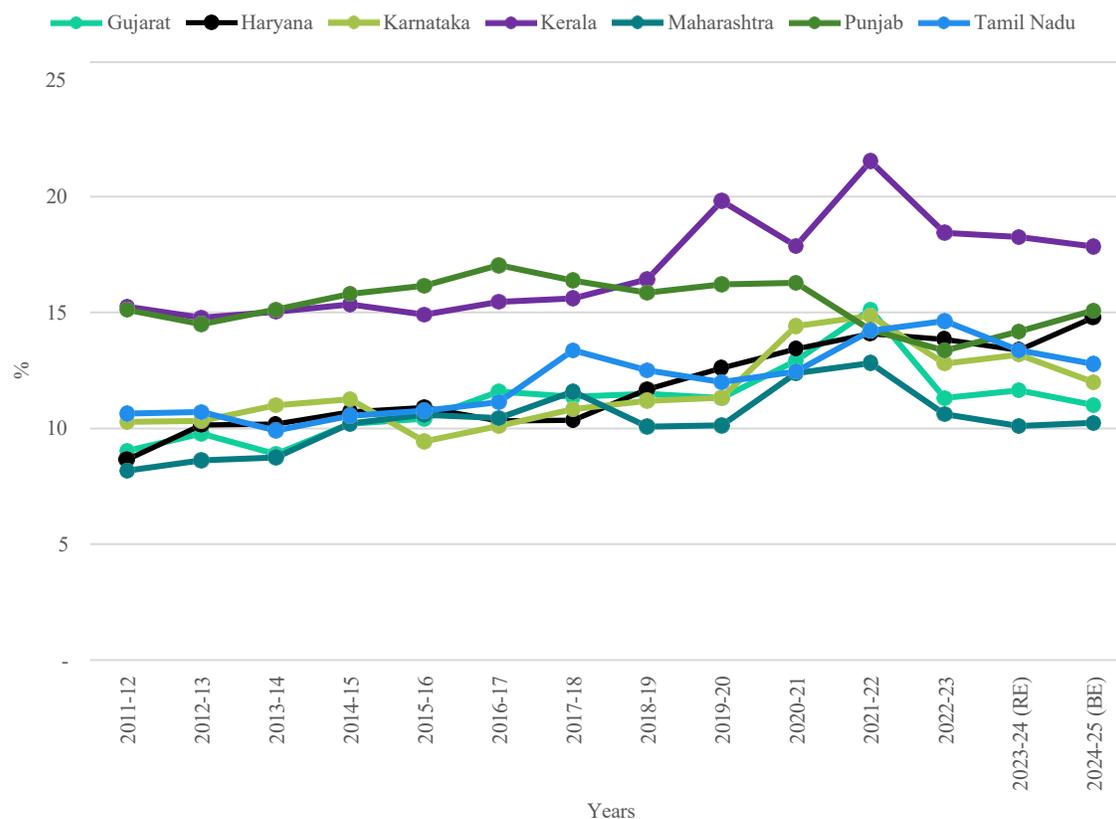
States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)	2024-25 (BE)
Gujarat	9.04	9.78	8.89	10.20	10.42	11.59	11.37	11.49	11.31	12.92	15.13	11.32	11.64	11.01
Haryana	8.66	10.15	10.19	10.70	10.90	10.33	10.35	11.68	12.60	13.43	14.08	13.84	13.37	14.78
Karnataka	10.29	10.32	11.00	11.26	9.44	10.10	10.83	11.18	11.33	14.42	14.86	12.80	13.18	12.00
Kerala	15.25	14.78	15.03	15.34	14.91	15.46	15.61	16.43	19.80	17.87	21.52	18.44	18.25	17.85
Maharashtra	8.18	8.62	8.74	10.22	10.58	10.45	11.59	10.08	10.13	12.39	12.82	10.62	10.11	10.24
Punjab	15.12	14.50	15.13	15.81	16.16	17.04	16.38	15.86	16.21	16.28	14.25	13.36	14.18	15.09
Tamil Nadu	10.64	10.70	9.91	10.54	10.77	11.14	13.37	12.51	12.00	12.45	14.21	14.63	13.37	12.79

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note: \*RE is Revised Estimate, BE is Budget Estimate.

**Figure 4.9 : State-wise percent of Social Expenditure spent on Health**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note: \*RE is Revised Estimate, BE is Budget Estimate.

### Government schemes in Haryana's Agriculture Sector

The Government of Haryana has launched several important initiatives in the agricultural sector for the fiscal year 2024-25. Notably, the Pashudhan Utthan Mission<sup>1</sup> is set to encourage entrepreneurship within the animal husbandry sector and will be implemented through the Haryana Livestock Development Board. Additionally, to support sustainable agricultural practices, the Department of Agriculture and Farmers' Welfare is promoting Dhaincha cultivation for green manure<sup>2</sup>. Farmers are being incentivized with an 80% subsidy on Dhaincha seeds to enhance soil health.

<sup>1</sup> <https://cdnbbsr.s3waas.gov.in/s386e78499eeb33fb9cac16b7555b50767/uploads/2023/02/2023022312.pdf>

<sup>2</sup> <https://agriharyana.gov.in/Dhaincha>

The state is also driving forward a number of established schemes aimed at boosting productivity and supporting farmers. For example, the Mera Pani Meri Virasat (MPMV)<sup>3</sup> initiative, launched in Kharif 2020, encourages crop diversification by supporting farmers who replace paddy with less water-intensive crops. Through this scheme, ₹7,000 per acre is provided to eligible farmers, with the government investing ₹45 crore in 2020 and ₹31 crore in 2021. Under the Pradhan Mantri Fasal Bima Yojana (PMFBY)<sup>4</sup>, crop insurance coverage is available with a premium of 1.5% for Rabi, 2% for Kharif, and 5% for commercial crops, benefiting over 3 million farmers in the state since 2016.

Further financial support includes the Rashtriya Krishi Vikas Yojana (RKVY)<sup>5</sup>, which has approved projects worth ₹7,150 crore for 2023-24, and the National Food Security Mission (NFSM), providing ₹4,955.17 lakh for subsidies across various agricultural components like seed distribution and pest management. The state has also initiated a soil reclamation program, starting from 2021-22, aimed at treating waterlogged and saline soils; this project has reclaimed 28,100 acres with a total investment of ₹100 crore over 24 years.

Farmers also benefitted from the PM-KISAN Scheme<sup>6</sup>, which provides ₹6,000 annually in three installments. To streamline crop selling at Minimum Support Prices (MSP)<sup>7</sup>, the Meri Fasal Mera Byora (MFMB)<sup>8</sup> platform allows farmers to register for direct sale. In addition, the state is promoting Direct Seeding of Rice (DSR)<sup>9</sup> as a resource-saving technology with a ₹4,000 per acre incentive and a ₹73.59 crore fund allocation for 2023. The Natural Farming Initiative<sup>10</sup> also received ₹24.10 crore, with unique incentives such as ₹25,000 for desi cow purchases and support for organic product branding.

Other significant initiatives include subsidies for cotton cultivation in designated districts, with an allocation of ₹6,000 lakh under schemes supporting Desi Cotton, Integrated Pest Management (IPM), and farmer training. The Technology Mission on Sugarcane (TMS)<sup>11</sup> is aimed at boosting sugarcane production through enhanced cultivation practices. These comprehensive measures underscore Haryana's dedication to fostering agricultural growth, promoting sustainable practices, and enhancing farmer welfare through targeted financial assistance and infrastructural support.

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<sup>3</sup><https://hwra.org.in/Gallery/pdf/Crop%20Diversification%20Programme%20%E2%80%93%20%E2%80%98Mera%20Pani%20Meri%20Virasat%E2%80%99.pdf>

<sup>4</sup> <https://pmfby.gov.in/guidelines> (Refer PMFBY Basic Features-English pdf)

<sup>5</sup> <https://www.cnbctv18.com/economy/budget-2024-centre-allocates-rs-7553-crore-for-rashtriya-krishi-vikas-yojana-19446743.htm>

<sup>6</sup> <https://pmkisan.gov.in/>

<sup>7</sup> <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2003184>

<sup>8</sup> <https://fasal.haryana.gov.in/>

<sup>9</sup> [https://ataljal.hid.gov.in/MIS/data/WebContent/Document/Report\\_638550788831954639.pdf](https://ataljal.hid.gov.in/MIS/data/WebContent/Document/Report_638550788831954639.pdf)

<sup>10</sup> <https://www.hindustantimes.com/cities/chandigarh-news/plans-prepared-to-promote-natural-farming-in-haryana-khattar-101656288341851.html>

<sup>11</sup> <https://agriharyana.gov.in/TMSSugarCane>

## Government schemes in Haryana's Education Sector

The Government of Haryana has introduced several new and supported ongoing initiatives to enhance the educational landscape in the state. A prominent project for 2024-25 is e- Adhigam (Advanced Digital Haryana Initiative of Government with Adaptive Module)<sup>12</sup>, which aims to improve digital accessibility for high school students in government schools by providing tablets equipped with personalized learning modules. This initiative has been allocated a significant budget of ₹1,70,000 crore, reflecting the government's commitment to digital learning support.

In addition to new projects, the state continues to support various longstanding programs across different levels of education. For middle school students, the Rajiv Gandhi Scholarships for Education Encouragement of Excellence awards<sup>13</sup> first-division achievers, with ₹150 lakh allocated, though no expenditure has been recorded up to October 2023. Similarly, the e-Mukhyamantri Saksham Scholarship Scheme<sup>14</sup>, which funds merit-based scholarships for government school students, has an allocation of ₹160 lakh for 2023-24, though no expenses have been reported as of October 2023.

Several health and well-being initiatives are also in place. The School Education Health and Treatment (SEHAT) program<sup>15</sup> aims to monitor the health of government school students to ensure their well-being. Further academic support comes through UDAAN<sup>16</sup>, a remedial program designed to help middle school students bridge learning gaps, with ₹339.78 lakh spent thus far in 2023-24. The Rani Laxmi Bai Atma Raksha Prashikshan Programme<sup>17</sup> supports self-defense training for girls, with a budget of ₹6 crore dedicated to this empowerment initiative.

Efforts to digitize education are evident in the Aarohi Model Schools program<sup>18</sup>, which has been allocated ₹100 crore for 2023-24 to enhance digital resources like language labs and digital boards. Another notable program, Super 100<sup>19</sup>, offers free coaching to top-performing students from government schools. Additionally, the state government has provisioned ₹50 lakh for the establishment of placement cells in 182 government colleges to facilitate job placements for students.

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<sup>12</sup> <https://www.indiatoday.in/education-today/news/story/3-lakh-haryana-school-students-given-tablets-for-online-education-under-e-adhigam-scheme-1946114-2022-05-06>

<sup>13</sup> <https://cdnbbsr.s3waas.gov.in/s3cf2226ddd41b1a2d0ae51dab54d32c36/uploads/2021/06/2021060221.pdf>

<sup>14</sup> [https://hreyahs.gov.in/saksham/notification/notification\\_76.pdf](https://hreyahs.gov.in/saksham/notification/notification_76.pdf)

<sup>15</sup> <https://www.financialexpress.com/jobs-career/education-sehat-health-scheme-haryana-education-2656875/>

<sup>16</sup> <https://timesofindia.indiatimes.com/city/gurgaon/2-hr-remedial-classes-in-govt-schools-to-check-learning-gaps-due-to-pandemic/articleshow/91272471.cms>

<sup>17</sup> <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1844719>

<sup>18</sup> <https://cdnbbsr.s3waas.gov.in/s3cf2226ddd41b1a2d0ae51dab54d32c36/uploads/2020/12/2020122450.pdf>

<sup>19</sup> <https://www.timesnownews.com/education/jee-neet-free-coaching-haryana-government-revamps-super-100-scheme-expands-it-to-super-400-article-107901865>

These comprehensive initiatives underscore the Haryana Government's efforts to enhance educational access, promote student welfare, and prepare students for the future through digital resources, health initiatives, and career-oriented programs.

### **Government schemes in Haryana's Health Sector**

The Haryana Government is actively enhancing healthcare accessibility and financial support for vulnerable populations. In 2022, it launched the Comprehensive Health Insurance of Antyodaya Units (CHIRAYU)<sup>20</sup> Scheme to expand Ayushman Bharat's benefits. This scheme offers families with annual incomes of ₹1.8 lakh or below free medical care up to ₹5 lakh per year. By January 2024, CHIRAYU had incurred an expenditure of ₹574 crore, demonstrating the state's significant investment in public health insurance.

The state has implemented several key healthcare programs to meet diverse health needs. During the COVID-19 pandemic, Haryana vaccinated 2.36 crore individuals with the first dose and 1.98 crore with the second. Additionally, immunity-boosting medicines were by an allocation of ₹11.13 crore. The government also extended financial support to families affected by COVID-19, providing ₹50,000 in ex-gratia assistance per deceased to their next of kin. In FY 2022-23, this amounted to ₹16.72 crore, with an additional ₹2.89 crore disbursed to 579 beneficiaries in FY 2023-24.

Further health initiatives include the Rashtriya Bal Swasthya Karyakram (RBSK)<sup>21</sup>, which identifies and treats congenital conditions in children. Haryana allocated ₹6.5 crore to support secondary and tertiary care for RBSK beneficiaries. The Pradhan Mantri Matru Vandana Yojna (PMMVY)<sup>22</sup> addresses maternal health, with ₹4.89 crore disbursed to 13,979 beneficiaries in FY 2023-24. Furthermore, the government allocated ₹6,200 lakh in FY 2023-24 for constructing Anganwadi centers to support maternal and child health.

These comprehensive health initiatives underscore Haryana's commitment to expanding healthcare access, enhancing pandemic resilience, and supporting maternal and child welfare.

### **Non-development Expenditure (General Services)**

The three main components of Non-Development Expenditure are Interest Payments, Administrative services and Pensions. Interest Payments constituted 47.02% of the General services expenditure in 2023-24 whereas pensions constituted 30.01%. General services constitute 39.78% of the Total Revenue Expenditure in 2023-24.

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<sup>20</sup> <https://haryanacmoffice.gov.in/21-november-2022>

<sup>21</sup> <https://rbsk.mohfw.gov.in/RBSK/Login/Login.aspx>

<sup>22</sup> <https://wcdhry.gov.in/schemes-for-women/pradhan-mantri-matru-vandhana-yojna/>

**Table 4.4: Components of Non-Developmental Expenditure (General Services)**

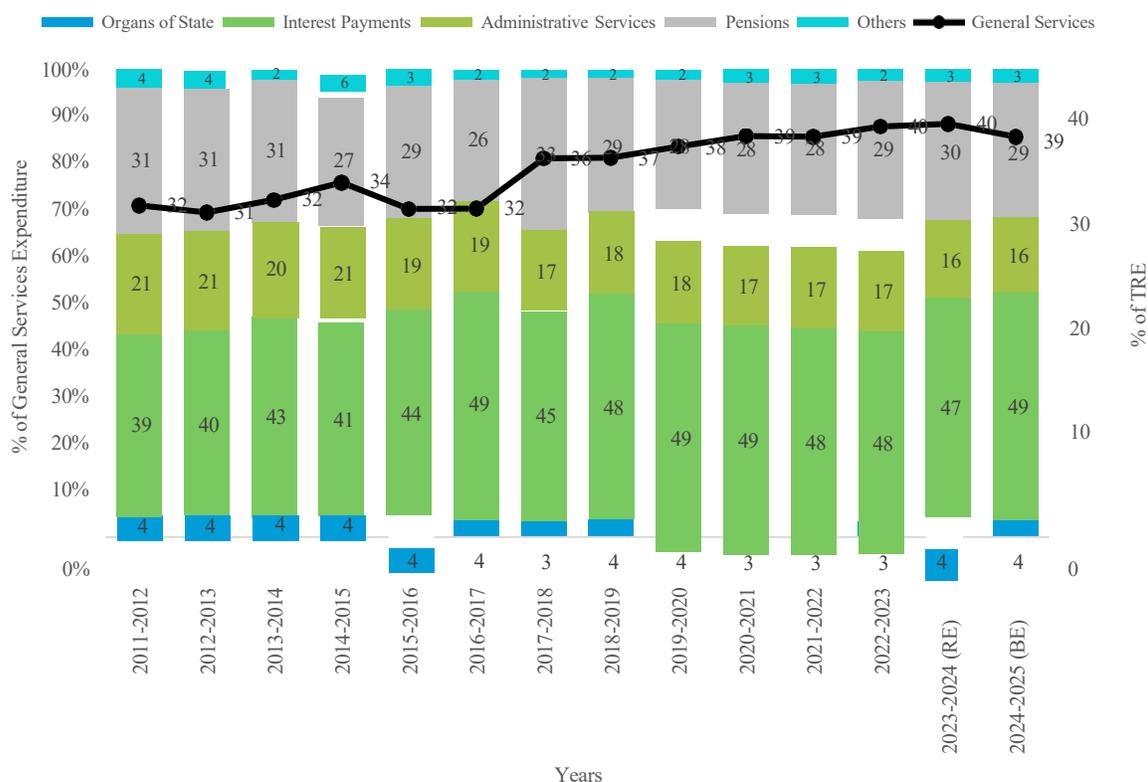
Years	Organs of State	Interest Payments	Administrative Services	Pensions	Others	General Services	General Services (in Lakhs)
	% of GSE					% of TRE	
2011-2012	4	39	21	31	4	32	10,21,983
2012-2013	4	40	21	31	4	31	11,89,675
2013-2014	4	43	20	31	2	32	13,59,731
2014-2015	4	41	21	27	6	34	16,76,473
2015-2016	4	44	19	29	3	32	18,71,333
2016-2017	4	49	19	26	2	32	21,63,079
2017-2018	3	45	17	33	2	36	26,69,867
2018-2019	4	48	18	29	2	37	28,16,897
2019-2020	4	49	18	28	2	38	31,88,395
2020-2021	3	49	17	28	3	39	34,73,416
2021-2022	3	48	17	28	3	39	37,94,791
2022-2023	3	48	17	29	2	40	42,06,864
2023-2024 (RE)	4	47	16	30	3	40	47,31,904
2024-2025 (BE)	4	49	16	29	3	39	51,83,721

Source: Authors' calculations based on RBI data, State Finances: A study of Budgets.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note: \*RE is Revised Estimate, BE is Budget Estimate, TRE is Total Revenue Expenditure, GSE is General Service Expenditure

**Figure 4.10: Components of Non-Developmental Expenditure (General Services)**



Source: Authors' calculations based on RBI data, State Finances: A study of Budgets.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

## Capital Expenditure

From the Appendix Table 4.2 it is evident that the CAGR of Capital Outlay has been 8.24%, which is less than the CAGR of Revenue expenditure of 10.79%. Non-Development Capital Outlays CAGR had been around 11.94% whereas Development Capital Outlays CAGR had been much lower at around 8.03%. The CAGR of Loans and Advances disbursed by the State government was also relatively high at 19.61%. Loans and Advances disbursed have seen a significant spike in 2015-16, possibly due to 2014 State and Central Elections.

**Table 4.5: Revenue and Capital Expenditure as percentages**

Years	Capital Expenditure	Revenue Expenditure	Capital Outlay	Capital Outlay	Capital Outlay	Revenue Expenditure
	as a % of TE		as a % of CE	as a % of TE	as a % of TRR	
<b>2011-2012</b>	19.46%	80.54%	69.44%	13.51%	17.58%	104.77%
<b>2012-2013</b>	18.15%	81.85%	68.27%	12.39%	17.13%	113.20%
<b>2013-2014</b>	14.39%	85.61%	55.88%	8.04%	10.35%	110.19%
<b>2014-2015</b>	12.34%	87.66%	53.74%	6.63%	9.11%	120.39%
<b>2015-2016</b>	27.84%	72.16%	30.23%	8.42%	14.53%	124.56%
<b>2016-2017</b>	16.64%	83.36%	50.26%	8.36%	13.07%	130.30%
<b>2017-2018</b>	19.28%	80.72%	77.39%	14.92%	21.59%	116.85%
<b>2018-2019</b>	22.06%	77.94%	70.08%	15.46%	23.23%	117.11%
<b>2019-2020</b>	23.10%	76.90%	69.31%	16.01%	26.03%	125.04%
<b>2020-2021</b>	19.30%	80.70%	27.29%	5.27%	8.69%	133.13%
<b>2021-2022</b>	25.12%	74.88%	33.45%	8.40%	14.14%	126.04%
<b>2022-2023</b>	27.82%	72.18%	28.44%	7.91%	13.08%	119.30%
<b>2023-2024 (RE)</b>	30.23%	69.77%	28.02%	8.47%	13.65%	112.44%
<b>2024-2025 (BE)</b>	29.19%	70.81%	29.38%	8.57%	13.96%	115.28%

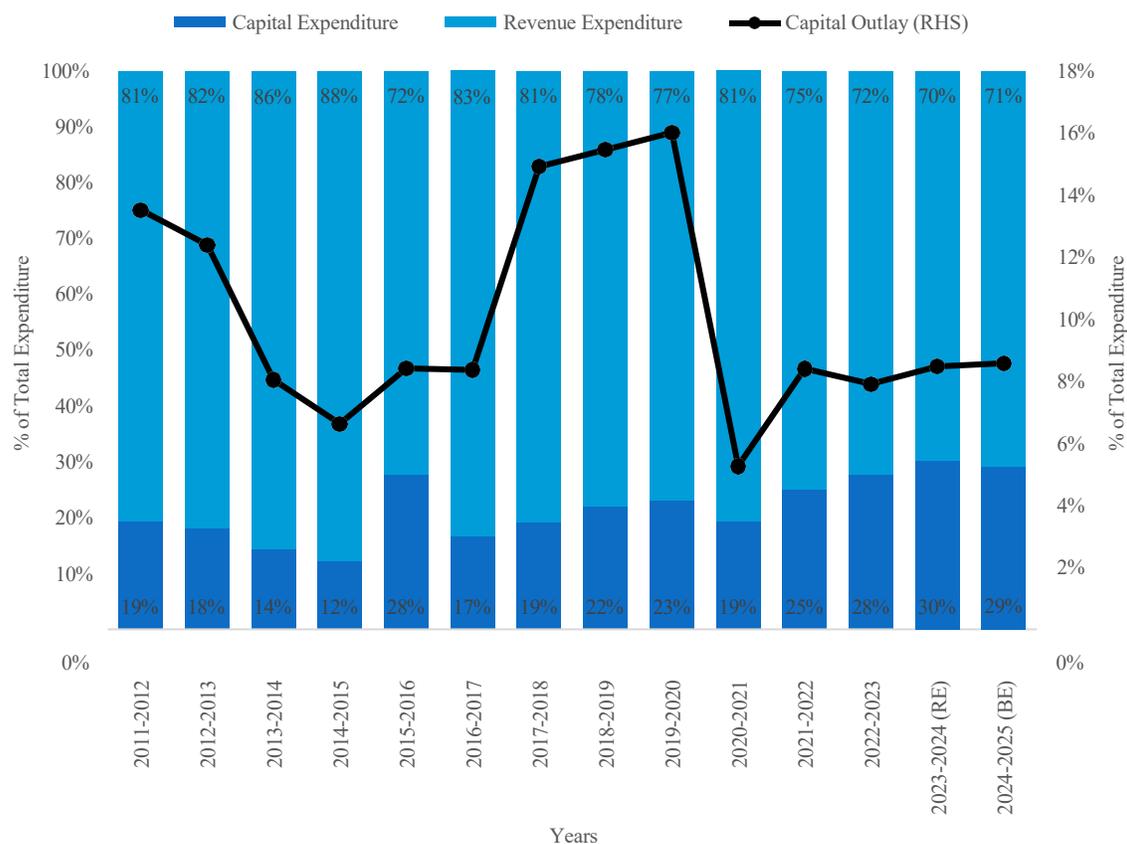
Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note \*RE is Revised Estimate, BE is Budget Estimate, CE is Capital Expenditure, TE is Total Expenditure, TRR is Total Revenue Receipt

Capital Expenditure as a percentage of Total Expenditure has been varying around 12 to 30 percent. Whereas Revenue Expenditure as a percentage of Total Expenditure has been varying around 70 to 88 percent. Capital Outlay as a percentage of Capital Expenditure fell from 77.39% in 2017-18 to 28.02% in 2023-24. It reached its peak in 2017-18 at 77.39%. During COVID, it sharply fell from 69.31% in 2019-20 to 27.29% in 2020-21 and has stayed low since then.

**Figure 4.11: Revenue Expenditure, Capital Expenditure and Capital Outlay as % of Total Expenditure**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>  
 Note: \*RE is Revised Estimate, BE is Budget Estimate

The Revenue Expenditure as a percentage of Total Revenue Receipts has been above 100%, ranging from 104 to 133 percent for most of the years since 2011-12. This value reached its peak in 2020-21 to 133.13% of the Total Revenue Receipts, mainly due to the impact of COVID.

From Table 4.6, shows the elasticities defined as the ratio of growth rates for capital outlay and revenue expenditure against Total Revenue Receipt, Non-Tax Revenue and GSDP move in tandem before 2020-21. There go haywire when COVID pandemic struck and lockdown was implemented.

**Table 4.6: Ratio of growth rates of Expenditure**

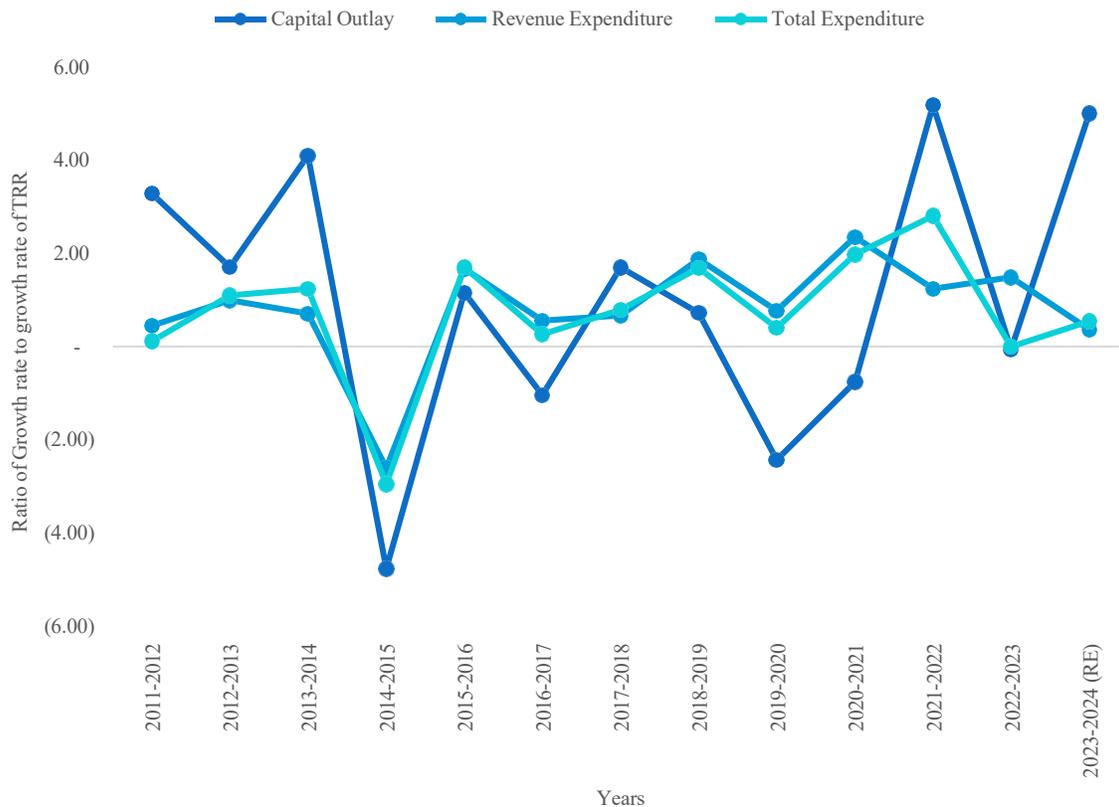
Years	Ratio of growth rates of capital outlay with respect to growth rates of			Ratio of growth rates of Revenue Expenditure with respect to growth rates of			Ratio of growth rates of Total Expenditure with respect to growth rates of		
	% of TRR	% of NTR	% of GSDP	% of TRR	% of NTR	% of GSDP	% of TRR	% of NTR	% of GSDP
2011-2012	3.29	5.09	5.84	0.45	0.69	0.79	0.11	0.17	0.20
2012-2013	1.71	0.84	2.77	1.00	0.49	1.62	1.10	0.54	1.78
2013-2014	4.11	3.06	2.32	0.71	0.53	0.40	1.24	0.93	0.70
2014-2015	(4.77)	(1.43)	1.54	(2.61)	(0.78)	0.84	(2.95)	(0.89)	0.95
2015-2016	1.16	0.87	0.71	1.67	1.26	1.02	1.71	1.29	1.04
2016-2017	(1.04)	(2.89)	(1.37)	0.56	1.53	0.73	0.26	0.73	0.35
2017-2018	1.70	2.14	2.28	0.67	0.84	0.90	0.79	0.99	1.06
2018-2019	0.72	(1.17)	0.44	1.88	(3.05)	1.14	1.69	(2.74)	1.02
2019-2020	(2.44)	(1.06)	(2.11)	0.77	0.34	0.67	0.40	0.17	0.35
2020-2021	(0.76)	(0.99)	(0.59)	2.35	3.06	1.82	1.98	2.57	1.53
2021-2022	5.19	5.45	6.44	1.24	1.31	1.54	2.81	2.95	3.48
2022-2023	(0.06)	(0.10)	(0.05)	1.49	2.32	1.16	(0.00)	(0.01)	(0.00)
2023-2024 (RE)	5.01	4.76	7.05	0.37	0.35	0.51	0.55	0.52	0.77

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note: \*RE is Revised Estimate, BE is Budget Estimate, TRR is Total Revenue Receipt, NTR is Non Tax Revenue, GSDP is Gross State Domestic Product

**Figure 4.12: Ratio of growth rates of various Expenditure with respect to Total Revenue Receipt (TRR)**

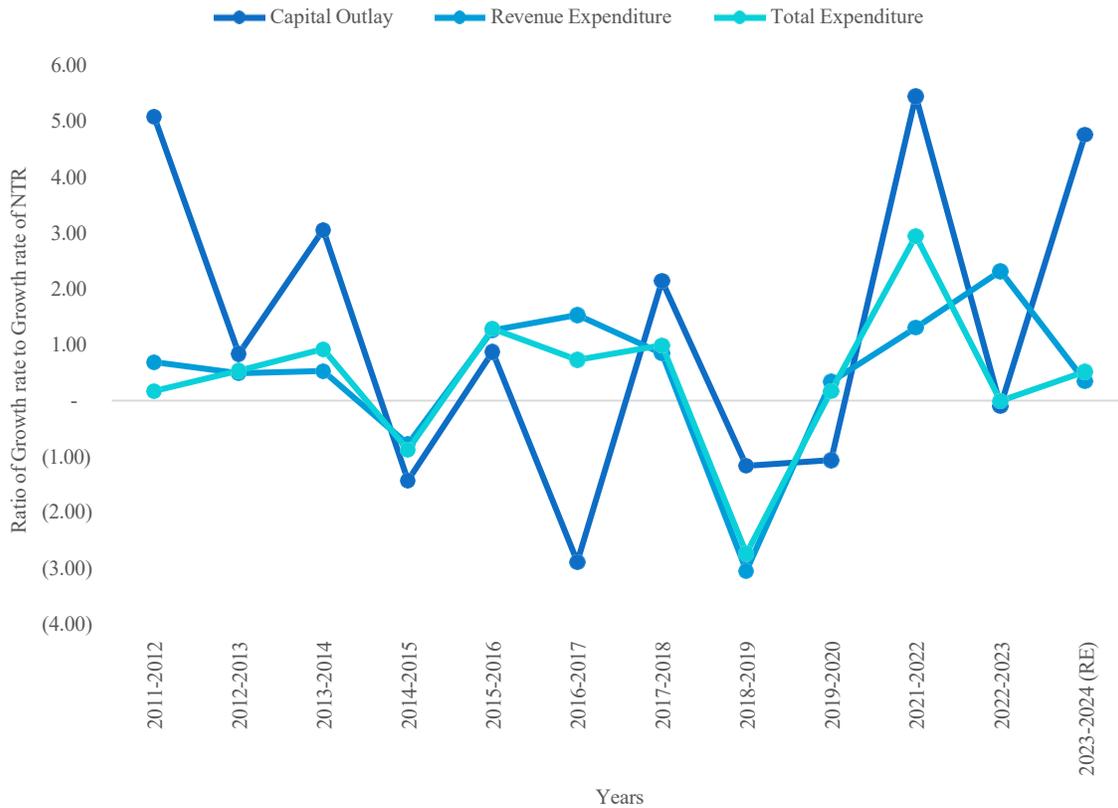


Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>  
 Note: \*RE is Revised Estimate, BE is Budget Estimate, TRR is Total Revenue Receipt

Figure 4.12 shows these elasticities (ratio of the growth rates of Capital Outlay, Revenue Expenditure, and Total Expenditure against the growth rate of Total Revenue Receipts). All the ratios move in the same direction until 2020-21, when the ratio of capital outlay falls sharply, while revenue expenditure and total expenditure remain stable or grow respectively. After the 2022-23 period, all the ratios again show a consistent directional movement. In 2017-18, we observe a sharp upward movement in all the ratios against Total Revenue Receipts.

With respect to the growth rate of Own Revenue Receipt shown in Fig 4.13, the growth rates of capital outlay had major fluctuations during 2017-18 and 2021-22. The graph of growth rate of Revenue Expenditure with respect to the growth rate of Own Revenue Receipt, recovered significantly in 2022-23 from the slump in the year 2021-22.

**Figure 4.13: Ratio of growth rates of various expenditure with respect to Non-Tax Revenue (NTR)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>  
 Note: \*RE is Revised Estimate, BE is Budget Estimate, NTR is Non Tax Revenue

With respect to the growth rate of GSDP, the ratios of the growth rate of the three variables are given in Figure 4.14. In the case of Capital Outlay, there is a spike in its ratio of growth rate with respect to GSDP in 2020-21. It implies that the growth rate of GSDP in the COVID year is relatively smaller than that of the Capital Outlay. The ratio of the growth rate of Revenue Expenditure and Total Expenditure with respect to that of GSDP became negative during the same period. Hence to understand the trend better we remove the outlier years 2020-21.

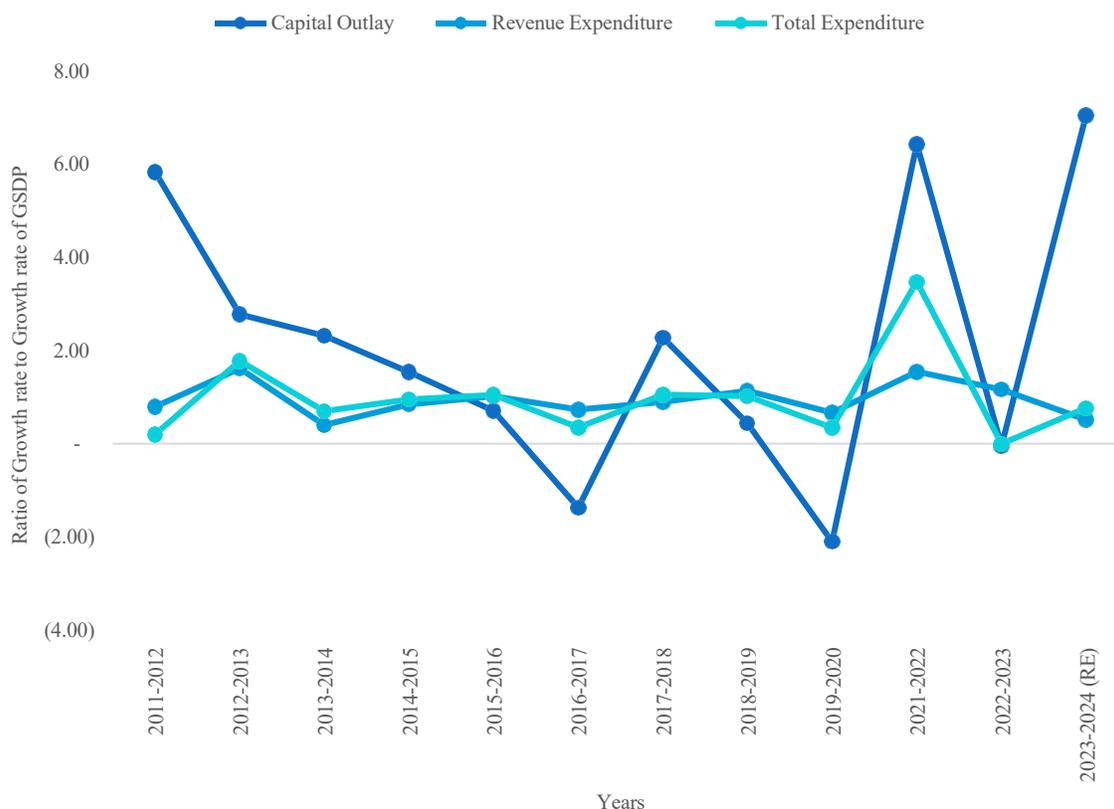
**Figure 4.14: Ratio of growth rates of various expenditure with respect to Gross State Domestic Product (GSDP)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>  
 Note: \*RE is Revised Estimate, BE is Budget Estimate, GSDP is Gross State Domestic Product

After removing the outlier year 2020-21, there are multiple fluctuations in the last 12 years in the growth rate of Capital Outlay with respect to the growth rate of GSDP. A fall was observed in 2013-14, followed by a spike in 2017, and a sharp reaction during the COVID period in 2021-22. After 2022-23, all the ratios are moving in the same direction.

**Figure 4.15: Ratio of growth rates of various expenditure with respect to Gross State Domestic Product (excluding outlier years)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

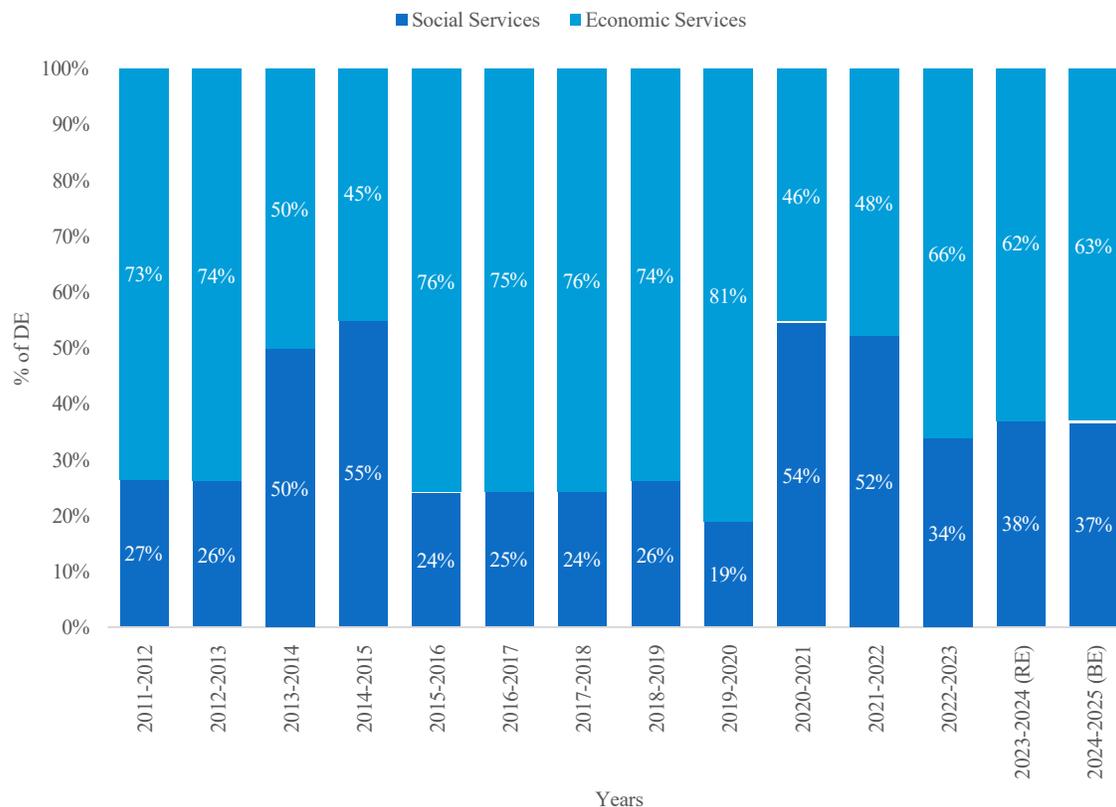
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note \*RE is Revised Estimate, BE is Budget Estimate, GSDP is Gross State Domestic Product

### Development Expenditure in Capital Outlay

Although the CAGR of Social Expenditure was 10.49% and that of Economic Expenditure was 6.92% over the last 14 years. According to Figure 4.16, the ratio of allocation of capital outlay between social and economic expenditure was approximately 38:62 during 2023-24. The weightage of social expenditure in development expenditure crossed the 50% mark four times in the last 14 years. This reversal of trend may have occurred due to the Vidhan Sabha and Lok Sabha elections in 2013-14 and 2014-15, during which placed more emphasis on Social Expenditure. Similarly, during the COVID years of 2020-21 and 2021-22, the COVID relief fund was funded by Social Expenditure. Between 2014-15 and 2020-21, the weightage of Economic Expenditure peaked in 2019-20 at 81.07%. After the COVID years, the ratio of Economic Expenditure to Social Expenditure out of capital outlay shifted to almost 60:40.

**Figure 4.16: Components of Development expenditure in Capital Outlay (%)**

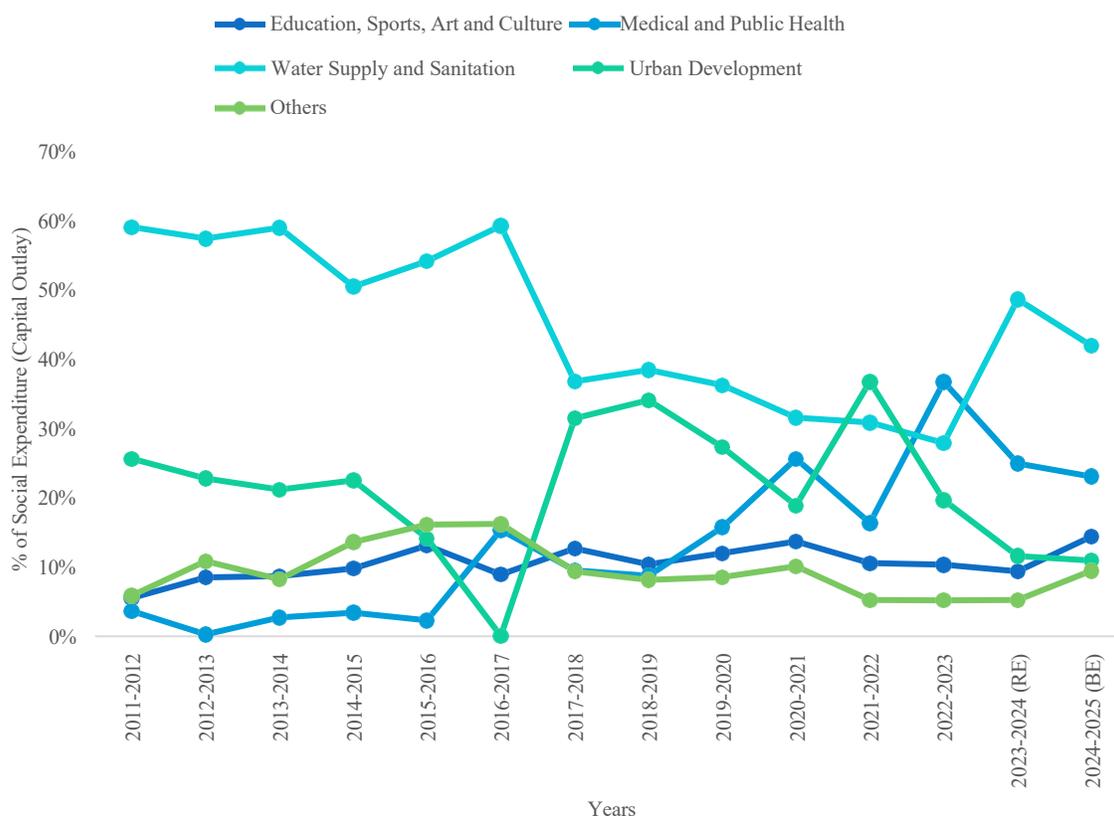


Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>  
 Note \*RE is Revised Estimate, BE is Budget Estimate

Figure 4.17 shows the trend of various components of the Social Expenditure for the past 14 years. The major components are Education, Sports, Art and Culture; Medical and Public health; Water supply; Urban Development and Social security. Over the years, emphasis on spending on Water supply, sanitation, housing, and urban development has gone down significantly. In the case of Medical and Family Welfare, the allocation of expenditure has improved over the years. There is no clear trend in the case of Social security and welfare.

The pattern of Social Expenditure is shown in Figure 4.17, illustrating the components of capital outlay as a percentage of Total Social Expenditure. The proportion of expenditure allocated to Education and Health is crucial for the social development of the state. A major emphasis was placed on water supply and sanitation by the Haryana state government, contributing between 40% to 60% of Social Expenditure across all 14 years. In the post-COVID period of 2020-21, a larger portion of capital outlay from total social expenditure was allocated to Medical and Public Health expenditure. The state government also invested in Urban Development expenditure at around 20 to 30 percent of social expenditure, however during 2016-17, it was close to 0 percent of social expenditure, possibly due to the impact of demonetization.

**Figure 4.17: Components of Social Expenditure (Capital Outlay) (%)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>  
 Note \*RE is Revised Estimate, BE is Budget Estimate

Table 4.7a shows the state-wise education expenditure as a percentage of Social Expenditure in terms of capital outlay. Haryana's expenditure on education was the lowest among all seven high income states in 2011-12. However, during the COVID period of 2020-21, Haryana ranked second, only behind Kerala. An increasing trend can be observed in Haryana's capital outlay on education. In 2023-24, Haryana increased its allocation from social expenditure to 9.42%, third highest among these states.

**Table 4.7a: State-wise Social Service Expenditure on Education (%)**

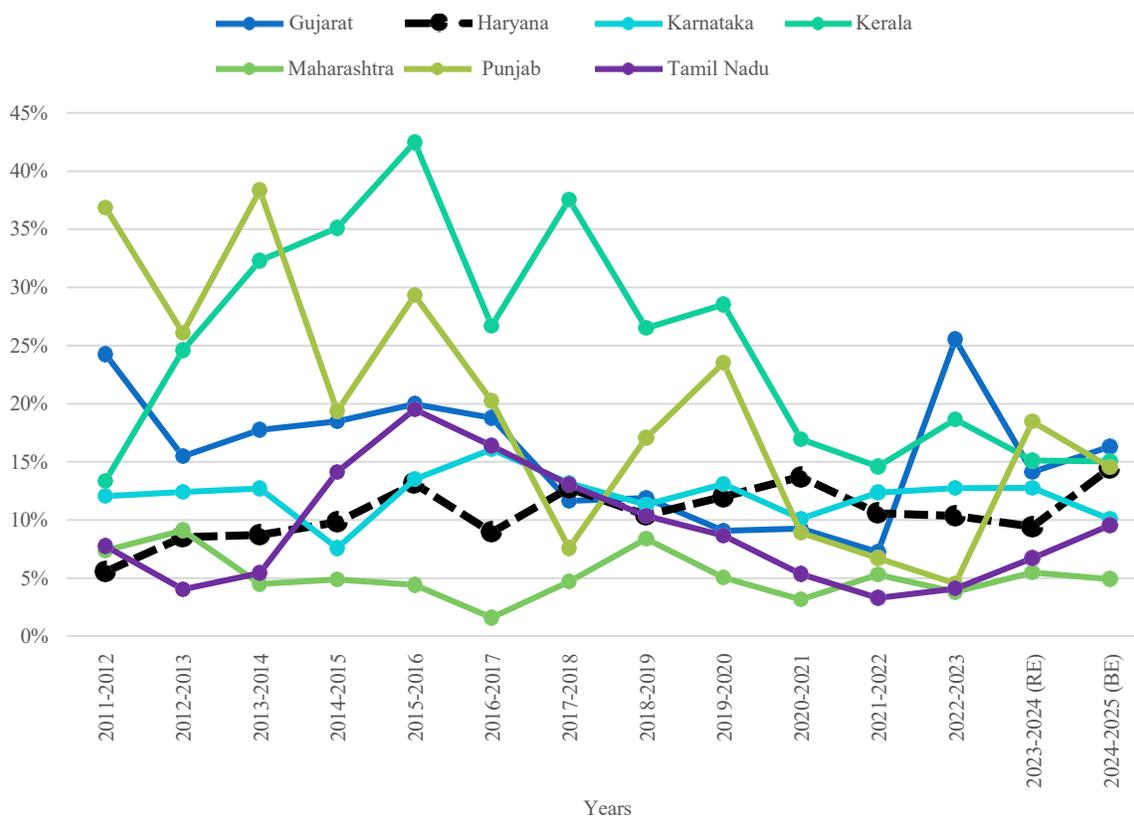
States	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024 (RE)	2024-2025 (BE)
Gujarat	24.26%	15.48%	17.75%	18.49%	19.96%	18.77%	11.65%	11.89%	9.06%	9.25%	7.24%	25.51%	14.14%	16.30%
Haryana	5.54%	8.51%	8.72%	9.81%	13.13%	8.94%	12.72%	10.42%	12.01%	13.71%	10.58%	10.36%	9.42%	14.43%
Karnataka	12.04%	12.39%	12.71%	7.59%	13.51%	16.07%	13.17%	11.31%	13.09%	10.11%	12.35%	12.74%	12.77%	10.08%
Kerala	13.37%	24.60%	32.29%	35.11%	42.49%	26.70%	37.56%	26.49%	28.53%	16.96%	14.61%	18.64%	15.11%	15.04%
Maharashtra	7.38%	9.10%	4.50%	4.89%	4.42%	1.60%	4.70%	8.39%	5.04%	3.15%	5.30%	3.82%	5.48%	4.90%
Punjab	36.86%	26.10%	38.34%	19.34%	29.33%	20.24%	7.60%	17.07%	23.51%	8.91%	6.72%	4.53%	18.46%	14.55%
Tamil Nadu	7.76%	4.04%	5.44%	14.13%	19.51%	16.38%	13.04%	10.37%	8.67%	5.34%	3.29%	4.09%	6.71%	9.54%

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note \*RE is Revised Estimate, BE is Budget Estimate

**Figure 4.18: State-wise Social Service Expenditure on Education (%)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>  
 Note \*RE is Revised Estimate, BE is Budget Estimate

On the other hand, Haryana's investment in the Health Sector has reached highest level during 2022-23. As shown in Figure 4.19, Haryana's health sector in capital outlay has been increasing over the years. As compared to other high income states such as Gujarat, Punjab, Tamil Nadu, the health expenditure spent by Haryana is relatively higher. It was lowest during 2011-12 along with Tamil Nadu which has better social indicators.

**Table 4.7b: State-wise Social Service Expenditure on Health (%)**

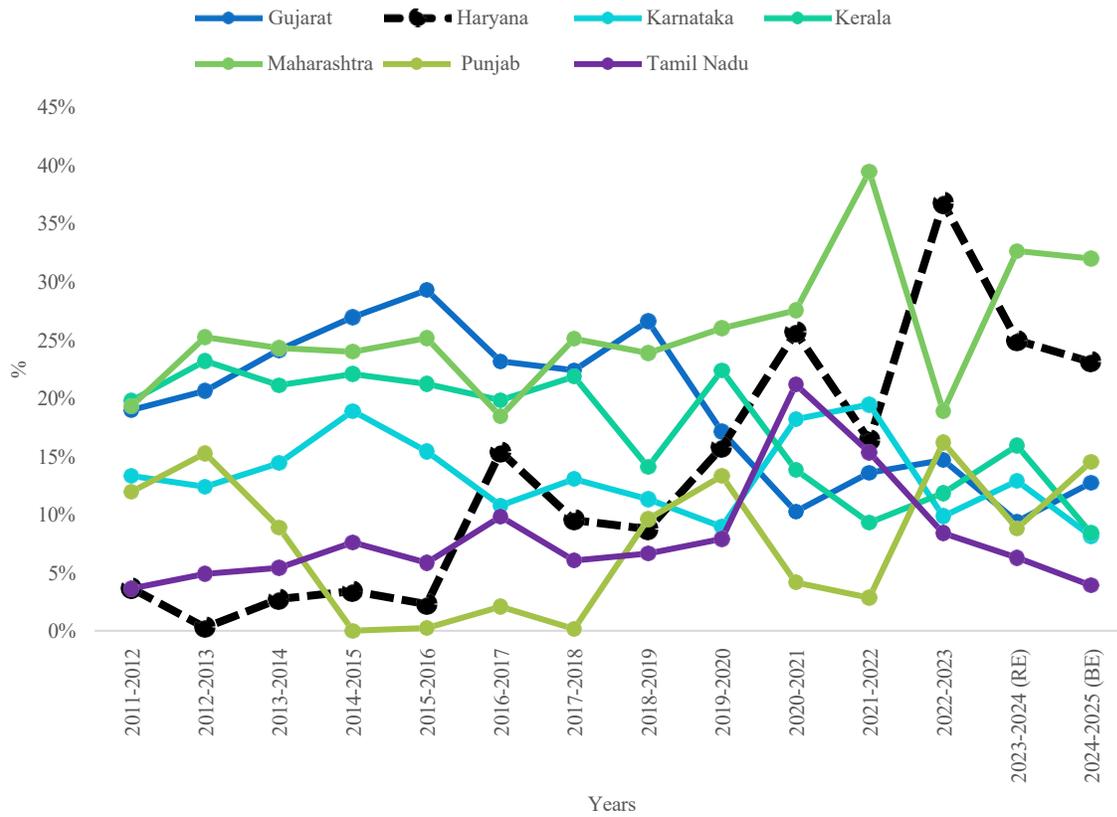
States	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024 (RE)	2024-2025 (BE)
Gujarat	19.00%	20.62%	24.16%	26.98%	29.29%	23.16%	22.41%	26.63%	17.12%	10.25%	13.58%	14.68%	9.40%	12.71%
Haryana	3.66%	0.28%	2.73%	3.42%	2.29%	15.39%	9.53%	8.75%	15.78%	25.66%	16.37%	36.79%	24.97%	23.13%
Karnataka	13.32%	12.39%	14.43%	18.91%	15.43%	10.78%	13.05%	11.31%	8.94%	18.18%	19.46%	9.86%	12.89%	8.16%
Kerala	19.78%	23.21%	21.12%	22.07%	21.22%	19.84%	21.86%	14.10%	22.39%	13.85%	9.29%	11.85%	15.92%	8.40%
Maharashtra	19.32%	25.25%	24.32%	23.98%	25.18%	18.44%	25.12%	23.88%	26.02%	27.54%	39.50%	18.88%	32.68%	32.01%
Punjab	11.95%	15.27%	8.89%	0.01%	0.25%	2.06%	0.15%	9.59%	13.32%	4.17%	2.85%	16.20%	8.80%	14.54%
Tamil Nadu	3.64%	4.90%	5.41%	7.61%	5.84%	9.82%	6.04%	6.64%	7.90%	21.18%	15.35%	8.39%	6.30%	3.90%

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note \*RE is Revised Estimate, BE is Budget Estimate

**Figure 4.19: State-wise Social Service Expenditure on Education (%)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note \*RE is Revised Estimate, BE is Budget Estimate

**Table 4.8: Components of Economic Expenditure (%)**

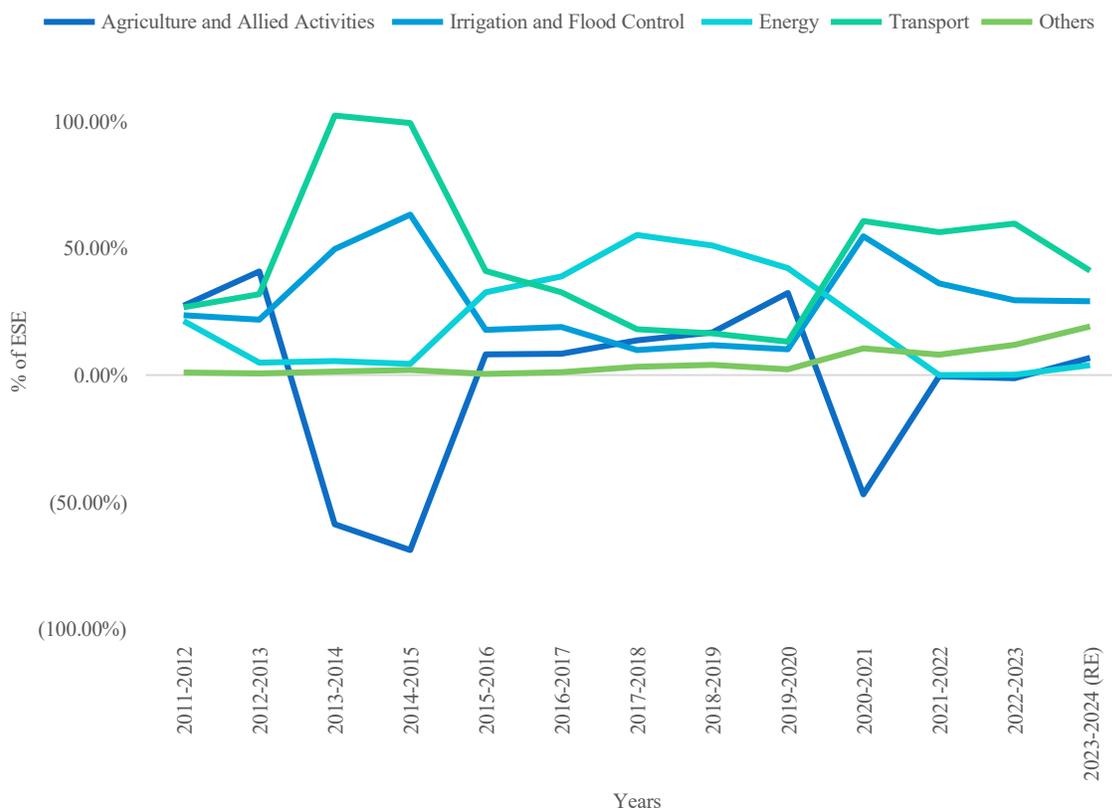
Years	Agriculture and Allied Activities	Irrigation and Flood Control	Energy	Transport	Others	Economic Service	Economic Services
	% of ESE					(in Lakhs)	% of TE
2011-2012	27.37%	23.54%	21.26%	26.76%	1.07%	3,76,961	9.48%
2012-2013	40.82%	21.83%	4.89%	31.87%	0.60%	4,06,525	8.74%
2013-2014	(58.83%)	49.67%	5.47%	102.24%	1.44%	1,82,850	3.74%
2014-2015	(68.95%)	63.21%	4.38%	99.35%	2.01%	1,52,727	2.73%
2015-2016	8.17%	17.85%	32.55%	40.98%	0.45%	4,90,778	5.98%
2016-2017	8.47%	18.99%	38.85%	32.57%	1.12%	4,87,732	5.94%
2017-2018	13.67%	9.85%	55.18%	18.03%	3.27%	9,88,431	10.89%
2018-2019	16.84%	11.81%	50.99%	16.38%	3.98%	10,78,739	10.90%
2019-2020	32.34%	10.12%	42.10%	13.14%	2.30%	13,84,621	12.55%
2020-2021	(46.95%)	54.72%	21.12%	60.63%	10.48%	2,49,597	2.24%
2021-2022	(0.46%)	36.06%	0.00%	56.34%	8.05%	5,01,225	3.81%
2022-2023	(1.20%)	29.51%	0.11%	59.70%	11.88%	7,35,633	4.99%
2023-2024 (RE)	6.75%	29.11%	3.87%	41.12%	19.14%	8,61,492	5.05%

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note \*RE is Revised Estimate, BE is Budget Estimate

**Figure 4.20: Components of Economic Expenditure (%)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note \*RE is Revised Estimate, BE is Budget Estimate

A major portion of the Economic Expenditure out of the Capital Outlay has been allocated to Transport, Irrigation, and Energy. Agriculture and Allied Activities which observed fluctuations, with a sharp decline around 2013-2014 and 2014-15 to -59% and -69% respectively, further negative dip during the COVID period in 2020-2021 leading to a decline of 47%. This is primarily due to grain recoveries exceeding grain expenditure allocation, leading to negative allocations in the year 2020-21 and 2022-23. Irrigation and Flood Control show two jumps during 2014-15 and 2020-21 at 63% and 55% respectively.

During the period from 2015-16 to 2020-21, the Energy sector experienced an increase, reaching as high as 55 percent of Total Economic Expenditure. For Irrigation and Transport, the share has increased since 2019-20. The Transport sector experienced a sharp rise to 102 percent during 2013-14 and 99 percent during 2014-15, driven by the negative Agriculture and Allied segment during the same period. The Transport segment again witnessed an upward movement during the COVID period and since it remained above 40 percent of Economic Expenditure.

## Major Findings and Conclusion of Expenditure Patterns of Haryana

- Haryana's Revenue Expenditure has been growing at a compound annual growth rate of 10.79% from 2011-12 to 2024-25, reflecting a steady increase over the years.
- Expenditure on Economic Services has experienced noticeable growth, with key sectors such as agriculture and rural development seeing a significant rise in their share of total Economic Services expenditure. However, spending in sectors like energy and transportation has declined.
- The education sector continues to dominate social services expenditure, comprising nearly 38% of total social expenditure in 2023-24. While spending on health has been relatively stable, Haryana spends significantly less on education and health compared to other high-income states, despite having a higher literacy rate than the national average.
- General services expenditure, which includes essential administrative services, pensions, and debt servicing, ranges between 30 to 40 percent of Total Revenue Expenditure. Interest payments, Pension and Administrative Services together make up nearly 93% of General Services Expenditure. A large proportion of General Services expenditure (47%) is allocated to debt servicing and interest payments. Additionally, pension costs (30%) are a substantial component of general services expenditure, putting a strain on the state's fiscal flexibility.
- Haryana's revenue deficit reached 1.75% of GSDP in 2022-23, exceeding the target of 1% and indicating potential fiscal stress. Although the deficit is expected to reduce in 2023-24 and 2024-25, it remains a concern for the state's fiscal health and debt sustainability.
- Capital Expenditure as a share of Total Expenditure fluctuated between 12% and 30%, peaking at 30.23% in 2023-24. In contrast, Revenue Expenditure's share ranged between 70 and 88 percent, reflecting a heavy reliance on present compared to future potential of the states.
- Within Social Expenditure, sectors like Water Supply and Sanitation, and Urban Development have seen reduced emphasis, while allocations for Education and Health have improved. However, Haryana lags behind other states in education spending but leads in health sector investments in recent years.
- A significant portion of Economic Expenditure has been directed towards Energy, Transport, Agriculture, and Rural Development. The Energy sector saw increased spending during 2015-16 and 2016-17.

## Recommendations

- Haryana should consider increasing its capital expenditure, particularly in infrastructure and growth sectors, to boost long-term economic productivity and growth. Although there has been growth in sectors like agriculture and rural development, resources could be better allocated to sectors like energy and transportation, where the state's expenditure has been declining. Prioritizing these sectors could enhance overall economic growth and development.

- The state needs to take steps to reduce its revenue deficit, particularly by curbing inefficient spending and increasing revenue generation through better tax collection and Non-Tax Revenue. Maintaining a balanced budget will help Haryana meet its Fiscal Responsibility and Budget Management targets.
- With a large portion of the General Services budget tied up in debt servicing and pensions, Haryana could explore restructuring its liabilities.
- Continue to build on successful agricultural programs like Mera Pani Meri Virasat and promote diversification away from water-intensive crops such as Direct Seeding of Rice (DSR). Enhancing the focus on rural infrastructure and sustainable agricultural practices can improve long-term rural development outcomes.
- Initiatives like e-Adhigam and digital educational resources should be expanded, with an emphasis on improving educational quality and accessibility. Similarly, more investment in public health infrastructure and preventive care is needed to improve overall health outcomes and reduce future healthcare burdens.
- The state should consider improving its revenue generation mechanisms to reduce the dependency on borrowing and loans. A strategic plan to close the revenue deficit by enhancing own revenue receipts and improving tax collection efficiency could help stabilize the fiscal situation.
- While Haryana has done well in health sector investments, it needs to reallocate more resources to the education sector. The state's investment in education as a percentage of total social expenditure is lower than most other high income states, and improving educational infrastructure and quality can lead to long-term socio-economic benefits.
- Given the importance of sectors like Transport and Irrigation, further investments in infrastructure can stimulate economic growth. Prioritizing projects that integrate sustainable development goals, such as renewable energy, would further enhance long-term growth prospects.
- To meet the needs of Health and Education sector and overall capital expenditure, the state government can consider raising funds for social expenditure through CSR funds. Cities like Gurgaon, Panchkula, Faridabad, Hissar, Jhajhar and Rohtak are hubs of corporate and industry. Thus, raising CSR funds for Education infrastructure of government schools and imparting quality education can be one way out to resolve the expenditure needs. For infrastructure projects state can go for public-private-partnerships as is done in the power transmission sector.

## CHAPTER 5

### Analysis of Deficits for Haryana

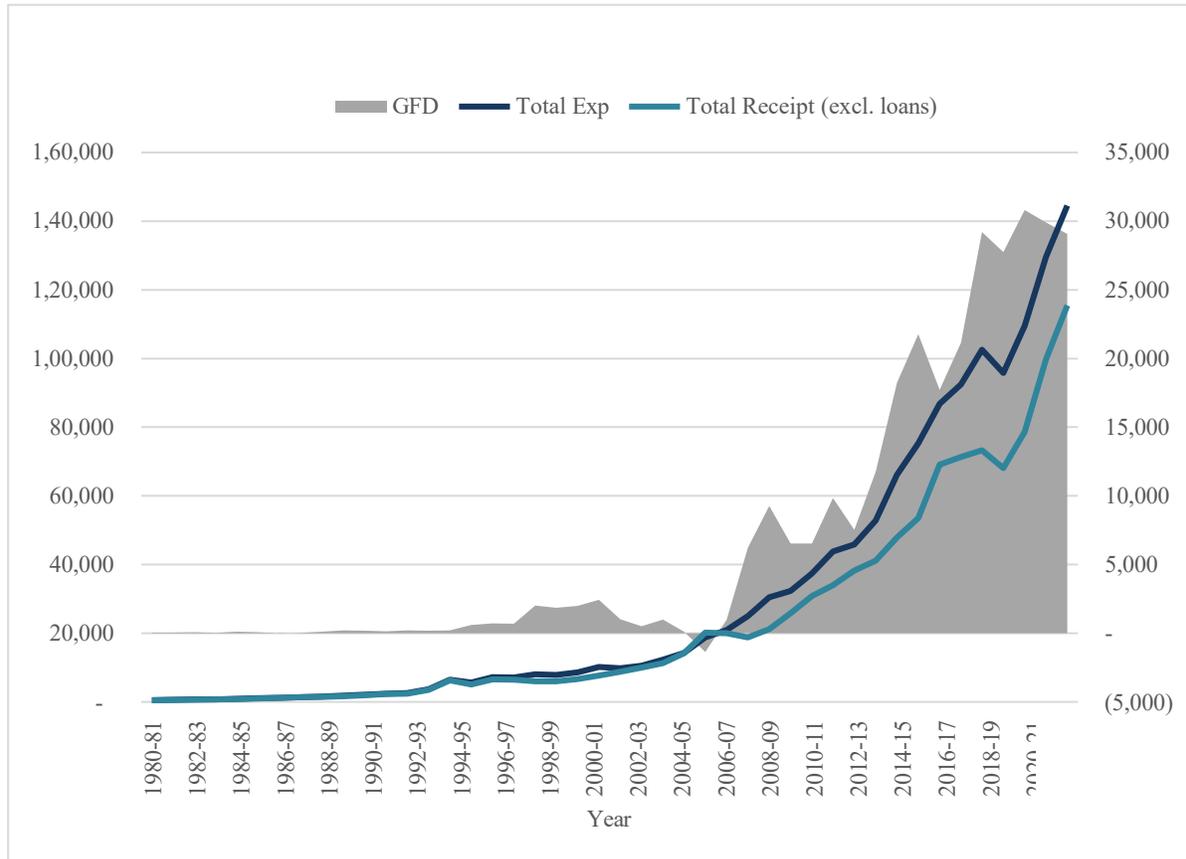
There are mainly three notions of deficit associated with the government budget. These are as follows:

(i) **Gross Fiscal Deficit (GFD)** is the difference between aggregate disbursements (net of debt repayments) and recovery of loans and revenue receipts and non-debt creating capital receipts.

(ii) **Revenue Deficit (RD)** is the difference between revenue expenditure and revenue receipts.

(iii) **Primary Deficit (PD)** is defined as the gross fiscal deficit (GFD) net of interest payments.

**Figure 5.1: Gross Fiscal Deficit of Haryana: Total Exp & Total Receipts (excluding loans) (in Crores)**

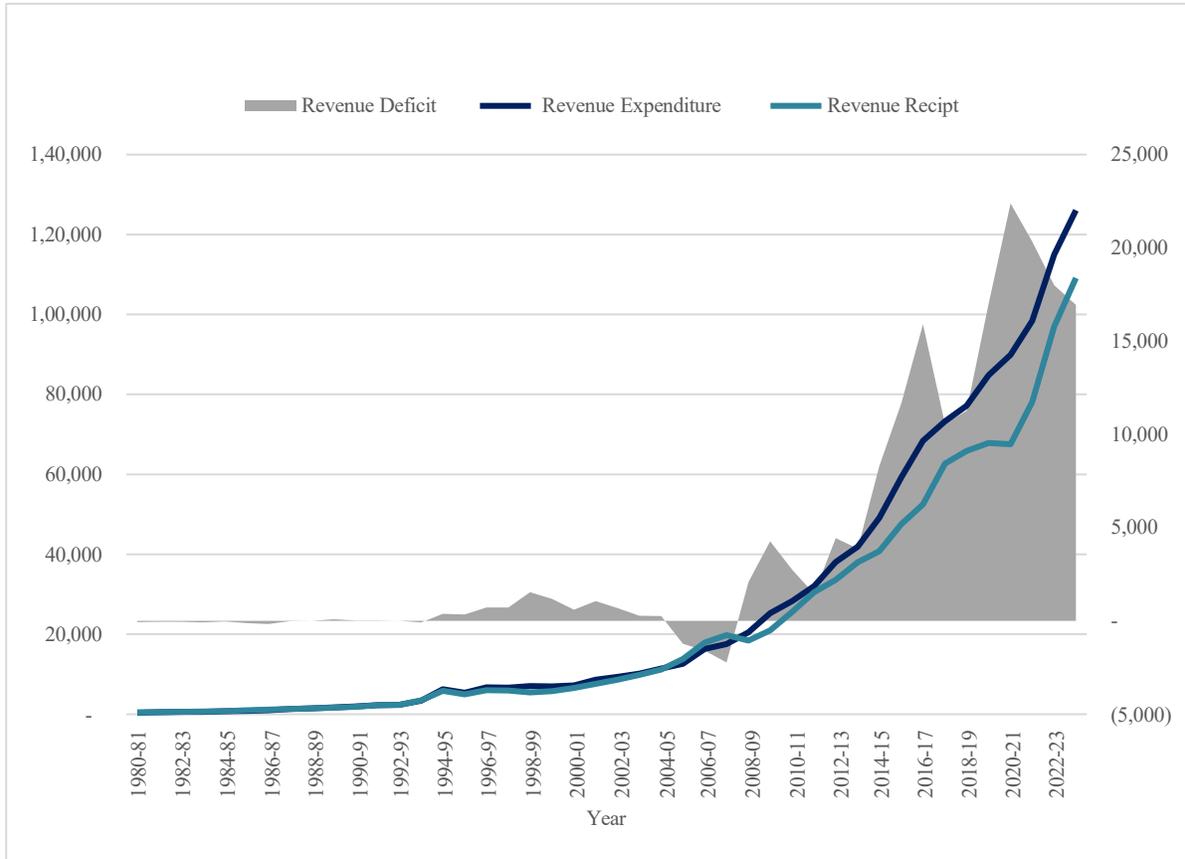


Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Figure 5.1 represents the components of the Gross Fiscal Deficit for the state of Haryana. The trend over the period shows that gap between total receipts and total expenditure is increasing, along with a rise in both the components.

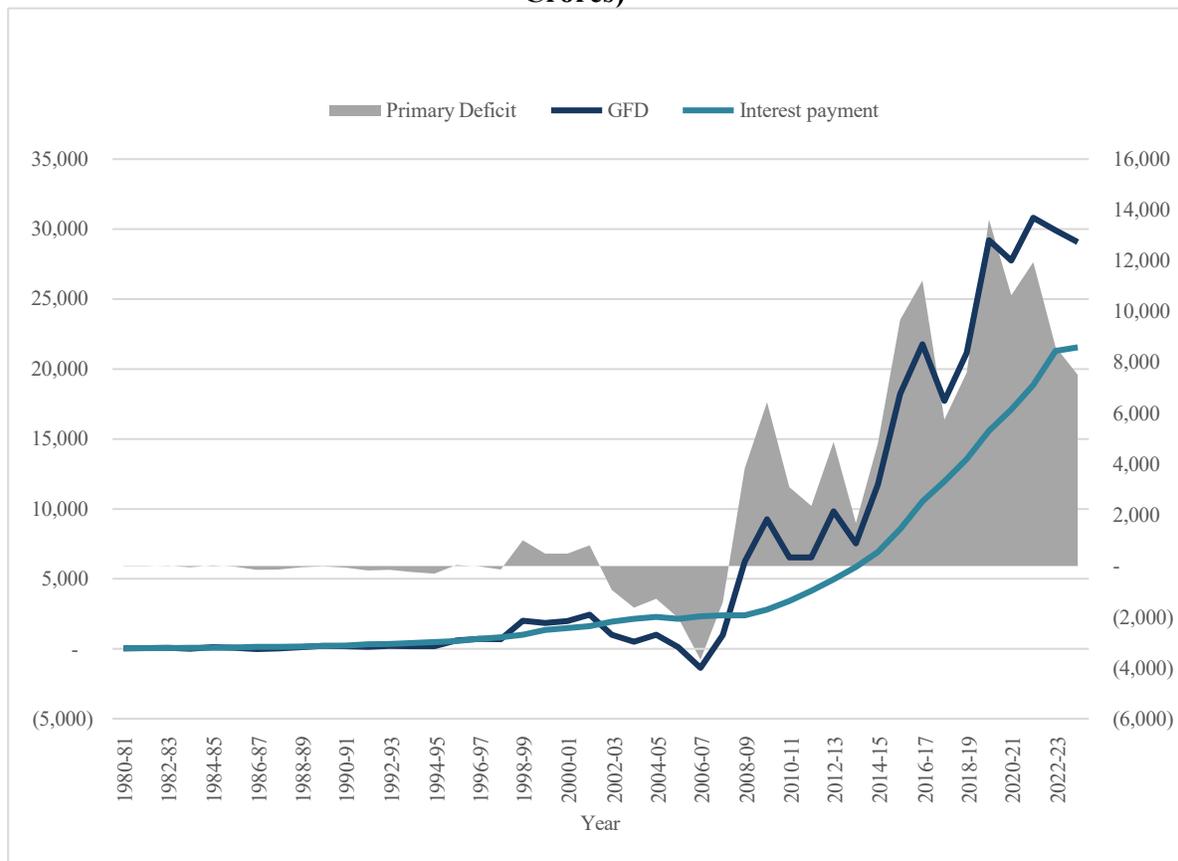
**Figure 5.2: Revenue Deficit of Haryana: Revenue Expenditure & Revenue Receipts (in Crores)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Figure 5.2 presents the Revenue deficit for the state of Haryana. From the period 1980-81 to 2010-11, revenue expenditure and revenue receipt were quite close, but during the period of study i.e., from 2010-11 onwards to 2023-24, gap between both has been widening and reached maximum level between 2020-21 and 2021-22, when COVID pandemic struck and lockdown was imposed.

**Figure 5.3: Primary Deficit of Haryana: Gross fiscal Deficit & Interest Payment (in Crores)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

In Figure 5.3, the gap between the GFD and Interest payment, represents the PD of the state over the period from 1980-81 to 2023-24. Interest payments of the Haryana state has been rising steadily mainly because of larger debts to meet the public expenditure needs of the state.

In the present chapter on the Haryana state finances, we have considered these three deficit indicators (i.e., GFD, RD, and PD) of the state as ratio of (i) gross state domestic product (GSDP), (ii) total expenditure (TE) and (iii) total revenue (TR) for the period under consideration from 2010-11 to 2023-24 and they have been compared with the other similar states which include high-income states of Punjab, Kerala, Karnataka, Gujarat and Maharashtra.

One can examine from Table 5.1 that GFD as a proportion of GSDP spiked across all states in 2020-21 mainly due to COVID-19 pandemic hampering the normal functioning of the economy. In recent years the GFD almost touched the 4 percent mark. In 2023-24 it stands at 2.79 percent and is expected to remain at the same level in the present year.

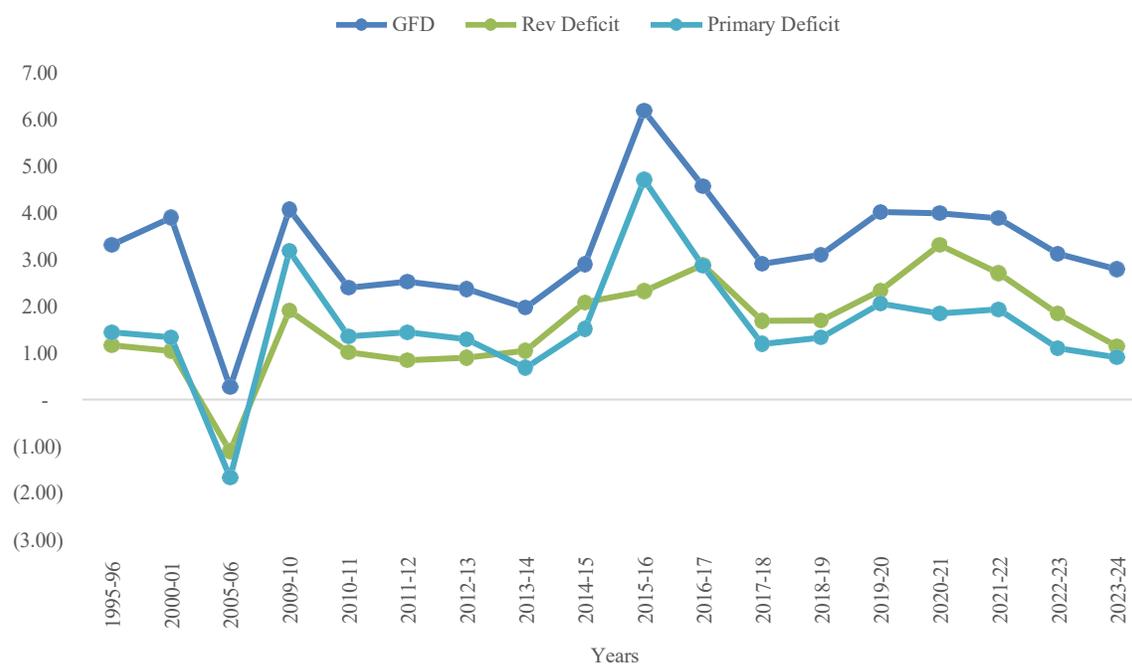
However, Haryana's relative position in terms of PD-GSDP ratio has worsened among these states from 1995-2005 to 2009-10 to 2023-24 period. From being at the 5th position from 1995-96 to 2009-10, it now stands at 1st position from 2010-11 to 2023-24 (Table 5.3).

In terms of RD to GSDP percentage, average RD increased in comparison to 1995- 2010 during the period of study, where the picture is quite similar with Fiscal deficit (Table 5.2). RD's contribution to FD was more than 55% of the total.

With respect to PD to GSDP ratio the situation is marginally different. All the nine states have PD which varies between 0.41 for Maharashtra and it has reached highest at 1.79 for the state of Haryana.

Fiscal deficit to GSDP ratio of the period from 1995-96 to 2009-10 was 2.88, but since 2010-11 the average has gone up to 3.33% in the study period.

**Figure 5.3a: Gross Fiscal Deficit, Revenue Deficit & Primary Deficit of Haryana as % of GSDP**



**Table 5.1: Haryana – Fiscal Deficit to GSDP Ratio (%)**

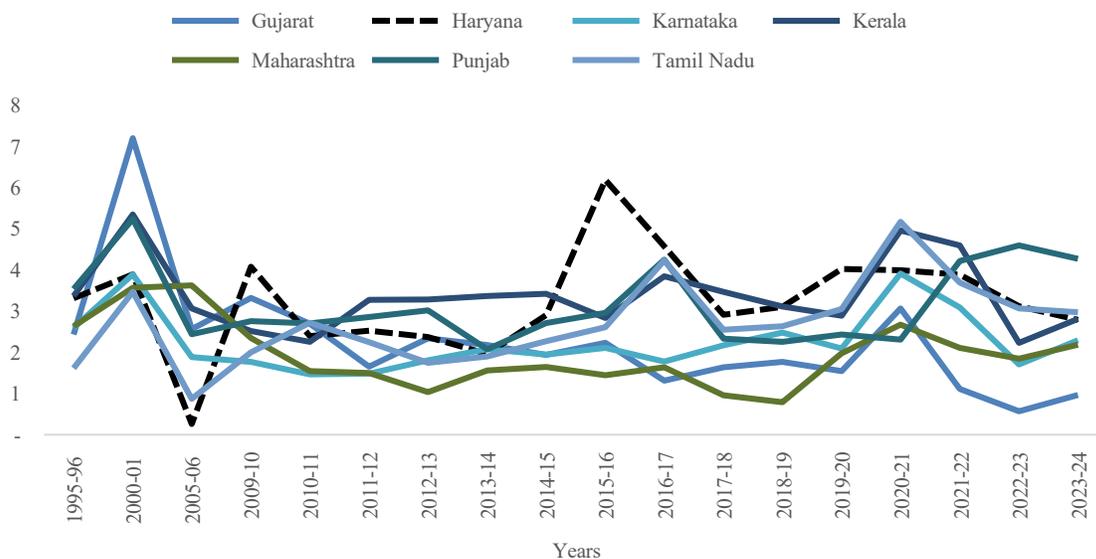
Years	Gujarat	Haryana	Karnataka	Kerala	Maharashtra	Punjab	Tamil Nadu
1995-96	2.43	3.31	2.59	3.36	2.63	3.53	1.61
2000-01	7.19	3.89	3.89	5.34	3.56	5.23	3.46
2005-06	2.56	0.26	1.88	3.06	3.62	2.44	0.87
2009-10	3.31	4.07	1.77	2.51	2.34	2.75	1.99
2010-11	2.70	2.39	1.46	2.25	1.54	2.70	2.72
2011-12	1.65	2.52	1.48	3.27	1.49	2.85	2.24
2012-13	2.34	2.37	1.81	3.28	1.03	3.02	1.74
2013-14	2.18	1.96	2.08	3.36	1.56	2.07	1.90
2014-15	1.94	2.90	1.94	3.42	1.64	2.70	2.27
2015-16	2.23	6.18	2.11	2.83	1.45	2.95	2.61
2016-17	1.31	4.57	1.77	3.84	1.63	4.24	4.23
2017-18	1.64	2.91	2.17	3.47	0.95	2.33	2.54
2018-19	1.77	3.10	2.48	3.11	0.79	2.25	2.63
2019-20	1.54	4.02	2.09	2.89	1.98	2.43	3.04
2020-21	3.06	3.99	3.91	4.95	2.67	2.31	5.16
2021-22	1.11	3.88	3.08	4.59	2.10	4.21	3.68
2022-23	0.57	3.12	1.71	2.23	1.84	4.59	3.06
2023-24	0.96	2.79	2.29	2.81	2.18	4.27	2.97
<b>Average*</b>	<b>3.87</b>	<b>2.88</b>	<b>2.53</b>	<b>3.57</b>	<b>3.04</b>	<b>3.49</b>	<b>1.98</b>
<b>Average**</b>	<b>1.78</b>	<b>3.33</b>	<b>2.17</b>	<b>3.31</b>	<b>1.63</b>	<b>3.07</b>	<b>2.91</b>
<b>Average***</b>	<b>2.25</b>	<b>3.23</b>	<b>2.25</b>	<b>3.36</b>	<b>1.95</b>	<b>3.16</b>	<b>2.71</b>

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note: \*Average for the period 1995-96 to 2009-10, \*\* average for the period 2010-11 to 2023-24, \*\*\* Overall Average,

**Figure 5.4: Graphical representation of Fiscal Deficit to GSDP ratio (%)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

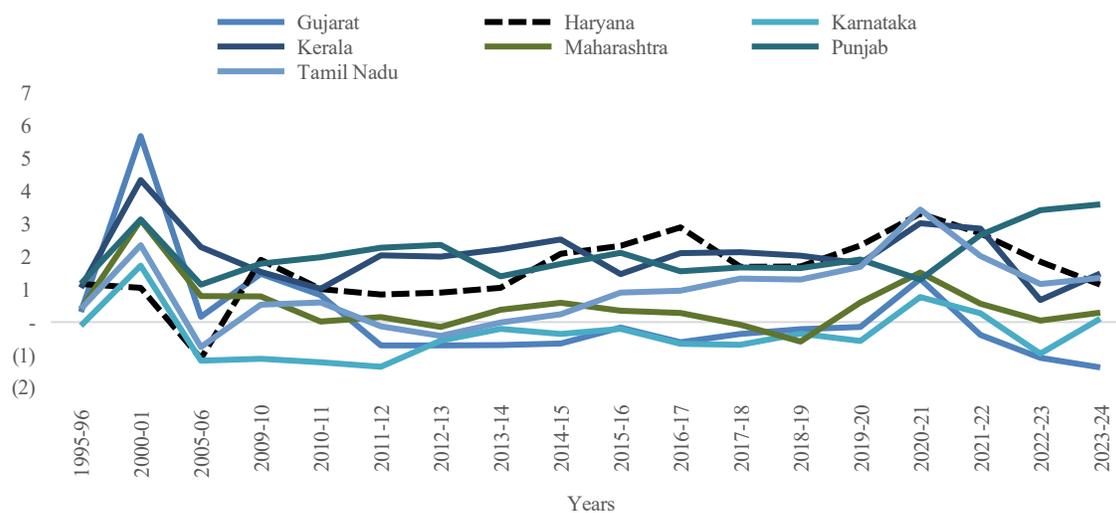
**Table 5.2: Haryana – Revenue Deficit to GSDP Ratio (%)**

Years	Gujarat	Haryana	Karnataka	Kerala	Maharashtra	Punjab	Tamil Nadu
1995-96	0.31	1.16	(0.11)	1.04	0.39	1.17	0.40
2000-01	5.67	1.04	1.72	4.33	3.11	3.13	2.34
2005-06	0.16	(1.11)	(1.18)	2.29	0.79	1.14	(0.76)
2009-10	1.47	1.90	(1.12)	1.53	0.79	1.78	0.53
2010-11	0.82	1.01	(1.23)	1.02	0.02	1.97	0.60
2011-12	(0.71)	0.84	(1.36)	2.04	0.15	2.26	(0.13)
2012-13	(0.71)	0.90	(0.56)	1.99	(0.15)	2.35	(0.42)
2013-14	(0.70)	1.04	(0.21)	2.21	0.38	1.39	(0.01)
2014-15	(0.66)	2.08	(0.36)	2.52	0.59	1.77	0.23
2015-16	(0.17)	2.32	(0.20)	1.46	0.34	2.12	0.89
2016-17	(0.61)	2.88	(0.66)	2.10	0.28	1.55	0.95
2017-18	(0.36)	1.68	(0.69)	2.13	(0.09)	1.67	1.32
2018-19	(0.21)	1.69	(0.35)	2.03	(0.60)	1.65	1.30
2019-20	(0.15)	2.33	(0.57)	1.79	0.59	1.91	1.68
2020-21	1.31	3.31	0.76	3.01	1.51	1.30	3.43
2021-22	(0.40)	2.70	0.27	2.85	0.56	2.65	2.01
2022-23	(1.09)	1.84	(0.97)	0.67	0.04	3.41	1.17
2023-24	(1.38)	1.14	0.11	1.48	0.29	3.59	1.34
<b>Average*</b>	<b>1.90</b>	<b>0.75</b>	<b>(0.17)</b>	<b>2.30</b>	<b>1.27</b>	<b>1.81</b>	<b>0.63</b>
<b>Average**</b>	<b>(0.36)</b>	<b>1.84</b>	<b>(0.43)</b>	<b>1.95</b>	<b>0.28</b>	<b>2.11</b>	<b>1.03</b>
<b>Average***</b>	<b>0.14</b>	<b>1.60</b>	<b>(0.37)</b>	<b>2.03</b>	<b>0.50</b>	<b>2.05</b>	<b>0.94</b>

Source: Authors' calculations based on RBI data, State Finances: A study of Budgets.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

**Figure 5.5: Graphical representation of Revenue Deficit to GSDP ratio (%)**



Source: Authors' calculations based on RBI data, State Finances: A study of Budgets.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note: \*Average for the period 1995-96 to 2009-10, \*\* average for the period 2010-11 to 2023-24, \*\*\* Overall Average

Average Revenue deficit to GSDP ratio of the period from 1995-96 to 2009-10 was 0.75%, but since 2010-11 the average ratio has gone up to 1.84% (Table 5.2)

**Table 5.3: Haryana - Primary Deficit to GSDP Ratio (%)**

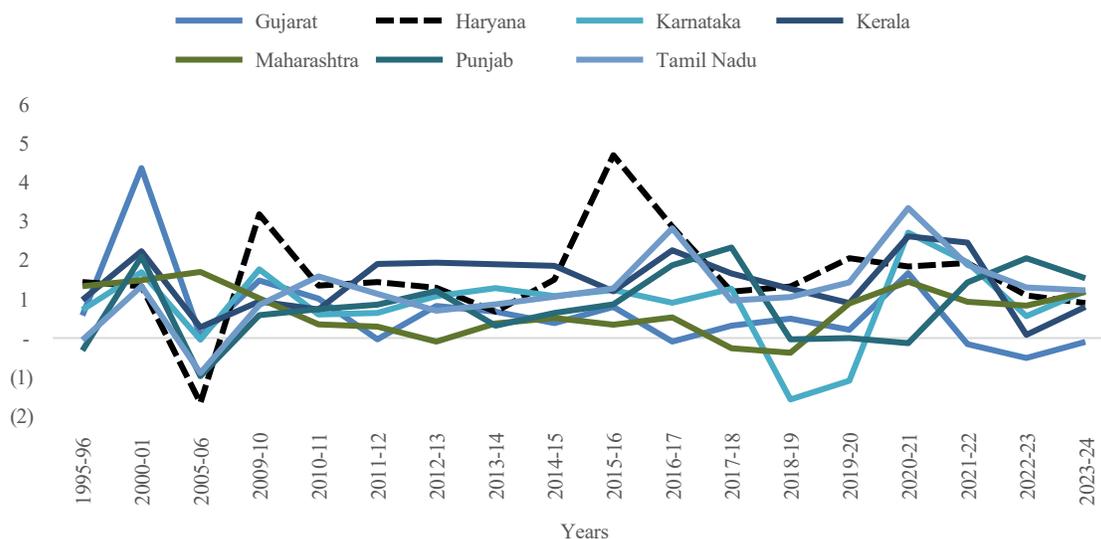
Years	Gujarat	Haryana	Karnataka	Kerala	Maharashtra	Punjab	Tamil Nadu
1995-96	0.58	1.44	0.73	0.98	1.33	(0.32)	(0.05)
2000-01	4.37	1.33	1.69	2.23	1.49	2.09	1.33
2005-06	0.05	(1.67)	(0.04)	0.28	1.70	(0.98)	(0.90)
2009-10	1.48	3.18	1.77	0.94	1.02	0.59	0.85
2010-11	1.02	1.35	0.60	0.74	0.35	0.74	1.58
2011-12	(0.03)	1.44	0.64	1.91	0.29	0.86	1.14
2012-13	0.83	1.29	1.08	1.94	(0.09)	1.21	0.70
2013-14	0.68	0.68	1.29	1.89	0.38	0.32	0.87
2014-15	0.38	1.51	1.08	1.86	0.51	0.64	1.06
2015-16	0.80	4.70	1.24	1.21	0.34	0.87	1.28
2016-17	(0.09)	2.86	0.91	2.26	0.53	1.88	2.82
2017-18	0.31	1.19	1.27	1.66	(0.27)	2.33	0.96
2018-19	0.50	1.33	(1.58)	1.27	(0.38)	(0.04)	1.05
2019-20	0.21	2.05	(1.09)	0.90	0.89	0.00	1.43
2020-21	1.67	1.84	2.71	2.61	1.45	(0.13)	3.34
2021-22	(0.15)	1.93	1.94	2.45	0.93	1.43	1.88
2022-23	(0.51)	1.10	0.56	0.08	0.83	2.05	1.30
2023-24	(0.10)	0.90	1.21	0.80	1.19	1.54	1.22
<b>Average*</b>	<b>1.62</b>	<b>1.07</b>	<b>1.04</b>	<b>1.11</b>	<b>1.39</b>	<b>0.34</b>	<b>0.31</b>
<b>Average**</b>	<b>0.39</b>	<b>1.73</b>	<b>0.85</b>	<b>1.54</b>	<b>0.50</b>	<b>0.98</b>	<b>1.47</b>
<b>Average***</b>	<b>0.67</b>	<b>1.58</b>	<b>0.89</b>	<b>1.44</b>	<b>0.69</b>	<b>0.84</b>	<b>1.22</b>

Source: Authors' calculations based on RBI data, State Finances: A study of Budgets.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note: \*Average for the period 1995-96 to 2009-10, \*\* average for the period 2010-11 to 2023-24, \*\*\* Overall Average

**Figure 5.6: Graphical representation of Primary Deficit to GSDP ratio (%)**



Source: Authors' calculations based on RBI data, State Finances: A study of Budgets.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

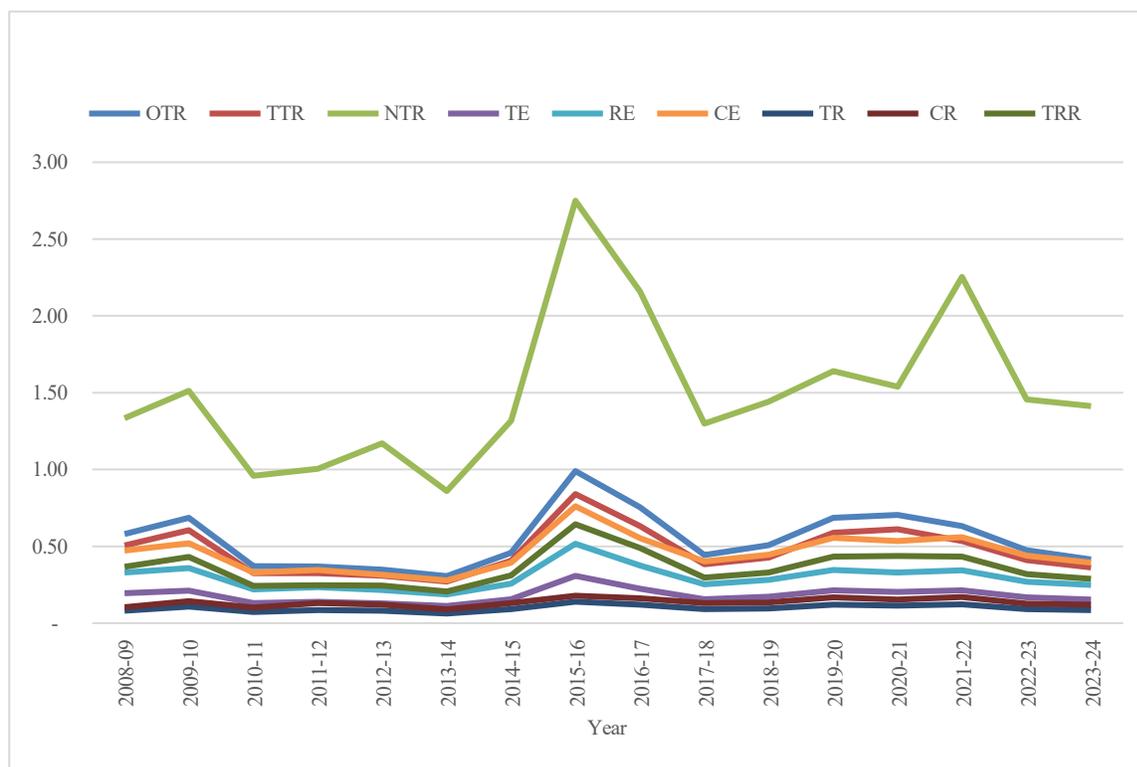
One can notice major fluctuation in the deficit in the year 2015-16, which is mainly due to the UDAY scheme to reform and restructure the electricity sector. Post 2015-16, the state government restrained spending, leading to a lower FD ratio. The same trend can be observed across all the deficits, except for the COVID years 2020-21 & 2021-22.

This indicates that the state government has been consistent in managing its finances without compromising its fiscal balance despite serious challenges faced during the period under consideration.

### Deficits and the Fiscal Situation

The ratios of GFD with respect to fiscal indicators for Haryana show a fluctuating trend with 3 spikes during the period from 2008-09 to 2023-24. A major spike was during the 2015-16, 2016-17 and 2020-21 mainly due to UDAY policy, demonetization and COVID pandemic lockdown respectively, whereas most of the ratios are moving around 0.5% across the years. In recent years, these ratios have fallen sharply. The Haryana government emphasized health, infrastructure, rural and urban development, by increasing the allocated expenditure, but still, it is lower than average expenditure of other states with similar income groups.

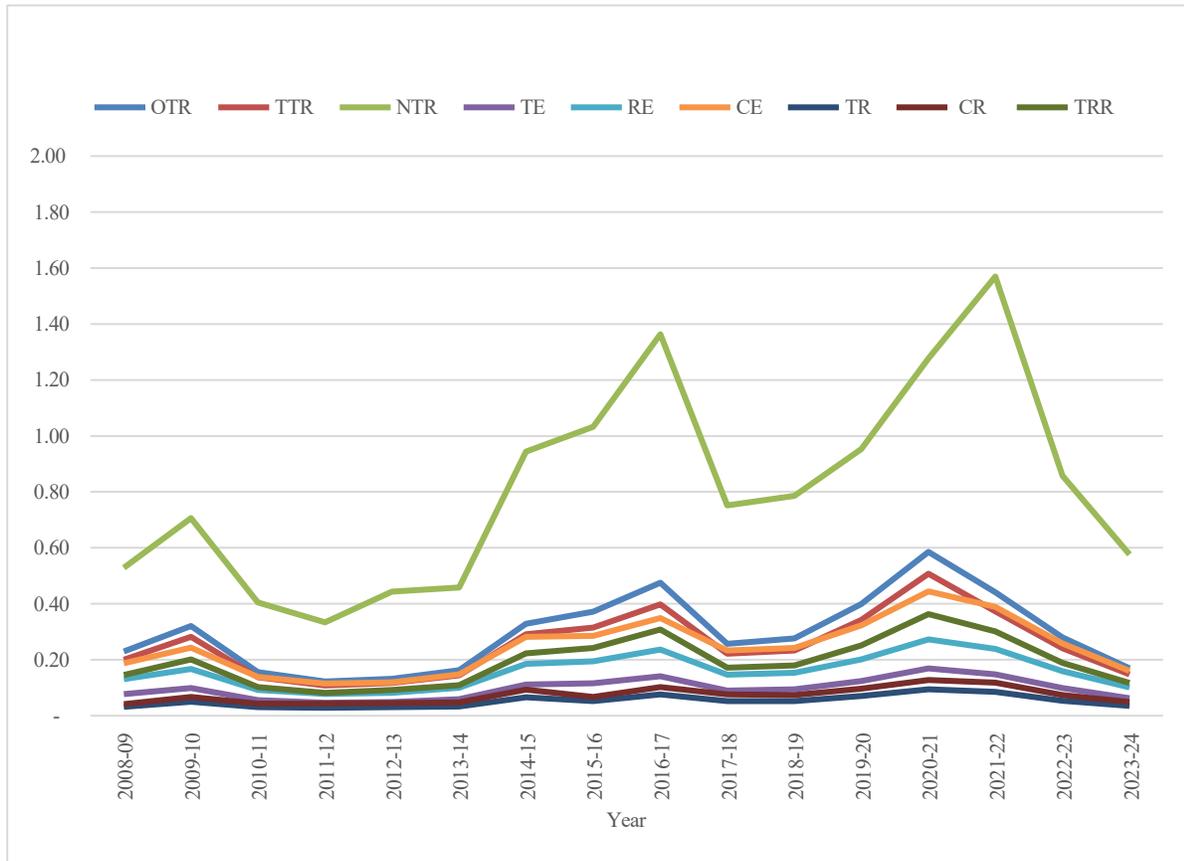
**Figure 5.7: Haryana - Ratio of Fiscal Deficit to Fiscal Indicators in %**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

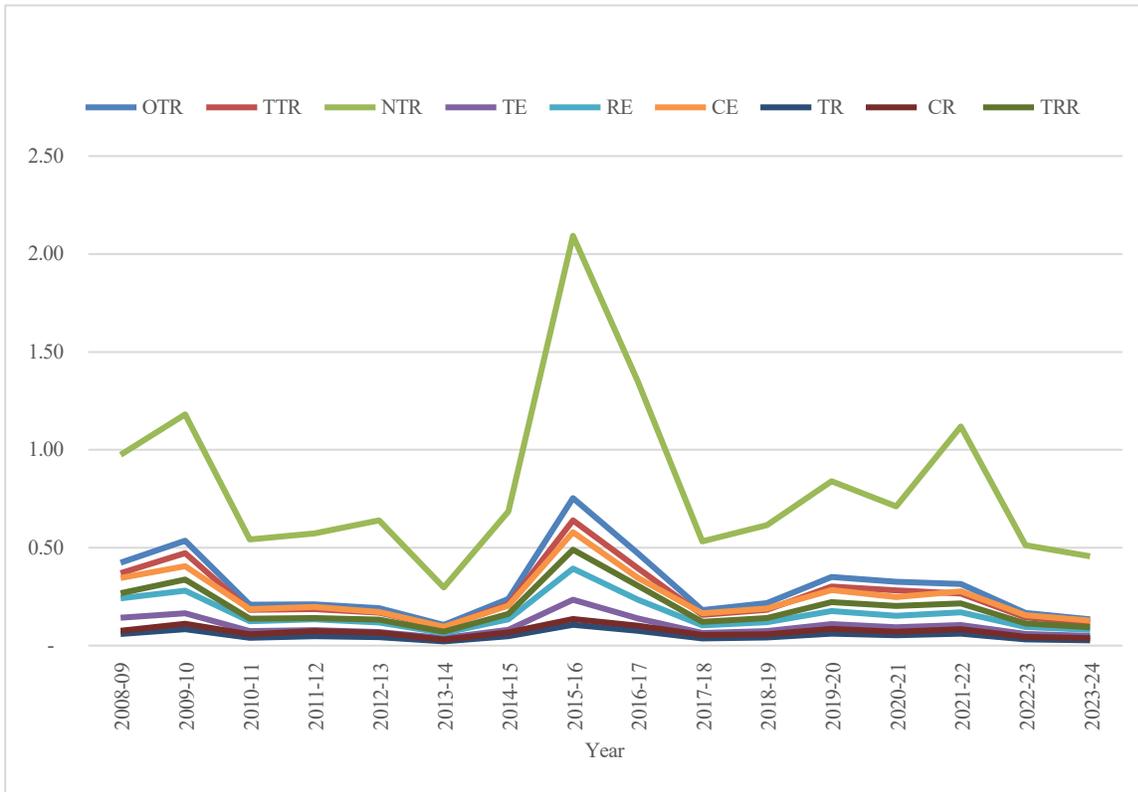
**Figure 5.8: Haryana - Ratio of Revenue Deficit to Fiscal Indicators in %**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

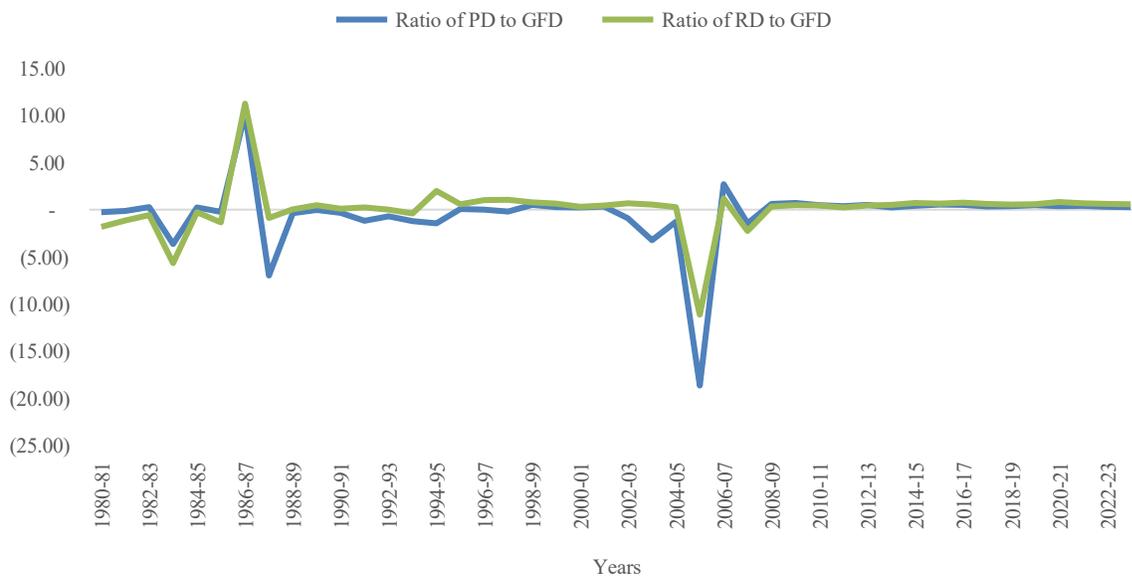
So, the analysis of the deficit for the state of Haryana indicates that its relative ranking has worsened compared to other high-income states considered in the study such as Gujarat, Karnataka, Kerala, Maharashtra, Punjab and Tamil Nadu. This means that the state is not being as successful in improving its fiscal performance as compared to other states. So, one could conclude that the potential exists, and more efforts may be needed by the state fiscal authorities to harness.

**Figure 5.9: Haryana - Ratio of Primary Deficit to Fiscal Indicators in %**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

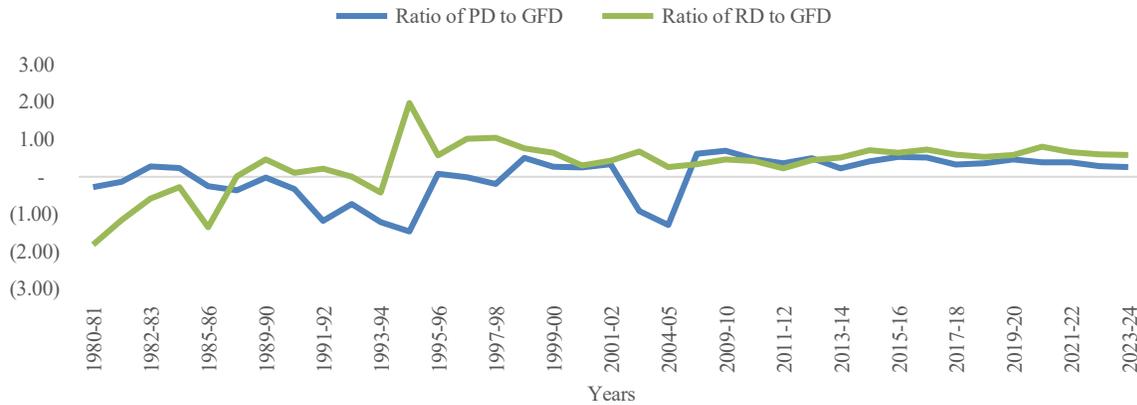
**Figure 5.10: Haryana - Ratio of Revenue Deficit and Primary Deficit to Gross Fiscal Deficit**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.  
<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Figure 5.10 shows the ratio of Revenue Deficit to Gross Fiscal Deficit, as well as Primary Deficit to Gross Fiscal Deficit, for the state of Haryana. Post 2008-09, the ratios exhibit a flat trend with minimal fluctuations. The ratio of PD to GFD ranged between 22% and 53% post 2011-12, whereas RD to GFD ranged between 22% and 81% of GFD. Abnormal movements were witnessed in the graph and are, therefore, considered outlier years.

**Figure 5.11: Haryana - Ratio of Revenue Deficit and Primary Deficit to Gross Fiscal Deficit (excluding outlier years)**



Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note: Outlier years removed from the graph – 1983-84, 1986-87, 1987-88, 2003-04, 2005-06, 2006-07 and 2007-08.

Figure 5.11 shows the ratio of Revenue deficit to Gross Fiscal Deficit, as well as Primary Deficit to Gross Fiscal Deficit of the state of Haryana after excluding the outlier years. Until 1997-98, the ratios were negative, whereas an increasing trend can be noticed up to 2004-05. The last time the ratio of Primary Deficit to Gross Fiscal Deficit turned negative was in 2004-05, whereas the ratio of Revenue Deficit to Gross Fiscal Deficit was negative in 1993-94.

## Conclusion

For the state of Haryana, the Gross Fiscal Deficit has generally been managed reasonably well despite various disruptions in this period. The Revenue Deficit situation has been difficult to manage as there have been very few years with a deficit below 1 percent of GSDP in the revenue account. This has been one of the main reasons for less resources being available for capital expenditure in the state. Government further plans to fund schemes such as CHIRAYU- Ayushman Bharat scheme, PM Suroidaya Yojana (Assistance for solar rooftop), etc. which may further affect the state finances in coming years. It would be a challenging task to manage these upcoming commitments and still manage the deficit indicators of the state to stay in the sustainable zone.

## CHAPTER 6

### Analysis of Debt

Total debt and liabilities of any economy is an important macroeconomic parameter to determine whether the government finances are sustainable (or whether an economy would be able to absorb the debt). The chapter reviews various aspects of state public debt and its sustainability issues. Debt- Sustainability is defined by a states' ability to repay the loan taken by the government and its ability to bear the burden of cost of Debt servicing. From the Solow growth model perspective, Debt-Sustainability is defined in the following manner:

$$\Delta b = b (r - y) - z$$

where  $b$  is Debt/GSDP ratio,  $\Delta$  indicates changes in  $b$ ,  $r$  is the real interest rate,  $y$  is the real GSDP growth rate and  $z$  is the primary surplus.

This implies Debt/GSDP ratio can go down when there is primary surplus implying Debt is sustainable and can be paid out of State's own resources. But in presence of primary deficit, it may go up indicating it may become non-sustainable. The second perspective is irrespective of a State having primary deficit/surplus, Debt-GSDP ratio could be brought down if interest rate is less than the Real GSDP growth rate. There are several parameters based on which we have assessed debt-sustainability, namely, outstanding public debt (comprised of Internal Debt and Loans & advances) and effective interest rates, GSDP growth rates, Total revenue and total expenditure, states' own revenue, total debt and liabilities of a state.

Outstanding public debt is a crucial determinant of debt burden of the state government. For the State Government of Haryana, this amounted to Rs 2,67,070.84 crores at the end of 2022-23. It is expected to increase to Rs 31,17.982 crores by 2024-25 (RE) according to the latest calculations (Table 6.1). According to CAG Reports (November, 2024) of various years:

*"...liabilities consist mainly of internal borrowings, loans and advances from Government of India, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances"* (p.10).

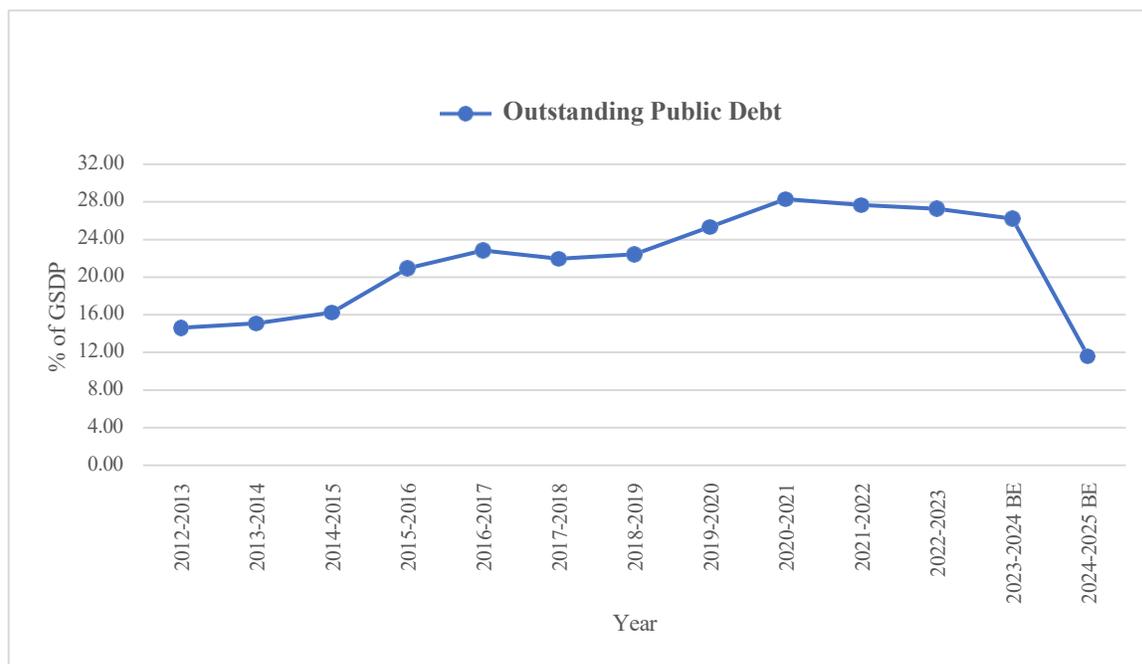
The Working Group Paper (2005) further clarifies that Total Budgetary liabilities should be classified into four groups of the following- (i) Public Debt; (ii) Ways and Means Advances and Overdrafts from the RBI; (iii) Public Accounts; and (iv) Contingency Fund.

## Legacy Debt

Since fiscal deficit is the difference in debt from one year to the next, the state's consistently relatively high fiscal deficits throughout the years have contributed to a rising level of public debt. From 14.46 percent in 2012–13 to 26.2 percent in 2023–24 RE, the percentage of outstanding debt to GSDP has grown (Table 6.1). It is estimated by latest budget figures that the public debt burden will be more than halved to 11.62 %. From 2012 to 2013, the pace of increase in public debt has gradually slowed. As shown in Figure 6.1b and Table 6.1, the majority of the proportion of the public debt is comprised of Internal Debt while Loans & Advances has steadily declined as a proportion of GSDP up until 2021. The post spike in this figure could be attributed to the necessary loans that may have been incurred as a result of the COVID-19 pandemic.

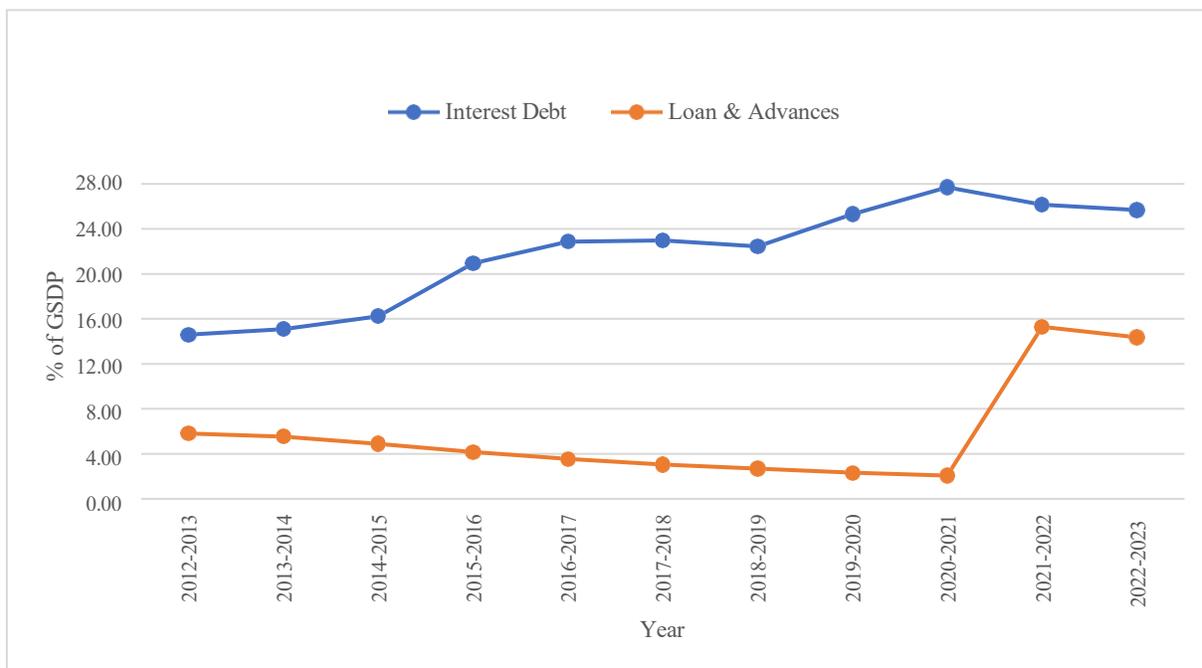
The debt-to-GDP ratio's rising tendency raises questions about the state's capacity to efficiently manage its liabilities and its fiscal sustainability. The spike in 2015-16 in the growth of public debt and the debt-to-GDP ratio can be attributed to debt restructuring under the UDAY scheme. This spiked coincided with a massive drop in growth of public account liabilities precisely because the UDAY scheme absorbed the debt of most of the DISCOMs. The Pandemic and general macroeconomic slowdown before 2020 contributed to the spiked in debt-GDP ratio in 2020-21. The secularly rising ratio indicates a growing reliance on borrowing to finance expenditures, even in the face of attempts to keep debt within acceptable limits. To preserve economic stability in this scenario, prudent fiscal management is required to ensure that GSDP growth exceeds debt buildup.

**Figure 6.1a Debt-GSDP Ratios**



Source: Based on Table 6.1

**Figure 6.1b Internal Debt and Loans & Advances as a % of GSDP**



Source: Based on Table 6.1

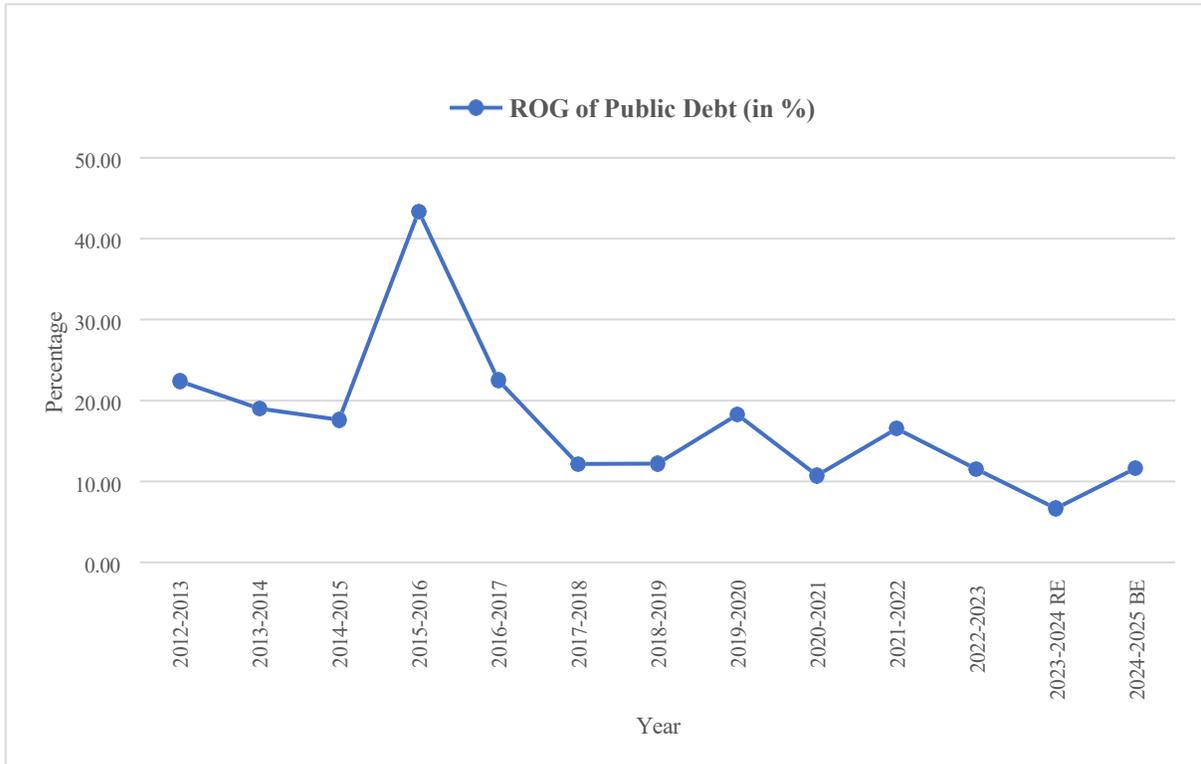
**Table 6.1: Public Debt & Liabilities on Public Account**

Year	Outstanding Public Debt	ROG of Public Debt	Public Debt	Internal Debt	Loan and Advance	Interest Debt	Loan & Advances
	Rs Crores	(in %)	As% of GSDP	Rs Crores		As % of GSDP	
2012-2013	50,658.27	22.37	14.60	48,680	1,978.0	14.60	0.58
2013-2014	60,293.96	19.02	15.10	58,143	2,151.0	15.10	0.55
2014-2015	70,925.30	17.63	16.23	68,797	2,128.0	16.23	0.49
2015-2016	1,01,709.05	43.40	20.94	99,660	2,049.0	20.94	0.41
2016-2017	1,24,602.73	22.51	22.85	1,22,617	1,986.0	22.85	0.35
2017-2018	1,39,754	12.16	21.97	1,37,812.37	1,941.0	22.97	0.30
2018-2019	1,56,835	12.22	22.44	1,54,967.80	1,866.9	22.44	0.27
2019-2020	1,85,491	18.27	25.33	1,83,785.60	1,705.4	25.33	0.23
2020-2021	2,05,458	10.76	28.29	2,03,958.21	1,500.0	27.70	0.20
2021-2022	2,39,442.81	16.54	27.67	2,26,208.23	13,234.6	26.15	1.52
2022-2023	2,67,070.84	11.53	27.25	2,52,780.77	14,290.1	25.68	1.45
2023-2024 RE	2,84,864.00	6.67	26.2	2,77,772.00	14,870.0	25.35	1.35
2024-2025 BE	3,17,982.00	11.62	11.62	-	-	-	-

Source: Author's calculation is based on CAG State Finance Reports of Haryana across multiple years.

*Note. RE is Revised Estimation, BE is Budget Estimation.*

**Figure 6.1b Growth Rates of Public Debt**



Source: Table 6.1

### **Composition of Outstanding Public Liabilities of Haryana**

The following are the components of Public Liabilities for the State of Haryana:

- Market Borrowings which include Power bonds, NSSF Securities and other bonds
- Loans from Financial Institutions that includes NABARD, SBI and LIC which are the major lenders to the state
- Loans from the Central Government

An analysis of the composition of public liabilities can help us discern certain trends in the liabilities of the state. Provident Funds and Reserve Funds have remained only a moderate part of the total liabilities with the state's reliance on them decreasing over time (Table 6.2). Provident Fund as a proportion of total liabilities have more than halved between 2012-13 and 2024-25 BE (Table 6.2). Similarly, there has been a steep decline in Reserve Funds as well, with a peak of 11.03 % in 2014-15 to 6.41 % in 2024-25 BE. There has been a decreased dependence on financial institutions, with their composition of total proportion almost being halved between 2012-13 and 2023-24 BE.

The most concerning development has been the growing reliance on market borrowings in the recent years. The increased central government assistance is understandable especially since 2020-21, given the COVID-19 pandemic. However, a significant dependence on market borrowings, increasing from 61.82 % in 2012-13 to 82.87 % in 2024-25 BE could be a worrisome development. The data reveals a growing dependency on external financing to meet budgetary needs.

**Table 6.2: Broad categories of Liabilities on Public Accounts (% of outstanding liabilities)**

Year	Market Borrowings	Financial Institution	Central Government	Provident Fund	Reserve Funds & Deposits
2012-2013	61.82	10.23	3.11	13.91	10.66
2013-2014	65.72	7.44	2.90	12.71	10.97
2014-2015	70.24	3.99	2.47	12.04	11.03
2015-2016	77.81	2.65	1.78	9.86	7.73
2016-2017	79.93	2.14	1.45	8.92	7.44
2017-2018	80.30	2.09	1.26	8.70	7.53
2018-2019	80.64	1.95	1.08	8.38	7.84
2019-2020	77.99	5.84	0.86	7.74	7.49
2020-2021	79.39	3.42	2.45	7.31	7.02
2021-2022	77.01	3.94	4.75	6.58	7.36
2022-2023	78.55	3.21	4.57	6.04	7.24
2023-2024 RE	80.66	1.82	4.53	5.77	6.93
2024-25 BE	82.87	0.67	4.34	5.42	6.41

Source: Author's calculation is based on EPWRF data State Government's Finances, Haryana.

(<https://epwrfits.in/StateGovernmentsFinances.aspx?id=S206gv>) & RBI Annual Reports on State Finances

Table 6.2a gives a further breakdown of the outstanding liabilities of Haryana State. In order to manage and fund the obligations of state-owned power distribution firms (DISCOMs), state governments usually Power Bonds. These bonds are essential for enhancing the electricity industry's financial stability and aiding in the restructuring of DISCOM obligations. They constitute a significant proportion of total liabilities rising to almost 8.05 % in 2021-22. It has experienced a dip since then.

Public liabilities went up significantly due to the implementation of the UDAY scheme. Unless and until the Power PSEs are revived along with many other loss-making PSEs in other sectors, it would be difficult to keep debt at sustainable levels for the State government. This is because of the fact that dividend earnings from PSE and other own revenue receipts and non-debt capital receipts are not sufficient to meet the escalating interest payments.

**Table 6.2a: Components of Liabilities on Public Account of Haryana (As % of Outstanding Liabilities)**

Year	Open Market	Power Bonds	NSSF	NABARD	SBI and other banks	NCDC	All Other Institutions Loans	Total FI loans	Loans & Advances from Centre	Reserve Funds & Deposits
2012-13	61.82	0.90	17.02	1.98	5.93	0.13	2.18	10.23	3.11	10.66
2013-14	65.72	0.64	14.48	1.88	3.35	0.20	2.00	7.44	2.90	10.97
2014-15	70.24	0.22	13.21	1.80	0.49	0.18	1.52	3.99	2.47	11.03
2015-16	77.81	13.97	10.70	1.49	0.02	0.19	0.94	2.65	1.78	7.73
2016-17	79.93	17.37	8.23	1.31	0.02	0.15	0.66	2.14	1.45	7.44
2017-18	80.30	15.51	6.79	1.27	0.02	0.30	0.50	2.09	1.26	7.53
2018-19	80.64	13.83	5.53	1.35	0.15	0.10	0.35	1.95	1.08	7.84
2019-20	77.99	11.84	4.27	1.31	2.39	1.89	0.25	5.84	0.86	7.49
2020-21	79.39	10.54	3.39	1.43	0.76	1.00	0.23	3.42	2.45	7.02
2021-22	77.01	8.05	2.63	1.58	0.04	2.10	0.22	3.94	4.75	7.36
2022-23	78.55	5.60	2.06	1.65	0.03	1.32	0.22	3.21	4.57	7.24
2023-24 RE	80.66	3.62	1.60	1.85	0.04	1.22	-1.29	1.82	4.53	6.93
2024-25 BE	82.87	3.28	1.18	2.05	0.04	1.11	-2.53	0.67	4.34	6.41

Source: Author's calculation is based on EPWRF data State Government's Finances, Haryana.

(<https://epwrfits.in/StateGovernmentsFinances.aspx?id=S206gy>) & RBI Annual Reports on State Finances

### Interest Payments and Debt Servicing

Interest payments is one of the major components of Revenue Expenditure. These are subtracted from revenue expenditure to determine primary expenditure. Future democratically elected governments' decisions over public spending are hampered by debt since interest payments are imposed as committed liabilities on future budgets. As a result, governments and finance commissions should keep an eye on it during financial procedures to make sure that standards are followed to maintain it within manageable limits.

Interest payments now make up a far larger portion of revenue expenditure (Table 6.3). This percentage has risen from 12.46 % in 2012–13 to 18.70 % in 2024–25 BE. Higher Interest Payments could escalate the Revenue Expenditure even when the Primary Expenditure may be low. It has been noted that the state has made more interest payments as a result of raising money through internal borrowing to balance rising spending requirements. In this aspect, however, economists contend that interest payments have been crowding out capital

expenditures and other development spending in addition to inflating fiscal deficits.

In fact, interest payments have even grown as a proportion of Total Revenue Receipts and experienced a secular increase as a proportion of GSDP (see Table 6.3). In fact, the most concerning pattern is it growing from 14.11 % in 2012-13 to 21.56 % in 2024-25 BE.

Figure 6.2 shows the Interest payments to GSDP ratio. Though we had seen a secular increase in it since 2012-13, it now hints at a decreasing trend since 2020-21. It is expected to reach as low as 2.03 % in 2023-24 by 2023-24 RE.

**Table 6.3: Interest Payments on Public Debt**

Year	Interest Payments (In Lakhs)	As a % of GSDP	As a % of TRE	As a % of TRR
2012-2013	474448	1.39	12.46	14.11
2013-2014	584977	1.50	13.97	15.39
2014-2015	692827	1.59	14.11	16.98
2015-2016	828405	1.67	8.65	17.42
2016-2017	1054191	1.88	20.08	20.08
2017-2018	1196127	1.87	16.33	19.08
2018-2019	1355146	1.94	17.56	20.57
2019-2020	1558801	2.11	18.37	22.97
2020-2021	1711467	2.35	19.03	25.33
2021-2022	1836160	2.11	18.66	23.51
2022-2023	2098902	2.04	18.89	22.53
2023-2024 RE	2224990	2.03	18.71	21.03
2024-25 BE	2514170	2.07	18.70	21.56

Source: Author's calculation is based on CAG State finance reports (<https://cag.gov.in/ag/haryana/en/audit-report>) & RBI Annual Reports on State Finances (<https://rbi.org.in/Scripts/publications.aspx>)

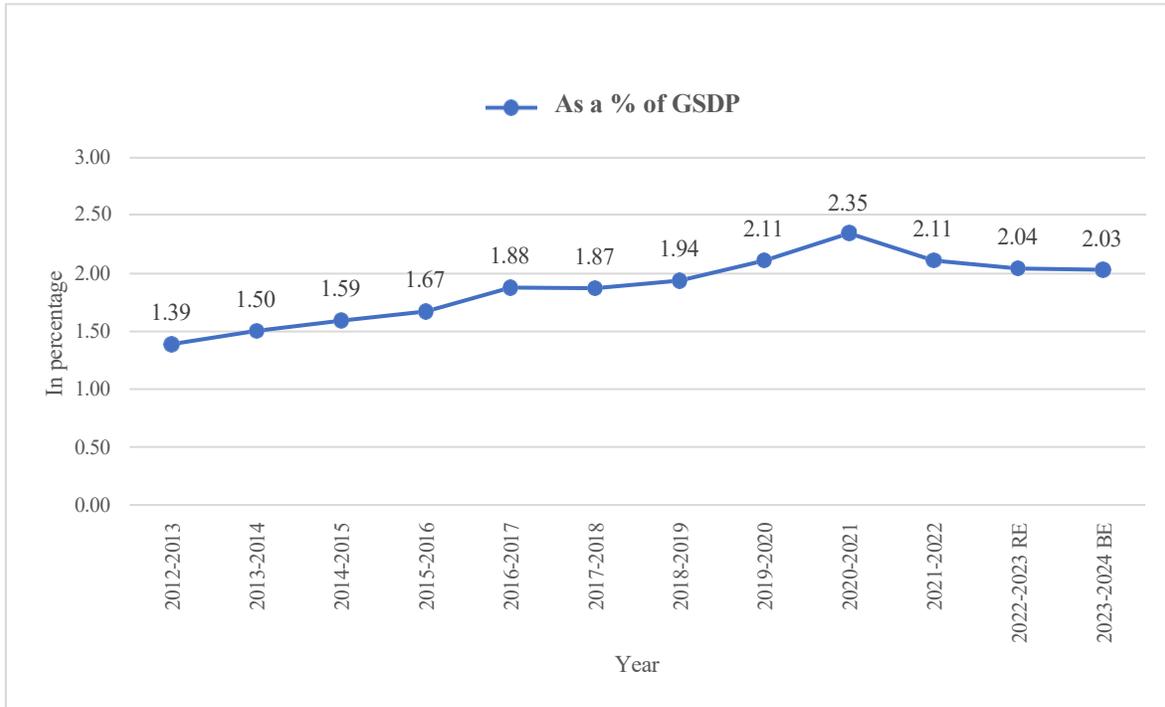
\*GSDP figures are based on Budget estimates

**Table 6.3.1: State wise Interest Payment on Public Debt**

Year		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Punjab</b>	<b>Interest Payment</b>	15,334	16,306	17,567	18,153	19,064	20,100	22,000
	<b>GSDP as %</b>	4.084649	4.107109	4.250479	4.457304	4.358753	4.321849	4.436549
	<b>As a % of TRE</b>	24.55	21.62	23.16	21.02	19.73	17.68	17.92
	<b>As a % of TRR</b>	28.93	26.19	28.53	26.29	24.39	22.94	22.24
<b>Maharashtra</b>	<b>Interest Payment</b>	33,018	34,021	33,561	36,970	40,158	45,881	50,648
	<b>GSDP as %</b>	1.748181	1.738088	1.639831	1.996078	1.960944	2.047166	2.100794
	<b>As a % of TRE</b>	13.67	12.74	11.18	11.9	11.48	11.26	10.02
	<b>As a % of TRR</b>	13.55	12.19	11.85	13.72	12.05	11.31	10.42
<b>Gujarat</b>	<b>Interest Payment</b>	18,954	20,183	22,449	24,203	25,188	25,677	28,620
	<b>GSDP as %</b>	1.744389	1.706058	1.774236	1.950097	1.844481	1.751504	-
	<b>As a % of TRE</b>	16.05	15.2	15.93	16.06	15.7	14.3	14.52
	<b>As a % of TRR</b>	15.37	14.84	15.72	18.89	15.1	12.88	13.26
<b>Tamil Nadu</b>	<b>Interest Payment</b>	26,012	28,757	31,980	36,497	41,564	46,896	54,676
	<b>GSDP as %</b>	2.310548	2.387132	2.57108	2.93231	3.095284	3.22991	3.479516
	<b>As a % of TRE</b>	15.49	14.58	15.2	15.44	16.36	16.75	17.22
	<b>As a % of TRR</b>	17.78	16.55	18.32	20.97	20.03	19.24	20.06
<b>Karnataka</b>	<b>Interest Payment</b>	13,930	15,423	18,519	21,920	24,984	29,395	34,027
	<b>GSDP as %</b>	1.366057	1.421343	1.608399	1.948545	2.022379	2.201786	2.390832
	<b>As a % of TRE</b>	9.78	9.39	10.63	12.45	11.93	13.64	14.13
	<b>As a % of TRR</b>	9.48	9.35	10.56	13.99	12.76	12.83	15
<b>Kerala</b>	<b>Interest Payment</b>	15,120	16,748	19,215	20,975	23,303	24,960	26,247
	<b>GSDP as %</b>	2.929155	3.021859	3.436195	4.099058	4.074072	4.186256	4.132497
	<b>As a % of TRE</b>	15.13	15.18	18.35	16.99	15.94	17.58	17.33
	<b>As a % of TRR</b>	18.21	18.04	21.3	21.49	19.98	18.81	20.69

Source: RBI Annual Reports on State Finances (<https://rbi.org.in/Scripts/publications.aspx>)

**Figure 6.2 Interest Payments as a % of GSDP**



Source: Table 6.3

**Figure 6.3 Interest Payments as % of TRR and TRE**



Source: Table 6.3

Figure 6.3 shows that Interest payments as a percentage of both Total Revenue Expenditure (TRE) and Total Revenue Receipts (TRR) exhibit an increasing trend (with the exception of 2015-16 where it drastically fell from 2012-13 to 2020-21 but reversed to a decreasing trend since. The drastic fall in 2015-16 can also be attributed to the adverse effect of demonetization on businesses and in particular, the informal sector which suffered the most.

Table 6.3.1 shows different comparable state's performances with respect to their interest payment burden as a proportion of TRR, TRE and GSDP. Tamil Nadu, Karnataka and Kerala experienced a rising trend in Interest payments burden as a proportion of TRE and all states except for Maharashtra, Gujarat and Punjab witnessed interest payments burden rising as a proportion of their TRR. In the light of this evidence, Haryana has performed commendably.

### **Interest Payments with respect to Debt: Effective Interest Payments**

Any debt or liabilities would lead to interest payments for the government. Ratio of interest payments to public debt could be used as a proxy variable for Effective Interest rates.

One of the parameters of the Debt-sustainability model says that effective interest rates should be lower than the GSDP growth rate. In Table 6.4 we have presented the effective interest rate calculations with respect to total outstanding public debt and internal debt.

Figures 6.4a and 6.4b depicts that effective interest rate as a proportion of a) total public debt and b) internal debt. Effective interest rates have displayed a decreasing trend with respect to both aforementioned components in the study period 2012-13 to 2023-24 RE. This implies that the costs of debt are decreasing as a proportion of GSDP. Post Pandemic (2021 onwards), effective interest payments (total debt) have been outpaced by both real and nominal GSDP growth rate (Table 6.4). Prior to that, the sustainability of interest debt experienced fluctuating fortunes. From 2012-13 to 2020-21, there were only three financial years where interest debt was sustainable: 2015-16, 2016-17 and 2018-19.

**Table 6.4: Effective Interest Rates and GSDP growth rate**

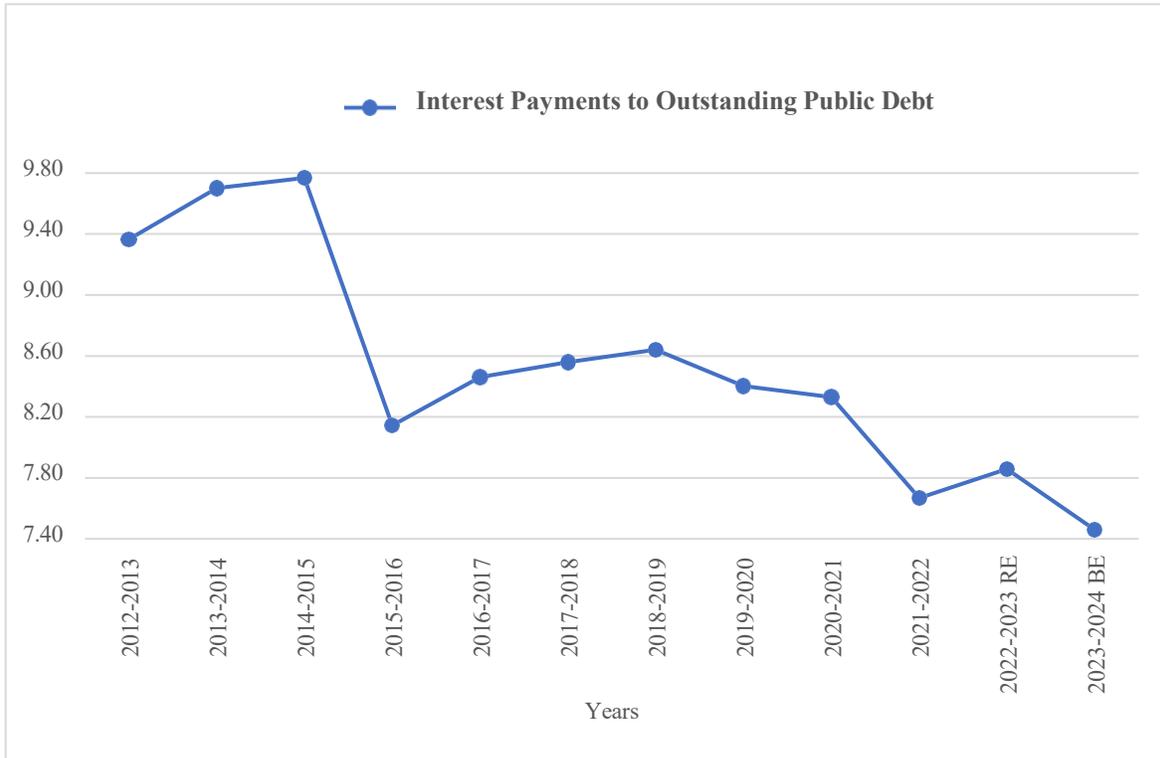
Year	Interest Payments to Outstanding Public Debt	Interest Payments to Internal Debt	Nominal GSDP* Growth rate	Real GSDP Growth rate
2012-2013	9.37	9.75	14.28	7.86
2013-2014	9.70	10.06	13.93	8.29
2014-2015	9.77	10.07	11.93	6.63
2015-2016	8.14	8.31	13.35	11.57
2016-2017	8.46	8.60	13.30	10.48
2017-2018	8.56	8.68	13.79	5.55
2018-2019	8.64	8.74	9.41	10.57
2019-2020	8.40	8.48	5.60	2.28
2020-2021	8.33	8.39	-1.22	-9.00
2021-2022	7.67	8.12	19.18	9.72
2022-2023	7.86	8.30	13.25	7.88
2023-2024 RE	7.46	7.65	11.80	7.97

Source: Author's calculation is based on CAG State finance reports (<https://cag.gov.in/ag/haryana/en/audit-report>) & RBI Annual Reports on State Finances (<https://rbi.org.in/Scripts/publications.aspx>)

\*Internal Debt figures for 2024-25 are not available.

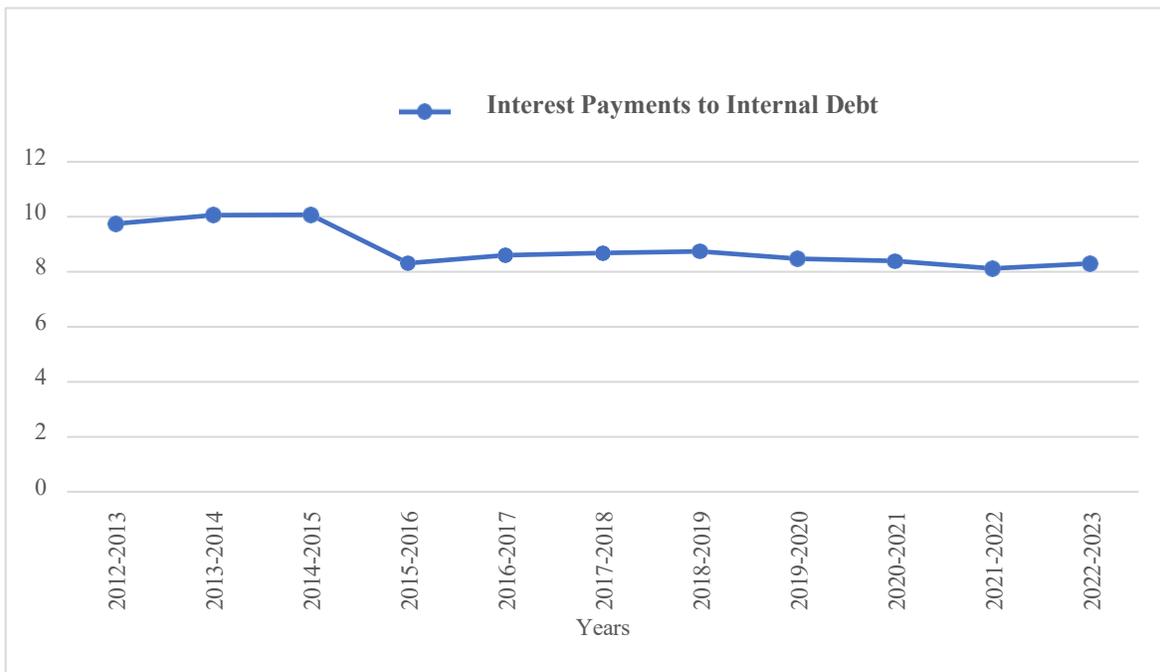
Interest payments have gone down significantly as a proportion of outstanding public debt, it having decreased from 9.37 % in 2012-13 to 7.46 % in 2023-24 RE (Table 6.4). However, the interest payment burden is arising mostly on the account of the internal debt of the state. The real GSDP growth rate has remained steady apart from a few outlier years (2019 to 2021 on account of the Pandemic) from 7.86 % in 2012-13 to 7.97 % in 2023-24 RE, it hasn't been able to keep pace with the increasing burden of interest payments. From 2012 to 2015, Real GSDP had been less than the effective interest rates (with respect to both total and internal debt). Post 2015 however, the effective interest rates have been consistently less than GSDP growth rate apart from the pandemic effected stagnation of 2019 to 2021. This indicates that the state has done well to keep its debt burden sustainable.

**Figure 6.4a Interest Payments as proportion of Outstanding Public Debt**



Source: Table 6.4

**Figure 6.4b Interest Payments to Internal Debt**



Source: Table 6.4

## Total debt in comparison with Revenue and Expenditure of the state

To understand the Sustainability of debt we have analyzed the growth rate of total outstanding public Debt and Internal Debt vis vis growth rates of Total Revenue Receipts (TRR), Own Total Revenue (OTRR), Capital Expenditure (CE) and Revenue Expenditure (TRE) in Table 6.5.

Ratio of growth rate of debt with respect to the growth rate of total revenue receipts was initially more than 1 until 2020 where after the buoyancy became less than one (or one at max). In 2020-21, there was negative buoyancy with respect to TRR on account of fall in revenue receipts during the COVID-19 pandemic. The growth of public debt with respect to the growth rate of 'Own total revenue' OTRR had a positive buoyancy greater than the buoyancy with respect to TRR until 2021. In fact, there was negative buoyancy between 2019 and 2021 owing to the pre-pandemic and pandemic-induced slowdown in OTRR. Thereafter the state displayed a tremendous upturn between 2021 to 2024 implying an increasing capability to meet its debt burden through their own revenue receipt sources. There is fluctuation in debt buoyancy with respect to TRR, however post 2021, there has been a fall and it is less than unity, which is indeed a good signal for state's fiscal health. This fall in debt buoyancy can be attributed to the contribution of schemes like UDAY, which initially led to high debt but it became productive debt.

**Table 6.5: Ratio of growth rates of outstanding Public Debt vis a vis Growth Rates of other fiscal variables**

Year	TRR	OTRR	CE	TRE
2012-2013	2.22	1.81	4.72	1.18
2013-2014	1.46	2.33	4.72	1.90
2014-2015	2.41	3.15	-0.76	1.02
2015-2016	2.62	4.08	-5.47	0.46
2016-2017	2.17	1.77	0.13	-0.50
2017-2018	0.63	0.46	-0.52	0.31
2018-2019	2.40	17.71	0.39	2.30
2019-2020	6.10	-27.68	1.62	1.83
2020-2021	-24.58	-4.00	1.01	1.79
2021-2022	1.06	0.68	-0.16	1.75
2022-2023	0.81	2.22	0.20	1.42
2023-2024 RE	0.36	0.46	0.66	0.57
2024-2025 BE	1.13	0.82	0.21	0.89

Source: Author's calculation is based on CAG State finance reports (<https://cag.gov.in/ag/haryana/en/audit-report>) & RBI Annual Reports on State Finances (<https://rbi.org.in/Scripts/publications.aspx>)

Ratio of growth rate of total outstanding public debt with respect to growth rate of capital expenditure was initially more than one till 2014 but has maintained a relative stability of less than one since then. This implies that Capital expenditure is growing at a slower rate, in fact for many years the ratio is negative. Thus, the rate of growth of debt can't be accounted to capital expenditure. With respect to growth of Total Revenue Expenditure (TRE), the ratio of growth of public debt has been consistently more than 1 apart from the period 2015 to 2018. This implies that TRE growth slowed down and was even negative (2016-17) during this period. Thus, debt isn't being utilized to meet capital expenditures per se.

### **Haryana State's Debt-Sustainability Perspective**

A thorough literature survey on Debt sustainability helped us identify the major indicators of Debt sustainability. Debt sustainability is defined as the ability of the state to service its debt effectively. Apart from outstanding liabilities, there are many more indicators which are important in this context. From various studies (Punjab State Finances report for 14th FC, Haryana State Finances report for 14th FC, West Bengal report for 14th FC and CAG report of Gujarat State Finances 2015) and more literature survey we chose the following indicators:

1. Outstanding liabilities
2. Public Debt-GSDP ratio
3. Outstanding Public Debt and Internal Debt as ratios of Non-Debt Receipts
4. Outstanding Public Debt and Internal Debt as ratios of Total Expenditure
5. Interest payment and public debt as a ratio of Total Revenue Receipts

The trends of the above indicators from 2012-13 to 2024-25 BE are listed in Table 6.6.

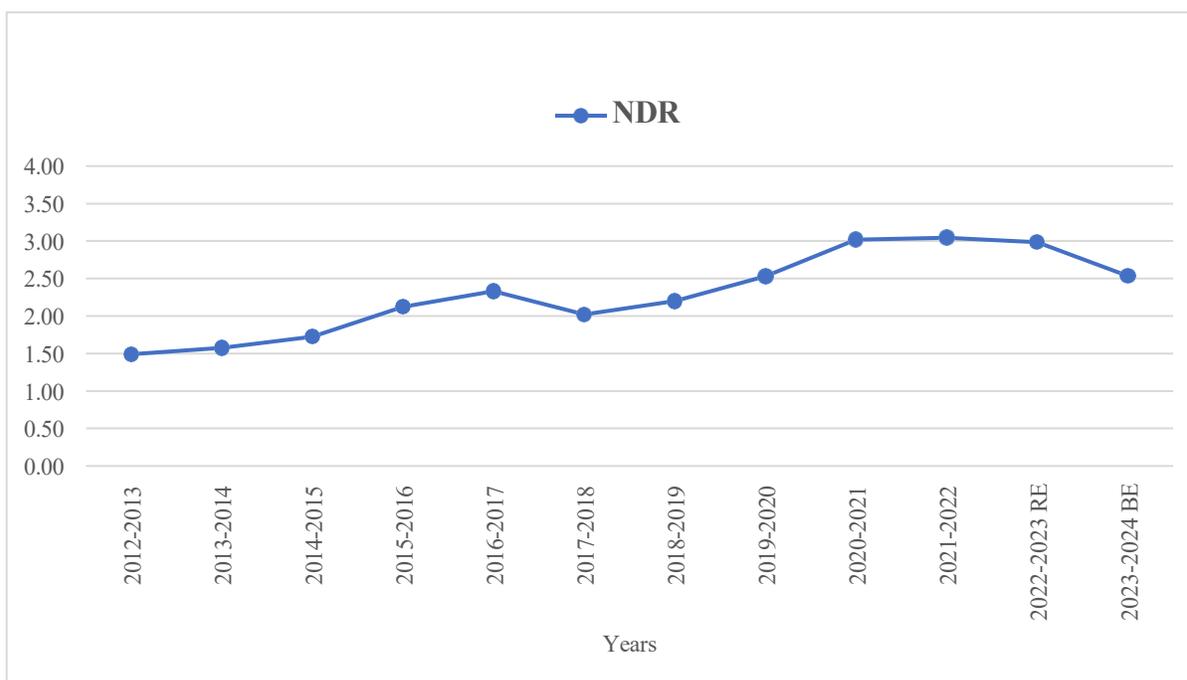
**Table 6.6: Indicators of Debt Sustainability**

Year	Burden of Interest Payment	Outstanding Public Debt Ratio				Internal Debt Ratios*		Interest Payments + Debt Servicing**	
	INT/TRR	GSDP	TRR	NDR	TE	NDR	TE	NDR	TE
2012-2013	0.14	0.15	1.51	1.49	1.14	1.43	1.10	0.14	0.11
2013-2014	0.15	0.16	1.59	1.57	1.29	1.52	1.25	0.15	0.13
2014-2015	0.17	0.16	1.74	1.73	1.32	1.67	1.28	0.17	0.13
2015-2016	0.17	0.21	2.14	2.12	0.88	2.08	0.86	0.17	0.07
2016-2017	0.2	0.22	2.37	2.33	1.95	2.29	1.92	0.2	0.17
2017-2018	0.19	0.22	2.23	2.02	1.58	2.00	1.56	0.17	0.14
2018-2019	0.21	0.22	2.38	2.20	1.68	2.17	1.66	0.19	0.15
2019-2020	0.23	0.25	2.73	2.53	1.79	2.51	1.77	0.21	0.15
2020-2021	0.25	0.28	3.04	3.02	2.11	3.00	2.09	0.25	0.18
2021-2022	0.24	0.28	3.07	3.04	2.17	2.88	2.05	0.23	0.17
2022-2023	0.22	0.27	2.99	2.98	2.22	2.82	2.10	0.22	0.18
2023-2024 RE*	0.21	0.27	2.77	2.74	2.13	2.60	2.02	0.18	0.16
2024-25 BE	0.22	0.26	2.73	2.60	2.04	-	-	-	-

Source: Author's calculation is based on CAG State finance reports (<https://cag.gov.in/ag/haryana/en/audit-report>) & RBI Annual Reports on State Finances (<https://rbi.org.in/Scripts/publications.aspx>)

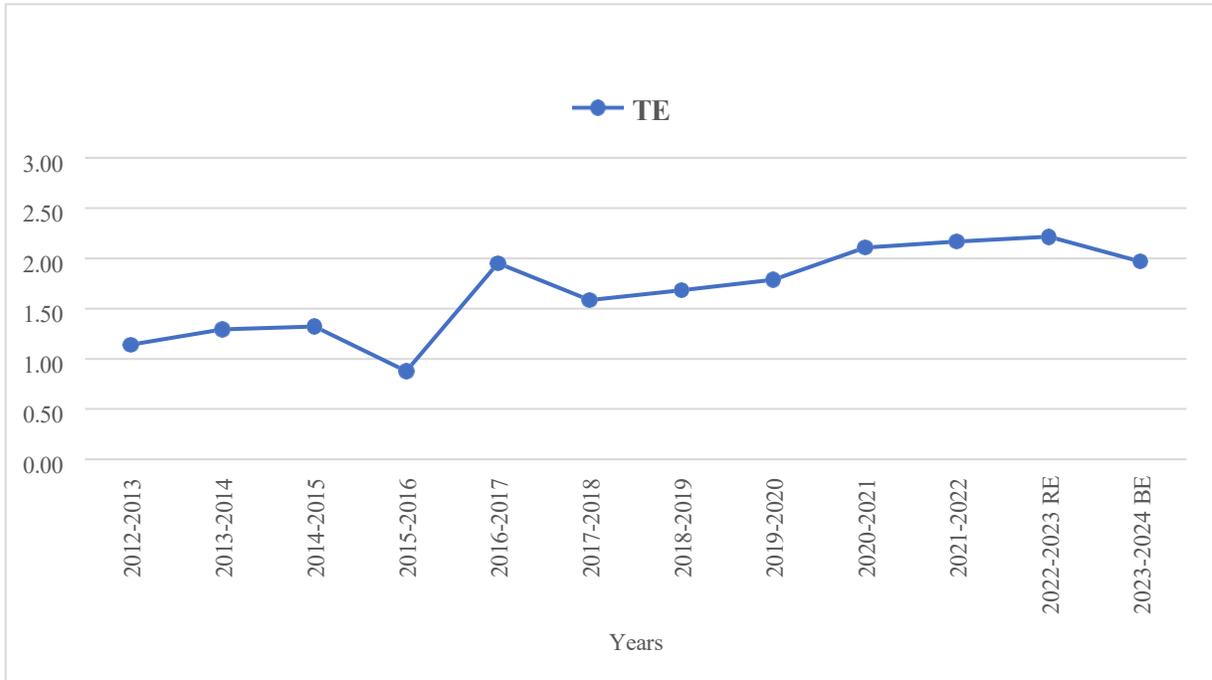
\*Figures with respect to Internal Debt are not available for 2024-25 BE For d\*\*Interest payment debt servicing not available for 2024-25 BE

**Figure 6.5a Outstanding Public Debt: NDR**



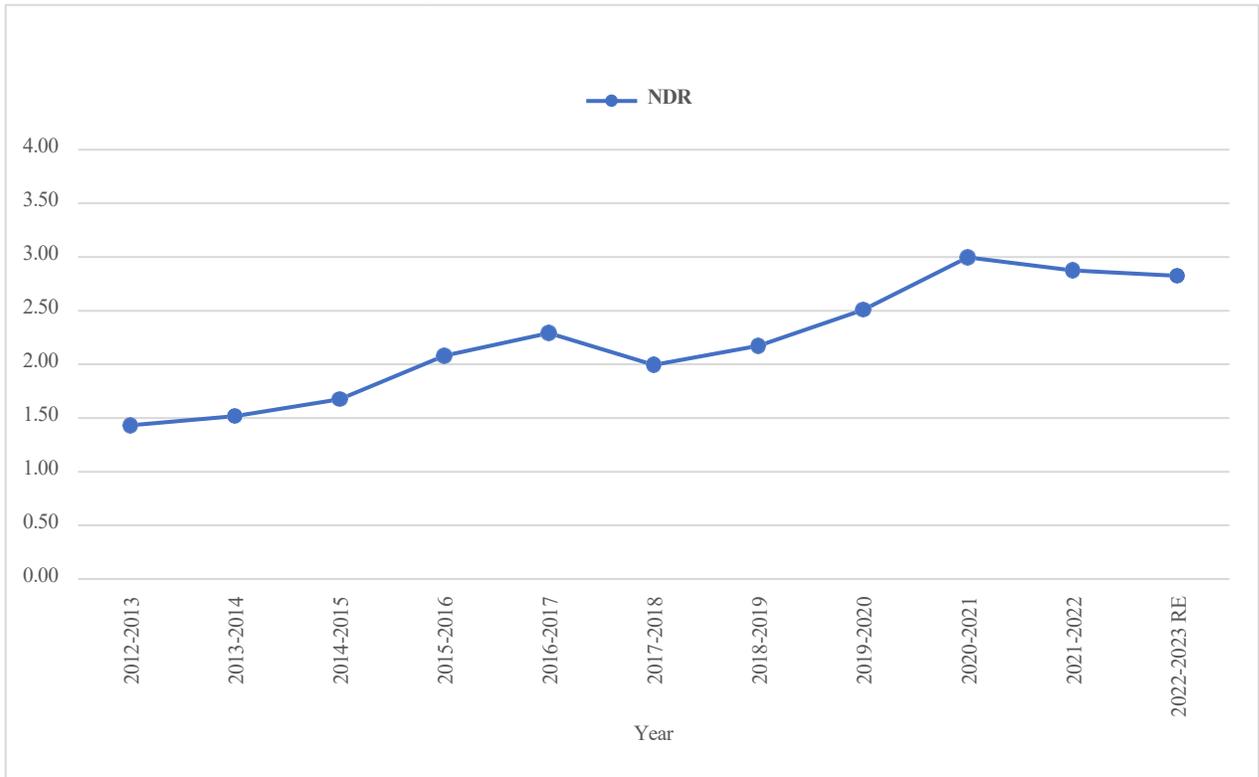
Source: Table 6.6

**Figure 6.5b Outstanding Public Debt Ratio: TE**



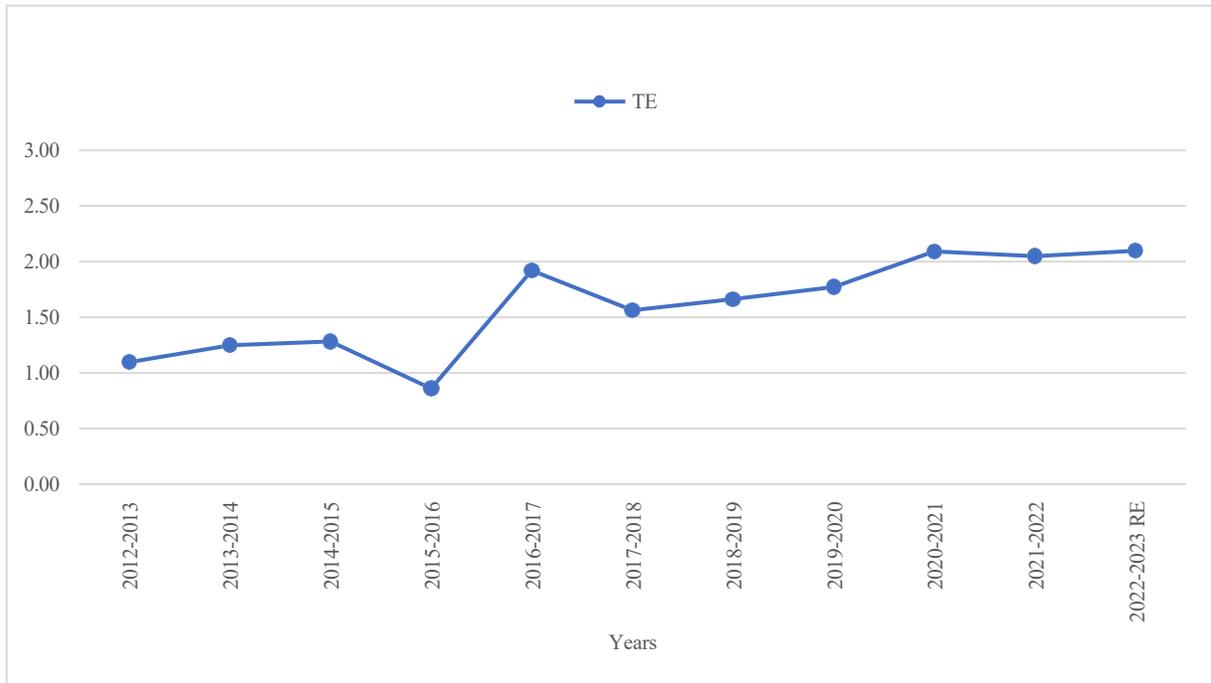
Source: Table 6.6

**Figure 6.6a Internal Debt Ratio: NDR**



Source: Table 6.6

**Figure 6.6b Internal Debt Ratio: TE**



Source: Table 6.6

Whether Haryana's debt is sustainable, we have analysed this both in terms of Public Debt as well as its component- Internal Debt. We compared the trends of Debt to Non-debt receipts ratio of government with Debt to Total Expenditure ratio of the government. As observed from figure 6.5a and 6.5b, Public Debt to Non-Debt receipts (NDR) has witnessed a secular increase in the study period 2012-13 to 2023-24 RE and Public debt to Total Expenditure (TE) ratio was also on the secular rise. In the latter ratio, there were a noticeable outlier- 2015-16 where it experienced a sharp fall and it eventually reached a high in 2022-23 (see Table 6.6). This fall could have been due to the launch of the UDAY scheme in 2015.

The gap between the two abovementioned ratios has become quite pronounced and has only increased in the study period. If we take into consideration, internal of the state, then the Internal Debt ratios have exhibited a similar pattern, expectedly, to the debt ratios.

It's clear from figures 6.6a and 6.6b, Ratio of growth rates of Internal Debt with respect to growth rates of total non-debt receipts and total expenditure of the state government has been on the increase in the period of study 2012-3 to 2023-24 RE.

Overall, this is not a good sign for debt sustainability. Debt has grown considerably with respect to total expenditure and non-debt receipts.

Interest payments and debt servicing as a percent of Non-Debt receipts have witnessed a gradual increase in the study period. It was most pronounced in the years of COVID-19 i.e., 2020-21

## Debt Trap measurement

Verma et al (2014) study for the State Finances of Haryana for Fourteenth Finance Commission uses Debt-trap measurement to assess the sustainability of debt for the state. We also use the same measure to assess debt sustainability. As the Eleventh Finance Commission had suggested, if Incremental Non-Debt Receipts are high enough to absorb incremental primary expenditure and incremental Interest liabilities, then debt burden would reduce.

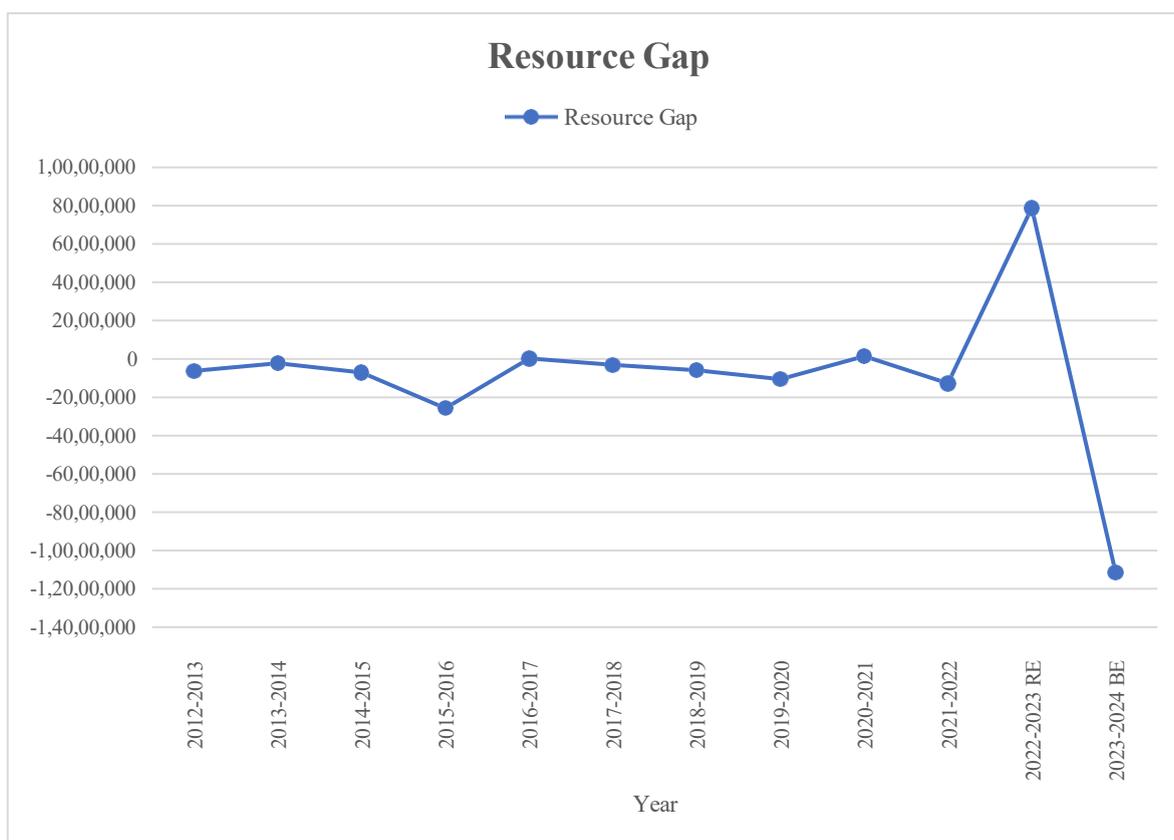
Table 6.7 shows that the state's public debt has been at slightly unsustainable levels for the study period with a particular outlier of 2015-16. This is perhaps due to Demonetisation where many informal sector businesses shut down and hence a fall in receipts. It is likely that debt was more or less sustainable for the entire study period and was at its healthiest in 2020-21 where there was a positive Resource gap. Otherwise, the resource gap prior to 2022-23 has been at moderately high levels indicating a precautionous approach is needed rather than an alarming state. Figure 6.7 shows clearly that the moderately high value of the resource gap with two noticeable years of 2015-1 and 2023-24 RE. The former could be explained by the implementation of the UDAY scheme to restructure power sector debt along with demonetisation. The consequent sharp fall as per 2023-24 RE needs to be investigated further. The reason lies in the massive jump in Primary Expenditure during 2023-24 RE and its subsequent fall in 2024-25 BE, which could be further inquired into.

**Table 6.7: Debt and Debt Sustainability (In Lakhs)**

Year	Incremental Non-Debt Receipts	Incremental Primary Expenditure*	Incremental Receipts Available for Interest Payment (1-2)	Incremental Interest Payment	Resource Gap (3-4)
	1	2	3	4	5
2012-2013	5,683	559789	-5,54,106	74367	-6,28,473
2013-2014	-8,845	113715	-1,22,560	110529	-2,33,089
2014-2015	1,982	600050	-5,98,068	107850	-7,05,918
2015-2016	6,670	2436122	-24,29,452	135578	-25,65,030
2016-2017	64,125	-187086	2,51,211	225786	25,425
2017-2018	5,38,129	698964	-1,60,835	141936	-3,02,771
2018-2019	-95,989	343759	-4,39,748	159019	-5,98,767
2019-2020	2,574	856906	-8,54,332	203655	-10,57,987
2020-2021	-4,95,173	-780805	2,85,632	152666	1,32,966
2021-2022	7,247	1164794	-11,57,547	124693	-12,82,240
2022-2023	-25,573	836239	-8,61,812	173397	-10,35,209
2023-24 RE	88,235	1594391	-15,06,156	115433	-16,21,589
2024-25 BE	4,36,500	143094	-9,94,414	389180	-13,83,594

Source: Author's calculation is based on CAG State finance reports (<https://cag.gov.in/ag/haryana/en/audit-report>) & RBI Annual Reports on State Finances (<https://rbi.org.in/Scripts/publications.aspx>) \*Primary expenditure figures for 2023-24 are based on Budget Estimates

**Figure 6.7: Resource Gap (in Rs. Lakhs)**



Source: Table 6.7

## Findings and Recommendations

- Debt with respect to GSDP have been increasing secularly in the study period but well within the target of 25% as recommended by Fourteenth Finance Commission. Moreover, Fifteenth Finance Commission recommended the Debt-GSDP ratio to be 33% for the year 2020-21 and to be brought down to 32.5% by 2025-26. The debt-GSDP ratio of Haryana was comfortably within the Fifteenth Finance Commission's recommendations and performed considerably well in this regard.
- Burden of debt servicing has been going up indicating that debt sustainability may become an issue in few years. With a growing debt burden, maintaining fiscal sustainability becomes a challenge. The state's ability to generate sufficient revenue to cover its obligations is increasingly under stress.
- Resource gap analysis or sufficiency of non-debt receipts for debt servicing reveals that debt has been more or less sustainable for most of the years under consideration.
- The state's nearly static internal revenue buoyancy versus its mounting interest payment load reduces the amount of money available for development expenditures. The state's growing reliance on central transfers is not a healthy sign for state fiscal prudence.
- In the context of how the debt has been utilized, our analysis indicates that the rise in debt cannot be accounted for by the capital expenditure. In fact, it seems that most of the debt has been utilized to meet revenue expenditures. As Appendix 4.1 illustrates, the pace of

growth of expenditure on general services seems to be exceeding the growth of expenditure on social services. This is a worrying trend given Haryana's poor performance in socio-economic indicators. Thus, one can surmise that debt utilization has been slightly unproductive.

- In conclusion, Haryana's public debt has escalated from 2012 to 2024, raising concerns about its long-term economic viability and fiscal health. The state faces significant challenges in managing its liabilities and ensuring that interest payments do not further crowd out essential public services and investments undermining the state's human development.

## CHAPTER 7

### **Evaluation of State Finances in the light of implementation of FRBM Act and Commitment towards targets**

This chapter examines the impact of the FRBM Act and the Recommendation of the Fifteenth Finance Commission on State Finances.

#### **FRBM Act and Medium-Term Fiscal Policy**

The Indian Parliament, in August 2003, passed the Fiscal Responsibility and Budget Management (FRBM) Act, which imposes stringent fiscal discipline on the central government as well as on the state governments in their overall fiscal and macroeconomic management operations. The primary objectives behind having an FRBM, as highlighted by the Act, were (a) to maintain transparency in fiscal management systems in the country, (b) to bring inter-generational equity in debt management and (c) to bring long term fiscal stability in the economy. The main purpose of the Act was to eliminate revenue deficit of the government, building revenue surplus thereafter and bring down the fiscal deficit to a 3 per cent of the GDP by March 2008. Accordingly, the act provided for three statements to be presented by the government namely; (a) the Medium-Term Fiscal Policy statement, (b) Fiscal Policy Strategy Statement and (c) Macro Economic Framework statement.

Haryana Legislature passed the Haryana Fiscal Responsibility and Budget Management Act in 2005, to ensure caution in fiscal management and fiscal stability by progressive elimination of revenue deficit, careful debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework.

Through the State FRBM Act there has been a move towards containing the fiscal deficit of 3% of GSDP and revenue deficit as zero percent of GSDP, this target is particularly set for states with high fiscal deficits.

In order to align the State FRBM Act with the fiscal parameters in vogue in a particular year as recommended by the 15<sup>th</sup> Finance Commission and approved by Government of India for its award period 2021-22 to 2025-26, the amendment in the Haryana FRBM Act, 2005 was made by the State Government on 30 March 2022.

Although the revenue shortfall is no longer used as a reporting indicator under the modified FRBM Act of 2018, it is still included as a reference indicator in the Medium-Term Fiscal Policy (MTFP) statement. The MTFP Statement no longer uses revenue deficit as a reference indicator for fiscal goals. But borrowing targets of the States are set with reference to the revenue deficit to ensure they don't borrow beyond their ability to earn. The Union Government requested that the Commission tie its transfers to the accomplishment of this objective in order to encourage States to modify their FRBM acts and contain the debt-to-GDP ratio to 20% of their GSDP by 2024–2025.

The FRBM Act requires a significant overhaul in light of the present debt and fiscal imbalance issues. The FRBM Act's architecture has to be completely reorganized in light of the ongoing uncertainties, taking into account the problems and uncertainties of the evolving order as well as changing worldwide practice. The Haryana State has recommended the formation of a High-Powered Intergovernmental Group for a New Fiscal Consolidation Framework in order to achieve this goal ("Committee Reports," 2021). For reasons outlined in the chapter, intergovernmental cooperation is required. For macroeconomic stability to be achieved, the Union and the States must actively cooperate and associate with one another. While the Finance Commission was tasked with creating a comparable enabling environment for States, the FRBM Review Committee provided several comprehensive recommendations for the Union Government.

The uncertainty surrounding the COVID-19 epidemic has made it rather difficult for the Union Government to predict the deficit and debt, as stated in the updated memorandum. In order to contain the fiscal deficit, the following actions have been under consideration:

- i. To maintain market borrowing program transparency, the borrowing calendar must be effectively distributed to investors;
- ii. regular investor interaction with other stakeholders;
- iii. Sizeable volume offerings should be made to create benchmarks of desired tenors and increase investor participation and liquidity;
- iv. the debt portfolio's maturity profile should be extended to create a smooth yield curve;
- v. a variety of instruments should be issued to assist investors in managing their portfolios' risk effectively; and
- vi. the ongoing rationalization of interest rates on small savings plans

In the past 15 years, the fiscal deficit has been brought well within the targeted limit of 3 % of GSDP and has been consistently kept below the prescribed limit. The estimated fiscal deficit in 2024–2025 (BE), expressed as a percentage of GSDP, is 2.77 per cent, which is within the 15th Finance Commission's 3.0 per cent GSDP ceiling (see Table 7.1).

According to 2024–25 (BE), the revenue deficit as a proportion of GSDP is projected to reach 1.47 per cent. Between 2015 to 2021, the revenue deficit was particularly high (see Table 7.1). The pre-COVID high could be explained by the debt restructuring under the UDAY scheme between 2015 and 2017, which involved substantial increase in expenditure. In the 2019-21 period, high revenue deficit could be attributed to the COVID-19 pandemic, in particular which elevated it above 2 % of GSDP but projected and actual estimates suggest that it has been brought well within control since.

As per the report of the 15th Finance Commission, the indicative Deficit and Debt Path for State Government as percent to GSDP for FY 2021-22 to 2025-26 can be seen in Table 7.2. This currently projects the expected trend and as evident the fiscal deficit target will be well maintained and the total liabilities will also be contained. In fact, the state is expected to generate a significant revenue surplus in the next couple of years further strengthening its fiscal position.

In accordance with the recommendations of the 15th Finance Commission, no guidance has been provided yet about the fiscal criteria for its award term for revision in the FRBM Act, 2005. However, the State Government has amended the Haryana FRBM, Act 2005 via notification dated March 30, 2022, in order to bring the State FRBM Act into compliance with the fiscal parameters in effect in that particular year, as recommended by the 15<sup>th</sup> Finance Commission and approved by the Government of India for its award period 2021–22 to 2025–26.

**Table 7.1 Select Fiscal Indicators (2010 to 2025)**

Year	Gross Fiscal Deficit as % of GSDP	Revenue Deficit as % of GSDP	Total Liabilities – GSDP Ratio (%)
2010-11	3.5	1.5	24.0
2011-12	3.2	1.2	23.5
2012-13	3.0	1.0	23.0
2013-14	2.9	1.1	22.5
2014-15	2.88	1.9	23.2
2015-16*	2.86	2.36	21.9
2016-17*	2.91	2.83	27.36
2017-18	2.99	1.65	25.5
2018-19	2.83	1.61	26.0
2019-20	2.88	2.30	26.34
2020-21	2.93	2.47	27.0
2021-22	2.8	1.49	30.81
2022-23	3.15	1.75	30.3
2023-24 (RE)	2.8	1.2	30.1
2024-25 (BE)	2.77	1.47	

Source: FRBM Report, Haryana Budget, CAG Reports across various years

\*Figures without UDAY impact

**Table 7.2: The indicative Deficit and Debt Path for State Government as percent to GSDP for FY 2021-22 to 2025-26**

	2021-22	2022-23	2023-24	2024-25	2025-26
Revenue Deficit*	-0.5	-0.8	-1.2	-1.7	-2.5
Fiscal Deficit	4.0	3.5	3.0	3.0	3.0
Total Liabilities	32.6	33.3	33.1	32.8	32.5

\*Negative values indicate surplus and positive values indicate deficit.

Source: FRBM Report 2024-25

**Table 7.3: Haryana – Fiscal Performance**

Fiscal Variation	2021-22			2022-23		
	%age Variation of actual over targets			%age Variation of actual over		
	15 <sup>th</sup> FC Target	Budget Target	5-year Fiscal plan/ MTFP	15 <sup>th</sup> FC Target	Budget Target	5 year Fiscal plan/ MTFP
<b>Revenue Deficit (-)/ Surplus (+) ( In Rs. Crore)</b>	(-)1.46	(+) 1.02	(+) 1.02	(-) 2.53	(-) 0.75	(-) 0.75
<b>Fiscal Deficit/GSDP (In Percent)</b>	(+)0.45	(+) 0.28	(+) 0.28	(+) 0.38	(-) 0.14	(-) 0.14
<b>Ratio of total outstanding debt to GSDP</b>	(-)1.73	(+) 3.55	(+) 3.55	(-) 1.92	(+) 4.96	(+) 4.96

Source: CAG Reports (2022-23, and 2021-22)

KEY: (-) sign indicates the shortfall in Percentage points from the target

(+) sign indicates the percentage points by which the target has been exceeded

### Mid-year review of FRBM performance

**Table 7.4: Half Yearly Review of Trends in Receipts and Expenditure 2022-23 to 2023-24**

Item	2022-23				2023-24
	Full Year		1 <sup>st</sup> Half Year	2 <sup>nd</sup> Half Year	1 <sup>st</sup> Half Year
	% to RE.	% to BE	% to BE	% to BE	%age to BE
<b>Revenue Receipts</b>	<b>91.95</b>	<b>83.81</b>	<b>37.34</b>	<b>46.47</b>	<b>44.45</b>
State Tax Revenue	96.36	85.40	39.95	45.45	45.94
State Non- Tax Revenue	79.81	71.63	32.70	38.92	26.14
Share in Central Taxes	100.00	116.27	46.05	70.21	44.59
Grants-in- Aid	68.83	61.50	18.86	42.64	56.74
<b>Expenditure</b>	<b>90.99</b>	<b>84.76</b>	<b>36.28</b>	<b>48.48</b>	<b>40.52</b>
Revenue Expenditure	92.52	91.57	41.51	50.06	43.05
Capital Expenditure	80.89	54.32	12.91	41.42	26.42

Source: FRBM document of Budgets 2024-25

Major fiscal variables provided in the budget, based on the recommendations of the 15<sup>th</sup> FC and as projected by the State in Medium Term Fiscal Policy Statement (MTFPS) are shown in Table 7.3. for the periods 2021-22 and 2022-23. While the debt to GSDP variation was maintained well within the Budget estimates, they seem to be well over the targeted 15<sup>th</sup> Finance Commission recommendations. Revenue deficit targets shortfall has increased over the recently observed financial years. As for the fiscal deficit to GSDP ratio, the adherence seems to be quite in line with the recommended targets as per FRBM Act.

Half-yearly Review of various departments consolidated revenue and expenditure targets and their achievements are produced in Table 7.4 for two years 2022-23 to 2023-4 to understand how much the state government departments are able to achieve in the first half and second half of the years and how much targets they are able to achieve in terms of budgeted ones.

Compared to the same period in 2022–2023; the revenue receipts for the first half of 2023–2024 are higher by 7.11% (44.45% – 37.34%). The total revenue received in 2022–2023 was approximately Rs. 89194.69 crores, whereas the revised estimates were around Rs. 97002.48 crores, or 91.95% of the estimates.

In the first half of 2022–2023 (April–September), spending totalled Rs. 51593.30 crore, or 36.28% of the Rs. 142203.78 crore budgeted amount. In 2023–24, the first half of the year's expenditures total Rs. 60258.10 crore, or 40.52%, of the total budgeted amount of Rs. 148729.60 crore. Thus, compared to the same period in 2022–2023; the total expenditure for the first half of 2023–2024 is higher by 4.24% (40.52%–36.28%). In 2022–2023 the entire expenditure amounted to Rs. 120533.23 crore, or 84.76% of the budgeted amount of Rs. 142203.78 crore.

The Department officials were instructed to enhance capital expenditure while reducing unnecessary spending. It was intended that every department would try their hardest to help the state reach the targets set by the FRBM Act, 2005 regarding revenue and fiscal deficit levels.

### **State Finances in the light of the Fifteenth Finance Commission's Recommendations**

Fifteenth Finance Commission came up with various recommendations and norms for the devolution of Central taxes and grants to the states. The implementation period for 15th Finance Commission was from 2021-26.

As per Fifteenth FC, 41 per cent of the sharable amount of Central taxes need to be distributed to the States.

The 15th Finance Commission recommended revenue deficit grants of Rs. 2,94,514 crores over the award period for 17 States including Haryana. As can be seen from this table, the revenue deficit grants are on a declining path from the period covering 2021-22 to 2025-26 (see table 7. 5)

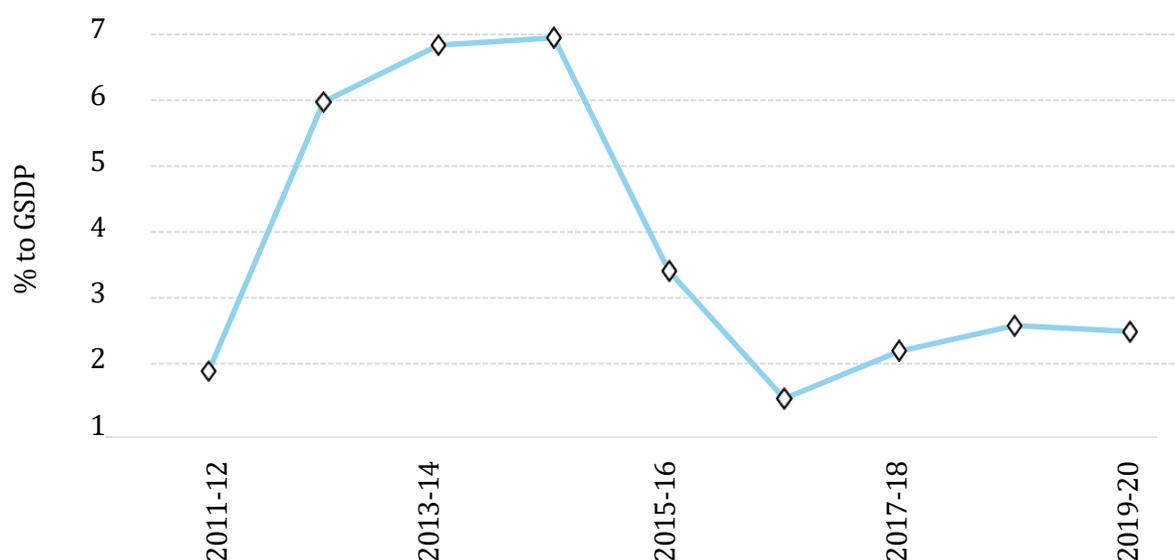
**Table 7.5: Pre-devolution vs. Post-devolution revenue deficit/surplus projections**

	2021-22	2022-23	2023-24	2024-25	2025-26
<b>Pre-Devolution</b>	7330	1564	-5301	-14363	-27178
<b>Grant-in-aid for Revenue Deficit</b>	132	Nil	Nil	Nil	132
<b>Post-Devolution</b>	132	-6444	-14312	-24600	-38901

Source: 15<sup>th</sup> Finance Commission Report

The state guarantees create contingent liability. It could be seen from Figure 7.1 that total state guarantees of public sector enterprises as per cent to GSDP increased substantially from 1.88 per cent in 2011-12 to 6.95 per cent in 2014-15, and thereafter, it fell sharply till 2016-17, and started increasing thereafter.

Due to less than desired performance of state-owned power distribution companies (DISCOMs), Haryana implemented the UDAY scheme. The state took over the liability of DISCOMs. The percentage share of debt liability of UDAY in GSDP has been showing a declining trend (see Figure 7.2) during the period from 2015-16 to 2019-20.

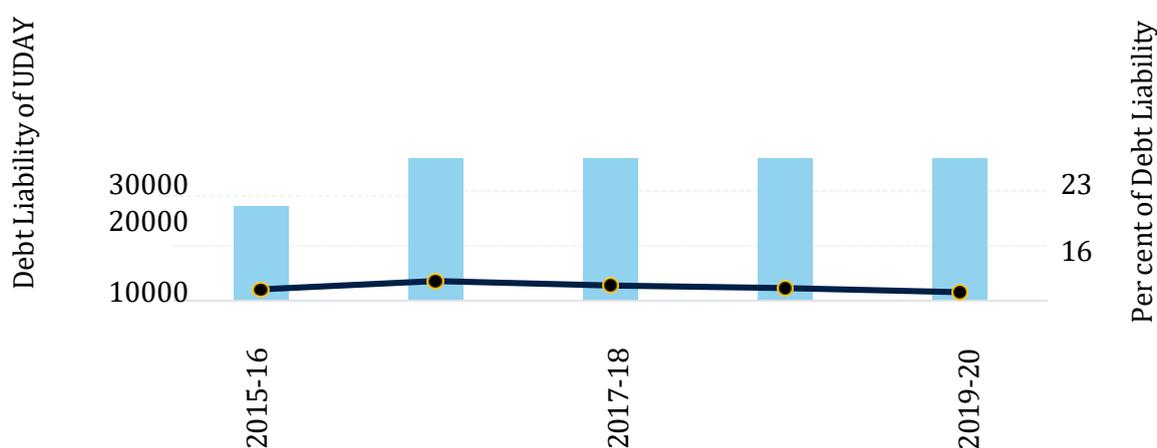
**Figure 7.1: Trends in Outstanding Guarantees (OG): Percentage Share in GSDP**

Source: 6<sup>th</sup> State Finance Commission & RBI State Finance Report 2020-21

**Table 7.6: Outstanding Guarantees**

Year	Outstanding Guarantees (as % of GSDP)
2011-12	1.88
2012-13	5.97
2013-14	6.81
2014-15	6.95
2015-16	3.47
2016-17	1.46
2017-18	2.17
2018-19	2.46
2019-20	2.49

Source: 6<sup>th</sup> State Finance Commission & RBI State Finance Report 2020-21

**Figure 7.2 Debt Liability of UDAY**

Source: 6<sup>th</sup> State Finance Commission

■ Debt Liability of UDAY (LHS)  
 —●— % Share of Debt Liability of UDAY to GSDP (RHS)

## Major Findings and Conclusions

- The states in India lack alternative sources of funding, such as the center's unlimited internal borrowing power or the ability to monetize the deficits, but it does have greater expenditure responsibilities than the center in terms of providing various entitlement programs of public services. As a result, it appears that the state is unable to provide any more funds to the development sectors given its commitment to the FRBM Act, its essentially flat own revenues to GSDP ratio, and its high percentage of committed spending in total own revenues.
- The 15th Finance Commission's proposals have not been fully implemented in the FRBM Act. The State still has a revenue shortfall. Compared to 33.13 percent in 2020–21, the revenue deficit in 2021–22 was 26.03 percent of TRR. The revenue deficit for 2021–2022 was Rs. 20,333 crores, compared to zero in 2011–12. It suggests that money borrowed by the State was used to cover existing expenses. The

State's fiscal deficit for 2021–2022 was Rs. 31,778 crores, or 3.55% of the GSDP, which was within the limit set by the State Government as per the September 2020 amendments to the FRBM Act. The primary source of funding for the fiscal deficit has been market borrowing.

- The FRBM 2024 Report for Haryana highlights areas of development and progress in financial management techniques, while also underlining the state of the state's finances. The focus on cutting deficits and increasing income sources is indicative of a strategy to ensure the state's long-term budgetary stability.
- Policy Recommendation: Establishment of an independent State Fiscal Council which provide oversight and accountability in fiscal management especially with regard to adherence to both FRBM and Central Finance Commission targets. This organization could also recommend key areas of improvement in revenue generation and improving efficiency of public expenditure. They could be granted some statutory powers if deemed necessary.

## CHAPTER 8

### **Budgetary Transfers to Local Bodies**

Since the Tenth Finance Commission, all Finance Commissions have been recommending enhanced grants for local bodies. The Terms of References of the last three Commissions required them to recommend "the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the state, on the basis of the recommendations made by the Finance Commission of the State". However, the Eleventh FC made their own assessment in the matter where State Finance Commissions (SFCs) reports were not available. Since the Eleventh FC, the Commissions realized that they were required to base their recommendations on the report of individual SFCs. But different approaches were adopted by different SFCs, difference in the periods covered by individual SFCs and non-synchronization of the reference period of SFC report period with the Finance Commission report period made the Commission's job rather difficult to use recommendations of the SFC reports. Instead, the previous Finance Commissions recommended ad-hoc grants and, in addition, indicated the steps that the States could take to augment their Consolidated Funds to supplement the resources of the local bodies. The Fifteenth FC was constituted in extraordinary circumstances – in the midst of a global pandemic- and hence was titled 'Finance Commission in COVID Times'. However, the issue of synchronization CFC and SFC seems to have been resolved with the award period for both now matching: 2020 to 2026 for the Fifteenth FC and 2022 to 2026 for the 6<sup>th</sup> SFC of Haryana. This will now help resolve the ad-hoc nature of grant recommendations to the local bodies by the FC. However, future SFCs should be constituted keeping the synchronization issue in mind. Furthermore, the loss of revenue to various states under the implementation of a uniform GST in lieu of other state taxes and cesses also needed to be considered for its recommendations.

The Twelfth FC provided a grant of Rs. 25,000 crore and allocated the grants to the local bodies in the ratio of 80:20 between panchayats and municipalities. The Thirteenth FC recommended 1.93 per cent of the divisible pool of 2010-15, as estimated by it, for local bodies after converting it into grant-in-aid under Article 275 of the Constitution. This grant was estimated at Rs. 87,519 crores, of which the grant to panchayats was Rs. 63,051 crore and the grant to municipalities was Rs. 23,111 crores. Total 2.8% of the divisible pool was granted as general grants and special grants which increased to 3.06 per cent under Fourteenth FC. The Fifteenth FC has recommended a total grant of Rs. 90,000 crores for the year 2020-21, which is equivalent to 4.31 per cent of the divisible pool estimated by the Commission for that year. Grants of Rs. 4,36,361 crores for local governments has been recommended by the Commission for the five-year period 2021-26.

#### **Criteria for Determination of grants to Panchayats and Municipalities.**

In the past, Finance Commissions have used two types of criteria for determining grants to States for local bodies:

1. The need for resources related to the extent of devolution – Population and area were the

two parameters used to determine the need.

2. The extent of Decentralization to local bodies by the States.

The Thirteenth FC recognized the need to support the local bodies through a predictable and buoyant source of revenue. It considered the demand by the States and local bodies for giving a share from the divisible pool to the latter. However, it was inconsistent with the provisions of the Constitution, and the Thirteenth FC Commission recommended that the local bodies be transferred a percentage of the divisible pool which is 1.93% of 2010-15 resources in the form of grants-in-aid, consistent with the Constitution. It had estimated this amount to be Rs. 87,519 crores for five years from 2010 to 2015.

Fourteenth FC did not come up with an index or indices themselves as they perceived there were several practical difficulties in considering an appropriate index or indices for devolution. They did not use any index or indices of devolution or decentralization for the purpose of transfer of resources to States for panchayats and municipalities. However, as mentioned FC have used Population and Area as the parameters for the purpose.

Fourteenth FC has recommended grants in two parts –

1. A basic grant (unconditional)
2. A performance grant for duly constituted gram panchayats and municipalities (conditional)

In the case of gram panchayats, 90 percent of the grant will be the basic grant and 10 per cent will be the performance grant. In the case of municipalities, the division between basic and performance grant will be on 80:20 basis.

**Basic grants:** The grants that were recommended are supposed to go to Gram Panchayats, which are directly responsible for the delivery of basic services, without any share for other levels. The earmarked basic grants for Gram Panchayats would be distributed based on a formula prescribed by the respective SFCs for the distribution of resources. Similarly, the basic grant for urban local bodies would be divided into tier-wise shares and distributed across each tier, namely the municipal corporations, municipalities (the tier II urban local bodies) and the Nagar Panchayats (the tier III local bodies) using the formula given by the respective SFCs. The State Governments should apply the distribution formula of the most recent SFC.

**Performance Grants:** This is based on submission of audited accounts preceding two years in which the gram panchayats seek to claim the performance grant. The grants would be finally given based on an increase in the own revenues of the local body. Performance grants to urban local bodies are based on the State Government's design subject to certain eligibility criteria. The same eligibility conditions are applied for Urban performance grants based on audited reports and increase in own tax revenue. Additionally, they need to show their performance benchmarks.

The 15th Finance Commission uses more a complex methodology for state-to-state horizontal devolution, giving different factors different weights:

- Demographic Performance: 12.5%
- Income Distance: 45%
- Population: 15%
- Area: 15%
- Forest and Ecology: 10%
- Tax and Fiscal Efforts: 2.5%

The new innovation has been the introduction of demographic performance as a criterion for allocation. Overall, the commission maintains that 41 % of share of divisible pool of taxes for states in order to implement vertical devolution.

Grants to local bodies (other than health grants) will be divided among states based on population and area, with 90% and 10% weightage, respectively. A few requirements have been set by the Commission in order to receive these awards (health grants excluded). The following conditions must be met in order to be admitted:

- (i) posting interim and audited financial statements in the public domain;
- (ii) states setting minimum floor rates for property taxes and enhancing property tax collection (an extra requirement for urban bodies after 2021–2022).

If the state does not establish a State Finance Commission and take appropriate action on its recommendations by March 2024, no funding will be paid to local government entities in that state.

The Fifteenth FC has made its recommendations for releasing grants keeping in mind that the report was making suggestions for just a single financial year of 2020-21. Under its recommendations, 50 per cent of the grants to rural local bodies were tied to

- (a) sanitation and maintenance of ODF status; and
- (b) supply of drinking water and rainwater harvesting.

As the grants were stipulated only for one year, no performance conditions were imposed for their release. For urban local bodies in towns other than Million-Plus cities, fifty per cent of the grants were tied to

- (a) drinking water (including rainwater harvesting and recycling); and
- (b) solid waste management.

The criteria for financial devolution to ULBs and PRIs have had slight variations under Haryana State Finance Commissions. For instance, parameters of Population, Area, Literacy gap, Gender Ratio and Antodaya Anna Yojna population were considered for the final report of 4<sup>th</sup> SFC.

Fourth State Finance Commission came up with their final report in 2014 for the years 2011-12 to 2015-16. It observed that there is a one-year lag between Central FC and Haryana State FCs for the year coverage. However, as stated above, the synchronization problem between the CFC and the SFC has been resolved with fifteenth FC and the Sixth Haryana SFC covering the same time period 2020/21 to 2025/26 for the period of examination.

There are two types of transfers - untied and tied, which involves two institutions - SFC, that recommends and Finance Department (FD) that devolves. In addition, apart from SFC recommended tax devolution, local bodies are entitled for Central FC grants and various grants going to the local bodies directly through state budgets. As such, Finance Department,

Development and Panchayats Department and Department of Urban Local Bodies are critically important for effective fiscal devolution at the local level.

**Table 8.1: Total Devolution to Local Bodies (Rs. Crore)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17*	2017-18*	2018-19*	2019-20	2020-21 (P)	2021-22 (BE)
<b>PRIs (%)</b>	311 (21)	351 (23.1)	480 (30.6)	449 (22.9)	448 (22.3)	1031 (55)	1157 (55)	1300 (55)	2454 (60)	2072 (46)	2547 (54)
<b>ULBs (%)</b>	1173 (79)	1167 (76.9)	1091 (69.4)	1516 (77.1)	1575 (78.6)	843 (45)	947 (45)	1063 (45)	985 (40)	1785 (54)	1500 (46)
<b>Total</b>	<b>1484</b>	<b>1518</b>	<b>1571</b>	<b>1966</b>	<b>2006</b>	<b>1874</b>	<b>2104</b>	<b>2363</b>	<b>3440</b>	<b>3857</b>	<b>4047</b>

Source: 5<sup>th</sup> SFC Report, 6<sup>th</sup> SFC Report

\*Amounts projected by 5<sup>th</sup> SFC

In table 8.1 we can observe the pattern of the total funds devolved to local bodies of Haryana in the period 2011 to 2022. The total disbursed amount (including SFC grants and other transfers) increased substantially in absolute terms except falling briefly in 2016-17.

The sudden reversal in overall ULB fund allocation and increase in PRI fund allocation can be attributed to the need to align financial devolution as per the Fifth SFC (2016-2021) recommended distribution criteria of funds to PRIs and ULBs, in the ratio of 55:45. This, however, was not strictly adhered to in 2019-20 since the recommendations were made in 2020 itself and the provisional estimates of 2020-21 show that this ratio was once again not adhered to. PRIs have received 60 per cent (in 2019-20), which is more than the recommended share of 55 per cent, and conversely, ULBs have received 40 per cent that is less by 5 percentage points of the recommended share of 45 per cent (see Table 8.2).

In their interim report, they also followed the 13<sup>th</sup> FC recommendations of respective shares of PRIs and ULBs as 65:35 in conformity with the rural-urban population ratio as per 2011 census for 2013-14 and 2014-15 as well, but suggested to follow recommendations of 14<sup>th</sup> FC for the year 2015-16. Accordingly, they suggested devolution of 2.5% of the divisible pool to be shared by Local Bodies with 65:35 share ratios among PRIs and ULBs. As per the Fifteenth FC report, the ratio of inter se distribution of the grants recommended for rural and urban local bodies is supposed to gradually move from 67.5:32.5 in 2020-21 to 65:35 in 2025-26, the final year of its award period. For 2021-22 and 2022-23, panchayats and ULBs will get in the ratio of 67:33. For 2023-24 and 2024-25, the ratio is 66:34 and for 2025-26, it is 65:35. The Fifteenth Finance Commission recommended restructuring and apportioning the total grants between PRIs and ULBs in the ratio of 65:35 by the end of the award period to prepare the urban areas to meet future challenges.

One could argue that this contrasting recommendation by the Fifteenth Finance Commission created confusion regarding what distribution ratio to follow. However, State Government eventually accepted the financial devolution to Local Bodies in the ratio of 55:45 PRIs: ULBs. The 6<sup>th</sup> SFC Report recommended augmenting the divisible pool from earlier seven per cent to nine per cent of net State Own Tax Revenue (SOTR). Out of this nine per cent, seven per cent would be divided as following: 50 per cent to Panchayati Raj Institutes (PRIs) and 50 per cent

to Urban Local Bodies (ULBs).

According to the analysis's conclusions, there have been erratic patterns in state-to-local fiscal transfers over the past ten years, in part because different SFCs have different devolution formulas. As a result, local organizations now have difficulties in organizing a sustainable and efficient service delivery system.

Since the 6<sup>th</sup> SFC was established in September 2020, financial transfers to local authorities made in 2021–2022 were based on the recommendations of the 5<sup>th</sup> SFC. Additionally, it was observed that, out of the Rs. 1,715 crore total budgetary provision for 2021–2022, no money had been distributed to PRIs (Rs. 340 crore Schedule Caste component and Rs. 1,375 crores Normal component). Regarding ULBs, out of the Rs. 1500 crore total budgetary allocation, Rs. 1,228.01 crore was distributed, representing 81.87 percent of the entire provision and 2.30 percent of SOTR, compared to the suggested amount of Rs. 1,681 crore (3.15 percent of SOTR) (see Table 8.3 b). When the Department was asked to explain why funds had not been disbursed to PRIs, they failed to provide any explanation. Unrealistic budgeting that is out of proportion to the State's actual resource mobilization and its failure to prioritize local bodies could be one potential reason for non-disbursal to PRIs in 2020-21. It is possible that the pandemic could have played a detrimental role in the execution of the devolutionary function.

The role of the SFC grants in total devolution of State funds to the ULBs and the PRIs was relatively small and declining until 2016 (see Table 8.2). Thus, this share declined from a peak of 21.1 per cent in 2013-14 to 16.9 per cent in 2015-16. However, between 2016 and 2019, SFC grants contributed almost 99 % of the total funds devolved although these are projected amounts and we may require actual figures for a more accurate analysis. However, the exact figures for 2019-20 revealed a reversal in the role of SFC grants as a part of total devolution contributing around 69 %, signalling the greater emphasis on decentralization of governance.

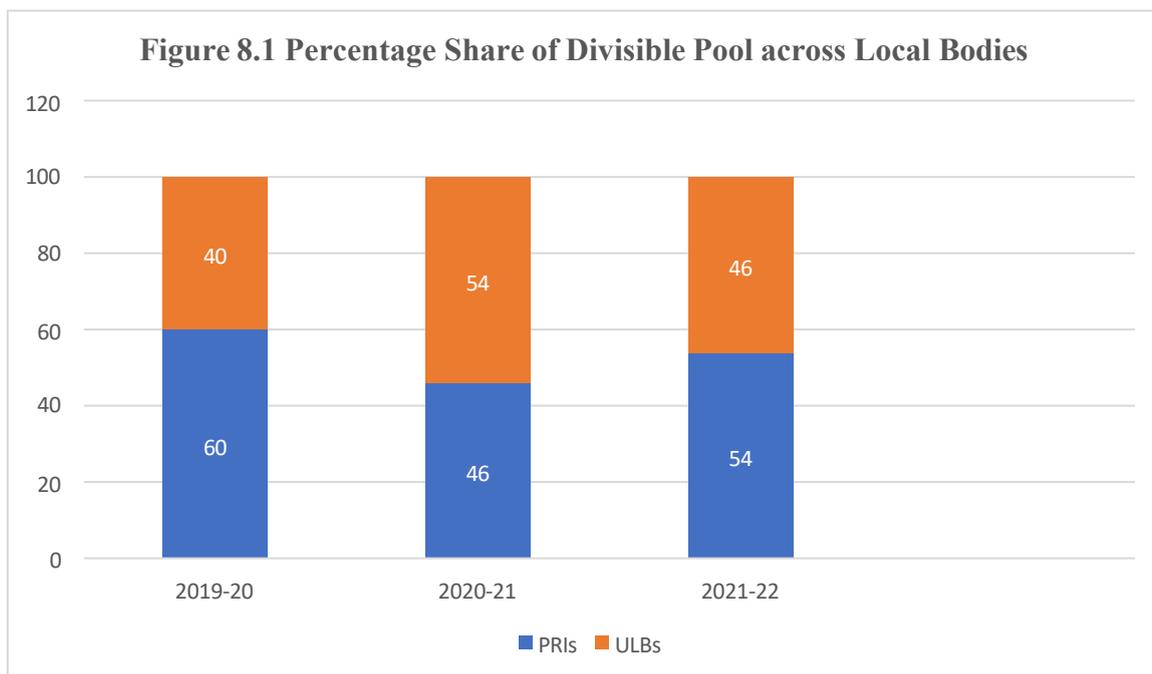
**Table 8.2: SFC Devolution to Local Bodies (Rs. Crore)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (P)*	2017-18 (P)*	2018-19 (P)*	2019-20	2020-21 (P)**	2021-22 (BE)**
<b>Divisible Poo (Net SOTR)</b>	6248	7361	7956	7657	8845	26942	30240	33958	42183	41285	52094
<b>Total SFC Grants</b>	<b>270.8</b>	<b>319.1</b>	<b>331.5</b>	<b>352.5</b>	<b>340</b>	<b>1874</b>	<b>2104</b>	<b>2363</b>	<b>2354</b>	<b>2770</b>	<b>3255</b>
<b>PRIs</b>	143 (53)	171 (54)	213 (64)	200 (57)	150 (44)	1031 (55)	1157 (55)	1300 (55)	1417 (60)	1277 (46)	1755 (54)
<b>ULBs</b>	127 (47)	147 (46)	118 (36)	152 (43)	190 (56)	843 (45)	947 (45)	1063 (45)	936 (40)	1493 (54)	1500 (46)

Source: 5<sup>th</sup> SFC & 6<sup>th</sup> SFC Report

\*Based on 5<sup>th</sup> SFC Report's calculations SET 1 (see page 245 of Main Report)

\*\*Based on 6<sup>th</sup> SFC



Source: Table 8.2

The 6<sup>th</sup> SFC has recommended a revision in divisible pool from the 5<sup>th</sup> SFC. The Commission recommends augmenting the divisible pool from earlier 7 per cent to 9 per cent. Out of this entire 9 per cent, it recommends that 7 per cent would be devolved as per the formula presented in Table 8.3a, whereas the remaining 2 per cent is recommended to be used for special grants and other budgetary transfers to both PRIs and ULBs and for water and sewage services taken over by municipal corporations, to be decided by the state government.

Under the 6<sup>th</sup> SFC, the division of the SOTR granted for the PRIs (i.e. 50 % of the 7 % of the Net SOTR) is to be split between of gram panchayats, Panchayat Samitis and zilla parishad's in the ratio of 70:15:15 changed from 75:15:10 recommended by the 5<sup>th</sup> SFC. The actual, budgeted and projected devolution has been presented in Table 8.3b.

**Table 8.3a: Projected Devolution to PRIs and ULBs (In Rs Crore) recommended in 6<sup>th</sup> FC**

	2021-22	2022-23	2023-24	2024-25	2025-26
<b>PRIs (50%)</b>	2140	1772	1927	2097	2286
<b>ULBs (50%)</b>	2140	1772	1927	2097	2286
<b>Divisible Pool (7 % of Net SOTR)</b>	<b>4280</b>	<b>3544</b>	<b>3854</b>	<b>4195</b>	<b>4573</b>
<b>Net SOTR</b>	61156	50642	55058	55938	65335

Source: 6<sup>th</sup> State Finance Commission

**Table 8.3b: Actual Financial Devolution to Local Bodies (In Rs Crore) under Budgets**

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
<b>PRIs</b>	223 (54)	1074 (82)	542 (68)	754 (70)	1417 (60)	1277 (46)	-	727 (27)	2602 (52)	3816 (55)
<b>ULBs</b>	189 (46)	230 (18)	250 (32)	318 (30)	936 (40)	1493 (54)	1228 (100)	2001 (73)	2374 (48)	3122 (45)
<b>Total Share of Local Bodies</b>	<b>413</b>	<b>1304</b>	<b>792</b>	<b>1072</b>	<b>2353</b>	<b>2770</b>	<b>1228</b>	<b>2729</b>	<b>4976</b>	<b>6938</b>

Source: Budget Documents 2018 onwards

Table 8.3b shows that while there has been a drastic increase devolution as per the state budgets over the past decade, the amount devolved has often fluctuated. 2021-22's distribution was completely lopsided. Moreover, post 2021, there was a drastic fall in the total devolution and it only recovered to its pre-COVID levels in 2023-24 (BE). This can be explained due to the already decelerating economy of India prior to the Pandemic and the overall external shock it received due to COVID-19.

**Table 8.4: Actual release and transfers of Grant-in-aid (in Rs. Crore)**

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>PRIs</b>	213.04 (75)	419.28 (76)	656.72 (68)	756.98 (64)	775.99 (81)	1048.53 (59)	1264 (67)	467.50 (68)	660.96 (62)
<b>ULBs</b>	71.02 (25)	135.04 (24)	301.21 (32)	433.28 (36)	177.87 (19)	730.11 (41)	609 (33)	223.75 (32)	400.25 (38)
<b>Total</b>	<b>284.06</b>	<b>554.32</b>	<b>957.93</b>	<b>1190.26</b>	<b>953.86</b>	<b>1778.64</b>	<b>1873</b>	<b>691.25</b>	<b>1061.21</b>

Source: CAG Report 2019-20, 2020-21, 2021-22 & Various state budget documents

Actual funds released by the State government as Grant-in-Aid is presented in Table 8.4. Once again, while overall grants to local bodies have increased in absolute terms, it reached its peak in 2020-21 the financial year of COVID-19. However, it has drastically fallen since by more than 50 % in the following year and is yet to return to pre-pandemic levels. Only thing that has remained consistent is that PRIs continue to receive the lion's share of grants, although its share has fallen in this period.

The total transfers of funds to the PRIs and ULBs by the State Government in the form of total grants and loans are presented in Table 8.5. Actual funds released may be based on actual needs and demands of the local bodies. It depends on the performance as well. It also depends on the revenue generated in the form of decentralized taxes such as entry fee and some more such taxes earned by the local bodies. Depending on the revenue and surplus generated the funds are also transferred as loans and grants. Moreover, the non-SFC grants are also there in the transfers. So, the total transfers of the state government to local bodies are quite high relative to the fund released as grants-in-aid.

**Table 8.5: Transfer to Panchayati Raj Institution and Urban Local Bodies (Rs Crore)**

YEAR	MAJOR HEAD	PANCHAYATI RAJ INSTITUTION	URBAN LOCAL BODIES	GRAND TOTAL
2013-14	Grant	741	1641	2382
	Loan	94	0	94
	<b>Total (%)</b>	<b>835 (34)</b>	<b>1641 (66)</b>	<b>2476 (100)</b>
2014-15	Grant	735	1718	2453
	Loan	0	0	0
	<b>Total (%)</b>	<b>735 (30)</b>	<b>1718 (70)</b>	<b>2453</b>
2015-16	Grant	962	1859	2821
	Loan	1	0	1
	<b>Total (%)</b>	<b>963 (34)</b>	<b>1859 (66)</b>	<b>2822</b>
2016-17	Grant	1685	2357	4042
	Loan	0	0	0
	<b>Total (%)</b>	<b>1685 (42)</b>	<b>2357 (58)</b>	<b>4042</b>
2017-18	Grant	1727	2267	3994
	Loan	1	0	1
	<b>Total (%)</b>	<b>1728 (43)</b>	<b>2267 (57)</b>	<b>3996</b>
2018-19 (RE)	Grant	2776	2636	5413
	Loan	2	0	1
	<b>Total (%)</b>	<b>2778 (51)</b>	<b>2636 (49)</b>	<b>5414</b>
2019-20	Grant	1475	1658	3134
	Loan	0	0	0
	<b>Total (%)</b>	<b>1475 (47)</b>	<b>1658 (53)</b>	<b>3134</b>
2020-21	Grant	2541	2327	4689
	Loan	0	0	0
	<b>Total (%)</b>	<b>2541 (54)</b>	<b>2327 (46)</b>	<b>4689</b>
2021-22	Grant	468	2402	2870
	Loan	0	0	0
	<b>Total (%)</b>	<b>468 (16)</b>	<b>2402 (84)</b>	<b>2870</b>
2022-23	Grant	1131	2664	3795
	Loan	0	173	173
	<b>Total (%)</b>	<b>1131 (28)</b>	<b>2837 (72)</b>	<b>3968</b>
2023-24 (RE)	Grant	3917	2603	6520
	Loan	0	0	0
	<b>Total (%)</b>	<b>3917 (60)</b>	<b>2603 (40)</b>	<b>6520</b>
2024-25 (BE)	Grant	4857	3618	8475
	Loan	1	5	6
	<b>Total (%)</b>	<b>4858 (57)</b>	<b>3623 (43)</b>	<b>8481</b>

Source: Annual Financial Statement and Explanatory Memorandum of various years (Haryana State)

There has been a noticeable increase in the allocation of funds from the state budget to PRIs and ULBs over recent years, reflecting an enhanced commitment to decentralization and empowerment of local governance. Except for 2020-21, ULBs have been the main recipient of transfers, both- grants and loans. This could be explained due to the growing urbanization of Haryana (almost 35 % as per 2011 Census) and the need for ensuring efficient and effective delivery of urban services. Projected figures hope to reverse this trend. The year 2021-22 witnessed decline in overall transfers primarily due to two factors: fall in revenue due to the impact of COVID due to which tax revenue and non-tax revenue was impacted and secondly, end of the GST compensation package which was due to end in 2022. But if we were taking the projected estimates at their face value, one would expect transfers to local bodies to pick up in a couple of years.

The state government has not updated the data beyond 2016-17 as of January 2025. This data is presented in Table 8.6 The total income especially tax revenue and expenditure of local bodies on crucial socio-economic indicators like medical, public health and education has been presented in table 8.7.

**Table 8.6: Compensation to Local Bodies**

<b>YEAR</b>	<b>Compensation and Assignment to Local Bodies and Panchayati Raj Institutions</b>	<b>Total General Services under Revenue Expenditure</b>	<b>Compensation and Assignments as % of GS</b>
2005-06	2.5	45.8	5.46
2006-07	2.75	48.45	5.67
2007-08	3.37	52.3	6.44
2008-09	2.16	60.24	3.58
2009-10	0.7	77.55	0.9
2010-11	0.81	93.28	0.87
2011-12	0.99	102.2	0.97
2012-13	1.02	118.97	0.86
2013-14	1.36	135.97	1
2014-15	1.45	167.65	0.86
2015-16	3.08	187.13	1.64
2016-17	2.48	216.31	1.14

*Source: Statistical Abstracts of Haryana, various issues*

### **Functional Devolution to Urban Local Bodies**

ULBs should be entrusted with a wider array of functions, particularly those related to urban planning, waste management, public health, and infrastructure development. This transfer aims to empower local bodies to address specific urban issues effectively. The need for substantial investment in urban infrastructure is noted, particularly in areas like transportation, housing, and public spaces to accommodate rapid urbanization.

The Sixth SFC advocates for greater financial independence for ULBs, enabling them to generate revenue through local taxes and other sources. This includes optimizing property tax collection and exploring innovative financing mechanisms. Tax revenue has been a major component of total revenue receipts. They reached a peak (as proportion of total income) in 2013-14 and have steadily declined since. However, post COVID years give some glimpse of hope that they will recover to previously higher proportions. Total Income of the local bodies steadily declined post 2016-17 and particularly due to the onset of COVID and a substantial fall in tax revenue collections. However, total income levels have reversed to the pre-COVID levels due to a healthy and steady increase in tax revenue collections after they took a severe hit during COVID years of 2020-21 (see Table 8.7). As a result, the overall income of local bodies was also severally impacted by this fall in tax revenue and its income levels are yet to recover to the pre-pandemic high of 2017-18.

Despite Haryana's adverse pupil to teacher ratio in primary education, it can be witnessed that the expenditure on education hasn't been consistently growing enough to address this issue strongly and has, in fact, fallen in proportion over the past decade (Table 8.7). Moreover, medical expenditure had received considerable boost as of later years but has been on a steady decline since 2018. Such trend doesn't bode well for a state known for adverse health access for women. Similarly, public health expenditure reached a peak after a secular increase, in 2019- 20, the state hasn't committed enough resources to it despite the adversities faced due to the pandemic. This could perhaps be an outcome of the cyclical domino effect of reduced earnings (due to fall in tax revenue) and hence, an overall fall in expenditure post 2019-20.

Table 8.8 shows how the GFCF has increased for more than a decade in a secular manner. Urban Local bodies had contributed substantial share in Capital Formation in the state over the years at almost the same pace with the central and state governments until 2020. Post 2019-20, a larger share in GFCF has been contributed by the central and state governments. The growth in GFCF by Local Bodies took a hit in 2020-21 and is yet to recover to pre-COVID levels. Their ability to contribute to GFCF was in turn impacted by the decline of grants from state during 2019-20 and later.

**Table 8.7: Details of Income and Total Expenditure of Local Bodies (Rs. Crore)**

SOURCES OF INCOME	Accounts											
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Tax Revenue</b>	222 (14.9)	297 (16.24)	522 (20.19)	828 (28.39)	374 (12.81)	674 (18.81)	696 (15.19)	920 (14.52)	522 (9.6)	429 (8.0)	659 (13.82)	716 (12.75)
<b>Total Income</b>	<b>1,490</b>	<b>1,828</b>	<b>2,585</b>	<b>2,916</b>	<b>2,919</b>	<b>3,582</b>	<b>4,580</b>	<b>6,336</b>	<b>5,437</b>	<b>5,360</b>	<b>4,768</b>	<b>5,615</b>

Source: Statistical Abstracts of Haryana (various issues)

**Table 8.7a: Details of Total Expenditure of Local Bodies (Rs. Crore)**

SOURCES OF EXPENDITURE	Accounts											
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Education (%)</b>	2.28 (0.24)	2.14 (0.21)	4.98 (0.36)	5.24 (0.32)	4.20 (0.28)	2.72 (0.17)	1.45 (0.07)	4.66 (0.14)	2.54 (0.08)	1.61 (0.05)	0.72 (0.02)	4.68 (0.14)
<b>Medical (%)</b>	0.78 (0.08)	0.69 (0.07)	1.99 (0.14)	1.27 (0.08)	2.61 (0.17)	65.94 (4.2)	93.23 (4.9)	156.90 (4.8)	87.22 (2.9)	79.87 (2.4)	15.72 (0.58)	37.45 (1.12)
<b>Public Health (%)</b>	243 (26)	254 (25.7)	321 (23.4)	370 (22.3)	413 (27.5)	393 (24.9)	349 (18.6)	414 (12.6)	504 (17.08)	515 (15.6)	366 (13.47)	459 (13.8)
<b>Total Expenditure</b>	933	987	1367	1610	1501	1576	1872	3270	2950	3284	2717	3326

Source: Statistical Abstracts of Haryana, various issues

**Table 8.8: Gross Fixed Capital Formation by types of Institutions in Haryana (Rs. Crore in current prices)**

Industry	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 (P)
<b>Public Administration</b>	6583.67	7160.25	8026	9957.76	11456.07	12686.46	12537.52	11897.07	14451.26	15592.84	14028.91	20105.06
<b>(a) Central Government (%)</b>	2072.01 (31.4)	2099.03 (29.31)	2177.01 (27.12)	2272.78 (22.81)	2343.26 (20.45)	2570.56 (20.26)	2791.64 (22.26)	3081.99 (25.9)	3174.14 (21.96)	3722.92 (23.87)	5416.55 (38.6)	7317.49 (36.39)
<b>(b) State Government (%)</b>	2902.02 (44.08)	3150.00 (43.99)	3586.10 (44.68)	4670.19 (46.9)	4464.97 (28.97)	5779.38 (45.55)	5015.79 (40.00)	5630.25 (47.32)	5743.42 (39.74)	6893.20 (44.2)	6277.41 (44.74)	10248.29 (50.97)
<b>(c) Local Bodies (%)</b>	1609.64 (24.44)	1911.22 (26.69)	2262.89 (28.19)	3014.79 (30.27)	4647.84 (40.57)	4336.52 (34.18)	4730.09 (37.72)	3184.83 (26.76)	5533.70 (38.29)	4976.72 (31.91)	2334.95 (16.64)	2539.28 (12.63)

Source: Statistical Abstract of Haryana (various issues)

## **Functional Devolution of PRIs**

As per the Haryana Panchayati Raj Act 1994, the following 29 items come under PRIs as per the Eleventh Schedule of the Act.

1. Agriculture, including agriculture extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, village and cottage industries.
10. Rural housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Markets and fairs.
23. Health and sanitation, including hospitals, primary health centres and dispensaries.
24. Family welfare.
25. Women and child development.
26. Social welfare, including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
28. Public distribution system.
29. Maintenance of community assets.

The Fourth SFC reported that there had been many new initiatives of the State Government to empower each Gram Panchayats, Panchayats and Zila Parishad in 2012 by enhancing the amount budgeted for each work under these three rural local bodies. The Sixth SFC emphasizes the need for a complete devolution of powers to PRIs, recommending that all 29 subjects listed under the constitutional framework be effectively transferred to local bodies. This includes areas such as agriculture, rural development, health, and sanitation, which are crucial for local governance and community welfare. The 6th SFC's revised plans for Haryana's Panchayati Raj

Institutions (PRIs) are designed to improve the institutions' functional devolution. PRIs should be given more ability and efficacy to oversee local development and governance programs.

Gram Panchayats were empowered to appoint workers for cleanliness. PRIs participated in implementing Centrally Sponsored Schemes such as Sampoorna Gramin Yojana, Indira Awas Yojana, Drinking Water and Rural Sanitation, MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) and other national level schemes (“Centrally Sponsored Schemes Routed Through Panchayats,” 2011). Model Villages scheme was launched to provide city like urban amenities in designated rural areas. Gram Panchayats were endowed with the responsibilities to maintain the rural schemes of pavement on streets, drainage for waste water disposal, pipelines, street lights, construction of retaining walls and other facilities.

Other key decentralization initiatives undertaken included the launch of the the Antyodaya Saral (2017) initiative aims to transform public service delivery through a citizen-centric approach. by establishing Saral Kendras at district and tehsil levels and creation of Common Service Centers (CSCs) at the village level to facilitate decentralized access to services. Various e-governance initiatives complimented this. (Reference to this, budget allocation, check budget for more decentralization schemes)

The Sixth SFC notes a lack of awareness among bureaucratic levels regarding the role and potential of PRIs, which hampers effective devolution. This gap needs to be addressed through awareness campaigns and training.

Haryana Rural Development Authority (HRDA) was set up in 2007 for housing, environmental and other civic infrastructural needs of the rural areas.

Other schemes that are running currently are

- National Rural Livelihood Mission
- Surcharge on VAT for PRIs
- Swach Bharat Mission
- Rashtriya Gram Swaraj Abhiyan (RGSA)
- Integrated Watershed Management Programme (IWMP)
- Rural Health and Sanitation Programme

The number of rural local bodies has expanded significantly, according to the most recent data available for 2016–17 (Table 8.9).

**Table 8.9: Rural Local Bodies till 2016-17**

<b>Number of Gram Panchayats</b>	<b>6186</b>
<b>Number of Panchayats</b>	<b>60436</b>
<b>Number of Block Samitis</b>	<b>140</b>
<b>Number of Zila Parishads</b>	<b>22</b>

*Source: Statistical Abstract of Haryana, 2016-17*

The State Government determined in 2021–2022 that the 2% stamp duty would no longer be a component of State resources and would instead be given directly to the Urban Local Bodies. From 2021 to 2022, 1% will go to the Directorate of Urban Local Bodies and 1% to the Municipalities (MCs). Nevertheless, measures are also taken in 2022–2023 until the new devolutionary system is stable. Thus, there has been a secular decline in stamp duty dispersed to local bodies. Stamp Duty collection peaked in 2017-18 and has seen a sharp decline since with the most drastic fall due to the change in the aforementioned stamp duty devolution method.

Since 2019, Haryana's PRI and ULB salary and pay patterns have been influenced by a complicated interaction of administrative difficulties, economic conditions, and budgetary allocations. This can be observed in the wild fluctuating pattern of salary and honorarium disbursement amounts over the past decade (see Table 8.10). While there have been advances in recent years aimed at strengthening local government, continued budgetary restrictions create issues that need to be addressed to provide timely and appropriate remuneration for local body officials.

**Table 8.10: Some components of Financing schemes of Local Bodies (Rs. Crore)**

Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020- 21	2021-22	2022-23 (RE)	2023-24 (BE)
<b>Stamp duty share to ULBs</b>											
<b>Total</b>	452	118	427	470	990	511	627	878	760	731	189
<b>Salaries, Pension, Honorarium and other development programs transfers to PRIs</b>											
<b>Total</b>	63	64	34	60	73	169	95	161	153	56	30

*Source: Multiple Haryana State Budgets across various years*

### **ULB and PRI performance audits**

A separate CAG audited report was published for Local Bodies in 2022. The report covered the period 2015-16 to 2019-20. The report's sample size covered 5 areas and 15 ULBs across all tiers. The major finding of this report was that statutory amendments despite their enactment had not been implemented in the spirit of the 74<sup>th</sup> Constitutional Amendment Act. Some of the recent performance and scheme-wise reports fall under Social Sector audit reports. See table 8.11 for a brief list of performance related and other metric related audits conducted of different departments by CAG over the past 5 years. In accordance with Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, a technical report covering the years 2017–18 and 2018–19 had been prepared for submission to the Government of Haryana. It provides technical guidance and support to the audit of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs).

**Table 8.11: List of Audits conducted in recent times**

List of Performance Audit conducted during last five years			
S. No.	Name of Scheme	Department	Year
1.	Rural and Urban Water Supply Schemes	Education, Health & Family Welfare	2020-21
2.	Compliance Audit	Social Welfare	2020-21
3.	State Finance Audit	Finance	2021-22
4.	Compliance Audit	Social Welfare	2020-21
5.	Functioning of Haryana Power Generation Corporation Limited	Power and Energy	2021-22

List of Thematic Audit conducted during last five years			
S.No.	Name of scheme	Department	Year
1.	Annual Technical Inspection Report	Urban Local Bodies	2018-19

Source: AG Haryana Website, <https://cag.gov.in/ag/haryana/en>

It is recommended to conduct independent financial audits and create accounts of revenue and expenses for local bodies. Local bodies' independent financial accounts are available in several states, such as Maharashtra and Gujarat. The Haryana government's Directorate of ULB has made available the annual statements of various local bodies throughout the districts for the fiscal year 2020–21. However, the website has not been updated post that financial year. This demonstrates that there is a significant delay in Urban Local Bodies' accounting processes which is important for transparency and credibility of these institutions in public eye.

### Findings and Recommendations

The financial analysis of urban local bodies (ULBs) and Panchayati Raj Institutions (PRIs) reveals that these entities' financial autonomy tends to decrease with time and it had been most affected by the global pandemic of COVID-19. Since Tax revenue was the main source of their income, a fall in this item meant a domino effect on its spending capacity especially on crucial social sectors. Because of their increasing spending responsibilities in comparison to their declining income mobilization from internal sources, it has led the local bodies to become overly dependent on transfers. The fact that there are voluntary resource transfers from CFCs and SFCs as well as contingent governmental budgetary support from time to time exacerbates their financial condition. In fact, SFC grants have reached at the peak levels and in the recent years as a proportion of the total funds devolved.

However, a more concerning trend has been the strong reliance on grants and transfers which barring the COVID years have maintained a significant presence. Moreover, the over-lapping and lack of synchronization between CFC and SFC has led to different formulae's for SOTR division to PRIs and ULBs. There remains a strong need to regularize and streamline this. Moreover, the data base for local bodies is also inadequately maintained and needs to be me

made more systematic for easier and more efficient access for public accountability and for policy-making as well as research analysis to improve their effectiveness for public well-being. There is a significant amount of adhocism in the fiscal devolution to the ULBs in Haryana as well as most other states which really needs urgent attention to meet the needs of urbanization and associated challenges which are constraining the growth and development of the states and it people.

In order to ensure efficient fiscal delegation, there is an urgent need to map out the activities of the enlisted 18 subjects in order to determine the subfunctions of each function, the number of functionaries needed for each function, and the corresponding amount of funding. In this manner, efficient financial devolution from several sources would provide the intended outcomes benefiting the urban areas and their residents improving their living standards.

## CHAPTER 9

### **Performance of the State PSE of Haryana**

Public Sector Enterprises (PSEs) play a pivotal role in driving economic growth and development, particularly in Haryana. Established by the state government, these entities engage in commercial activities and fulfill specific responsibilities. Over time, they have gained greater autonomy, enabling them to raise and allocate resources efficiently, which supports faster decision-making and could help in improving the performance

This chapter evaluates Haryana's PSEs' financial performance using physical and financial indicators. The review aims to illuminate their operations, providing valuable insights to identify potential areas for reform and improvement. The analysis is intended to assist policymakers in enhancing the efficiency and effectiveness of these enterprises, thereby sustaining their contributions to the state's economy.

Data on the State Profile includes 42 State Public Sector Enterprises. Among these, 23 are registered under the Companies Act, 1956, and 19 under the Cooperative Societies Act, 1984. Of the 42 active PSEs, 26 achieved a net profit totaling Rs. 1083.53 crores in the financial year 2019-20. The number of profit-making PSEs has increased from 22 to 26 over the past five years.

According to the Government of Haryana Profile of state public sector enterprise in the 2019-20 report, the total investment in these PSEs, represented as Paid-up Share Capital, rose from Rs. 29,130.30 crores in 2018-19 to Rs. 37,497.09 crore in 2019-20, marking a significant 29% jump. Of this investment, the State Government contributed approximately 96% of the Share Capital.

The PSEs are broadly classified into four groups:

- 1) Agricultural & Allied Sector PSEs
- 2) Cooperative Sector PSEs
- 3) Industrial and Infrastructure PSEs
- 4) Electricity Sector PSEs.

We will analyze these in detail next, except for the electricity sector units which are examined separately in the next chapter, i.e. Chapter 9.

Sector wise PSE	Table 9: Percentage share of turnover for each Public Sector Enterprise (PSE)											
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>1. Agriculture &amp; Allied Sector PSEs</b>	3.15	5.14	4.86	4.12	4.74	5.09	8.77	9.66	10.29	11.57	9.71	9.13
<b>2. Cooperative Sector PSEs</b>	44.53	23.66	41.34	37.88	40.21	37.64	22.66	21.22	21.85	18.22	21.23	24.62
<b>3. Industrial and Infrastructure Sector</b>	1.08	1.17	0.81	1.11	1.01	9.2	2.63	1.91	2.08	3.07	4.99	3.67
<b>4. Electricity Sector PSEs</b>	51.24	70.03	52.99	56.89	54.05	48.08	65.94	67.21	65.77	67.14	64.07	62.58

*Source: Profile of Public Sector Enterprises by The Department of Finance, State of Haryana (various issues)*

Table 9 summarizes the share of turnover across PSEs in the state of Haryana. We can notice that the Electricity Sector PSEs' dominance in Haryana's economy highlights their critical role in the state's industrial and economic infrastructure. Their consistent contribution to turnover peaked at 70.03% in 2009-10 and maintained a significant share above 60% through 2019-20. The Agricultural & Allied Sector PSEs have grown robust over the years, underpinned by strategic investments and operational efficiencies. The share of this sector in overall PSE performance rose steadily, peaking in 2017-18 at 11.57%. The share declined to 9.13% in 2019-20, the sector continues to play a vital role in the state's economic framework, reflecting its enduring importance. The Cooperative Sector within PSEs initially showed strong performance, peaking at a 44.53% turnover share in 2008-09, but has steadily declined to 24.62% by 2019-20. The Industrial and Infrastructure Sector has a lowest turnover share, initially stable at around 1%. It experienced a sharp spike to 9.20% in 2013-14, likely due to a specific project or investment, but declined to 3.67% by 2019-20. Overall, while the Electricity and Agricultural & Allied sectors continue to hold significant importance, the Cooperative and Industrial Infrastructure sectors have faced challenges. The continuing dominance of electricity-related PSEs reflects the ongoing need for reliable energy infrastructure to support Haryana's industrial and economic activities.

### 9.1 Performance of PSEs in Agriculture and Allied Sector

There are four PSEs under the subgroup of Agriculture and Allied Sector. These are:

- 1. Haryana Agro Industries Corporation Limited** – The corporation's primary goal is to develop agro-based industries and facilitate the sale of seeds, fertilizers, and agricultural equipment through a network of 17 farmer service centers. Additionally, it participates in procurement activities under the Minimum Support Price (MSP) regime for various crops.
- 2. Haryana Seeds Development Corporation Limited** – This organization aims to organize the production and distribution of certified seeds to farmers in the State at affordable rates. Its market share currently accounts for approximately 15-20% of the State's total seed distribution.

3. **Haryana Land Reclamation and Development Corporation Limited** – The corporation's responsibilities include distributing agricultural inputs, producing seeds, and reclaiming degraded soil. It acts as an extension of the State in distributing agricultural inputs like gypsum, urea, and zinc sulfate. Over time, the corporation has diversified its operations to include managing three gas agencies and petrol stations, in addition to generating income from rental properties, which falls outside its initial mandate.
4. **Haryana State Warehousing Corporation Limited** – The corporation's mission is to construct godowns and warehouses strategically to minimize storage losses and promote scientific storage practices.

**Table 9.1: Financial Performance of PSEs in Agriculture and Allied Sector (Rs Lakhs)**

Years	Total Debt	Turnover	Profit / Loss (PAIT)	Accumulated Profits/Losses
2008-09	78969.3	87977.5	1186	31893.5
2009-10	170148.7	126950.9	2698.5	33922.1
2010-11	57925.9	178164.1	2981	33058.1
2011-12	128155.3	152708	2454.4	34907.5
2012-13	193440.4	215195	17813.3	25343.1
2013-14	110574.3	309011.3	2672.7	27254.3
2014-15	60311.1	426715.2	-5482.8	18261.0
2015-16	57540.6	499936.2	2433.8	16879.7
2016-17	55790.7	553072.7	2454.5	20306.0
2017-18	96304.27	662192.24	4665.97	25610.7
2018-19	198719.33	616305.03	-9751.58	25107.3
2019-20	296702.97	550254.79	6770.22	29885.8
<b>CAGR</b>	<b>11.7%</b>	<b>16.5%</b>	<b>15.6%</b>	<b>-0.5%</b>
<b>SD</b>	<b>72354.3</b>	<b>200446.4</b>	<b>6279.7</b>	<b>5853.3</b>

Source: Profile of Public Sector Enterprises by The Department of Finance, State of Haryana (various issues)

The financial performance of Haryana's PSEs in the Agriculture and Allied Sectors shows good growth despite challenges. Turnover increased significantly from Rs. 87,977.5 lakhs in 2008-09 to Rs. 550,254.79 lakhs in 2019-20, with a CAGR of 16.5%. However, rising debt, which grew from Rs. 78,969.3 lakhs in 2008-09 to Rs. 296,702.97 lakhs in 2019-20 (CAGR of 11.7%), and volatile profitability are a bit of a concern though it has not been common occurrence. The Profit/Loss after tax (PAIT) values show some variability, some negative values, particularly in 2014-15 and 2018-19, indicating potential challenges in those years. However, the CAGR of 15.6% suggests overall profitability improvements. Accumulated Profits/Losses indicate fluctuating cumulative results with minimal change in CAGR (-0.5%). Given good surpluses the accumulated debt seems to indicate good future potential for these agriculture sector PSEs. This is also reflected in rising share of these PSE in overall turnover of PSEs.

**Table 9.2: Financial Performance of PSEs in Agriculture and Allied Sector (Rs Lakhs)**

Years	Turnover per Employee	Expenditure per Employee	Profit per Employee	Accumulated Profit per Employee
2010-11	195	6.9	1	10.6
2011-12	197.5	4.8	1.1	11.8
2012-13	316.5	5.8	-11	10.1
2013-14	534.5	1.4	0.7	10.4
2014-15	279.4	7	-6.1	1.9
2015-16	285.8	-3	1	3.1
2016-17	292.1	-5.3	0.8	7.8
2017-18	481.6	4.5	3.4	18.6
2018-19	503.5	5.1	0.2	20.5
2019-20	461.2	21.4	5.7	25.1
<b>CAGR</b>	<b>9.0%</b>	<b>12.0%</b>	<b>19.0%</b>	<b>9.0%</b>
<b>SD</b>	<b>121.6</b>	<b>6.8</b>	<b>4.5</b>	<b>7.0</b>

Source: Profile of Public Sector Enterprises by The Department of Finance, State of Haryana (various issues)

This data provides insight into the financial trends over time, showing fluctuations in turnover, expenditure, profit, and accumulated profit on a per-employee basis. The high CAGR for profit per employee suggests increasing efficiency and/or profitability over time, despite the higher volatility as reflected in its standard deviation. The significant rise in expenditure per employee, especially in 2019-20 due to the implementation of the Pay Commission Recommendations in the state, could lead to challenges. This may require close watch to keep the rising expenditures in check.

## 9.2 Performance of PSEs in the Cooperative Sector

Cooperative Sector PSEs include the following enterprises:

- The Haryana State Federation of Cooperative Sugar Mills Limited
- The Haryana State Cooperative Apex Bank Limited.
- Haryana State Cooperative Agriculture and Rural Development Bank Limited. (HSCARDB)
- The Haryana State Cooperative Supply and Marketing Federation Limited (HAFED).
- Haryana State Federation of Consumers Cooperative Wholesale Stores Ltd. (CONFED).
- The Haryana Dairy Development Cooperative Federation Limited.
- The Haryana State Cooperative Housing Federation Limited.
- The Haryana State Cooperative Labour & Construction Federation Limited

**Table 9.3: Financial Performance of PSEs in the Cooperatives Sector (Rs lakhs)**

Years	Total Debt	Turnover	Profit / Loss (PAIT)	Accumulated Profits/Losses
2008-09	999571.6	1243803.7	6792.9	-2031.5
2009-10	1063411.1	584080.2	4321.3	-4571.7
2010-11	2491109.5	1514937.4	11221	-1847.1
2011-12	2955924.8	1405045.2	12776.4	-2483.8
2012-13	3077230.4	1826743.7	2355.8	62926.3
2013-14	2349053.8	2286409.7	-4576.4	46477.8
2014-15	1890528.7	1102763.8	-62677.3	-150630.5
2015-16	2011781.5	1098199.8	-32970.6	-188507.3
2016-17	1243803.7	1174236.6	-6366.4	-193994.7
2017-18	1103380.9	1043008.1	9976.4	26498.1
2018-19	1240017.5	1347756.6	1615.0	-32120.6
2019-20	1452892.9	1482910.3	17936.7	-23570.4
<b>CAGR</b>	<b>3.2%</b>	<b>1.5%</b>	<b>8.4 %</b>	<b>22.7 %</b>
<b>SD</b>	<b>719090.3</b>	<b>408141.3</b>	<b>21851.2</b>	<b>84839.2</b>

Source: Profile of Public Sector Enterprises by The Department of Finance, State of Haryana (various issues)

**Table 9.4: Financial Performance of PSEs in the Cooperatives Sector (Rs lakhs)**

Years	Turnover per Employee	Expenditure per Employee (Rs crores)	Profit per Employee (Rs crores)	Accumulated Profit per Employee (Rs crores)
2008-09	59.3	2.24	1.18	1.5
2009-10	83.96	3.22	0.87	0.15
2010-11	115.66	4.17	0.82	2.27
2011-12	114.95	4.48	0.36	0.81
2012-13	154.74	4.37	-1.66	1.79
2013-14	205.19	5.02	-2.71	-2.88
2014-15	141.91	5.38	-2.24	-7.51
2015-16	139.21	5.55	0.2	-8.98
2016-17	179.82	6.71	10.76	2.31
2017-18	214.2	2.8	2.0	5.4
2018-19	291.1	4.2	0.3	-6.9
2019-20	327.9	4.2	4.0	-5.2
<b>CAGR</b>	<b>15.3%</b>	<b>5.3%</b>	<b>10.6%</b>	.....
<b>SD</b>	<b>76.6</b>	<b>1.2</b>	<b>3.4</b>	<b>4.5</b>

Source: Profile of Public Sector Enterprises by The Department of Finance, State of Haryana (various issues)

The financial performance of PSEs in the Cooperatives Sector presents a mixed picture. Profits grew from Rs. 6,792.9 lakhs in 2008-09 to Rs. 17,936.7 lakhs in 2019-20 (CAGR of

8.4%), with a notable rebound in 2019-20, likely due to operational improvements. However, this positive trend needs to be sustained. There had been losses between 2014-15 to 2016-17. Turnover growth has been slow since 2014-15 suggesting stagnation or inefficiencies. Total debt rose from Rs. 999,571.6 lakhs to Rs. 30,77,230 lakhs by 2012-13, potentially reflecting financial stress. Afterwards, it has seen a declining trend. Accumulated losses also worsened, growing from Rs. -2,031.5 lakhs in 2008-09 to Rs. -23,570.4 lakhs by 2019-20, indicating unresolved financial challenges despite intermittent profitability.

The financial performance of PSEs in the Cooperatives Sector indicates growth in turnover and profit but faces challenges in long-term profitability. Turnover per employee grew significantly, with a CAGR of 15.3 %, rising from Rs. 59.3 lakhs in 2008-09 to Rs. 327.9 lakhs in 2019-20. Expenditure also increased but at a lower rate of CAGR of 5.3%, from Rs. 2.24 lakhs to Rs. 4.2 lakhs during the same period. Profit per employee has been growing with fluctuations, with a CAGR of 10.6 %, showing fluctuations and negative figures between 2012-13 to 2014-15, but recovering to Rs. 4.0 lakhs by 2019-20. However, the accumulated profit per employee has fluctuated significantly, moving from Rs. 1.5 lakhs in 2008-09 to negative Rs. 5.2 lakhs by 2019-20.

**Table 9.5: Financial Performance of PSEs in the Industrial and Infrastructure Sector  
(Rs lakhs)**

Years	Total Debt	Turnover	Profit / Loss (PAIT)	Accumulated Profits/Losses
2009-10	43372.7	28894.4	6763.7	9266.3
2010-11	34923.5	29507.1	9314.8	4178
2011-12	86119.1	41357.3	12428.6	13188.6
2012-13	336234.1	45762.7	8950.8	31368
2013-14	440695.1	558817.0	59101.2	87390.6
2014-15	466275.0	127888.6	26729.1	106927.8
2015-16	573043.0	98837.0	8863.0	118628.2
2016-17	887218.0	112006.9	6151.1	125541.7
2017-18	1388103.0	175591.0	23217.2	144720.0
2018-19	1318854	316671.79	92676.81	252656.01
2019-20	1293458	221253.28	11211.81	264361
<b>CAGR</b>	<b>36.2%</b>	<b>20.3%</b>	<b>4.7%</b>	<b>35.6%</b>
<b>SD</b>	<b>495568.6</b>	<b>152558.1</b>	<b>26182.7</b>	<b>86800.4</b>

Source: Profile of Public Sector Enterprises by The Department of Finance, State of Haryana (various issues)

### 9.3 Performance of PSEs in the Industrial & Infrastructure Sector

Industries and Infrastructure Sector PSEs Includes

- Haryana State Roads and Bridges Development Corporation Ltd,
- Haryana Financial Corporation
- Haryana State Industrial and Infrastructure Development Corporation Ltd.
- Haryana Roadways Engineering Corporation Ltd.

The financial performance of PSEs in the Industrial and Infrastructure Sector shows steep rise in debt and in turnover but faces challenges with fluctuating profitability. Debt rose from Rs. 43372.7 lakhs in 2009-10 to Rs. 1,293,458 lakhs in 2019-20, with a CAGR of 36.2%, while turnover increased from Rs. 28894.4 lakhs to Rs. 221,253.28 lakhs, growing at 20.3%. Despite this, (PAIT) was volatile, highest at Rs. 92,676.81 lakhs in 2018-19 before falling to Rs. 11,211.81 lakhs in 2019-20, with a CAGR of 4.7%. The accumulated profits have increased over the years, with a particularly steep rise after 2013-14. This indicates accumulating profits, which could be a good signal for financial health, with a CAGR of 35.6%.

**Table 9.6: Financial Performance of PSEs in the Industrial and Infrastructure Sector (Rs lakhs)**

Years	Turnover per Employee	Expenditure per Employee	Profit per Employee	Accumulated Profit per Employee
2009-10	43.68	2.35	9.45	15.8
2010-11	41.78	3.5	7.82	-19.44
2011-12	64.44	4.28	15.11	-9.18
2012-13	81.97	5.22	4.06	10.88
2013-14	309.28	4.6	25.78	35.92
2014-15	139.25	6.12	43.14	27.16
2015-16	81.17	6.26	13.09	44.51
2016-17	73.12	9.29	4.22	52.02
2017-18	119.5	4.64	15.8	98.5
2018-19	435.0	7.95	127.3	347.1
2019-20	326.8	9.77	16.6	390.5
<b>CAGR</b>	<b>20.1%</b>	<b>13.8%</b>	<b>5.2%</b>	<b>33.9%</b>
<b>SD</b>	<b>129.4</b>	<b>2.2</b>	<b>33.8</b>	<b>135.0</b>

Source: Profile of Public Sector Enterprises by The Department of Finance, State of Haryana (various issues)

The financial performance of PSEs in the Industrial and Infrastructure Sector indicates strong turnover growth but faces slight challenges with respect to profitability and rising costs. Turnover per employee increased from Rs. 43.68 lakhs in 2009-10 to Rs. 326.8 lakhs in 2019-20, with a CAGR of 20.1%. However, expenditure per employee also grew significantly, from Rs. 2.35 lakhs to Rs. 9.77 lakhs, at a CAGR of 13.8%, indicating rising operational costs. Profit per employee fluctuated reaching highest at Rs. 127.3 lakhs in 2018-19 before dropping

to Rs. 16.6 lakhs in 2019-20, with a CAGR of 5.2%. The recovery from negative accumulated profits in earlier years to positive figures by 2019-20 suggests effective strategic planning and recovery initiatives. There is a positive trend in operational performance over the period, especially in turnover and accumulated profit. However, the fluctuations in profit per employee indicate areas for further investigation to stabilize and enhance profitability so that they act as a cushion to state finances by adding to non-tax revenue.

### **9.3.1 Performance of Haryana Roadways**

#### **The Importance of Public Transportation**

Efficient and affordable public transportation is vital for enhancing mobility, reducing pollution, and alleviating traffic congestion in urban areas. Vulnerable groups, such as children and seniors, suffer from inadequate transport options, leading to public health issues. Closing loss-making transport undertakings worsens service quality, raises transport costs, and increases reliance on imported fossil fuels. Public transportation is generally safer than private vehicles, resulting in fewer accidents.

To improve the situation, it's essential to adopt supportive policies, invest in infrastructure, and involve communities in planning. Enhancing public transport can boost the quality of life, economic stability, and sustainability in the state of Haryana and India, making it crucial for addressing urbanization challenges. Following these trends let us examine next, how public transportation is doing in Haryana.

#### ***Haryana Roadways – The Public Bus Network***

Haryana Roadways, established in 1966, is the state-owned public bus transportation service in the state. The organization was formed to provide efficient, affordable, and reliable transportation across the state, catering to the needs of residents and visitors. Haryana Roadways has established itself as a vital transportation service in the state, continuously evolving to meet the needs of its passengers while focusing on sustainability and safety. The initiatives taken, including the introduction of advanced bus models and improved passenger amenities, reflect its commitment to providing quality public transportation services.

Haryana Roadways is the state's primary passenger transport service, operating 13 lakh kilometers daily through 24 depots and 13 sub-depots. To improve service, it has introduced initiatives like Volvo AC 'Saarathi' buses for airport routes, BS VI-compliant Haryana Shakti buses for environmental sustainability, and pink minibuses under the "Beti Padhao Beti Bachao" initiative for female student safety.

Additionally, bus stand facilities have been upgraded, offering hygienic food, filtered water, and plans for GPS in buses and CCTV cameras for enhanced safety. Free and concessional travel is available for various passenger groups, reflecting the government's commitment to improving public transport.

### ***Fleet of Buses***

Haryana Roadways has made significant improvements in its transport services supported by large investments by the Government of Haryana. With a fleet of 2,581 public buses (including 150 mini buses), 562 Kilometre Scheme buses, and 284 non-bus vehicles, the network serves around 7 lakh passengers daily. The organization operates 24 depots, 13 sub- depots, and 110 bus stands, supported by 18,367 staff members. Haryana Roadways has an annual turnover of ₹2,041 crore, reflecting its vital role in the state's public transport system.

The data presents a comprehensive look at the operational performance of a transport fleet from 2007 to 2022, revealing key trends and impacts, particularly due to the COVID-19 pandemic. There has been a steady decline in fleet held (CAGR of -0.7%) and utilization (-CAGR of 1.2%), with a significant drop to 56% in 2020-21, recovering partially to 78% in 2021-22. Kilometers operated, also declined sharply, due to the lockdown during the COVID-19 pandemic (CAGR of -4.3%). Passenger numbers fell sharply (CAGR of -6.8%), and staff productivity dropped (CAGR of -4.9%), showing reduced efficiency. Daily kilometers per bus decreased (CAGR of -3.6%), further highlighting operational challenges post-2016 and during the pandemic.

In contrast, the load factor (occupancy) improved slightly (0.7% CAGR), showing some resilience. Safety significantly improved, with far fewer accidents (-9.8% CAGR) and a reduced accident rate (-5.5% CAGR), possibly due to better safety measures and fewer vehicles on the road in the recent years due to COVID and associated slowdown in economic activity. Fuel efficiency remained stable (-0.2% CAGR), suggesting reasonable fuel management.

In summary, the Haryana Roadways experienced long-term declines in fleet size, kilometres operated, and passengers carried, worsened by the COVID pandemic, although there were improvements in safety and occupancy. Recovery and stabilization operations are essential for reversing these downward trends.

Haryana Roadways is facing significant financial challenges despite increasing revenues. From 2007-08 to 2021-22, receipts grew from ₹61,983.36 Lac to ₹1,07,016.99 Lac (CAGR: 4.0%), but expenditures rose at a faster rate, from ₹73,513.23 Lac to ₹2,04,156.27 Lac (CAGR: 7.6%). This has led to escalating losses, growing from -₹11,529.87 Lac to -₹97,139.28 Lac (CAGR: 16.4%). The negative financial burden to the state exchequer reached at its peak level of -₹87,871.95 Lakhs in 2020-21, highlighting financial sustainability concerns for the organisation as well as state finances.

**Key Insight:** Rising expenditures and increasing losses demand urgent attention to improve operational efficiency and implement cost management strategies to ensure long-term financial stability. Rationalisation of fares and operations seems to be the need of the hour to ensure financial viability of the organisation and arresting its decline. This could have serious repercussions for the mobility needs of the majority lower sections of the population of the state. Also, this would push people towards increasing use of private vehicles which would not just raise the cost of mobility but also would worsen the deteriorating pollution and congestion in the state with adverse implications for people's health.

### **Haryana Roadways Engineering Corporation (HREC)**

This corporation was incorporated in Nov 1987 and has been registered under the Companies Act 1956. Initially, at the time of its incorporation, the Authorized Share Capital of this corporation was Rs. 2.00 crore and which has been gradually increased up to 6.60 Crore. The main objective of the HERC has been

1. To promote, establish, administer, and manage the Bus Body Building Workshop.
2. To manufacture bus bodies according to design and specifications approved by the Company and to import and export buses.
3. To procure chassis from the chassis manufacturers and also to procure raw materials used in the fabrication of bus bodies.
4. To sell or give on lease completed bus bodies on such terms and conditions as may be approved by the Company.
5. To undertake contract carriage operations.
6. To run or provide operations or services or set up and manage facilities which are in the nature of enabling infrastructure for the efficient functioning of the Transport Sector.
7. To act as technical consultants to any Indian firm or Company engaged in the fabrication of bus bodies of various applications and also to production units and official agencies for the promotion of such industry.
8. To enter into business as Mechanical Engineers and manufacturers of implements, machinery tools, etc. necessary in the fabrication of bus bodies.

It was established to fabricate bus bodies mainly for Haryana Roadways. It fabricated 838 bodies in 2012-2013 alone. More details about HREC are covered in the main part of the chapter on PSEs. (Based on the website Department Road Transport Haryana Roadways)<sup>1</sup>

### **Conclusion**

Haryana's Public Sector Enterprises (PSEs) exhibit significant growth potential and contribute meaningfully to the state's economy. However, challenges like rising debt, fluctuating profitability, and inefficiencies across key sectors must be mitigated for sustained financial health and long-term economic benefits. The PSEs are becoming a serious challenge for the

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<sup>1</sup> Department road transport Haryana Roadways Link: <https://hartrans.gov.in/haryana-roadways-engineering-corporation/>

state finances and there is an urgent need to revamp the unviable PSEs and wherever feasible they need to divested to improve resource base of the state to improve its economic and social performance.

**Key highlights include on:**

- 1. Debt Management:** Rising debt across sectors, particularly in agriculture, cooperatives, and road transport sectors need to be addressed through restructuring and targeted reforms to reinvigorate them.
- 2. Operational Efficiency:** Investments in technology and capacity-building could further improve profitability and turnover per employee. This requires a detailed analysis and involving of experts to support them in their turnaround
- 3. Focus on sectors:** Sectors like agriculture, cooperatives, and industrial infrastructure require strategic support to reduce dependence on electricity PSEs.

**Table 9.8: Haryana Roadways - Physical Performance**

Sr. No.	Particulars	Unit	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	CAGR
1	Avg. fleet held	(No.)	3281	3073	3203	3249	3402	3755	3816	4079	4170	4145	4063	3951	3630	3359	2961	-0.7%
2	Fleet Utilisation	(%age)	92	96	95	95	93	93	89	91	90	91	89	90	92	56	78	-1.2%
3	Effective KMs Operated	(Lac KMs)	3920.71	3927.75	3831.7	3797.08	3768.36	4225.78	4213.2	4666.77	4589.28	4601.87	4299.96	4053.07	3643.4	1541.32	2111.73	-4.3%
4	Effective KMs / day	(Lac KMs)	10.74	10.76	10.5	10.4	10.32	11.58	11.54	12.79	12.54	12.61	11.78	11.1	10.11	4.86	7.62	-2.4%
5	Load Factor / Occupancy	(%age)	70.5	73	74.7	71.4	74.3	79.1	71.86	74.29	75.29	68.76	67.87	69.13	69.14	69.38	77.28	0.7%
6	Vehicle Utilization	(Km / Bus / Day)	327.36	350.23	327.74	320.2	303.51	314.22	340	345	300.7	304.15	289.93	281.07	274.27	125.73	195.39	-3.6%
7	KMPL	(KM / LTR)	4.87	4.8	4.7	4.69	4.73	4.68	4.73	4.74	4.66	4.67	4.66	4.64	4.7	4.77	4.74	-0.2%
8	Passengers Carried	(Lacs)	3977.86	3935.47	4053.25	4183.06	4027.61	4527.18	4466.1	4683.42	4554.46	4458.81	3993.74	4286.16	3375	1296.27	1484.68	-6.8%
9	Passengers Carried per day	(Lacs)	10.9	10.75	11.1	11.46	11.03	12.4	12.24	12.83	12.44	12.22	10.94	11.74	9.22	3.55	4.07	-6.8%
10	E. Total Staff	(No.)	16689	18321	17452	16536	16619	18970	18634	18259	17646	16968	16004	19663	19932	18963	18626	0.8%
11	Staff Productivity	(Eff KMs / Person / Day)	64.36	58.74	60.15	62.91	62.12	61.03	67.97	69.33	72.25	75.51	74.89	57.47	50.91	22.88	31.9	-4.9%
12	No. of Accidents	(No.)	334	337	321	296	259	295	241	249	263	284	249	206	166	62	79	-9.8%
13	No. of Accidents/Lac Kms		0.08	0.0841	0.0822	0.0766	0.0675	0.0685	0.0561	0.0525	0.0564	0.0607	0.05692	0.04994	0.0447	0.03915	0.03642	-5.5%

Sources: Department of State Transport (Haryana Roadways)

**Table 9.9: Haryana Roadways - Financial Performance**

Sr. No.	Particulars	Unit	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	GAGR
1	Total Receipt	(Rs. Lakhs)	61983.36	64182.58	69957.03	76165.57	85499.21	100076.6	109900	125553.8	124980.8	126348.9	127761.7	118969.1	110577.3	58059.26	107017	<b>4.0%</b>
2	Receipt Per Km	(Ps)	1580.92	1634.08	1824.74	2005.9	2267.87	2368.24	2608.49	2690.38	2723.32	2745.6	2971.23	2935.28	2987.44	3275.63	3850.03	<b>6.6%</b>
3	Total Expenditure	(Rs. Lakhs)	73513.23	94484.94	93972	103899.3	107092.6	128557.8	150579.4	173802.1	175803.9	191374.9	196431.5	203626.1	199224.9	162004.06	204156.3	<b>7.6%</b>
4	Total Expenditure / Km	(Ps/KM)	1875	2150.98	2542.49	2736.29	2841.89	3042.23	3574.02	3724.25	3830.76	4158.63	4568.22	5023.99	5382.41	9140.07	7344.7	<b>10.2%</b>
5	Net Profit/Loss	(Rs. Lakhs)	-11529.9	-20302.4	-24015	-27733.7	-21593.4	-28481.2	-40679.4	-48248.3	-50823.1	-65025.9	-68669.8	-84657	-88647.6	-103944.8	-97139.3	<b>16.4%</b>
6	Total resources to State	(Rs. Lakhs)	3343.7	-3992.56	-9130.08	-11073.1	-3613.29	-8083.32	-19032.6	-24071.9	-25128.2	-38642.1	-44662.3	-60770	-65866.6	-87871.95	-78936.2	<b>23.8%</b>
7	Total resources to State/Km	(Ps/KM)	85.28	-101.65	-238.28	-291.62	-95.88	-191.29	-451.74	-515.81	-547.54	-839.7	-1038.67	-1499.36	-1779.5	-4957.63	-2839.8	<b>26.9%</b>

Sources: Department of State Transport (Haryana Roadways)

## Chapter 9A

### **New Initiative by Haryana Government to improve Public Transport in the City of Gurugram: Gurugram Metropolitan City Bus Limited (GMCBL)**

Gurugram, adjoining Delhi and part of the National Capital Region (NCR), has witnessed rapid urbanisation and growth over the last three decades. Despite its expansion and population growth, the city lacked a dedicated public bus transport system, causing significant mobility challenges for its residents till very recently.

According to an internal study by the Gurugram Metropolitan Development Authority (GMDA) in 2021, over 449,000 cars enter the district every day, while around 447,000 exit Gurugram, with the majority travelling to or from Delhi. The lack of an adequate public transport system has been a major contributor to this heavy car and two-wheeler traffic in the city, which could be alleviated by improving public transport, especially the bus services (HT, 2024). The public transport based on buses is much cheaper and facilitates better last mile connectivity for the residents than metro-based ones.

Out of the estimated daily passenger movement of 1,640,000, about 1,100,000 people from Gurugram move towards Delhi, followed by 240,000 towards Faridabad, which is expected to almost double towards Delhi and treble towards Faridabad in the next 15 years, according to GMDA's study (HT, 2024).

To address this gap, the Gurugram Metropolitan City Bus Limited (GMCBL) was established on September 5, 2017. GMCBL is a Special Purpose Vehicle (SPV) formed under the Companies Act, 2013, with the mandate of developing and managing an efficient city bus transport system for the Gurugram Metropolitan area. The entity functions in alignment with the Gurugram Metropolitan Development Authority Act, 2017, ensuring integrated urban mobility solutions. GMCBL is a public transportation entity serving the Gurugram metropolitan area. As a Special Purpose Vehicle (SPV), it is formed through a joint collaboration between: the Gurugram Metropolitan Development Authority (GMDA), the Municipal Corporation of Gurugram (MCG) and the Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC). GMCBL has been aimed at improving the city's public transport infrastructure and make bus services more affordable, accessible, efficient, and environmentally sustainable. By involving these three prominent city and state organizations, GMCBL has been working towards enhancing mobility, easing traffic congestion, and promoting sustainable transportation solutions for residents and visitors of Gurugram. GMCBL has all the buses based on cleaner CNG fuel.

GMCBL integrates advanced technology to ensure seamless bus operations, featuring the following components:

- **Intelligent Transport System (ITS) and Passenger Information System (PIS):** Provides real-time route and destination displays, automatic announcements, GPS tracking, CCTV surveillance, panic buttons, and Validator-QR code readers.

- **Flexible Payment Options:** Includes validators and Electronic Ticketing Machines (ETMs) supporting both cash and digital payments, with options for smart card-based ticketing through mobile phones.
- **Smart Cards:** GMCBL, in collaboration with IDFC, offers co-branded semi-closed loop smart cards, available at six kiosks across Gurugram, showing increased uptake among users.

### **Performance of the Gurugram Metropolitan City Bus Limited:**

Although the GMCBL was established in August 2017 with an initial goal of operating 500 buses by 2021-2022, the fleet currently stands at only around 208 buses in 2024 (Figure 9A.1). The COVID pandemic and resource constraints have been major contributors to slower growth in last 2 years for the organisation.

The data on performance were compiled from the GMCBL daily report available on the GMCBL website.

The operations of GMCBL show a strong growth trajectory from 2018 to 2024 (Fig- 9A.2). This expansion can be attributed to several factors. These include growing population, lack of adequate bus services among others. There has been a noticeable dip due to the COVID-19 pandemic in 2020, followed by an effective recovery. The fleet expanded from an average of 80 buses daily travelled in 2018 to 204 buses by 2024, highlighting an aggressive scaling of operations. The average daily trips initially increased significantly, from 86 in 2018 to 1,015 in 2019. However, the pandemic led to a reduction in the operation of the fleet to 56 buses and 788 daily trips in 2020. Despite the challenges posed by the pandemic, GMCBL bounced back with a recovery phase and the fleet rose. By 2024, the operations saw a steady increase, reaching 208 buses and 2,353 daily trips.

1. **Growth Deceleration:** The bus services and number of trips within the city seems to have stabilized, meaning that an increase in fleet size might be necessary to reach new locations and improve the bus network in the city to connect it better with Metro stations to make it more useful for residents and further mitigate the carbon emissions in the process.
2. **Operational and Resource Constraints:** There might be limitations related to resources such as funding infrastructure and, or space. The focus of GMCBL seems to have shifted toward improving operational efficiency and maintaining the current fleet rather than adding more buses or increasing trips.
3. **Diversion of Buses:** GMCBL has diverted around 50 its buses to sister city of Faridabad which also has been running without any organised public bus service. Once

the government starts a dedicated service for Faridabad along the same lines as GMCBL these buses would enhance the fleet of GMCBL soon (HT, 2025).<sup>2</sup>

GMCBL experienced rapid growth from 2018 to 2021, thereafter a stabilization in fleet size and a slight increase in daily trips from 2022 to 2024. The fleet size increased from 2018 to 2021 to meet the growing demand. By 2022, the system seems to have experienced a steep slowdown as the number of buses and number of trips have barely increased with respect to the city's needs (Figure 9A.2).

**Opportunities Despite Stabilization:** Given the context of GMCBL's fleet stabilization the city is undergoing rapid population expansion, especially with the development of areas along the Dwarka Expressway and other emerging sectors. This urbanization creates an increasing demand for robust public transportation solutions to cater to both current and future commuters. It is important to note that GMCBL would need more buses than are available to accommodate the future rise in the number of passengers. Upgrading buses with smart technologies or transitioning to e-buses could attract more riders even in a stable demand environment.

The GMDA, the major stakeholder in the GMCBL or the City operator do not provide the latest financial details for the venture for recent years. Based on the past information available we find that the GMCBL has been making financial losses in FY 2019-20 and FY 2020-21, the years for which the data is available in the GMCBL Annual Reports. The 2020-21 was an abnormal year due to the lockdown imposed because of COVID pandemic. The GMCBL had to shut operations for a few months too. This is amply reflected in the steep fall in the passenger footfall as well as earnings of the company (Figure 9A.3).

The following analysis is based on the operational data put in the public domain by GMCBL (on their website).

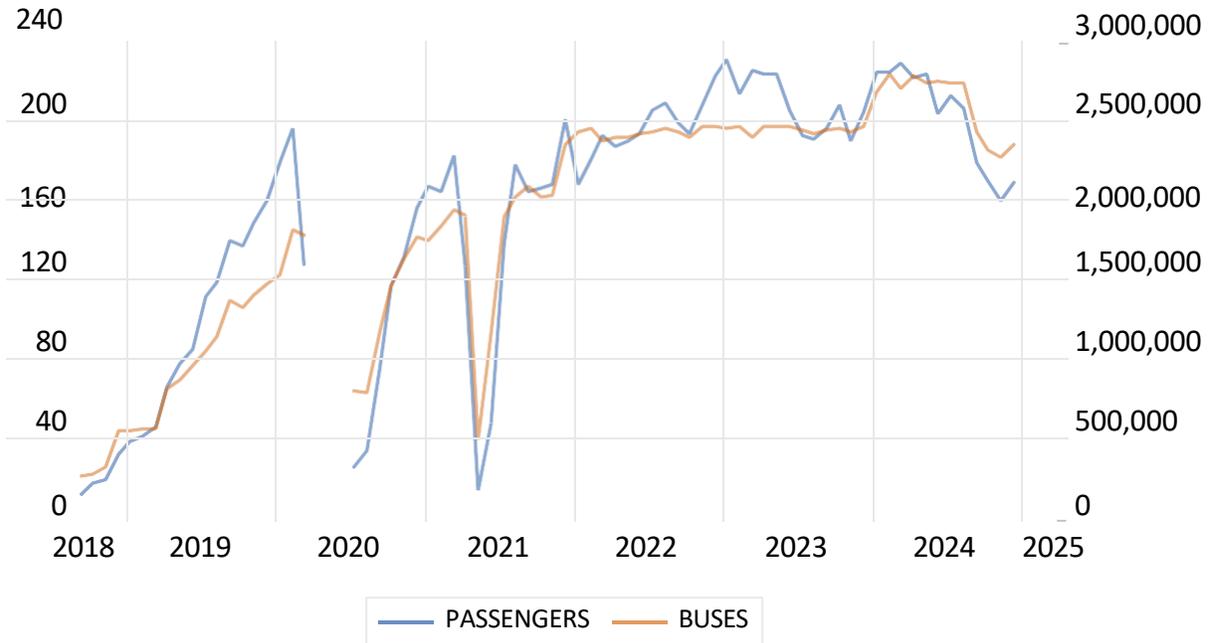
The data shows that the physical performance has improved post-COVID period.

The passenger numbers have risen sharply from around 8.7 thousand per day in 2018, on average, to around 82.6 thousand per day in 2024, which is almost 10 times rise in a very short period despite the COVID impact. However, it seems that in recent period the number of buses are becoming a constraint as number of trips have started to stagnate in the recent months since 2022. Due to this the earnings have also stagnated.

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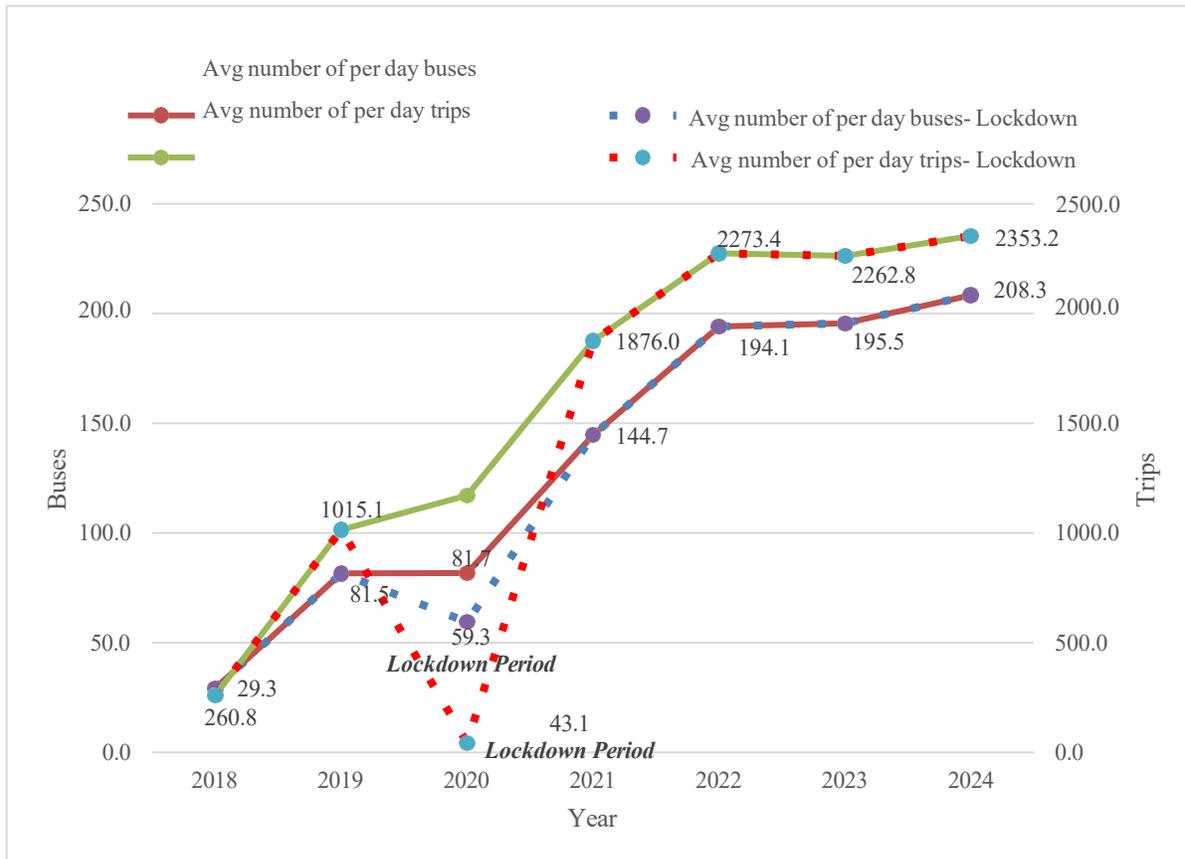
<sup>2</sup> Hindustan Times Jan 24, 2025 Link <https://www.hindustantimes.com/cities/others/gmcb1-to-get-300-e-buses-tweak-routes-to-meet-demand-101737656270149.html>

**Figure 9A.1: GMCBL - Number of Passengers and Buses**



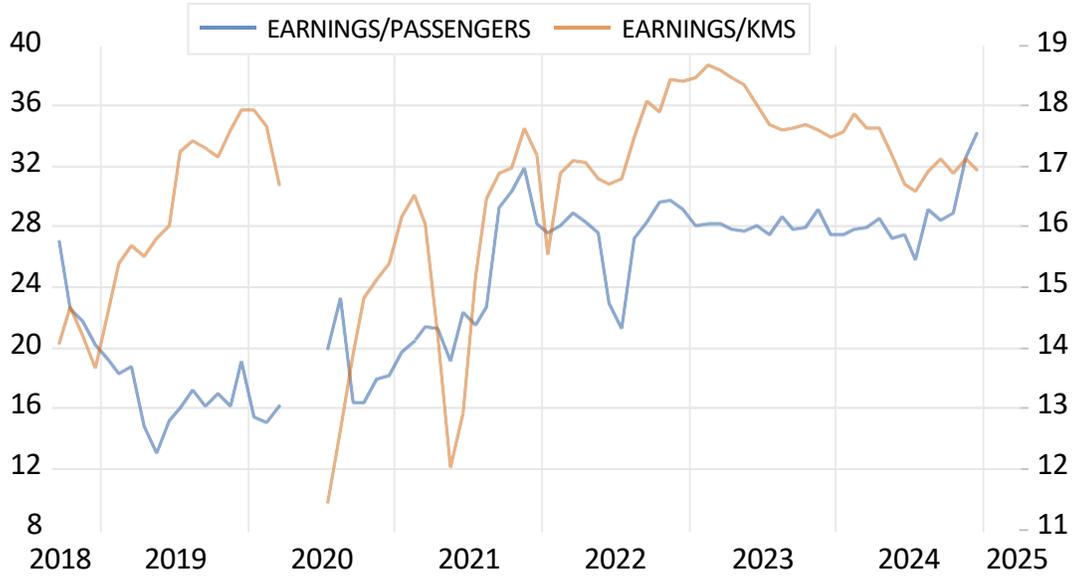
Source: [GMCBL - Daily Reports](#)

**Figure 9.A.2: Average daily number of trips and buses**



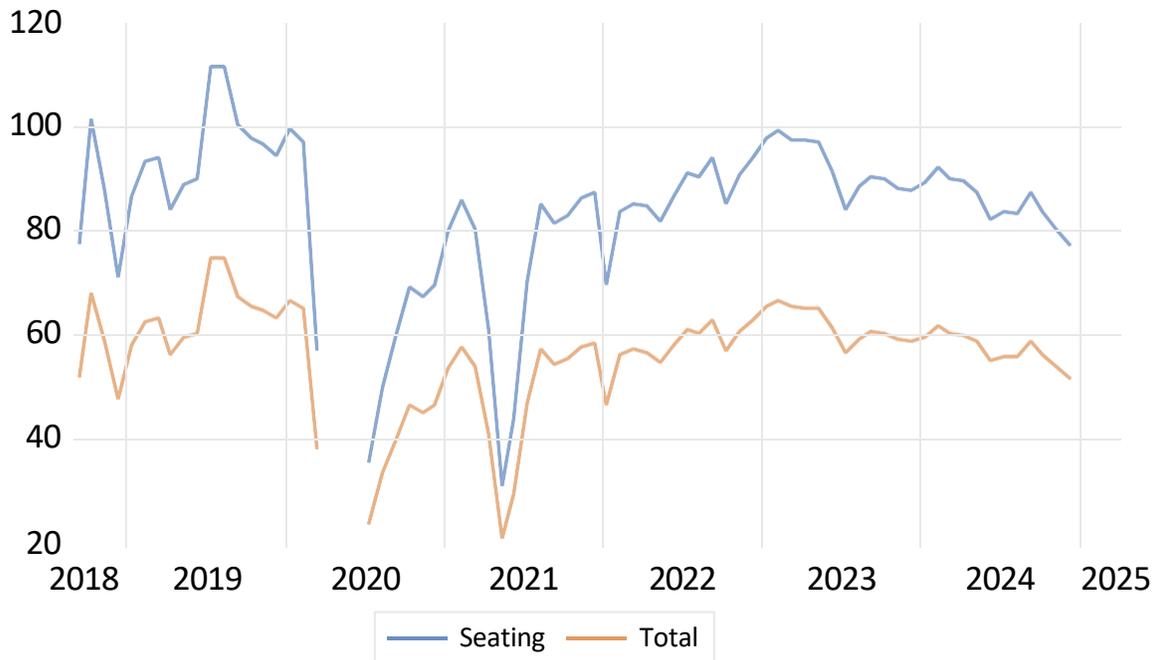
Source: [GMCBL - Daily Reports](#)

**Figure 9A.3: GMCBL - Earnings Per Passenger (₹) and Earnings Per Kilometer (₹)**



Source: [GMCBL - Daily Reports](#)

**GMCBL - Capacity Utilisation (%) - Seating and Total**



Source: [GMCBL - Daily Reports](#)

There was a significant rise in earnings per km from 2018 to 2022, with a deceleration since. The sharp decline in 2020 can be attributed to the pandemic's impact, while earnings have generally trended upwards post-2020, indicating recovery and growth (Fig 9A.3). Earnings per bus show similar patterns, with large increases in 2019 and 2022, followed by deceleration in the later months. The pandemic in 2020 caused a significant decline, but recovery ensued in 2021, with earnings reaching a peak in 2023 before declining slightly since (Fig 9A.3). The possible explanations for these above trends could be:

1. **COVID-19 Impact (2020):** The pandemic had a significant negative effect on earnings as well as number of trips operated due to reduced passenger numbers, as the government-imposed travel restrictions, and disruptions of economic activities.
2. **Fleet Expansion and Service Improvements:** The sharp increases in earnings from 2020 suggest an expansion of the bus fleet and number of trips operated which led to more passengers and earnings along with it.
3. **Decline in 2024:** The slight decline in earnings since 2022 were mainly due to the falling growth of buses and trips operated. This made further increases in number of passengers and earnings even more challenging.

There is no doubt that GMCBL has made significant strides in improving public transportation in a rapidly growing urban sprawl of Gurugram. The ridership data (Fig 9A.1) highlights a strong growth trend over the years, particularly from 2019 to 2024, suggesting a rising demand for bus services in the city. It has successfully integrated technology, expanded its fleet, and increased ridership. However, despite its progress, GMCBL faces financial challenges, including accumulated losses and rising operational costs, as reflected in the recent CAG audit reports (Table 9A.2). The recent stabilization in fleet size and daily trips may indicate that GMCBL stopped growing, yet the rising population, worsening congestion and pollution in Gurugram would require further expansion to the bus network.

The government's plan to expand the fleet to 1,000 buses over the next six years is a strategic response to urban growth, and the introduction of e-buses could provide both environmental and economic benefits (HT 2024).<sup>3</sup>To overcome financial difficulties, GMCBL should focus on increasing operational efficiency, reducing costs, and improving customer satisfaction through better service quality and technological integration. The strong correlation between earnings and number of passengers suggests that optimizing fleet utilization and operational strategies will be key to improving financial performance.

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<sup>3</sup> Hindustan Times Oct 14, 2024, Link: <https://www.hindustantimes.com/cities/gurugram-news/gmcbl-plans-to-add-1-000-buses-to-fleet-build-10-depots-in-6-yrs-101728844591167.html>

The earnings per passenger is closely associated with the earnings per kilometre. This indicates that better network planning and execution could be the key in improving the usage of its fleet as well as earnings. The number of passengers has been stagnating since 2022. Capacity Utilisation has been rather low (Fig 9A.4). This is also reflected in low average fare paid by each passenger which reflects that most users are using the buses for short distances. It is important that the ways are figured out to get more people on the buses to reduce traffic congestion, road accidents as well as mitigating pollution and associated health risks residents face.

**Table-9A.1 Correlation between Earning, Passengers, Trips and Fares**

	Earnings	Passengers	Trips	Average Fare
Earnings	1			
Passengers	0.986	1		
Trips	0.941	0.952	1	
Average Fare	0.692	0.570	0.565	1

**Table-9A.2 Regression Estimation of Passengers Demand**

Dependent Variable: PASSENGERS				
Method: ARMA Maximum Likelihood (BFGS)				
Sample: 2018M09 2024M12			Included observations: 73	
Convergence achieved after 5 iterations				
Coefficient covariance computed using outer product of gradients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	957014	704626	1.358	0.179
BUSES*	13970	1348.7	10.3	0.000
AVG FARE***	-76304	53365	-1.43	0.15
AR(1) *	0.662	0.092	7.132	0.000
SIGMASQ*	29817423491	4395077793	6.784	0.000
R-squared	0.953	Mean dependent var		1934713
Adjusted R-squared	0.951	S.D. dependent var		809135.8
S.E. of regression	178913.0	Akaike info criterion		27.108
Sum squared resid	2176671914903	Schwarz criterion		27.265
Log likelihood	-984.46	Hannan-Quinn critter		27.171
F-statistic	351.155	Durbin-Watson stat		1.87
Prob(F-statistic)	0.000			
Inverted AR Roots	.66			

$$\text{PASSENGERS} = 957014 + 13970.3 * \text{BUSES} - 76304 * \text{AVG FARE} + [\text{AR}(1)=0.662, \text{UNCOND}]$$

The regression analysis indicates that the number of passengers (demand) is dependent on the availability of buses (as it is policy-determined supply) and average fares.

Each bus adds, on an average around 14 thousand new passengers. And, if the fares are rationalised (and reduced) the demand would go up further. Given excess capacity on certain routes it would mean more earnings without too much extra costs.

### **Financial Performance of the Gurugram Metropolitan City Bus Limited**

Based on CAG Audit Report No. 1 of 2024, Gurugram Metropolitan City Bus Limited (GMCBL) had incurred losses as per their latest finalized accounts by CAG. Table 9A.2 highlights SPSEs with eroded net worth. However, the data is not updated so the analysis is based on the available information which is rather dated. Both of these were COVID affected years and the number of passengers were quite low which may have affected the performance of the GMCBL.

**Table-9A.2: Details of SPSEs whose net worth has eroded as per their latest finalised accounts (₹ in crore)**

Name of the SPSE	Latest year of accounts	Paid-up capital	Total Revenue	Total Expenditure	Net Profit (+)/ Loss (-) after interest tax	Accumulated Losses	Net Worth
Gurugram Metropolitan City Bus Limited	2021-22	50	120.34	123.4	(-) 2.64	(-) 57.47	(-) 7.47
Gurugram Metropolitan City Bus Limited	2020-21	50			3.13	(-) 54.83	(-) 4.83

Source: CAG Audit Report No. 1 of 2024 and CAG Audit Report No. 4 of 2021

GMCBL's finalized accounts do reflect a loss in the most recent year, showcasing a potential reassessment of their financial status. Net worth has deteriorated from (-) ₹4.83 crore in 2020-21 to (-) ₹7.47 crore in 2021-22, highlighting worsening financial health, and emphasizing the need for strategic interventions to address financial distress. Accumulated losses increased from (-) ₹54.83 crore in 2020-21 to (-) ₹57.47 crore in 2021-22, indicating continued financial strain, Net Profit/Loss of GMCBL reported a net loss of (-) ₹2.64 crore in 2021-22, compared to a profit of ₹3.13 crore in 2020-21. Revenue for 2021-22 was ₹120.34 crore, while no revenue data is available for 2020-21. Steep fall in number of passengers (by more than 50% in 2020 and 35% in 2021) contributed to falling earnings (by more than 50% in 2020 and by 25% in 2021) which led to widening net losses, and added to accumulated losses. Nonetheless, there is a need for stronger financial management and cost controls wherever feasible.

So, any analysis based on these years would not give a robust picture of the financials of the company. The physical parameters as well as earnings have significantly improved since as we saw above. These might positively impact the GMCBL financial performance in more recent years. But to authenticate it one needs to wait for the CAG Audit Reports for the later years or GMDA or GMCBL Annual Reports as and when they are put in public domain.

## **9A - Summary and Conclusions**

The Haryana government's strategy to modernize its public transport infrastructure, as highlighted in the Economic Survey 2023-24, underscores a significant commitment to improving urban mobility and enhancing the quality of life for its residents. The key highlights from the report suggest more expansion of bus fleet in the state; 809 New Buses ordered, 1,000 BS-IV Buses Purchased, overall total 1491 new buses have been included in the fleet out of which 1,298 ordinary buses, 128 mini-buses, 65 HVAC (Heating, Ventilation, and Air Conditioning) buses

The modernization of Haryana's public transport infrastructure is anticipated to play a transformative role in addressing both current and future challenges. By enhancing the fleet with diverse and modern buses, the initiative could not only meet the immediate transportation needs of a growing population but also prepares for long-term environment and social sustainability. The emphasis on reliable and comfortable transportation options for residents thereby contributes to the state's overall development agenda.

This analysis of GMCBL highlights how key operational factors impact both number of users as well as earnings of the company.

- 1. Fleet size:** A larger fleet could increase both the earnings per kilometre (with improved availability and network effect) adding to the earnings.
- 2. Operational efficiency:** Improved operational efficiency as well as fuel-mix usage such as electric buses, could contribute to saving operational costs in both metrics simultaneously.
- 3. Increasing Bus Utilization:** Maximizing the number of kilometres each bus travels while maintaining quality service could further add to the number of passengers as well as earnings.
- 4. Customer Satisfaction and Retention:** Enhancing service quality through punctuality, cleanliness, and comfort will likely lead to higher ridership, which will result in increased number of passengers as well as earnings. Better route planning around Delhi Metro and Rapid Metro Stations could enhance the connectivity across the city and further help passengers to access the GMCBL buses better.
- 5. Technology Integration & Information Dissemination:** Implementing GPS tracking, real-time data analysis, and passenger load management systems can optimize bus operations, improving earnings per kilometre and overall efficiency. Providing passengers real time information about location of buses through the App could bring

more passengers thereby adding to the earnings.

Each of these factors could contribute to a holistic improvement in the overall operational strategy, impacting the relationship between the two metrics in a positive way.

With metro line projects underway and the construction of new residential developments, there is an urgent need to improve public transportation and connect Gurugram with neighbouring cities like Delhi. “We need to quickly strengthen the public transport network to meet the needs of Gurugram’s growing population and infrastructure,” said Munish Sharma, CEO and Director of GMCBL.

## CHAPTER 10

### Power Sector in Haryana – Reforms & Restructuring Issues

#### Introduction:

Introduction: India is a developing economy and is considered as the world's fastest-growing large economy. Electricity is one of the most widely used forms of energy and has a positive impact on the socioeconomic development of a country. Electricity plays a pivotal role as a universal input for nearly all economic activities in a nation and acts as a cornerstone for economic development. The availability of affordable, reliable, and high-quality power is crucial for accelerating economic growth and fostering a balanced regional development.

This critical infrastructure not only drives industrial and agricultural efficiency but also boosts employment by enabling the growth of sectors such as manufacturing, technology, and services. Additionally, an expanded and efficient power sector helps generate income and foster tax revenue, which, in turn, supports further investments in infrastructure and social development.

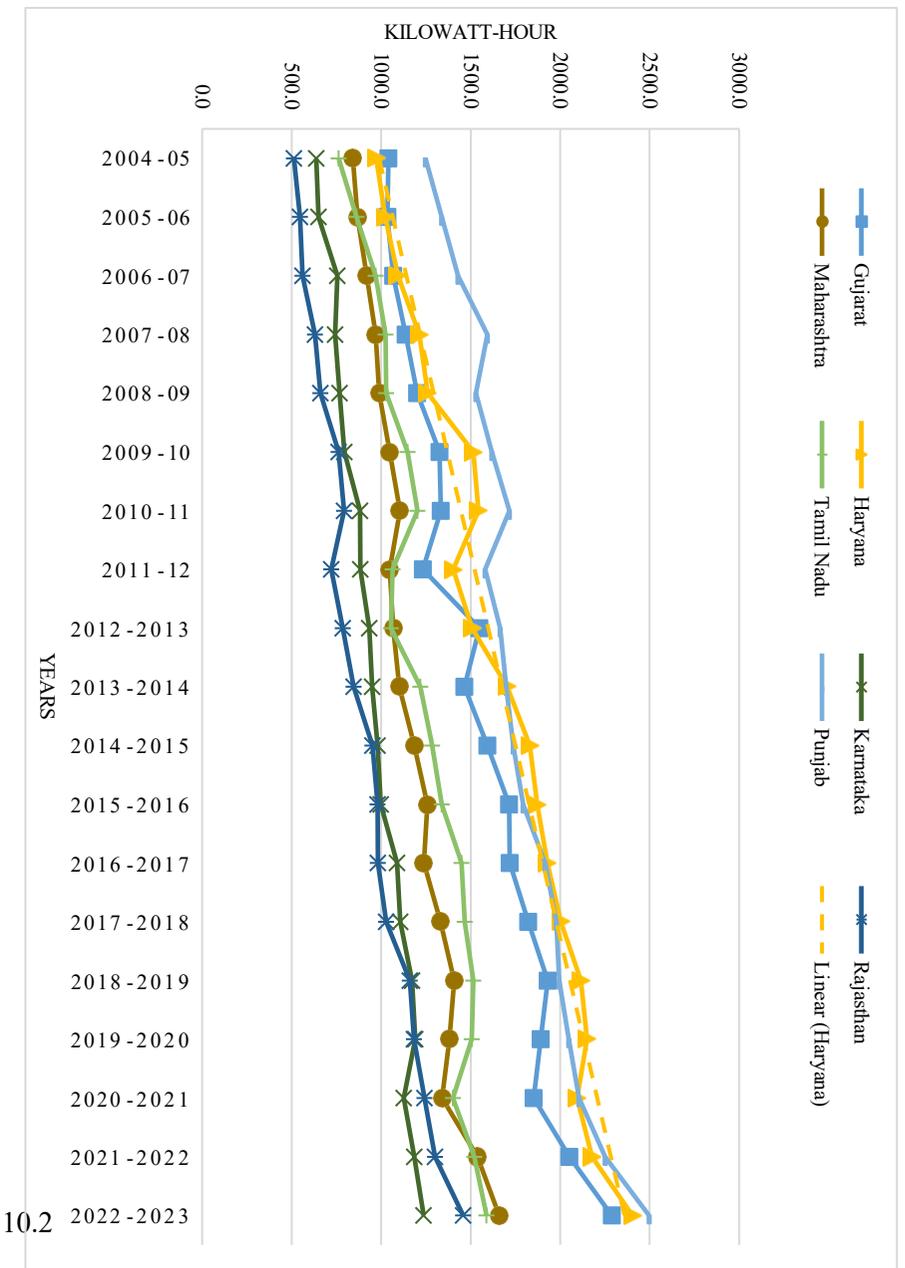
Thus, the role of electricity is fundamental not only in enhancing productivity but also in shaping broader economic and social progress by creating employment opportunities, raising income levels, and boosting a country's global competitiveness.

The state of Haryana can be rated as one of the most well-placed states in availing electricity facilities, as the per capita availability in Haryana is one of the highest in the country.

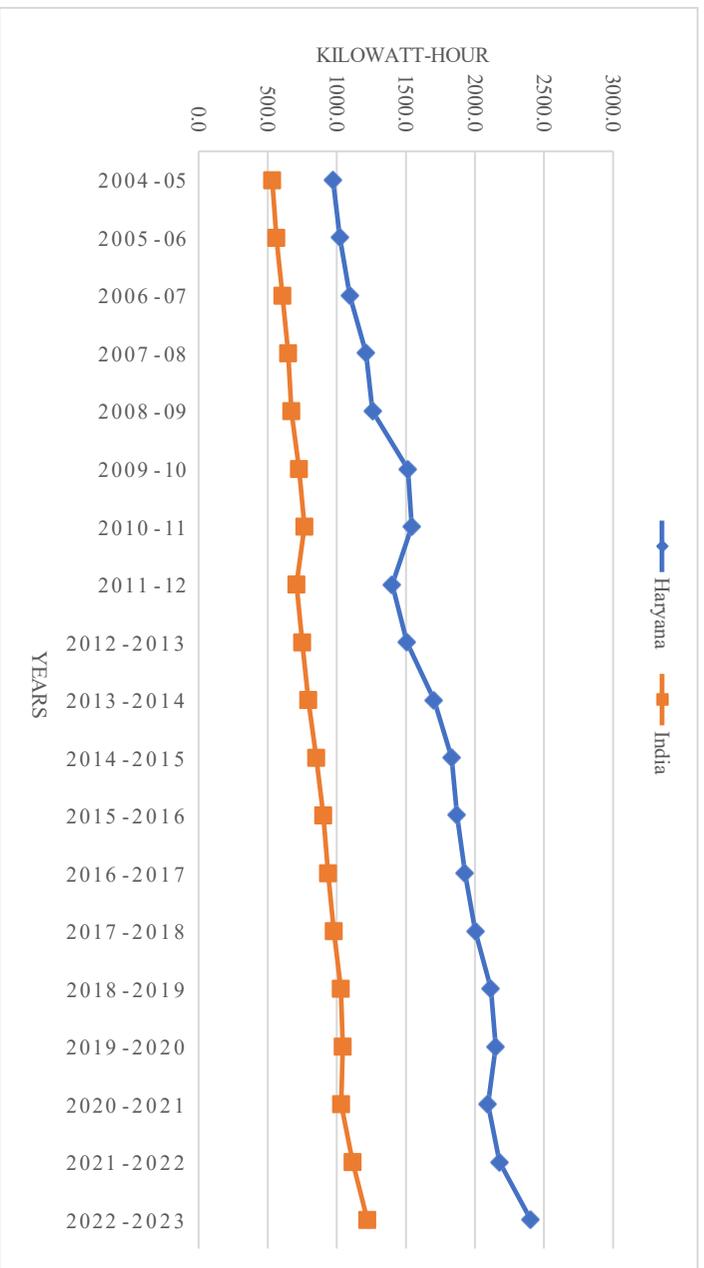
Haryana's achievement in becoming the top state in terms of per capita power availability, following Punjab, is a testament to its significant progress in the power sector. The state's rise from third place in 2004-05 to first place by 2019-20 marks a remarkable improvement driven by enhanced infrastructure, better electricity policies, and increased capacity. The slight decline during 2020-21, attributed to the COVID-19 pandemic, was temporary, as the state bounced back afterwards (Figure 10.1).

Haryana's per capita power availability nearly doubled during the study period, and the national average underlined its superior performance relative to other states. This progress places Haryana at the forefront of power availability in the country, playing a pivotal role in supporting both industrial growth and residential electricity requirements (Figure 10.2).

**Figure 10.1: State-wise Per Capita Availability of Power**



**Figure 10.2: Per Capita Availability of Power – Haryana and All India**



Source: RBI Handbook of Statistics on Indian States

Despite Haryana's impressive position in terms of per capita power availability, the state ranks eighth in aggregate power availability or total power consumption. This discrepancy arises because Haryana is geographically smaller and less populous than larger states. Haryana's high per capita availability shows that, relative to its size and population, it efficiently meets its energy demands, but it still falls behind larger states when measuring total consumption due to its smaller overall size and population (Fig 10.1)

In the 1990s, India embarked on extensive reforms in the power sector to address inefficiencies, enhance performance, and meet rising energy needs. These reforms were part of a broader economic liberalization strategy for modernizing infrastructure in the country

### **Background of Power sector development in Haryana**

The development of the power sector in Haryana is rooted in the reforms launched under the broader national reform process. Haryana became the second state in India to implement state-level restructuring of its power sector, a significant move among states.

The foundation of Haryana's power sector began with the establishment of the **Haryana State Electricity Board (HSEB)** on May 3, 1967, under the Electricity (Supply) Act of 1948. Initially, the HSEB was responsible for the electricity generation, transmission, and distribution throughout the state. However, the growing demand for power, aging infrastructure, and inefficiencies have prompted the need for reforms.

In November 1997, a decision was made to restructure the HSEB to address these challenges by expanding power generation, transmission, and distribution capabilities; enhancing operational efficiency; and reducing system losses.

The most significant milestone in the reform process came with the establishment of the **Haryana Electricity Regulatory Commission (HERC)** on August 17, 1998, following the Haryana Electricity Reform Act, 1997. HERC was created as an independent statutory body to regulate the power sector, focusing on improving the quality and efficiency of services, and enabling competition. The unbundling of the vertically integrated HSEB followed, separating it into distinct entities responsible for generation, transmission, and distribution, to enhance management and accountability.

These reforms were crucial to modernizing Haryana's power infrastructure, improving efficiency, and meeting the state's growing energy requirement. These were also required to restructure and improve state finances.

**Haryana State Electricity Board (HSEB):** The HSEB was divided into Haryana Power Generation Corporation, Ltd. (HPGCL), Haryana Vidyut Prasaran Nigam, Ltd. (HVPNL), and two distribution companies (DISCOMs) to enhance operational efficiency. Uttar Haryana Bijli Vitran Nigam (UHBVN) and Dakshin Haryana Bijli Vitran Nigam (DHBVN). In addition, the Commission granted a line-specific licence to Jhajjar KT Transco Private Ltd. (JKTPL), selected through a transparent bidding process, which is the first of its kind under the public-private partnership mode in the power sector.

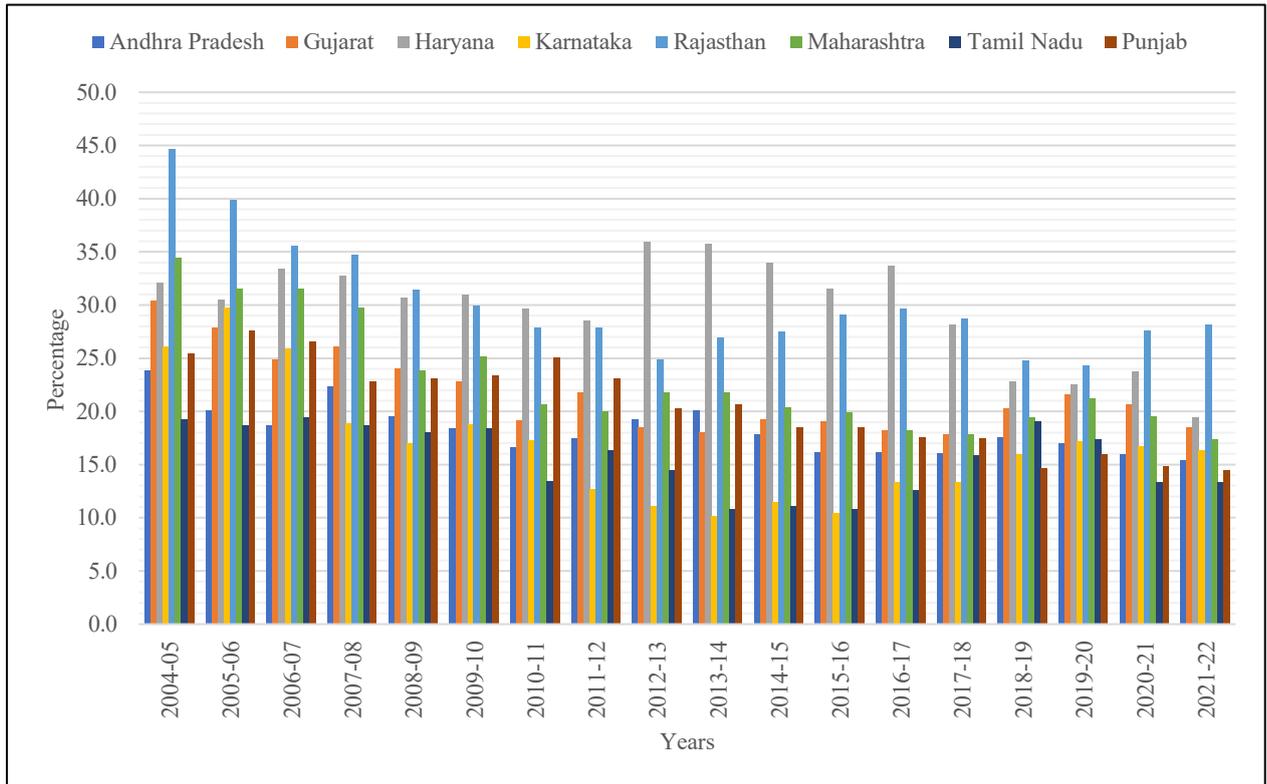
- **Haryana Power Generation Corporation Ltd. (HPGCL):** Responsible for power generation. This entity manages the generation of electricity through various power plants and ensures a stable supply of electricity to meet state demands.
- **Haryana Vidyut Prasaran Nigam Ltd. (HVPNL):** handling power transmission. It manages the transmission of electricity from the generation points to the distribution networks, ensuring efficient and reliable power delivery.
- **Distribution Companies (DISCOMs):** Uttar Haryana Bijli Vitran Nigam (UHBVN) and Dakshin Haryana Bijli Vitran Nigam (DHBVN) are responsible for power distribution. They oversee the distribution of electricity to end users, including residential, commercial, and industrial consumers. They are also involved in billing and customer services.

### **From losses to profit: Haryana's power sector transformation**

Although comprehensive, the power sector reforms in Haryana have faced challenges, particularly regarding Transmission and Distribution (T&D) losses. As part of the reform initiatives, efforts were made to reduce these losses and adjust whenever necessary, to cover costs.

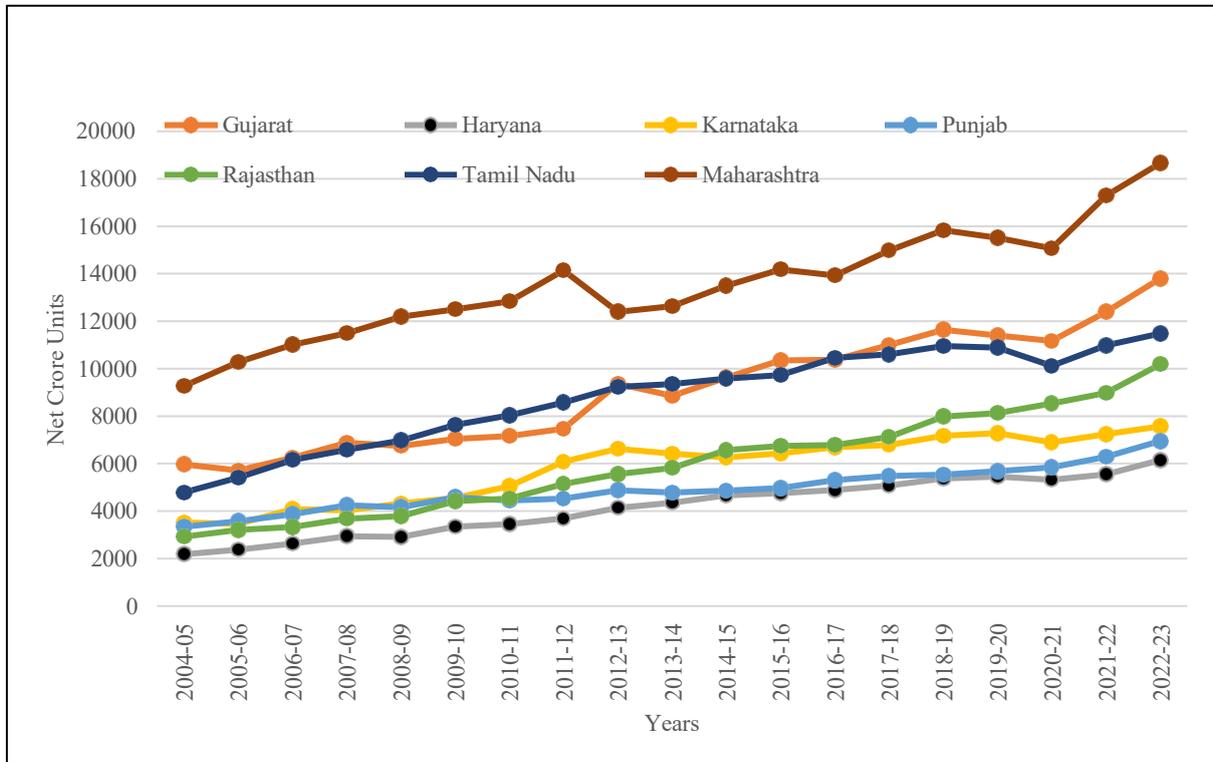
The **Ujwal Discom Assurance Yojana (UDAY)** scheme was aimed to turn around the financial health of power distribution companies (DISCOMs) across states. The UDAY scheme helped reduce the state's significant power sector losses to some extent. However, despite tariff increases over the years, persistent T&D losses remain a critical challenge. During 2012-2017, Haryana's T&D losses worsened, reaching one of the highest levels among the Indian states, as depicted in Figure 10.4. The deterioration in performance meant that, while other states successfully contained their T&D losses, Haryana struggled to do so. This poor performance indicates inefficiencies in the state's power distribution system, which leads to revenue losses and operational challenges. However, after **2017-18**, the state witnessed some improvements, with the T&D losses showing a decline, as shown in Figure 10.4. This suggests that the reforms initiated under the UDAY scheme and other regulatory measures have yielded positive results, although significant challenges remain in terms of achieving sustained efficiency. The reduction in T&D losses post-2018 is a positive trend, but continuous efforts will be needed to maintain and further reduce these losses to match or surpass the performance of other states

**Figure 10.4: State-wise Electricity Transmission & Distribution Losses**



Source: RBI Handbook of Statistics on Indian States

**Figure 10.5: State-Wise Power Requirement**



Source: RBI Handbook of Statistics on Indian States

## Power Supply and Demand Position in Haryana

In **Figure 10.5**, the data indicate that Haryana's power requirement, compared to other states, has traditionally been lower. This reflects Haryana's smaller population size and relatively lower industrial base in the earlier years. However, over time, the power demand of the state has been steadily increasing. The increase in Haryana's power demand can be attributed to multiple factors: urbanization, income growth, population growth, and the expanding economy.

In **Figure 10.6**, the power supply position for Haryana from **2004-05 to 2022-23** shows a dynamic trend in the relationship between **Energy Requirement** and **Energy Availability** in the state. In the initial years, the state faced a significant power deficit, with demand outstripping supply. However, over the years, especially post **2012-13**, the deficit started to reduce, reflecting improvements in power generation capacity, distribution efficiency, and better operational management.

Several factors contributed to this decline in the energy deficit:

1. **Policy Initiatives:** From **2012-13 onwards**, various policy measures aimed at increasing energy efficiency, promoting renewable energy, and improving transmission and distribution networks were implemented. These efforts helped narrow the gap between electricity demand and supply.
2. **UDAY Scheme:** The **UDAY (Ujwal DISCOM Assurance Yojana)** scheme, which focused on financial and operational improvements in the power sector, played a crucial role in ensuring better management of power distribution and reducing losses in the state.
3. **Investment in Power Infrastructure:** Significant investments were made in enhancing the generation capacity, both from conventional sources and renewables, leading to increased power availability.

As a result of these policies, Haryana achieved **zero power deficit** between **2016 to 2019**, which implies that the state was able to meet its entire power requirement during this period. This was a remarkable achievement, indicating that the state had sufficient infrastructure to balance its energy demand with its supply.

However, in recent years, the energy deficit has begun to surface again from **2020**. The reasons for this could include:

- **Stagnation in Capacity Addition:** While the demand continues to grow, the pace of adding new power generation capacities or improving transmission infrastructure may have slowed down.
- **Supply Chain and Resource Constraints:** Fluctuations in fuel availability, reliance on non-renewable energy sources, or challenges in integrating renewables into the grid may have contributed to the growing deficit.

- Increasing Power Demand:** Rapid urbanization, industrial growth, and population expansion have put additional pressure on the state's energy infrastructure, causing demand to rise faster than supply.

**Figure 10.6: Power Availability vs Power Requirement (Net Crore Units)**



Source: RBI Handbook of Statistics on Indian States

The recent rise in the deficit highlights the need for continuous policy interventions, infrastructure investment, and innovative solutions like energy storage and smart grid technologies to ensure that Haryana can maintain a balance between power demand and supply in the coming years.

### **Role of Private Sector in Haryana’s Power Sector:**

#### **Projects Using the Planning Commission Approach**

In 2010, the Haryana state utility company, Haryana Vidyut Prasaran Nigam Ltd. (HVPNL), used the Planning Commission (PC) model transmission agreement in the process of awarding an intrastate transmission project to Jhajjar KT Transco Private Ltd., an India-based special purpose vehicle (SPV). The project involves approximately 100 kilometres of a 400-kilovolt (kV) direct-current transmission line, plus two 400 kV substations. Because the tariff levels were prescribed in the bidding documents, the main bidding parameter was the extent of Viability Gap Funding (VGF) scheme to be provided to the SPV. At the end of the concession period, ownership of the transmission assets will revert to HVPNL.

The performance of HPGCL’s thermal power plants, as shown in Table-10.1, highlights a serious issue. The plant load factor (PLF) of HPGCL dropped to 29.42% in 2019-20 and 24.86% in 2020-21 due to the COVID lockdown, followed by a notable recovery to the highest level in recent years to 71.5% in 2022-23. This indicates that despite operational or efficiency challenges, capacity utilization has improved substantially. A higher PLF generally reflects better utilization of installed capacity, although it does not necessarily imply progress in all operational or financial areas.

Haryana Power Generation Corporation Ltd. (HPGCL) has committed to transforming itself into a modern, growth-focused organization that aims to strengthen its position in the evolving power sector. This indicates HPGCL’s awareness of its challenges and its drive to improve through modernization, potential expansions, and operational reforms. While the increase in PLF is a positive indicator of output relative to capacity, it remains essential for HPGCL to address other performance dimensions to meet its broader mission effectively.

**Table 10.1: Performance at a Glance of Thermal and Hydel Power Stations of HPGCL from 2017-18 to 2022-23.**

Description	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>HPGCL THERMAL</b>						
Generation (MU)	10708.6	10552.7	7029.94	5466.81	8039.4	15722.2
Plant Load Factor (%)	44.94	44.29	29.42	24.86	36.56	71.5
Coal Consumption (gm/kwh)	675	663	666	692	693	713
Oil Consumption (ml/kwh)	0.74	0.63	0.61	0.68	0.35	0.47
<b>WYC HYDEL (62.4 MW)</b>						
Generation (MU)	176.75	237.68	300.03	242.91	257.4	258.4
<b>HPGCL (Thermal+Hydel+Solar=2582.4 MW)</b>						
Generation (MU)	10901.5	10806.7	7345.52	5726.57	8312.48	15996

Source: HPGCL web site: <https://hpgcl.org.in/generation-statistics> assessed on 17.09.2024

### Performance of the Power Sector PSEs during the study period

#### (i) Generation segment - Haryana Power Generation Corporation Ltd,

##### **Expenditure per Employee:**

- It shows a fluctuating trend, increasing significantly after 2016-17.
- The highest expenditure per employee is in 2018-19 at Rs. 35.618 lakhs, and the lowest is in 2010-11 at Rs. 3.77 lakhs.

##### **Accumulated Profit per Employee:**

- Accumulated profits have been negative for most years, reflecting long-term financial strain.
- The highest negative accumulated profit was in 2013-14 at Rs. -10.608 lakhs, and it improved to positive territory in 2018-19 at Rs. 5.789 lakhs and 2019-20 at Rs. 15.264 lakhs.

**Profit per Employee:**

- There were losses in several years, such as 2011-12 at Rs. -3.835 lakhs and 2015-16 at Rs. -5.714 lakhs.
- Profit began to improve starting from 2017-18, with the highest level in 2019-20 at Rs. 9.241 lakhs.

**Turnover per Employee:**

- There is a generally upward trend in turnover per employee, reaching a peak in 2018-19 at Rs. 197.043 lakhs.
- Turnover dropped somewhat in 2019-20 but remains higher than earlier years.

**(ii) Transmission segment - Haryana Vidyut Prasaran Nigam Ltd,****Expenditure per Employee:**

- Over the years, the expenditure per employee showed some fluctuations, the highest being at Rs. 14.14 lakhs in 2017-18 and decreasing slightly in 2019-20 to Rs. 10.21 lakhs.
- This metric generally remained in the range of Rs. 6.75 to Rs. 14.14 lakhs, reflecting shifts in operational expenses.

**Profit per Employee:**

- There were periods of loss, notably in 2013-14 at Rs. -3.89 lakhs and slight losses in 2012-13 at Rs. -0.76 lakhs.
- However, in other years, profits were recorded, with the highest being Rs 3.63 lakhs in 2010-11 and Rs. 2.82 lakhs in 2018-19.

**Turnover per Employee:**

- This metric showed a consistent upward trend, reaching its highest at Rs. 33.69 lakhs in 2018-19.
- The increase in turnover per employee suggests efficiency gains and revenue growth relative to the workforce size.

**Accumulated Profit per Employee:**

- Accumulated profit per employee started low in 2008-09 at Rs. -0.47 lakhs, but gradually increased, reaching Rs. 7.03 lakhs in 2019-20, reflecting improving long-term profitability.

(iii) **Distribution Segment – UHBVN**

**Expenditure per Employee:**

- The expenditure fluctuated, with a peak in 2017-18 at Rs. 10.64 lakhs and a dip in 2014-15 at Rs. 4.05 lakhs.
- This variation suggests some years of cost management or increased operational spending.

**Profit per Employee:**

- Losses dominated the earlier years, with the largest loss being in 2011-12 at Rs. -34.76 lakhs.
- However, recovery started from 2017-18 onward, showing profits of Rs. 2.28 lakhs in 2017-18 and Rs. 1.73 lakhs in 2019-20.

**Turnover per Employee:**

- The turnover per employee rose substantially, peaking at Rs. 118.51 lakhs in 2018-19.
- The steady increase from 2008-09 to 2019-20 indicates improved operational efficiency or revenue generation per employee.

**Accumulated Profit per Employee:**

- The accumulated profit per employee remained negative throughout the period, though the deficit gradually reduced from Rs. -163.87 lakhs in 2013-14 to Rs. -121.99 lakhs in 2019-20.
- This suggests ongoing efforts are needed to improve long-term financial health, though the company still has accumulated losses.

(iv) **Distribution Segment – DHBVN**

**Expenditure per Employee:**

- There is a gradual increase in the expenditure per employee from Rs. 4.89 lakhs in 2008-09 to Rs. 9.09 lakhs in 2017-18. However, it dropped slightly in the last two years 2018-19 and 2019-20, indicating an effort to check employee expenses

**Accumulated Profit per Employee:**

- This metric is shown in below table 9.4b, a negative trend from Rs 12.58 lakhs in 2008-09 to Rs -101.06 lakhs in 2013-14, representing accumulated losses. However, after 2013-14, there has been a gradual improvement, with losses reducing to Rs. - 83.91 lakhs by 2019-20, implying a recovery in accumulated profit.

**Profit per Employee:**

- Profit per employee started in the negative range, showing significant losses in the initial years, reaching its worst in 2011-12 at Rs. -43.77 lakhs. From 2014-15 onward, profit figures gradually improved, turning positive from 2016-17 at Rs. 0.08 lakhs onwards, with a slow but steady rise through to 2019-20 of Rs 0.70 lakhs.

### Turnover per Employee:

- There is a steady increase in turnover per employee, starting from Rs. 46.24 lakhs in 2008-09 and rising to a peak of Rs. 114.50 lakhs in 2017-18. There's a slight decline afterward, but turnover still remains high at over Rs. 100 lakhs in the final years.

**Table 10.1a: Haryana Power Generation Corporation Limited (Rs in Lakhs)**

Year	Loans	Grant in Aid	Turnover	Profit / Loss (PAIT)	Accumulated P/L
2008-09	490211	0	379282	3191.1	-10811.6
2009-10	598639	0	434091.9	3573.7	-14002.7
2010-11	726530	0	492757.1	458.4	10353
2011-2012	995304	0	701544.5	-16049	-26402.1
2012-2013	763806	10.6	669456.3	-14811.8	-36022.8
2013-2014	515701	0	607844	-2631.4	-38654.2
2014-2015	552818	0	652253.5	-2631.4	-33368.4
2015-2016	530037	0	537819.9	-19049.9	-14502.7
2016-2017	358483	0	488823.5	-13369.2	-27988.1
2017-2018	225243	0	530978.69	23135.18	-4853.01
2018-2019	172159	0	549553.29	20998.95	16145.95
2019-2020	99935.1	0	421658.87	24776.28	40922.71

Source: Profile of Public Sector Enterprises By The Department Of Finance, State Of Haryana (Various Years)

**Table 10.1b: Haryana Power Generation Corporation Limited (Rs in Lakhs)**

Year	Expenditure per Employee	Accumulated Profit per Employee	Profit per Employee	Turnover per Employee
2008-09	7.793	-2.370	0.699	83.139
2009-10	6.111	-3.111	0.794	96.443
2010-11	3.773	2.389	0.106	113.722
2011-12	4.798	-6.309	-3.835	167.633
2012-13	7.893	-9.335	-3.838	173.479
2013-14	9.578	-10.608	-0.722	166.807
2014-15	13.491	-9.329	-0.736	182.347
2015-16	11.474	-4.350	-5.714	161.314
2016-17	10.579	-8.528	-4.073	148.941
2017-18	24.741	-1.610	7.673	176.112
2018-19	35.618	5.789	7.529	197.043
2019-20	23.922	15.264	9.241	157.277

Source: Profile of Public Sector Enterprises by The Department Of Finance, State Of Haryana (various years)

**Table 10.2a: Haryana Vidyut Prasaran Nigam Ltd. (Rs in Lakhs)**

Year	Loans	Grant in Aid	Turnover	Profit / Loss (PAIT)	Accumulated P/L
2008-09	279056.7	0	97290	6408.85	-2209
2009-10	364539.6	0	100693.1	10566.22	8357.04
2010-11	408952	0	119887.1	18761.42	27118.46
2011-2012	445563.5	0	111259.4	14006.86	26655.92
2012-2013	516810.6	3563.9	91321.02	-3768.54	19122.17
2013-2014	563201.5	3563.9	105651.5	-17513.86	1608.32
2014-2015	626914.2	0	148928.8	-842.01	18925.25
2015-2016	597949	0	186968.5	15285.58	18900.47
2016-2017	527132.5	0	192974	6925.69	22677.86
2017-2018	532972.8	0	227545.18	15095.49	33585.36
2018-2019	510677	0	235269.06	19697.91	49061.47
2019-2020	459662.1	0	196587.58	6136.75	49827.13

Source: Profile of Public Sector Enterprises By The Department Of Finance, State Of Haryana (Various Years)

**Table 10.2b: Haryana Vidyut Prasaran Nigam Ltd. (Rs in Lakhs)**

Year	Expenditure per Employee	Accumulated Profit per Employee	Profit per Employee	Turnover per Employee
2008-09	8.55	-0.47	1.36	20.68
2009-10	8.48	1.82	2.31	21.97
2010-11	8.23	5.25	3.63	23.20
2011-2012	6.75	5.35	2.81	22.33
2012-2013	9.15	3.87	-0.76	18.49
2013-2014	10.74	0.36	-3.89	23.44
2014-2015	8.07	2.81	-0.12	22.10
2015-2016	6.76	2.77	2.24	27.42
2016-2017	6.90	3.25	0.99	27.69
2017-2018	14.14	4.93	2.22	33.42
2018-2019	12.06	7.02	2.82	33.69
2019-2020	10.21	7.03	0.87	27.75

Source: Profile of Public Sector Enterprises By The Department Of Finance, State Of Haryana (Various Years)

**Table 10.3a: Uttar Haryana Bijli Vitran Nigam Ltd (Rs in Lakhs)**

Year	Loans	Grant in Aid	Turnover	Profit / Loss (PAIT)	Accumulated P/L
2008-09	798114.58	0	491356.38	-110753.52	-277832.5
2009-10	480550.25	0	667822.08	-88422.29	-369062.51
2010-11	1019451.43	12962.52	707853.75	995.18	-381985.59
2011-2012	1068545.73	12962.52	590714.71	-382197.4	-1242346.24
2012-2013	1451470.93	12962.52	854326.89	-229684.95	-1472046.36
2013-2014	1775480	12962.52	1061907.37	-135884.02	-1607930.39
2014-2015	1938309.33	49617.51	1067773.75	-148057.34	-1630977.63
2015-2016	1749320.79	247591.29	1236605.87	-33637.29	-1587305.91
2016-2017	1437443.27	396531.6	1289464.59	-20500.74	-1607806.65
2017-2018	1133459.67	456000	1393235.27	27823.57	-1579983.06
2018-2019	762780.05	437331.2	1448489.92	18571.09	-1561411.97
2019-2020	356425.78	383768.6	1385565.39	21771.64	-1539640.33

Source: Profile of Public Sector Enterprises By The Department Of Finance, State Of Haryana (Various Years)

**Table 10.3a: Uttar Haryana Bijli Vitran Nigam Ltd (Rs in Lakhs)**

Year	Expenditure per Employee	Accumulated Profit per Employee	Profit per Employee	Turnover per Employee
2008-09	4.87	-24.71	-9.85	43.70
2009-10	6.31	-31.21	-7.48	56.48
2010-11	4.36	-32.85	0.09	60.87
2011-2012	6.42	-112.99	-34.76	53.73
2012-2013	6.36	-122.43	-19.10	71.05
2013-2014	8.30	-163.87	-13.85	108.23
2014-2015	4.05	-123.23	-11.19	80.68
2015-2016	5.96	-123.04	-2.61	95.85
2016-2017	8.37	-125.89	-1.61	100.96
2017-2018	10.64	-129.45	2.28	114.15
2018-2019	7.52	-127.75	1.52	118.51
2019-2020	8.73	-121.99	1.73	109.78

Source: Profile of Public Sector Enterprises By The Department Of Finance, State Of Haryana (Various Years)

**Table 10.4a: Dakshin Haryana Bijli Vitran Nigam Ltd. (Rs in Lakhs)**

Year	Loans	Grant in Aid	Turnover	Profit / Loss (PAIT)	Accumulated P/L
2008-09	238348.84	53577.91	463429.23	-26526.89	-126098.16
2009-10	385736.72	59094.28	526394.7	-63316.83	-189414.99
2010-11	482176.2	66166.74	621135.06	-79194.35	-268608.33
2011-2012	534718.67	78052.72	706699.91	-459944.08	-728553.41
2012-2013	805587.04	88416.8	840739.36	-135240.5	-863793.92
2013-2014	1028667.57	97845.86	1145406.4	-208864.04	-135240.5
2014-2015	1400218.9	107827.8	1340087	-63616.6	-1271903
2015-2016	1244267.6	113656.8	1517002.9	-47158.01	-1319061.02
2016-2017	1026837.44	137072	1562857.3	1196.22	-1395173.8
2017-2018	793957.72	384536.9	1691232.9	13411.55	-1379039.04
2018-2019	530117.77	20992.88	1833845.3	9523.11	-1369515.94
2019-2020	321759.91	31008.03	1765841.9	11367.22	-1358148.72

Source: Profile of Public Sector Enterprises By The Department Of Finance, State Of Haryana (Various Years)

**Table 10.4b: Dakshin Haryana Bijli Vitran Nigam Ltd. (Rs in Lakhs)**

Year	Expenditure per Employee	Accumulated Profit per Employee	Profit per Employee	Turnover per Employee
2008-09	4.89	-12.58	-2.65	46.24
2009-10	9.32	-19.78	-6.61	54.96
2010-11	4.98	-26.89	-7.93	62.18
2011-2012	5.16	-69.33	-43.77	67.25
2012-2013	5.59	-82.35	-12.89	80.15
2013-2014	6.47	-101.06	-19.68	107.91
2014-2015	6.18	-91.49	-3.27	105.22
2015-2016	6.77	-88.22	-3.10	99.70
2016-2017	7.38	-94.50	0.08	105.86
2017-2018	9.09	-93.37	0.91	114.50
2018-2019	7.36	-84.62	0.59	113.31
2019-2020	8.41	-83.91	0.70	109.10

Source: Profile of Public Sector Enterprises By The Department Of Finance, State Of Haryana (Various Years)

### Ujwal DISCOM Assurance Yojana (UDAY)

Ujwal Discom Assurance Yojana (UDAY) was launched in 2015 to improve the financial health and operational efficiency of state-owned power distribution companies (discoms) across the country. It was aimed at improving the financial health of electricity (DISCOMs) in India. The scheme was aimed to reduce AT&C (Aggregate Technical and Commercial) losses, improve operational efficiency, and attract private investment in the power sector.

The key initiatives under the said scheme include:

- (i) Reduction in the cost of power purchase
- (ii) Improving operational efficiency including AT&C losses.
- (iii) Reduction of interest cost
- (iv) Enforcing financial discipline.

The Ujwal DISCOM Assurance Yojana (UDAY) has brought significant benefits to Haryana's power sector by reducing DISCOM debt, cutting interest costs, and improving operational efficiency. Key advantages include reduced Aggregate Technical and Commercial (AT&C) losses, enhanced energy efficiency through smart meters and adoption of LED lights, and better coal supply for power plants. The scheme is also aimed at providing 24x7 power, electrifying around 2.85 lakh unconnected households, boosting the economy, supporting industries, and generating employment, thereby Haryana economy and helping it develop into a leading industrial hub.

The state of Haryana has been an active participant in the UDAY scheme and has committed budgetary support to the Power Utilities in the form of equity and Rural Electrification (RE) subsidy to the electricity distribution companies. The Government of Haryana had taken over Rs.25950 crore of DISCOM debt, 75% of the total DISCOM debt of Rs.34600 crore outstanding as of 30.09.2015, as envisaged in the scheme. The scheme also provided for the balance debt of Rs.8650 crore to be re-priced or issued as State guaranteed DISCOM bonds, at coupon rates around 3% less than the average existing interest rate. The annual saving in the interest cost to the State would be around Rs.1040 crore on account of the restructuring of the DISCOM debt.

Apart from the UDAY scheme, Haryana has also implemented several reforms to enhance its electricity supply, focusing on financial stability, infrastructure development, and consumer benefits.

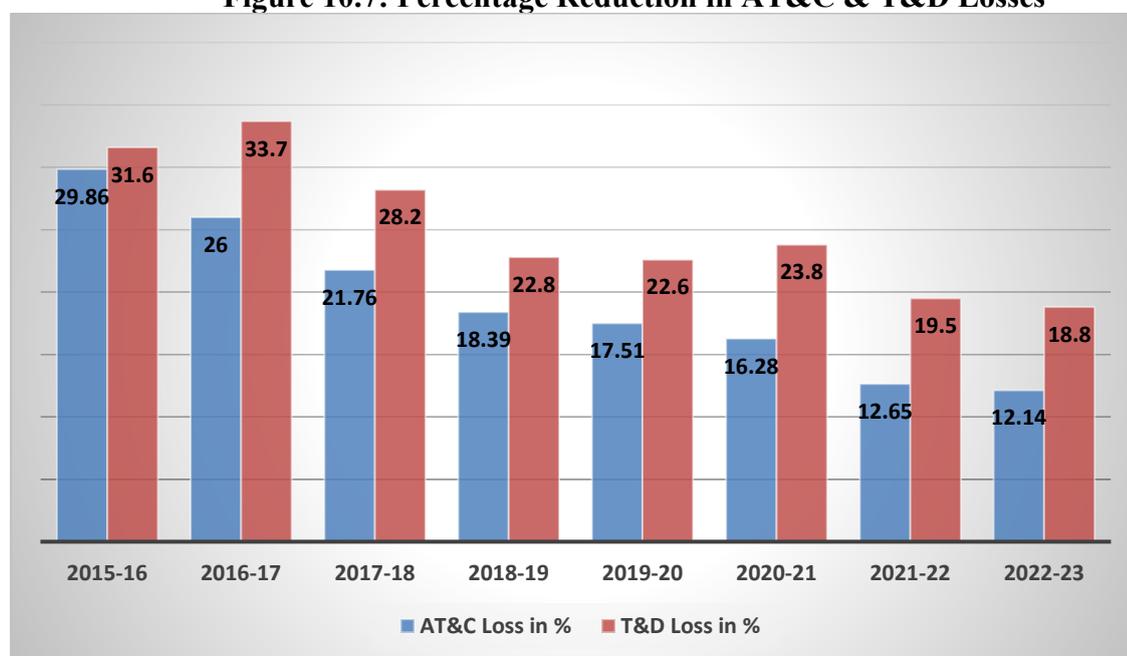
- The Mhara Gaon-Jagmag Gaon scheme was launched in Haryana on July 1, 2015. The scheme aims to provide a 24-hour power supply to villages in Haryana. Based on the Economic Survey of Haryana 2023-24 report, under this scheme, 105 villages were given a 24-hour power supply in January 2016, which increased to 5,792 villages by September 2023.
- Based on the EPIC News report<sup>1</sup>, the Haryana Government Collaborates for Policy Reforms in the Energy Distribution Sector. The Haryana Government has partnered with J-PAL South Asia and EPIC India to enhance the efficiency of the state's energy distribution sector. This initiative focuses on evidence-based policymaking through rigorous evaluation of programs, capacity building for public officials, and collaboration with leading institutions. The goal is to improve energy management, ensure effective service delivery, and promote sustainable development in the sector.

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<sup>1</sup>EPIC News report February 21, 2020  
[https://epic.uchicago.edu/news/haryana-govt-collaborates-for-policy-reforms-in-the-energy-distribution-sector/?utm\\_source=chatgpt.com](https://epic.uchicago.edu/news/haryana-govt-collaborates-for-policy-reforms-in-the-energy-distribution-sector/?utm_source=chatgpt.com)

- Based on a Press Release from Haryana Chief Minister Office of Haryana (CMO)<sup>2</sup>. The Haryana Government has focused on infrastructure development to ensure an uninterrupted power supply by increasing the number of new and upgraded substations. Additionally, feeder segregation has been implemented to improve distribution efficiency and reduce load. In line with the principle of "power saving is power generation," the government has replaced old electrical wiring and installed new condensers on transformers to reduce line losses. These measures aim to enhance overall power distribution and reliability for consumers.
- Based on these news report Tribune News Service<sup>3</sup>. The "Pradhan Mantri Surya Ghar Muft Bijli Yojna" in Haryana promotes rooftop solar installations with a full subsidy of ₹1,10,000 for families earning under ₹1,80,000 annually, funded jointly by the central (₹60,000) and state (₹50,000) governments. Additionally, an 800 MW ultra-supercritical thermal power unit is being developed at the Rajiv Gandhi Thermal Plant in Hisar, costing ₹7,250 crore, to enhance energy production and support sustainable energy initiatives.

**Figure 10.7: Percentage Reduction in AT&C & T&D Losses**

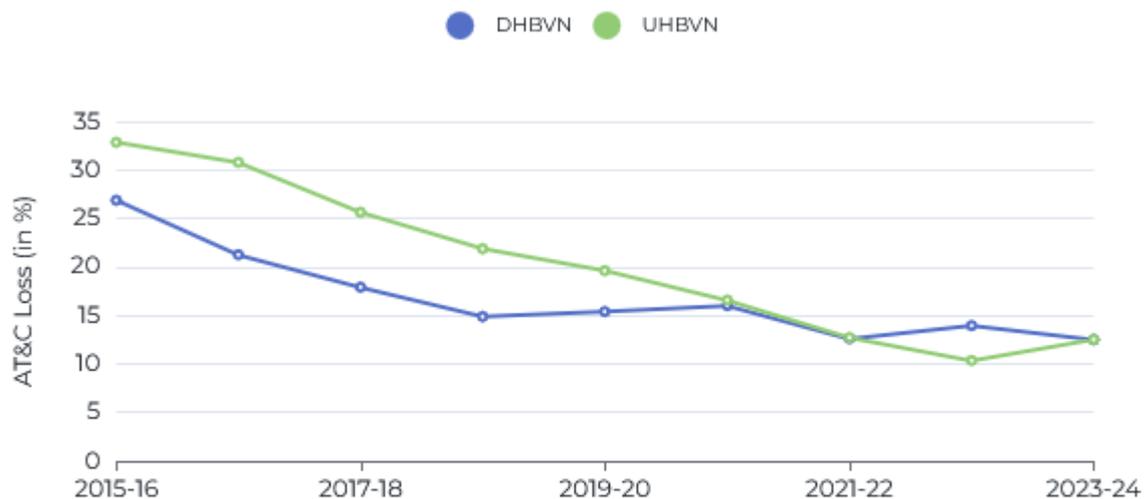


Source: RBI Handbook of Statistics on Indian States and India Energy Dashboard, India Energy by Niti Aayog

AT&C losses encompass both technical losses—arising from electricity transmission and distribution—and commercial losses, such as power theft and billing inefficiencies. T&D losses refer exclusively to technical inefficiencies within the system. Between 2015–16 and 2022–23, there has been a notable decline in both types of losses, reflecting improvements in the efficiency of power distribution. AT&C losses decreased from 29.86% to 12.14%, a reduction of approximately 60% and T&D losses fell from 31.6% to 18.8%, amounting to a 40% drop. These improvements indicate significant progress in grid management, infrastructure upgrades, and operational efficiency. The overall trend points to healthier financial conditions for distribution companies (DISCOMS) and a more stable and reliable electricity supply for consumers.<sup>3</sup>

<sup>2</sup> Press Release Haryana CMO dated 16 February 2023 Link: <https://haryanacmooffice.gov.in/14-january-2025>

<sup>3</sup> Tribune News Service June 18, 2024 Link: <https://www.tribuneindia.com/news/haryana/cm-saini-inaugurates-pm-surya-ghar-muft-bijli-yojana-in-haryana-631730>



Source: SERCs/DISCOMs Tariff Orders, Annual Reports, and Tariff Petitions

Haryana has implemented several reforms to enhance its electricity supply, focusing on financial stability, infrastructure development, and consumer benefits. The major achievements by the sector:

1. Based on the news report Economics Times Energy<sup>44</sup>. The state has transformed its power sector from incurring losses to achieving profitability. This success is attributed to comprehensive reforms, including the reduction of the agricultural subsidy from ₹7,600 crore to less than ₹6,000 crore. Such measures have strengthened the financial health of power utilities, enabling better service delivery.
2. Reduction in AT&C Losses: Concerted efforts by DISCOMs have reduced sustainability AT&C losses. The AT&C losses came down from 29.86% in the year 2015-16 to 12.5% during the financial year 2022-23 (Fig-10.7)
3. Haryana DISCOMs i.e. UHBVNL and DHBVNL have both obtained the rating A + in the 10th integration of DISCOMs for 2021-22. Among all State-owned DISCOMs Haryana State stood 2nd in the country after Gujarat. (Based on the Economic Survey of Haryana 2023-24 report).
4. Turnaround of DISCOMs: The DISCOMs have achieved a financial turnaround and registered a net profit since 2017-18 after significant losses from 2012-13 to 2016-17. The year-wise net profit is given in (Table -10.5). The highest profit of ₹636.67 crore was achieved in 2020-21, followed by a slight decline to ₹238.43 crore in 2022-23, possibly due to the COVID-19 impact, which slowed the economy.

<sup>44</sup>Economics Times Energy published on July 18, 2024 Link <https://energy.economictimes.indiatimes.com/news/power/from-losses-to-profit-haryanas-power-sector-transformation-explored-in-new-book/111837274>

**Table: 10.5 -Year-wise Net Profit in State**

<b>Year</b>	<b>Profit (in crore)</b>
<b>2012-13</b>	-3649.25
<b>2013-14</b>	-3553.66
<b>2014-15</b>	-2116.73
<b>2015-16</b>	-815.62
<b>2016-17</b>	-193.05
<b>2017-18</b>	412.35
<b>2018-19</b>	280.94
<b>2019-20</b>	331.34
<b>2020-21</b>	636.67
<b>2021-22</b>	263.04
<b>2022-23</b>	238.43

*Source: Economic Survey (2023-24)*

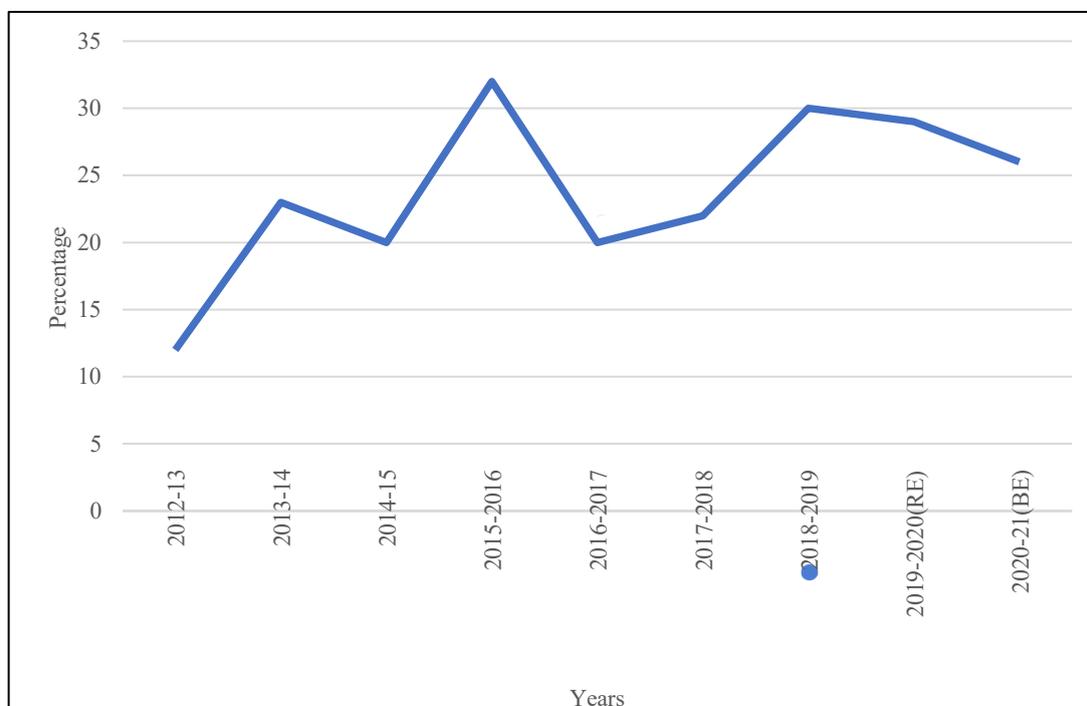
5. Mhara Gaon, Jagmag Gaon scheme along with Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) in Haryana was implemented alongside other state-level initiatives to ensure 24x7 electricity for all households. This has been instrumental in transforming the rural electricity scenario in Haryana, contributing to the state's socio-economic growth by empowering rural communities with improved access to reliable and affordable electricity. The number of towns electrified 154 (31.03.2023) as a total number of Total No. of towns as per the 2011 Census in Haryana is 154. And (as of 31.03.2022) Villages Electrified is 6642, Total Inhabited Villages as per the 2011 census in Haryana is 6642. (based on the report General Review 2024 - All India Electricity Statistics).

These reforms reflect Haryana's commitment to modernizing its electricity supply infrastructure, ensuring financial stability, and providing reliable power to its residents.

## Ujwal DISCOM Assurance Yojana (UDAY) impact

The Figures 10.7 to 10.11 show the impact of UDAY on the finances of the state of Haryana.

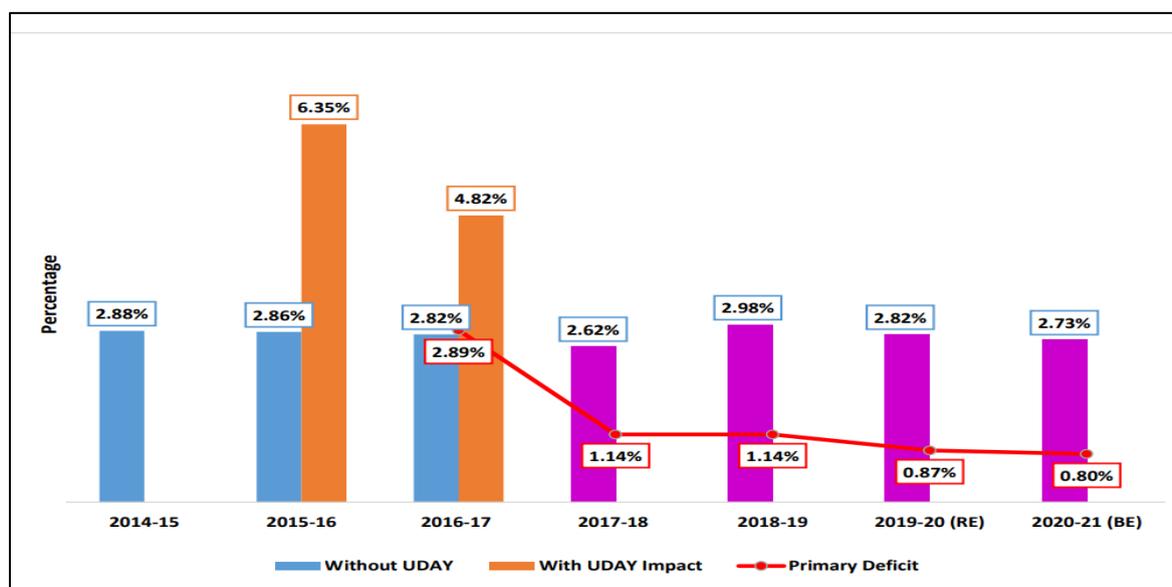
**Figure: 10. 7: Impact of UDAY Scheme on Capital Expenditure (as a % of Total Expenditure)**



Source: Budget at A Glance, Government of Haryana

With the implementation of UDAY scheme the percentage share of Capital Expenditure has increased to 29 percent in 2019-20 from 20 percent in 2016-17 (Figure- 10.7) Post UDAY, the overall capital expenditure shows an upward trend. Haryana power posted a profit after a gap of nearly 15 years supported by the Ujwal DISCOM Assurance Yojana (UDAY).

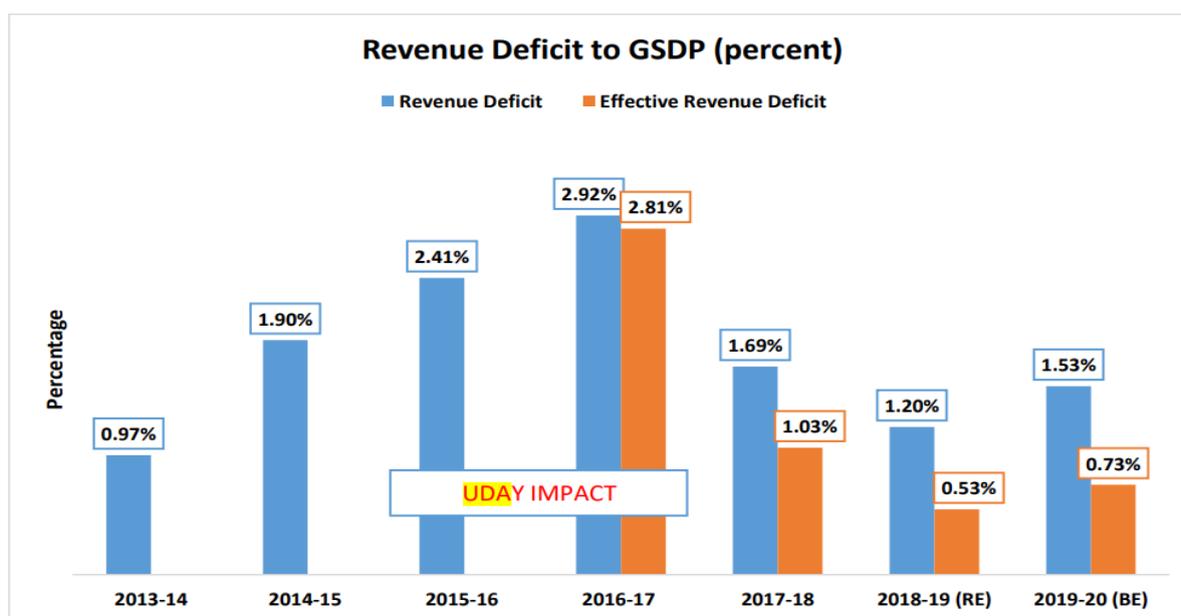
**Figure 10.8 Fiscal Deficit to GSDP Ratio**



Source: Budget at a Glance 20-21, Government of Haryana

Haryana's **Fiscal Deficit to GSDP Ratio** from 2014-15 to 2020-21, highlighting the impact of the **UDAY scheme**. The fiscal deficit was relatively stable before UDAY but increased sharply in 2015-16 and 2016-17 due to the scheme's debt burden, reaching 6.35%. However, the fiscal deficit stabilized in subsequent years. The **primary deficit**, which excludes interest payments, steadily improved from 2.89% in 2016-17 to 0.80% in 2020-21, indicating better fiscal management following the initial UDAY impact.

**Figure 10.9: Impact of UDAY on Revenue Deficit to GSDP Ratio (%)**



Source: Budget at a Glance 2020-21, Government of Haryana

Haryana's revenue deficit to GSDP ratio increased from 0.97% in 2013-14 to 2.41% in 2015-16, before UDAY (2013-15).

**UDAY Impact (2016-17):** The revenue deficit reached a high of at 2.92% in 2016-17 due to UDAY. The effective revenue deficit, accounting for grants for capital expenditure, was slightly lower at 2.81%.

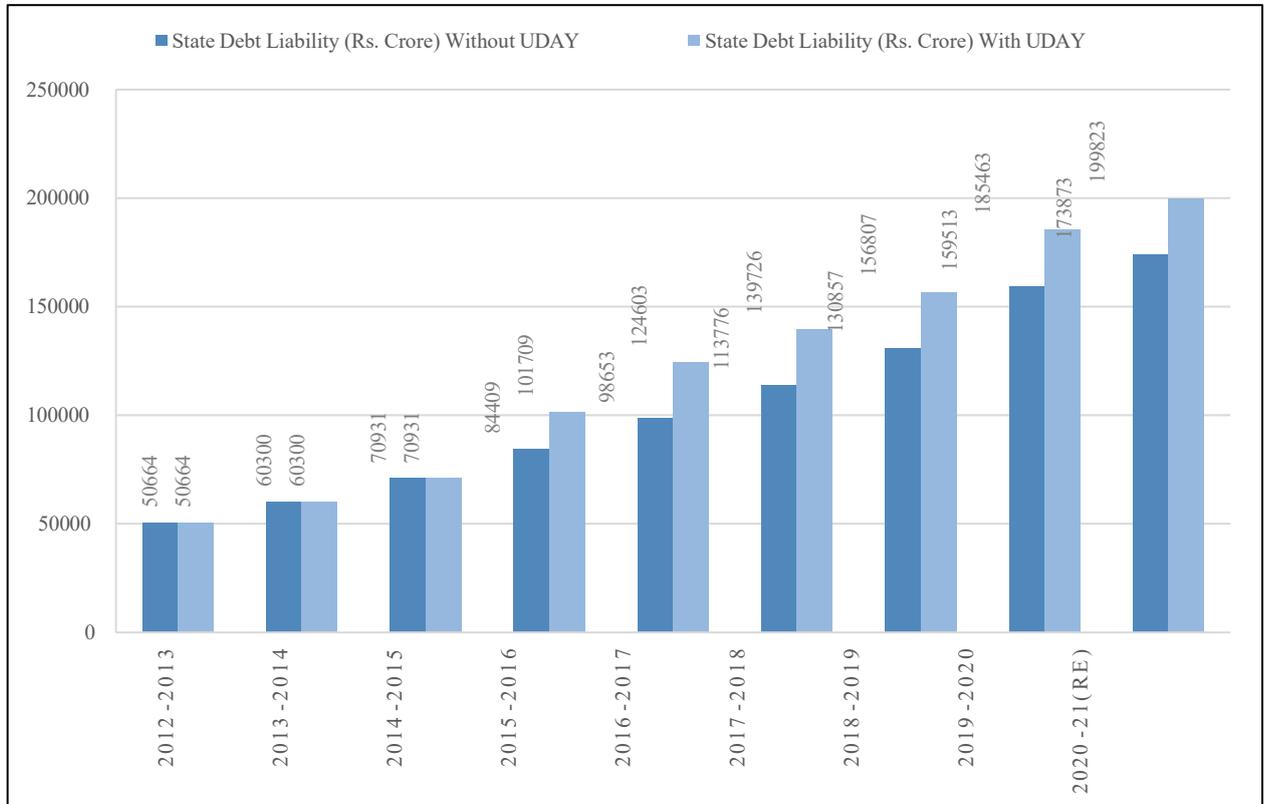
**Post-UDAY (2017-20):** The deficit improved significantly, dropping to 1.69% in 2017-18 and continuing to decline, reaching 1.53% in 2019-20. The effective revenue deficit also showed similar improvement, falling to 0.73% in 2019-20.

Overall, the chart shows that while UDAY initially increased Haryana's revenue deficit, fiscal management improved after the scheme as it led to a significant reduction in the deficit.

The UDAY scheme has contributed to a significant rise in the state's debt liabilities post-2016. This is visible as the debt under UDAY remains higher compared to the scenario without UDAY from 2016-2021. Despite efforts to reform the power sector through UDAY, it has imposed a higher financial burden on Haryana's debt structure.

For the year 2020-2021 (RE: Revised Estimate), the debt without UDAY was ₹1,78,373 crores, whereas, with UDAY, it rose to ₹1,98,823 crores, showing the scheme's continued impact on increasing state liabilities and worsening debt situation.

**Figure 10.8: Impact of UDAY on Haryana State's Debt Liabilities**



Source: Budget at a Glance, Government Of Haryana (various years)

## Conclusion

- Haryana's power sector reforms have made significant progress, particularly in improving per capita availability and reducing T&D losses.
- The UDAY scheme has contributed to improved operational efficiency. Continuous modernisation and investment in infrastructure are essential for meeting future energy demands and enhancing sectoral efficiency.
- Private sector involvement remains crucial for further growth, especially in transmission. Haryana has used public-private partnerships (PPPs) for specific projects, such as transmission line projects, to facilitate sectoral growth.

## **Evolution of Haryana Renewable Energy Sector**

The Ministry of New & Renewable Energy (MNRE) launched a range of initiatives to promote the widespread adoption and production of renewable energy technologies, to accelerate India's transition to clean energy and reduce reliance on fossil fuels.

Key policy measures and schemes have been introduced across states to harness the potential of diverse renewable energy sources such as wind, biomass, and small hydro power.

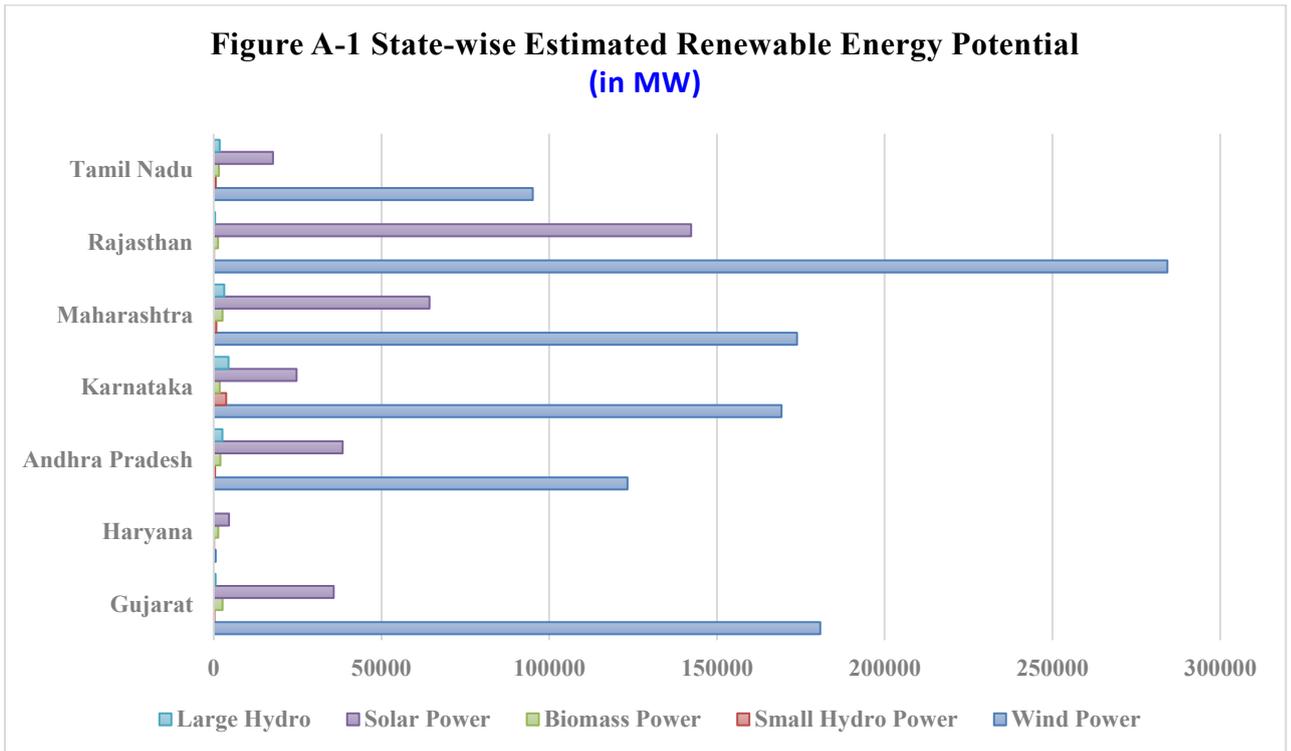
Major initiatives include:

- **PM-KUSUM:** A scheme promoting decentralised solar energy to power agricultural pumps.
- **Rooftop Solar Programme:** Encourages solar installations on rooftops.
- **CPSU Scheme:** Supports grid-connected solar PV projects by public sector undertakings.
- **Development of Solar Parks and Ultra Mega Solar Projects:** Focused on creating large-scale solar infrastructure.
- **PLI Scheme:** Offers incentives for manufacturing high-efficiency solar PV modules.
- **Green Energy Corridor Scheme:** Facilitates the construction of intra-state and inter-state transmission lines for efficient power evacuation and grid integration.

In alignment with these national efforts, the State Government of Haryana has designated the Department of Renewable Energy and the Haryana Renewable Energy Development Agency (HAREDA) as the nodal bodies responsible for promoting sustainable development through renewable energy.

### **State-wise Estimated Potential of Renewable Power in India:**

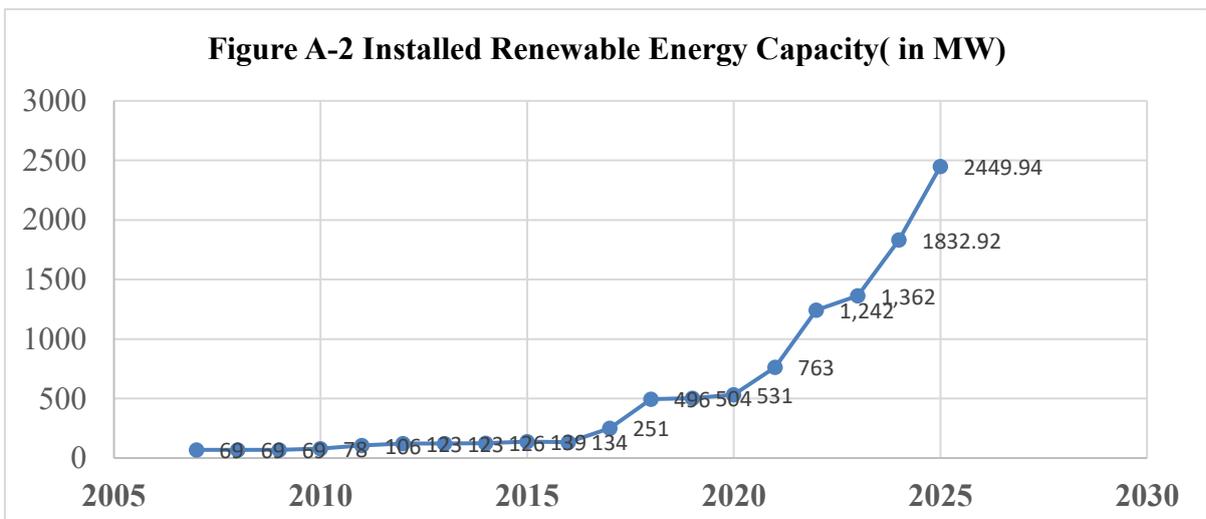
As per the *Renewable Energy Statistics 2023–24* released by the Ministry of New and Renewable Energy, Haryana's overall contribution to India's renewable energy sector is rather low. The state lags significantly in wind, solar, small hydro, and large hydro power capacities when compared to leading states such as Rajasthan, Karnataka, and Maharashtra. Biomass energy, backed by Haryana's robust agricultural base, holds some promise. However, despite supportive policies, on-ground implementation has been quite limited, resulting in a relatively low renewable energy capacity creation overall (Figure A-1).



Source: MNRE & CEA

### Overview of Haryana's potential renewable sources

Haryana, as an agrarian state and a major contributor to the national food grain supply, depends on reliable and efficient irrigation systems. To drive sustainable development and economic growth, the state government is increasingly prioritising clean and renewable energy solutions. Efforts are focused on promoting environmentally friendly energy sources such as solar, biogas, biomass, and micro-hydro power. The Haryana Renewable Energy Development Agency (HAREDA) is playing a key role by implementing various schemes and formulating policies to accelerate the adoption of non-conventional energy technologies, particularly in the agricultural sector.



Source: RBI handbook & MNRE

Haryana is witnessing a late yet rapid surge in renewable energy capacity, particularly since 2022, when its installed capacity more than tripled. This sharp growth reflects a strong policy push and increasing adoption of clean energy technologies. The progress aligns closely with the efforts of the HAREDA, which has been actively promoting the use of renewable energy, especially in agriculture and other key sectors. Although the state was initially slow to adopt renewable solutions, recent developments highlight its growing potential, driven by proactive policy measures and technological advancements (Figure A-2).

**Table A-1: Installed Capacity under Solar, Wind, Bio Power and Small Hydro Power (RES) since 2014-15 (in MW)**

Years	Small Hydro Power	Wind Power	Total Bio-Power	Total Solar Power	Total Capacity	Growth (%)
2014-15	70.1	--	126.81	16.72	213.63	
2015-16	71.5	--	157.96	12.8	249.14	<b>16.59%</b>
2016-17	73.5	--	183.46	23.42	280.38	<b>12.54%</b>
2017-18	73.5	--	185.09	89.43	348.02	<b>24.12%</b>
2018-19	73.5	--	210.09	226.9	510.49	<b>46.68%</b>
2019-20	73.5	--	210.09	235.52	519.11	<b>1.69%</b>
2020-21	73.5	--	210.55	263.14	547.19	<b>5.41%</b>
2021-22	73.5	--	216.75	472.26	762.51	<b>39.38%</b>
2022-23	73.5	--	259.43	1029.16	1362.09	<b>78.60%</b>
2023-24	73.5	--	283.7	1475.72	1832.92	<b>34.55%</b>
2024-25	73.5	--	311.47	2064.97	2449.94	<b>33.65%</b>
<b>CAGR</b>	<b>0.47%</b>	<b>--</b>	<b>9.42%</b>	<b>68.13%</b>	<b>27.17%</b>	

Source: MNRE

Haryana's renewable energy capacity has grown significantly over the past decade, rising from 213.63 MW to 2449.94 MW with a CAGR of 27.17%. This expansion is primarily driven by solar power, which surged from 16.72 MW to 2064.97 MW with a CAGR of 68.13%, supported by strong government initiatives such as subsidies, rooftop solar schemes, and the PM-KUSUM scheme. Bio-power also grew steadily from 126.81 MW to 311.47 MW with a CAGR of 9.42%, indicating moderate growth potential. Small hydro power remains stagnant at around 73.5 MW, with minimal growth (CAGR of 0.47%), and is unlikely to expand without repowering or new micro-hydro initiatives. Overall, solar energy has been the dominant source in Haryana's renewable push, while bio-power holds potential, and small hydro has remained limited (Table A-1).

**Table A-2: Estimated Potential of Renewable Power (in MW)**

Year	Wind Power	Small Hydro Power	Biomass Power	Cogeneration-bagasse	Waste to Energy	Solar Energy	Total	Distribution (%)
2011-12	0	110	1333	350	24		1817	2.02
2012-13	0	110	1333	350	24	---	1817	1.93
2013-14	93	110	1333	350	24	---	1910	1.29
2014-15	93	110	1333	350	24	4560	6470	0.72
2015-16	93	110	1333	350	24	4560	6470	0.54
2016-17		107	1375	100	24	4560	6167	0.62
2017-18		110	1333	350	24	4560	6377	0.58
2018-19		107	1333	350	24	4560	6374	0.58
2019-20		107	1332.6	350	24	4560	6374	0.58
2020-21	419	107	1333	350	24	4560	6793	0.50%
2021-22	419	107	1333	350	24	4560	6793	0.50%
2022-23	593	107	1353	362		4560	6976	0.33%
2023-24	593	107	1353	362		4560	6976	0.33

Source: MoSPI, Various Volumes of Energy Statistics India

Since 2014-15, solar energy has emerged as the leading source in Haryana's renewable energy portfolio, maintaining a steady capacity of 4,560 MW. However, the lack of growth since then suggests a sluggishness in solar deployment. Wind energy began contributing in 2013-14, with notable capacity increases to 419 MW by 2020-21 and 593 MW by 2022-23, indicating a recent policy thrust. Small hydro power has remained mostly stagnant, with a slight decline from 110 MW to 107 MW, reflecting limited geographical feasibility in the state. Biomass power has been stable at around 1,333 MW, with only minor variation, while waste-to-energy projects have remained underutilised at a constant 24 MW, highlighting the challenge of public acceptance for the using urban waste resources and its potential adverse environmental implications.

It is important to note that the share of renewable energy in Haryana's overall power distribution has declined from 2.02% in 2011-12 to just 0.33% in 2023-24, indicating that renewable energy growth has not kept pace with rapidly rising energy demand. Since 2016, the expansion of renewable energy capacity has remained largely stagnant, suggesting policy or infrastructure challenges (Table A-2).

**Table A-3: Installed Capacity vs. Estimated Potential of Renewable Energy in Haryana based on (2023–24)**

Source	Installed Capacity (2023-24)	Estimated Potential	% Utilized	Remarks
<b>Solar Power</b>	1,475.72 MW (Refer to Table 1)	4,560 MW (Refer to Table 2)	<b>32.37%</b>	High growth, but the potential is still largely not yet used
<b>Wind Power</b>	0 MW (Refer to Table 1)	593 MW (Refer to Table 2)	<b>100%</b>	Recent expansion, therefore, full potential achieved
<b>Small Hydro Power</b>	73.5 MW (Refer to Table 1)	107 MW (Refer to Table 2)	<b>68.69%</b>	Nearly saturated; limited future scope
<b>Biomass Power</b>	283.7 MW (Refer to Table 1)	1,353 MW (Refer to Table 2)	<b>20.96%</b>	Huge untapped potential
<b>Total</b>	<b>1,832.92 MW</b>	<b>6,976 MW</b>	<b>26.27%</b>	Indicates overall underutilization of potential

The growth in Haryana's renewable energy capacity reflects accelerated policy

implementation and increased government support and investment, particularly in the solar energy sector. However, solar energy has utilised only 32.37% of its estimated potential, highlighting significant scope for further expansion. Similarly, biomass energy remains notably underutilised, despite Haryana's strong agrarian base, which offers substantial opportunities for bio-energy development. As of 2023–24, only 26.27% of the state's total renewable energy potential has been realised, underscoring the urgent need for strategic scaling across all sectors (Table A-3).

As shown in Table A-1, indicate, the increase in total installed capacity from 1,832.92 MW in 2023–24 to 2,064.97 MW in 2024–25 indicates that Haryana is making steady progress in expanding its renewable energy infrastructure, though more targeted and sustained efforts are required to fully unlock its potential.

Another aspect which maybe useful is to initiate the Op-Ex model to enhance the usage and generation of the energy from the renewables. It has been seen that the capacity creation and generation do not necessarily go hand in hand. To fully benefit from the renewable energy the focus should be on the latter too.

### **Summing Up:**

Haryana has witnessed significant growth in renewable energy capacity, especially since 2022, driven primarily by solar power initiatives and government-backed schemes such as the PM-KUSUM and Solar Programme. The total renewable energy capacity has grown from 213.63 MW in 2014-15 to 2,449.94 MW in 2024-25, registering a strong CAGR of 27.17%. Despite this progress, the state has only utilised 26.27% of its estimated renewable energy potential, indicating considerable scope for further expansion. Solar energy has emerged as the dominant source, with a CAGR of 68.13%. However, only 32.37% of the estimated solar potential has been tapped. Biomass energy, despite its promise given Haryana's agricultural strength, remains underutilised at just 20.96% of its potential. Notably, the share of renewable energy in Haryana's overall energy distribution has declined from 2.02% in 2011-12 to 0.33% in 2023-24, implying that renewable capacity has not kept pace with growing energy demand in the state.

## CHAPTER 11

### Contingent Liabilities

Besides debt, the state governments also have contingent liabilities arising out of the guarantees provided for the borrowings of Public Sector Undertakings (PSUs). While these liabilities are not part of the state's official debt, the state would be obligated to cover the debt payments in the event of a default by the borrowing entity. This means that the fiscal risk posed by these guarantees could be substantial if the enterprises are unable to generate enough revenue to meet their repayment obligations for these borrowing.

#### Status of Guarantees–Contingent Liabilities of Haryana

Guarantees represent contingent liabilities on the Consolidated Fund of the State, which come into effect in the event of defaults by borrowers for whom these guarantees have been provided. The State Government has not enacted legislation under Article 293 of the Constitution to establish a limit on the guarantees it can issue against the security of the Consolidated Fund. In 2003, the State Government established the **Guarantee Redemption Fund**, through notification No. 1448-FD (ERAMU)-2003 dated 31 July 2003, which is managed by the Reserve Bank of India (RBI).

The most recent amendment to this notification, effective in 2020, requires the State Government to initially contribute a minimum of 1 percent of outstanding guarantees from the previous year, and subsequently contribute 0.5 percent each year. This is aimed at achieving a minimum fund level of 3 percent within five years, with a gradual increase to the optimal target of 5 percent.

The Government of Haryana has, from time to time, provided the expected guarantees for repayment of loans as well as repayment of interest on loans, debentures bonds, etc., raised by local bodies as well as statutory corporations and government companies. The outstanding liabilities, total outstanding guarantees, the ratio of guarantees to total liability, and the rate of growth (ROG) of the guarantees over the years are provided in (Table 11.1). Haryana's outstanding liabilities have shown consistent growth, rising from ₹17,726 lakhs to ₹2,93,123 lakhs, from 2001-02 to 2022-23. The upward trend persisted across most years, reflecting a continuous accumulation of liabilities. However, the total outstanding guarantees have experienced considerable fluctuations. After peaking at ₹30,388 lakhs in 2014-15, they sharply declined to ₹16,876 lakhs in 2015-16, suggesting possible policy adjustments or improvement in fiscal management. The proportion of guarantees to total liabilities has also seen a sharp decline, with the most notable drop occurring between 2013-14 and 2016-17, where the ratio fell from 34.30% to just 5.72%. This reduction could reflect an improvement in borrowing practices or improved risk management by the state. The rate of growth (ROG) of guarantees has been highly volatile. For instance, there was a dramatic 269.69% increase in 2012-13, followed by a more moderate rise of 31.72% in 2013-14. However, after reaching the peak in 2012-13, the growth rate saw significant decline, including steep declines of -51.15% in 2016-17 and -44.46% in 2015-16. From 2017-18 onward, the growth of guarantees stabilized, and

the most recent year (2022-23) recorded a negative growth of -5.28%, indicating a reduction in the issuance of new guarantees.

**Table 11.1: Contingent Liabilities in Haryana (in Lakhs)**

Year	Outstanding Liabilities	Total Outstanding Guarantees	Guarantees / Total Liability (%)	ROG Of The Guarantees (%)
2001-02	17726	8606	48.55	
2002-03	19948	7690	38.55	-10.64%
2003-04	22450	5907	26.31	-23.19%
2004-05	24900	4249	17.06	-28.07%
2005-06	26979	5644	20.92	32.83%
2006-07	28451	5704	20.05	1.06%
2007-08	29118	4402	15.12	-22.83%
2008-09	33495	4575	13.66	3.93%
2009-10	41020	4536	11.06	-0.85%
2010-11	46300	4528	9.78	-0.18%
2011-12	56690	5608	9.89	23.85%
2012-13	56690	20732	31.98	269.69%
2013-14	79610	27308	34.30	31.72%
2014-15	92670	30388	32.79	11.28%
2015-16	125520	16876	13.44	-44.46%
2016-17	144190	8244	5.72	-51.15%
2017-18	164076	14138	8.62	71.49%
2018-19	184216	18220	9.89	28.87%
2019-20	215562	20738	9.62	13.82%
2020-21	238708	23053	9.66	11.16%
2021-22	263951	24343	9.22	5.60%
2022-23	293123	23058	7.87	-5.28%
<b>Average</b>	<b>100245.14</b>	<b>13115.77</b>	<b>18.37</b>	
<b>SD</b>	<b>86834.4</b>	<b>8655.53</b>	<b>11.61</b>	

Source: Account at a Glance, Ministry of Finance, Government of India Across Years.

The analysis indicates that the state of Haryana's management of contingent liabilities over the years showing a pattern of increasing trend in overall absolute liabilities but declining reliance on guarantees. The large swings in the growth of guarantees, especially in the early 2010s, may indicate periods of financial instability as well as corrective fiscal measures. The long-term decline in the ratio of guarantees to liabilities suggests that Haryana is adopting more conservative fiscal management, focusing on reducing contingent liabilities to mitigate potential risks.

**Table 11.2: Share of Different Sectors in Guarantees (%) in Haryana**

Years	Power	Cooperatives	Urban Development and Planning	Other Infrastructure	State Financial Corporation & Other Statutory Corporations
2009-10	36.0	40.2	....	15.7	8.1
2010-11	31.5	43.2	...	21.5	3.8
2011-12	37.1	35.8	...	16.6	10.5
2012-13	75.6	13.2	....	4.6	6.6
2013-14	90.0	5.8	...	3.8	0.5
2014-15	93.3	4.5	1.5	0.7	....
2015-16	85.8	7.4	4.0	2.8	...
2016-17	67.5	12.7	9.0	10.8	...
2017-18	29.7	6.0	45.9	18.4	...
2018-19	17.7	3.5	59.1	19.7	...
2019-20	17.8	2.1	63.3	16.8	...
2020-21	23.5	1.9	60.1	14.4	....
2021-22	24.2	2.0	61.4	12.4	...
2022-23	32.6	1.5	52.4	13.6	....

Source: CAG Finance Report Haryana Volume I, various years.

The share of different sectors in guarantees (%) in Haryana is presented in (Table 11.2). The Power Sector consistently received the largest share of guarantees from 2009-10 to 2015-16, peaking at 93.3% in 2014-15. However, after the Haryana government implemented the UDAY scheme to restructure power DISCOMS, the share declined significantly, falling to 17.7% by 2018-19. Recently, the power sector's share increased again to 32.6% in 2022-23, reflecting renewed attention on this sector, in terms of mitigating risks due to new energy options.

In the **Cooperatives Sector**, guarantees accounted for a significant share in the early years, ranging from 35.8% to 43.2% between 2009-10 and 2011-12. However, from 2012-13 onwards, the share dropped sharply, reaching just 1.5% by 2022-23. This decline could indicate improved financial conditions of cooperatives or a strategic reallocation of resources away from this sector.

The **Urban Development and Planning Sector** saw a notable rise in its share of guarantees starting in 2016-17, reaching a peak of 63.3% in 2019-20. This growth highlights the government's heightened focus on urban infrastructure, housing, and planning initiatives. Although the share slightly declined after 2019-20, it remained high at 52.4% in 2022-23, underscoring the sector's ongoing importance in Haryana's development strategy and focus.

The share of guarantees for **Other Infrastructure Projects** fluctuated significantly, starting at 15.7% in 2009-10 and dropping to 4.6% in 2012-13. It remained relatively low until 2016-17. However, there was a sharp increase to 45.9% between 2017-18 and 2021-22, possibly influenced by demonetisation and the COVID-19 pandemic. In 2022-23, a slight decrease indicates a reduction in guarantees, although the sector continues to hold importance.

**State Financial Corporations and Other Statutory Corporations** consistently received a smaller portion of guarantees, generally remaining below 10% throughout the years, except in 2011-12 when it briefly rose to 10.5%. In later years, data for this category was not reported, possibly reflecting a reduction in government-backed guarantees or a shift in reporting practices.

The analysis reveals a significant shift in government-backed guarantees from traditional sectors like power and cooperatives toward urban development and broader infrastructure. This reallocation aligns with the state's evolving developmental goals and the demands of growing urbanization in Haryana.

This trend also aligns with the Central Government's focus on infrastructure development. Investing in these projects and safeguarding them through contingent liabilities is likely to have a stronger multiplier effect over the medium to long term in sustaining state finance and improving the economic performance.

## **Conclusion**

Haryana's guarantees for Public Sector Undertakings (PSUs) and other entities have increased significantly, from ₹17,726 lakhs in 2001-02 to ₹2,93,123 lakhs in 2022-23.

The **Power Sector** historically received the highest share of guarantees, peaking in 2014-15, but later declined with the adoption of the UDAY scheme.

The **Urban Development and Planning Sector** has seen an increase in guarantee allocation since 2016-17, reflecting the state's growing focus on urban infrastructure.

The **Cooperative Sector**, in contrast, has seen a decrease in guarantees, possibly indicating financial stabilization. Haryana has made notable progress in managing contingent liabilities by reducing the share of guarantees relative to total liabilities and reallocating support toward infrastructure and urban development within it

## Chapter 12

### Analysis of the Subsidies for the Haryana State

The State generally provides subsidy to those sectors which has strong positive spillover effects and close linkage to the economy and/or to improve the standards of living of the deprived sections of the society. In other words, the goods and services which involve significant positive externality need the state support. The State also takes up the responsibility of subsidizing the loss-making enterprises engaged in these activities so that they are able to run at their efficient level. However, subsidy needs to be financed from the budgetary resources: that is either through taxation or borrowings.

Historically prosperous nations changed their economies through a variety of interventionist and protective measures, including subsidies. The idea that free markets alone are what can lead to economic success is refuted by the fact that nations like the United States and Japan used high tariffs and other types of governmental interventions during their early stages of economic development. However, financing these expenditures by borrowings curtails the autonomy of the government in future as it involves issue of debt sustainability. This means that the subsidies should be well targeted so as to optimize their impact on public exchequer and/or public borrowings. More rapid economic growth and diversification can result from efficient industrial policies, such as subsidies, than from free-market policies alone.

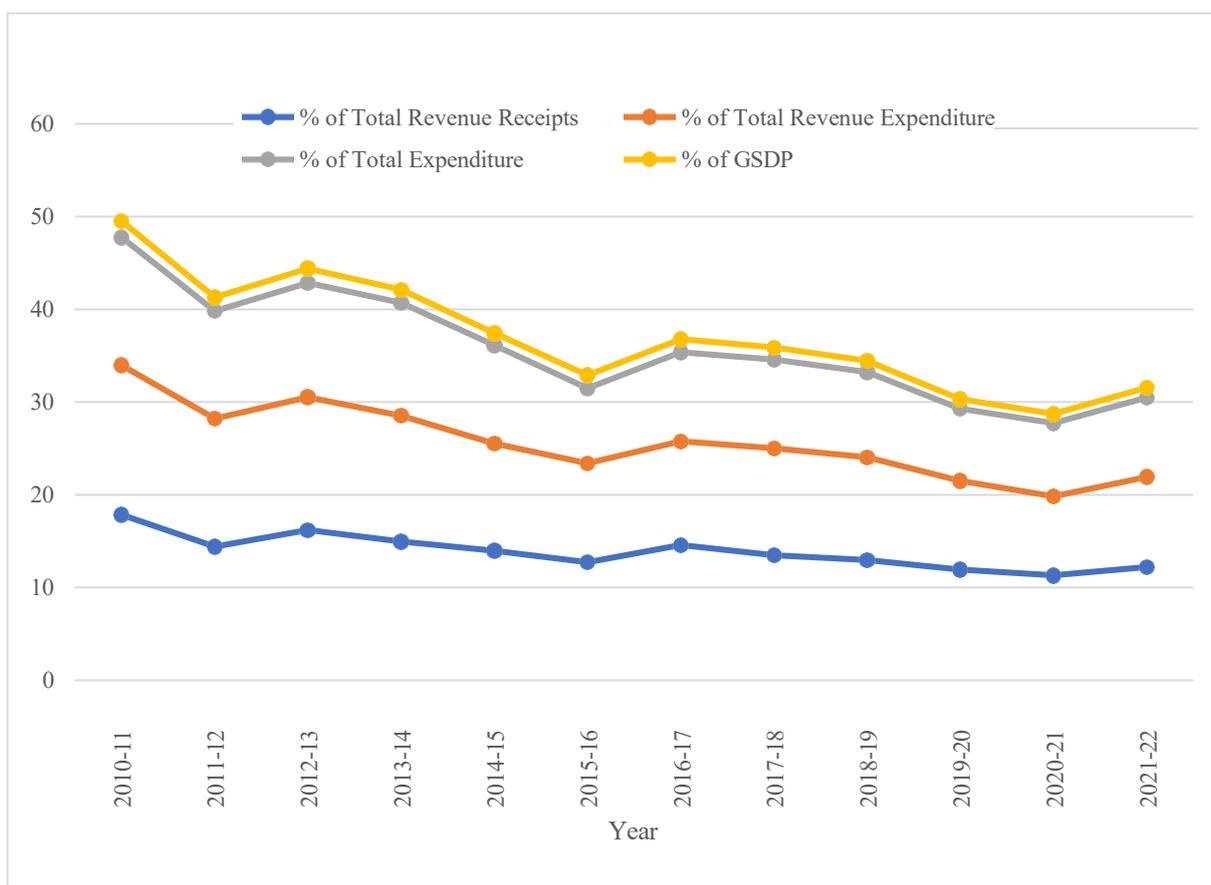
**Table 12.1: Expenditure on Subsidies in Haryana State**

Years	Total Subsidies (Rs crore)	% of Total Revenue Receipts	% of Total Revenue Expenditure	% of Total Expenditure	% of GSDP
2010-11	4562	17.85	16.12	13.8	1.75
2011-12	4407	14.43	13.77	11.6	1.48
2012-13	5453	16.21	14.32	12.3	1.57
2013-14	5681	14.95	13.56	12.2	1.42
2014-15	5693	13.95	11.59	10.6	1.30
2015-16	6898	12.74	10.64	8.1	1.42
2016-17	7654	14.58	11.19	9.6	1.40
2017-18	8446	13.47	11.53	9.57	1.31
2018-19	8549	12.98	11.08	9.17	1.21
2019-20	8105	11.94	9.55	7.8	1.04
2020-21	7650	11.32	8.51	7.9	1.00
2021-22	9535	12.21	9.69	8.6	1.06
<b>Average</b>	<b>6886.08</b>	<b>13.85</b>	<b>11.79</b>	<b>10.10</b>	<b>1.33</b>

*Source: CAG Finance Account of Haryana Across Various Years; Author's own calculations*

- While subsidies may have grown in absolute terms over the past 12 years in the state of Haryana, as proportion of the total revenue expenditure and of the total expenditure, they have been declining secularly over the years.
- As a proportion of the total revenue receipts, the total subsidy accounts for about 13.85 % on average for the period 2010-11 to 2021-22. It varied between 11.32 % and 17.85 % in this period. It fluctuates quite a bit, possibly due to various disruptions in this period.
- The subsidies accounted for about 1.33 % of the GSDP on an average in this period. There has been a very gradual decline in their share of GSDP: falling from around 1.75 % in 2010-11 to 1.06 % in 2021-22.
- The only prominent spike in recent years was in 2021-22 where subsidies increased a proportion of total expenditure and revenue receipts and significantly in absolute terms.

**Figure 12.1: Total Subsidies as a Proportion of Revenue, Expenditure And GSDP**



Source: CAG Finance Account Volume II of Haryana up to 2022.

Haryana aims to have a fiscal deficit of 2.8% of GSDP in 2024–25, with an expected revenue deficit of Rs 17,817 crore (1.5% of GSDP) in the budget. This shows a dedication to upholding budgetary restraint in the face of obstacles like declining central funding and increasing committed spending.

While it's clear they've excelled in cutting down subsidy expenditure in general as displayed by the secular decline as a proportion of both revenue and total expenditure (see Figure 11.1), an examination of the composition of the subsidies may help provide us a more holistic picture of the Haryana's fiscal relationship with respect to subsidies to various sectors.

### **Composition of Subsidies**

Subsidies can be broadly grouped in two categories— Social and Economic as per the budgetary classifications of the state. The share of 'Economic Services' is almost 99.11 % in total subsidies whereas social services share is mere 0.89 %, on average, for the period of study. For most of the years social service subsidies were less than 1% between 2010- 11 to 2021- 22 (see Table 12.2).

According to the statistics available, a sizable amount of the state's subsidy budget is allocated to providing power subsidies to agricultural entities. As anticipated, the primary beneficiary of State Budget subsidies throughout this period has been the electricity industry. This is hardly shocking, as several other studies and even older Finance Commission reports have noted.

The state has a high incidence of anemia among children (71.7 %) and a persistently adverse sex ratio (879) while having a high per capita GSDP. However, health spending only accounts for 4.8% of TRE. Aside from the pandemic, the State's routine demands are barely met by the infrastructure and medical personnel that are available. Thus, the continuously small proportion to the social sector for subsidies should be problematized and the state needs to redirect its subsidy targeting strategies. There are several other glaring red flags among Haryana's social indicators:

- One of the lowest hospital-bed densities
- In school education, it has one of the worst pupil-teacher ratios (25)
- According to the NITI Aayog's SDG India Index and Dashboard 2019–20, the State's female to male labour force participation rate (LFPR) is only 0.21, whereas the national average is 0.32.
- The life expectancy continues to be lowest in Haryana (69.7) among all the high-income states.
- Compared to other high-income states like Kerala and Maharashtra, where the rates are above 90% and 84%, respectively, Haryana has a far lower female literacy rate (66.67 %).

These unfavourable social indices cause the state's HDI score (0.696)<sup>1</sup> to fall close to the national average, which is not all that different from many low-income and backward states.

It is essential that Haryana concentrates on improving healthcare access, educational outcomes, and enhance economic possibilities for its people in order to raise its overall HDI rating. Thus, a high per capita income and growth may not be sufficient to raise the standards of living of its population particularly of women, if the fruits of such growth continue to be distributed in a lopsided manner.

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<sup>1</sup> As per 2022 Data, for more see

<https://globaldatalab.org/shdi/table/shdi/IND/?levels=1+4&interpolation=0&extrapolation=0>

The state's finances are under strain as a result of high subsidy spending solely targeted at the power sector. For example, other vital services like health and education are adversely affected by this, which contributes to the lower socio-economic status of Haryana.

Launched in 2015, the Ujwal Discom Assurance Yojana (UDAY) program sought to enhance the operational effectiveness and financial stability of state-owned electricity distribution firms (DISCOMs) throughout India. UDAY has had a significant influence on Haryana, but there are some challenges as well.

**Table 12.2: Composition of Subsidies – Level and Proportions**

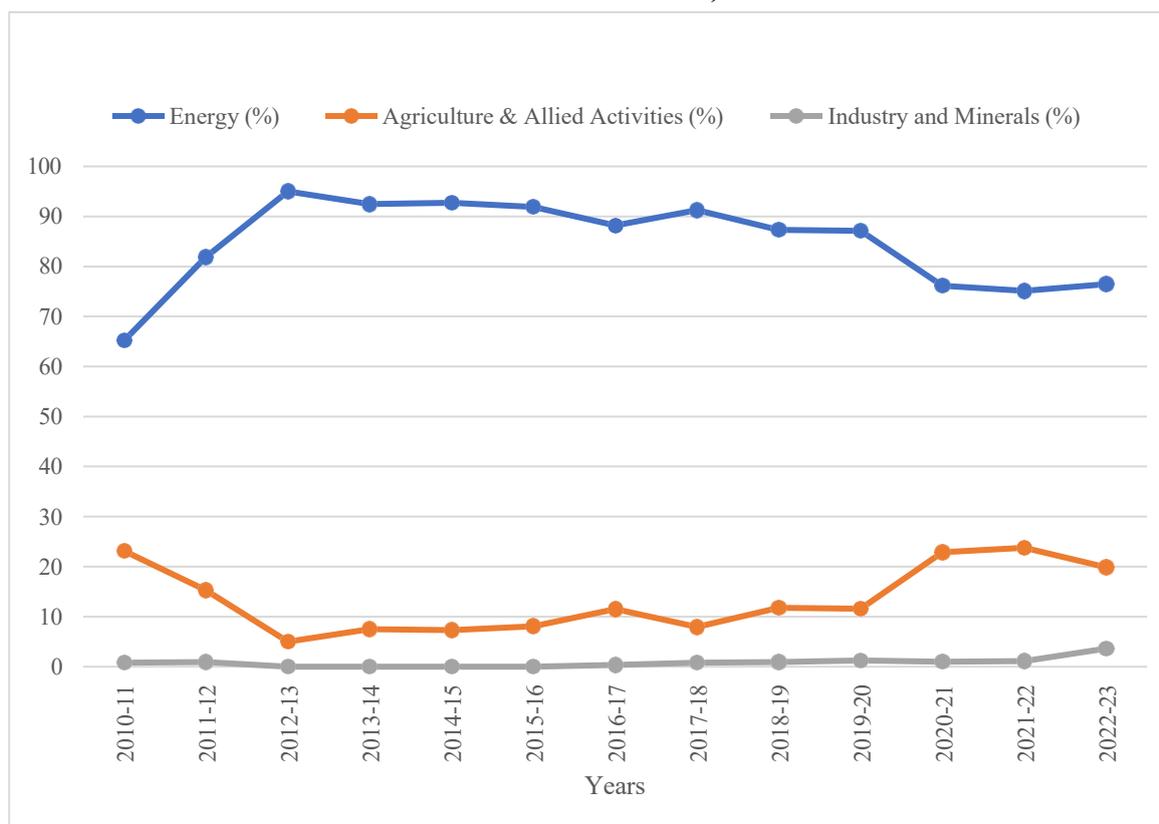
YEARS	Total Subsidy (Rs crore)	Social Services Subsidy (Rs crore)	Social Services Subsidy as % of Total	Economic Services Subsidy (Rs crore)	Economic Service Subsidy as % of Total	Energy Subsidy (Rs crore)	Energy Subsidy as % of Total
2010-11	4562	41	0.92	4520	99.08	2948	64.62
2011-12	4407	29	0.66	4378	99.34	3584	81.32
2012-13	5453	50	0.93	5402	99.07	5132	94.11
2013-14	5681	52	0.93	5628	99.07	5205	91.63
2014-15	5693	41	0.72	5652	99.28	5238	92.01
2015-16	6898	19	0.28	6879	99.72	6324	91.67
2016-17	7654	148	1.94	7504	98.06	6618	86.48
2017-18	8446	89	1.06	8356	98.94	7624	90.26
2018-19	8549	56	0.66	8492	99.34	7414	86.73
2019-20	8105	59	0.72	8046	99.28	7012	86.51
2020-21	7650	54	0.71	7596	99.29	5783	75.59
2021-22	9535	72	0.75	9463	99.25	7108	74.55
2022-23	9359	120	1.28	9240	98.72	7067	75.51
<b>Average</b>	<b>7076.30</b>	<b>63.84</b>	<b>0.89</b>	<b>7012</b>	<b>99.11</b>	<b>5927.46</b>	<b>83.92</b>

Source: CAG Finance Account Vol. II of Haryana, across various years.

It is envisaged that the state would have greater resources to carry out these social obligations as a result of the reduction in the proportion power sector subsidies brought about by the reorganization under the UDAY program. However, several challenges remain:

- Most of the subsidy in the state budget goes to economic subsidies (see Table 11.2) - almost 99.11 % and, by default, the share of the social services is just around 0.89 %. This trend can be noticed consistently for the entire period under consideration, except for the year 2016-17 and 2022-23 when social services share went up to 1.94 % and 1.28 % respectively.
- The energy sector receives the majority of both the economic and overall subsidies. The energy subsidy has been receiving around 83.92% of the overall subsidy, on average, for the past 12 years.
- The share of subsidies other than energy sector has been less than 13% on an average for more than a decade. These include agriculture and industry and minerals. The latter two have only recovered in their subsidy share in recent years post COVID (see Table 12.3).

**Figure 12.2 Sectoral Composition of Economic Subsidies (% share of Total Economic Subsidies)**



Source: CAG Finance Account Volume II of Haryana up to 2023.

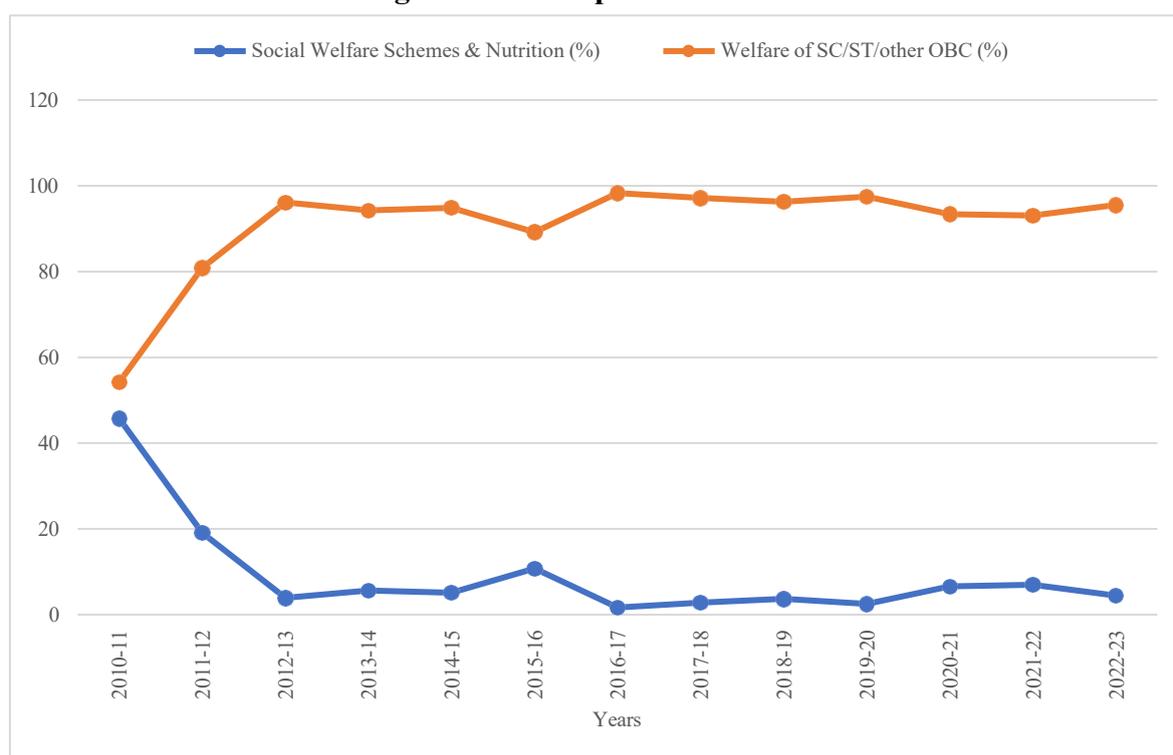
**Table 12.3: Sectoral Composition of Economic Subsidies (% share of Total Economic Subsidies)**

YEARS	Energy (%)	Agriculture & Allied Activities (%)	Industry and Minerals (%)	Economic (Rs Crore)
2010-11	65.2	23.1	0.80	4520
2011-12	81.9	15.3	0.91	4378
2012-13	95.0	5.0	0.00	5402
2013-14	92.5	7.5	0.00	5628
2014-15	92.7	7.3	0.00	5652
2015-16	91.9	8.1	0.00	6879
2016-17	88.2	11.5	0.32	7504
2017-18	91.24	7.94	0.8	8356
2018-19	87.3	11.76	0.92	8492
2019-20	87.14	11.6	1.24	8046
2020-21	76.13	22.85	0.99	7596
2021-22	75.1	23.76	1.12	9463
2022-23	76.46	19.89	3.62	9240
<b>Average</b>	<b>84.67</b>	<b>13.50</b>	<b>0.82</b>	<b>7012</b>

Source: CAG Finance Account Volume II of Haryana, Across Various Years

As we can observe, social subsidies make up a very small portion of the state's total subsidy bill—less than 0.89 percent during the last 12 years. Nevertheless, a detailed analysis of the social services data reveals that the makeup of subsidies has changed dramatically between 2010–11 and 2022–23 (see Table 12.4). The percentage of subsidies allocated to "Social Welfare Scheme and Nutrition" has significantly decreased from 2010–11, whereas the percentage of subsidies allocated to the welfare of socially disadvantaged populations has sharply increased. Perhaps the state ought to adopt a targeted subsidization approach by redistributing the subsidies' composition in favor of the social sector subsidy and away from the energy sector.

**Figure 12.3 Composition of Social Subsidies**



*Source: CAG Finance Account of Haryana Volume II, across various years*

While there has been a secular decline in the proportion of subsidy dedicated to the energy sector, as a part of the larger structural reforms under the UDAY scheme (see Table 11.2), these subsidies seem to have diverted towards the agricultural sector rather than the social sector (see Table 12.3).

**Table 12.4: Social Sector Subsidies**

Years	Social Welfare Schemes & Nutrition (%)	Welfare of SC/ST/other OBC (%)	Social Service Subsidy (Rs Crore)
2010-11	45.75	54.2	41
2011-12	19.09	80.9	29
2012-13	3.93	96.1	50
2013-14	5.67	94.3	52
2014-15	5.1	94.9	41
2015-16	10.8	89.2	19
2016-17	1.68	98.3	148
2017-18	2.8	97.2	89
2018-19	3.72	96.28	56
2019-20	2.55	97.45	59
2020-21	6.6	93.4	54
2021-22	6.95	93.05	72
2022-23	4.45	95.55	120
<b>Average</b>	<b>9.16</b>	<b>90.83</b>	<b>63.84</b>

*Source: CAG Finance Account of Haryana Volume II, across various years*

One can infer, given Haryana's dismal record in terms of gender parity and equitable access to healthcare despite its high per capita income, that there remains a huge potential to address the social inequities to improve the overall standard of living by better targeting of subsidies to the social sector.

### Summary and Recommendations

The State Budget's largest receiver of subsidies during this period has been the energy sector and it consistently garnered a large share of the state subsidies. Despite this, Haryana has been a fiscally responsible state with comparatively minimal subsidies, which have been declining between 2010–11 and 2021–22.

This is not surprising, as numerous earlier studies and even earlier Finance Commission Reports have noted. This analysis also corroborates that the state government should reconsider and reallocate a larger share of subsidies to the social sector, primarily the health and education sectors, in order to improve overall welfare and strengthen the sustainability of the growth process, which has been beset by social inequity

By addressing these shortcomings through targeted reforms and better management practices, Haryana can increase the efficacy of its subsidy policies while guaranteeing sustainable growth to its power sector. The UDAY scheme has had a mixed effect on Haryana's power sector, highlighting significant challenges in subsidy distribution equity while also bringing about some improvements in the financial health and operational efficiency of power DISCOMs.

While the percentage of social welfare subsidies have decreased since 2010 and remained at a lower level, the share of SC/ST/OBC welfare in social sector subsidies has grown. However, overall expenditure on this head has been declining in real terms (and often in nominal terms, see Table 12.4) and has been unable to keep pace with inflation.

To improve the health of the energy industry, strong institutional reforms are needed to guarantee that power subsidies reach the intended recipients which require plugging the loopholes in its billing revenue collection system.

## Chapter 13

### Fiscal Performance of Haryana & the Future Roadmap for Sustainable Debt

This chapter looks at the fiscal performance of the Haryana State Government relative to other large and high-income states using Margit (2014) methodology to estimate the fiscal performance index. Based on these performance indices we assessed the performance of the six high income states and how the Haryana State finances stacks up over the study period from 2011-12 to 2023-24. In this chapter we also examine the issue of debt sustainability for Haryana and forecasts for the years 2024-25 till 2029-30, using trend rate of growth approach adjusted for autocorrelation (using autoregressive process). The sample period for the analysis for the purpose of forecasting starts with optimistic scenario based on long term performance from 1980-81 till 2023-24 whereas the pessimistic scenario examines the more recent period of 2011-12 to 2023-24 which saw major disruptions such as COVID 19 pandemic, implementation of GST, Demonetization, etc.

#### Fiscal Performance Index

Six performance indices have been combined to compute this composite fiscal performance index. The individual indices are namely Own Tax Earnings Performance Index, Own Tax Spending Performance Index, Development Expenditure Performance Index, Commitment Capacity Performance Index and Committed Expenditure Performance Index.

It is important to note that out of the five individual indicators, three have positive characteristic and two have negative connotations. Any indicator is meant to be positive when increasing value represents better performance and negative if it happens to be the opposite. Accordingly, the three positive indices are namely **Own Tax Earnings Performance Index**, **Own Tax Spending Performance Index** and **Development Expenditure Performance Index**. The remaining two indices are negative. Irrespective of the dimension of the individual indices, we intend to develop the composite index as positively directed with higher value representative of better performance and vice versa. To do this, all negative individual indices are to be converted into positive by taking inverse of the indicator variable by which the individual index is composed of. These indicator variables for each and every index are summarized below. Finally, the simple arithmetic mean of these five indices gives us the composite index of fiscal performance, i.e. 'Fiscal Performance Index'.

**Table 13.1: Individual Indices and the Indicator Variables**

Indices	Indicator Variable Used
Own Tax Earnings Performance Index	Own Tax Revenue/GSDP
Own Tax Spending Performance Index	Own Tax Revenue/Total Revenue Expenditure
Development Expenditure Performance Index	Development Expenditure/Non-Development Expenditure
Commitment Capacity Performance Index	$1 - (\text{Committed Expenditure}/\text{Total Revenue Receipt})$
Committed Expenditure Performance Index	$1 - (\text{Committed Expenditure}/\text{Total Revenue Expenditure})$

### Method to Construct Individual Fiscal Performance Indices:

$$FPI_i = (x_{ijt} - \min(x_{it})) / (\max(x_{it}) - \min(x_{it}))$$

Where  $i$  stands for individual indices,  $j$  stands for state and  $t$  stands for time point.

$x_{ijt}$  = Value of  $i^{\text{th}}$  indicator variable for  $j^{\text{th}}$  state at time point  $t$ .

$\min(x_{it})$  = Minimum value of  $i^{\text{th}}$  indicator across all states at time  $t$ .

$\max(x_{it})$  = Maximum value of  $i^{\text{th}}$  indicator across all states at time  $t$ .

We multiplied each index by 100 to represent in the form of comparable percentages which are presented in tables 13.2 to 13.7.

**Table 13.2: Own Tax Earnings Performance Index (In percent)**

Year	Gujarat	Karnataka	Kerala	Maharashtra	Punjab	Tamil Nadu	Haryana
2011 – 12	7.19	6.78	7.7	7.06	6.88	8.94	7.92
2012 – 13	7.44	6.72	7.77	7.29	7.14	7.59	8.33
2013 – 14	6.98	6.46	7.65	6.88	6.59	7.19	7.59
2014 – 15	6.65	7.68	6.87	6.47	7.2	7.33	6.32
2015 – 16	6.09	7.23	6.94	6.44	6.84	6.84	6.24
2016 – 17	5.52	6.87	6.64	6.21	6.5	6.6	6.06
2017 – 18	5.54	6.78	6.86	7.3	6.69	6.58	6.55
2018 – 19	5.4	6.59	6.47	7.45	6.21	6.51	6.12
2019 – 20	4.89	6.35	6.19	7.11	5.59	6.16	5.85
2020 – 21	4.35	5.97	6.18	6.25	5.56	5.94	5.65
2021 – 22	5.04	6.15	6.26	7.11	6.08	5.93	6.13
2022 – 23	5.9	6.59	6.91	7.82	6.92	6.12	6.64
2023-24	5.42	6.74	7.17	7.69	7.43	6.4	6.91

Source: Authors' calculations based on RBI data of Handbook of Statistics of States and State Budget Analysis

The performance of Haryana with respect to its Own Tax Earnings Performance Index, has been deteriorating since 2014-15 till 2020-21, but started improving thereafter and thus in 2023-24 the own tax performance index has been estimated at 6.91%. Relative to the states of Gujarat and Karnataka, Haryana's performance has been better. The performance of neighboring state Punjab is slightly better than Haryana. Among the high-income states, Maharashtra is the top performer, while Tamil Nadu's trend of own tax earnings performance index shows similar pattern as that of Haryana. While Haryana was a second performer in 2011-12, but the rank declined to fourth position in 2022-23.

**Table 13.3: Own Tax Spending Performance Index**

Year	Gujarat	Karnataka	Kerala	Maharashtra	Punjab	Tamil Nadu	Haryana
2011 – 12	74.07	71.38	55.86	70.91	57.02	70.99	63.72
2012 – 13	77.37	70.46	56.23	74.57	57.24	73.41	61.88
2013 – 14	74.90	70.19	52.90	70.11	57.83	67.12	61.04
2014 – 15	70.79	67.73	49.11	64.81	54.86	61.06	56.26
2015 – 16	65.41	64.56	49.56	66.50	53.30	57.08	32.29
2016 – 17	62.03	62.88	46.30	64.06	50.18	56.10	64.81
2017 – 18	62.38	63.40	48.18	19.94	50.42	57.47	57.11
2018 – 19	60.67	59.37	46.25	70.53	42.19	53.82	55.40
2019 – 20	56.07	58.74	48.05	62.92	39.54	51.07	50.47
2020 – 21	46.63	55.13	38.61	52.88	34.81	44.90	46.60
2021 – 22	60.89	57.65	39.91	63.18	38.63	48.37	54.23
2022 – 23	70.40	65.89	47.05	61.16	37.58	55.00	56.81
2023-24	69.89	69.06	50.85	64.04	41.99	58.81	60.06

Source: Authors' calculations

Haryana ranked fifth in own tax spending performance among the top 7 high income states in 2011-12. But it then started to decline over the years and reached a level of approximately 32% in 2015-16 and, thereafter, improved to 56.81% in 2022-23. With the outbreak of COVID pandemic it fell to approximately 47% in 2020-21. Compared to the other states, Haryana fell behind Gujarat, Karnataka, and Maharashtra in 2022-23. Relatively Punjab has been the worst performer in terms of 'own tax spending performance index' in 2022-23.

**Table 13.4: Development Expenditure Performance Index**

Year	Gujarat	Karnataka	Kerala	Maharashtra	Punjab	Tamil Nadu	Haryana
2011 – 12	177.20	269.53	110.13	185.94	92.39	163.79	212.29
2012 – 13	188.03	258.14	117.11	187.95	109.53	177.72	219.16
2013 – 14	179.39	237.29	108.66	183.16	103.60	181.70	207.05
2014 – 15	187.02	245.31	107.90	189.53	99.67	185.31	192.12
2015 – 16	189.63	260.24	107.25	187.00	99.76	186.21	214.98
2016 – 17	189.01	303.76	107.83	187.30	90.88	173.51	214.27
2017 – 18	184.01	294.36	103.74	187.49	77.29	158.73	172.92
2018 – 19	178.42	272.46	99.53	191.29	98.05	151.65	168.53
2019 – 20	185.70	243.75	77.75	178.90	88.14	149.24	166.12
2020 – 21	188.65	209.67	126.28	179.44	85.82	179.27	158.96
2021 – 22	183.59	223.62	94.72	165.90	96.40	176.28	159.37
2022 – 23	197.74	190.75	82.63	194.49	109.75	156.57	158.93
2023-24	161.79	203.74	89.38	163.83	115.19	136.78	172.62

Source: Authors' calculations

Since 2011-12 Haryana's development expenditure performance index has been quite impressive and consistent implying a faster growth in the amount of developmental expenditure being undertaken by the state relative to its peers. As compared to the states of Punjab and Gujarat, Haryana has been performing better. However, since 2017-18, the development expenditure performance index declined and remained low during the COVID times of 2020-21 till 2022-23. Of the seven high income states, Karnataka, Haryana, Maharashtra and Gujarat are the top performers. Punjab and Kerala showed low development expenditure performance.

**Table 13.5: Committed Expenditure Performance Index**

Year	Gujarat	Karnataka	Kerala	Maharashtra	Punjab	Tamil Nadu	Haryana
2011 – 12	42.19	64.62	32.06	40.26	26.35	42.43	77.49
2012 – 13	45.45	60.49	37.12	39.27	24.53	47.49	77.99
2013 – 14	NA	60.98	37.41	39.11	23.49	46.16	76.08
2014 – 15	47.97	62.11	40.47	43.23	30.18	46.46	76.53
2015 – 16	49.54	62.84	39.00	65.89	NA	48.39	85.70
2016 – 17	49.34	66.02	6.76	44.91	23.78	47.37	48.02
2017 – 18	48.23	65.99	32.56	47.27	21.95	44.39	71.68
2018 – 19	48.00	62.06	37.94	49.55	32.74	43.75	71.89
2019 – 20	48.93	54.28	31.89	54.77	30.73	42.97	63.13
2020 – 21	49.93	51.93	44.29	53.67	33.52	48.82	62.29
2021 – 22	51.57	52.13	35.22	42.71	36.42	49.42	63.28
2022 – 23	55.03	50.07	35.52	50.21	41.85	44.26	66.68
2023-24	52.06	51.52	26.59	49.69	39.55	56.52	72.83

*Source: Authors' calculations based on RBI handbook of statistics and State budget analysis data. Data of wages and salaries for Gujarat in 2013-14 and for Punjab in 2015-16 were not available. For the state of Maharashtra, wages and salaries data was unavailable for the years 2022-23 & 2023-24, but same data was collected from PRS Legislative Research on Maharashtra State budget analysis.*

The committed expenditure includes payments made on salaries & wages, pensions and interests. A high score indicates low percentage of expenditure on these components by the state implying expenditure optimization in these committed expenditures. Haryana's committed expenditure performance index has been highest among all the seven states during the period from 2011-12 till 2023-24. The other states indices are considerably quite low, least being that of Punjab and Kerala. However, Haryana's index fell to 48.02% in 2016-17, after reaching its peak at 85.70% in 2015-16. The year 2016-17 saw a major disruption due to the policy of demonetization and all states experienced a deterioration in this index that year onwards, particularly Kerala, Haryana, Maharashtra and Punjab faced a serious challenge as there was a significant decline in the index due to the significant rise in both interest payments and wages & salaries. Due to demonetization businesses got affected as economic activity got stifled which, in turn, have led to reduced Tax collection *vis a vis* what was projected, while the committed expenditure went up at the same time. This explains the dip in Commitment Capacity Performance Index.

**Table 13.6: Commitment Capacity Performance Index**

Year	Gujarat	Karnataka	Kerala	Maharashtra	Punjab	Tamil Nadu	Haryana
2011 – 12	45.14	67.00	17.70	39.15	7.24	43.35	76.42
2012 – 13	49.49	61.44	23.80	41.06	7.09	48.43	75.08
2013 – 14	NA	61.14	23.02	37.04	9.25	45.27	73.64
2014 – 15	50.99	62.30	26.30	39.07	16.60	43.66	71.74
2015 – 16	50.42	63.40	30.46	64.91	NA	43.59	71.20
2016 – 17	53.23	66.26	-5.36	46.61	17.96	43.93	54.76
2017 – 18	50.43	67.03	18.81	47.72	8.03	36.18	66.91
2018 – 19	49.23	62.22	26.27	51.71	18.55	36.16	67.08
2019 – 20	49.63	54.59	20.95	52.04	14.67	31.24	53.90
2020 – 21	41.12	46.00	29.55	46.60	16.87	30.50	49.80
2021 – 22	53.43	48.79	18.82	39.90	21.40	38.07	53.71
2022 – 23	56.56	48.66	25.59	47.91	27.01	37.35	60.49
2023 – 24	54.15	48.98	13.61	47.89	24.51	50.48	68.61

*Source: Author's calculations Source: Authors' calculations based on RBI handbook of statistics and State budget analysis data. Data of wages and salaries for Gujarat in 2013-14 and for Punjab in 2015-16 were not available. For the state of Maharashtra, wages and salaries data was unavailable for the years 2022-23 & 2023-24, but same data was collected from PRS Legislative Research on Maharashtra State budget analysis.*

Although Haryana topped in the commitment capacity performance index, but the performance steadily fell from 76.42% in 2011-12 to 49.8% in 2020-2021 and slightly increased to 60.49% in 2022-23. In comparison to the other states, Haryana's performance index is much better than other states. Kerala and Punjab showed low performance during the period from 2011-12 to 2023-24, although Punjab's performance has seen improvement over the years. Kerala's commitment capacity was negative in 2016-17, implying a mismatch of high committed expenditure that could not be compensated by rather low revenue receipts of the state.

Overall commitment capacity expenditure of these seven states barring Haryana could become a cause of concern for the macroeconomic stability as these states constitute a substantial part of the national economy.

**Table 13.7: Individual Fiscal Performance Index of Each Indices for Haryana**

Year	Development Expenditure Performance Index	Own Tax Earning Performance Index	Own Tax Spending Performance Index	Commitment Capacity Index	Committed Expenditure Index	Fiscal Performance Index
2011 – 12	67.69	52.78	43.17	100	100	70.29
2012 – 13	73.77	100	26.73	100	100	66.83
2013 – 14	77.38	94.96	36.99	100	100	71.46
2014 – 15	63.48	0	33	100	100	65.49
2015 – 16	71.79	13.16	0	100	100	57.26
2016 – 17	57.96	40	100	83.95	69.62	75.86
2017 – 18	44.06	57.39	85.52	99.79	100	76.53
2018 – 19	40.41	35.12	46.61	100	100	49.24
2019 – 20	53.23	43.24	46.76	98.27	100	66.67
2020 – 21	59.05	68.42	58.03	100	100	72.36
2021 – 22	50.15	52.66	63.56	100	100	71.24
2022 – 23	66.29	38.54	58.59	100	100	74.96
2023-24	72.79	65.64	64.76	100	100	79.18

*Authors calculations based on Tables 13:2 to 13:6*

Table 13.7 shows that the overall Fiscal performance index (FPI) for Haryana has been volatile over the recent years from 2011-12 till 2023-24. Initially the index deteriorated till 2015-16 mainly due to worsening of Own-Tax Spending Index and Own-Tax Earning Performance Index. However, in 2016-17 and 2017-18, overall FPI index showed improvement due to the improvement in Own-Tax earning and Spending Index. In 2018-19 these indices fell, again significantly. Although the Committed Capacity Performance Index and Committed Expenditure Performance Index has remained high in these twelve years, but Development Index deteriorated since 2016-17. So, although the State maintained a reasonably good fiscal health relative to other States, but the fiscal performance fluctuated quite a bit between 2011-12 and 2023-24.

### **Forecasting for Sustainable Debt Road Map**

The forecasting of various fiscal estimates was based on trend growth rates of AR(1) processes of the times series of the fiscal indicators. Table 13.8 shows these results. AR(1) process has been selected as all series are non-stationary at level. The forecasting was based on two scenarios: Optimistic scenario, which is based on long run series from 1980-81 to 2023-24; Pessimistic scenario, which is based on the study period of 2011-12 to 2023-24.

**Table 13.8: Forecasts based on Trend Regression for the Period 2005-06 to 2017-18**  
(Rs in billions)

Items	Trend ROG	2023	2024	2025	2026	2027	2028	2029	2030	2031
OTR	12.6	653.36	735.88	828.82	933.5	1051.4	1184.19	1333.76	1502.21	1691.49
	10.1		719.55	792.44	872.72	961.14	1058.51	1165.74	1283.84	1413.51
ONTR	10.17	109.54	120.68	132.94	146.46	161.35	177.75	195.82	215.73	237.67
	8.47		118.81	128.87	139.78	151.62	164.46	178.38	193.48	209.87
SCT	12.57	103.78	116.82	131.51	148.03	166.64	187.58	211.15	237.69	267.57
	12.1		116.34	130.42	146.21	163.9	183.74	205.98	230.91	258.85
CG	13.21	103.34	117	132.45	149.96	169.77	192.21	217.6	246.36	278.90
	11.1		114.81	127.56	141.72	157.46	174.94	194.36	215.94	239.91
TRE	13.32	1150.08	1303.21	1476.74	1673.37	1896.18	2148.66	2434.75	2758.94	3126.43
	11.4		1281.15	1427.17	1589.82	1771.01	1972.86	2197.7	2448.17	2727.26
Interest Payment	14.71	209.89	240.77	276.2	316.83	363.45	416.92	478.27	548.63	629.33
	14.37		240.06	274.58	314.05	359.2	410.83	469.9	537.45	614.68
TE	14.71	1324.73	1496.05	1689.53	1908.04	2154.8	2433.47	2748.19	3103.6	3560.14
	14.37		1473.71	1639.45	1823.83	2028.94	2257.12	2510.96	2793.35	3194.75
Non Debt Receipts	24.81	977.45	1219.97	1522.68	1900.49	2372.05	2960.61	3695.21	4612.07	5756.32
	11.31		1088.02	1211.1	1348.1	1500.6	1670.35	1859.31	2069.64	2303.72
Public Debt	14.62	3055.87	3502.6	4014.63	4601.52	5274.21	6045.23	6928.97	7941.9	9103.01
	15.32		3523.88	4063.56	4685.9	5403.56	6231.12	7185.42	8285.88	9555.28
GFD	13.68	327.27	372.04	422.94	480.8	546.57	621.34	706.34	802.97	912.82
	12.48		368.1	418.46	475.7	540.78	614.76	698.86	794.47	893.62
GSDP	13.64	9799.25	11135.46	12653.87	14379.33	16340.07	18568.17	21100.09	23977.26	27247.76
	10.72		10849.84	12013.07	13301	14727.02	16305.93	18054.11	19989.71	22132.61
(Public Debt)/GSDP	Percent	31.18	31.45	31.73	32	32.28	32.56	32.84	33.12	33.41
			32.48	33.83	35.23	36.69	38.21	39.8	41.45	43.17
Interest Payment/TExp	Percent	15.84	16.09	16.35	16.61	16.87	17.13	17.4	17.68	20.13
			16.29	16.75	17.22	17.7	18.2	18.71	19.24	22.54
Interest Payments /Non Debt Receipts	Percent	21.47	19.74	18.14	16.67	15.32	14.08	12.94	11.9	10.93
			22.06	22.67	23.3	23.94	24.6	25.27	25.97	26.68
Interest Payment /GSDP	Percent	2.14	2.16	2.18	2.2	2.22	2.25	2.27	2.29	2.31
			2.21	2.29	2.36	2.44	2.52	2.6	2.69	2.78
GFD/GSDP	Percent	3.34	3.34	3.34	3.34	3.34	3.35	3.35	3.35	3.35
			3.39	3.48	3.58	3.67	3.77	3.87	3.97	4.04
Interest Payment /Public Debt	Percent	6.87	6.87	6.88	6.89	6.89	6.9	6.9	6.91	6.91
	Percent		6.81	6.76	6.70	6.65	6.59	6.54	6.49	6.43

Based on estimated AR(1) trend equations in EViews software

NOTE:

1. OTR-Own tax Revenue; ONTR-Own Non-Tax Revenue; SCT-Share in Central Taxes; CG-Central Grant; GSDP-Gross State Domestic Product; TRE-Total Revenue Expenditure; TE-Total Expenditure; GFD-Gross Fiscal Deficit
2. For FY 2023, the revised estimates have been taken as baselines for forecasting
3. Green forecasted values For FY2024-FY2030 represents optimistic scenario based on a long run series from 1980-81 to 2023-24
4. Blue forecasted values For FY2024-FY2030 represents pessimistic scenario based on the study period 2011-12 to 2023-24

## **What is the way out for the State government?**

The trend forecast for GFD/GSDP has been above 3% in the recent period and if this trend continues then it can create serious challenges for state finances in coming years. This may feed into larger levels of public Debt/GSDP ratio and it could seriously dampen the discretionary power of the elected government as a larger and larger share may be eaten up by interest payment and servicing of Debt. This trend from the recent experience shows that it could reach more than 25% of the Non-Debt Receipts of the state government.

This Forecasting exercise highlights that the FRBM requirements need to be implemented more strictly to make sure that the state finances do not get out of control and lead to adverse consequences for the people and the state economy at large. This point needs buttressing that for the Haryana state which has been spending much less on development and social sector (especially education) than other similarly placed states.

Tighter finances and larger levels of debt and rising interest payment could be a serious challenge which necessitates a more careful and calibrated approach by the Finance Commission to keep the fiscal discipline and order to ensure Macroeconomic stability.

## CHAPTER 14

### Recommendations on State Finances of Haryana

This chapter puts together recommendations of this study based on Terms of Reference provided by Sixteenth Finance Commission:

#### Revenue Capacity of the State

- There seems to be ample scope of increase in the Revenue Capacity of the State. There is good potential to improve own tax buoyancy both in the short run and long run by more effective GST implementation. Although GST has been increasingly contributing to state's exchequer post COVID, but the hurdles related to inverted duty structure as suggested out by Fifteenth Finance Commission needed to be streamlined. GST implementation has simplified the tax systems and improved the tax collection across states in India and expanded the tax base. However, there is scope for improvement in terms of streamlining and tracking each transaction.
- In Punjab, government has implemented zero cost on transforming conversion of agricultural land use to other commercial uses along the Highway. This has helped the state to improve their economic activities, employment and thereby tax revenue. Haryana can also consider implementing similar measures. This measure can help in fostering growth and thereby improving tax-GSDP ratio.
- Following Laffer curve argument, tax rates of vehicles can enhance the total tax revenue of the State government subject to the rates applied in nearby states.
- Sales tax (VAT) on alcohol is the lowest in Haryana (20%) as compared to other states, whereas in Delhi and UP (the neighbouring states), VAT are 25% and 69% respectively. Similarly, VAT in Haryana on petrol and diesel are lower than that of Delhi and UP. There is a spill over effect which Haryana enjoyed due to lower VAT on these products as compared to the neighbouring states. UP could however improve their overall tax-GSDP ratio in recent years. despite increased rates due to inelastic demand of these products. Haryana too has the scope to increase VAT on alcohol and fuel which can enhance the revenue without significantly affecting demand to a large extent. In the process the tax collection can improve, raising the Tax-GSDP ratio. Moreover, these goods are either merit bads or have negative externalities. So, it is all the more important to increase taxes on these commodities.
- There is a large number of pending arrear assessments required as per the latest CAG report of 2024. If these are resolved, the tax collection can further improve in the process, particularly that of Sales tax. The Sales Tax to GST transition has been quite complex and time consuming. However full transition to GST in another five years can resolve many of these issues. There is a need to speed up the resolution of high arrear assessments.

- With noticeable fluctuations in own Non-Tax Revenues, it would be beneficial for the state to strengthen and stabilize these revenue sources by revising rates for fees, fines, and service charges. Interest receipts and dividends have gone down. There is scope for improvement in financial performance of State PSEs that can fetch more non-tax revenue for the states. Also, the user fee to cost ratio has been quite low in social and economic services.

For example, Haryana Roadways and public transportation sector have the scope of rationalizing bus fares and improved utilization of assets. Our study on GMCBL in Gurgaon amply demonstrated in Chapter 9, that the capacity utilization could be improved by fare rationalization and reduced costs by route rationalisation based on the traffic demand. This fare rationalization (e.g. off-peak price discounts) can be based on time-of-the-day pricing just like being done by Delhi Metro presently and other similar pricing strategies, which can be based on the demand and capacity utilization at different times of the days.

Number of buses on road during lean hours may be reduced and number of buses during peak hours may be increased. This would help enhance productivity, and revenue; and improve operational viability of state's public transport PSUs.

- There are rooms for improvement by providing various technology led innovative social and economic services. More focus on health related services are required to generate revenue on one hand and effective health service access on the other hand. Haryana has not secured a good rank as far as Education and Health are concerned, given its good economic ranking.
- Maharashtra had reduced the registration fee on property and land, which helped them to fetch better revenue. Following Laffer curve, if user fee is reduced, that can help in enhancing revenue of the government. In this context, Haryana already has a low registration fee, which is around one percent of the property value. It was even lower, but since 2018, a maximum of Rs 50000 is charged on property value of Rs 90 lakhs and above. But stamp duties in rural and urban areas are 5% and 7% respectively. So there is a scope to reduce and rationalize the stamp duty rates which may improve the total collection.
- User charges can be increased slowly to avoid heavy burden on people and only on essential services which are quite inelastic in nature. This will help ensure better quality of services with adequate investments.
- Strengthen collection mechanisms for Non-Tax Revenue sources, particularly focusing on sectors with lower contributions like Agriculture, Forestry, Crop and Animal Husbandry, and the Power sector. The PSEs of the Haryana state have accumulated rising debt and their servicing are adding to the burden of state finances. From Chapter 9, it can be noticed that the PSEs in agriculture, cooperatives, and road transport are particularly in difficult situation and need restructuring or structural reforms. These PSEs could help enhance non-tax revenue to improve the state finances. This may require a detailed analysis involving experts in the field to achieve their true potential. The agricultural PSEs are profitable and the debts are based on capital expenditure, which in turn can promote agricultural markets and increase the profitability further for these PSEs. Power sector PSEs have contributed substantially to the total turnover of state PSEs. Earlier the power sector reforms in terms

of tariff rationalization, debt restructuring and UDAY scheme has improved their performance and enhanced profitability in the last three years. Similar reforms may be initiated in other lossmaking PSEs. Public Private partnerships (PPPs) can help in restructuring other PSEs of the state of Haryana as well. A good example is Jhajjar K.T. Transco Private Limited which was selected through a robust transparent process.

- Given the volatility in Central Grants as a percentage of Total Revenue Receipts, Haryana may need to improve its advocacy and planning to secure higher fiscal transfers and central assistance, especially for healthcare, infrastructure, and social welfare projects, where it is lagging behind.
- The Central Grants through Single Nodal Agency is effective enough to transfer the amount as demanded by the States. All Centrally sponsored schemes are very significant in creating social impact and State of Haryana having low ranks should demand and utilize these funds more effectively, so that the gap reduces.

### **Expenditure Trends**

- Haryana should consider increasing its capital expenditure, particularly in infrastructure and sectors with growth potential such as manufacturing, to enhance allocative efficiency to boost productivity and long-term economic growth. Although there has been growth in sectors like agriculture and rural development, resources could be better allocated to sectors such as manufacturing, energy and public transportation, where the state's expenditure has been declining. Prioritizing these sectors could enhance overall technical efficiency and growth.
- The state needs to take steps to reduce its revenue deficit, particularly by curbing inefficient spending and increasing revenue generation through better tax collection and improving Non-Tax Revenue. Maintaining a balanced budget will help Haryana meet its Fiscal Responsibility and Budget Management targets as well as restore fiscal health.
- With a large portion of the General Services budget tied up in debt servicing and pensions, Haryana could explore ways to restructure its liabilities.
- State should continue to build on successful agricultural programs like Mera Pani Meri Virasat and promote diversification away from water-intensive crops, besides popularizing technologies such as Direct Seeding of Rice (DSR). Enhancing the focus on rural infrastructure and sustainable agricultural practices can improve long-term rural development outcomes.
- Initiatives like e-Adhigam and digital educational resources should be expanded, with an emphasis on improving educational quality and accessibility. Similarly, more investment in public health infrastructure and preventive care is needed to improve overall health outcomes and mitigate future healthcare burdens on state finances.

- The state should consider improving its revenue generation mechanisms to reduce the dependency on borrowing and loans. A strategic plan to close the revenue deficit by enhancing own revenue receipts (i.e. improving tax collection and non-tax revenue efficiency) could help stabilize the fiscal situation.
- While Haryana has done well in health sector investments, it needs to reallocate more resources to the education sector. The state's investment in education as a percentage of total social expenditure is lower than most other high-income states, and improving educational infrastructure and quality can lead to long-term socio-economic benefits.
- Given the importance of sectors like Transport and Irrigation, further investments in infrastructure can stimulate economic growth. Prioritizing projects that integrate sustainable development goals, such as renewable energy, would further enhance long-term growth prospects.
- To meet the needs of Health and Education sector and overall capital expenditure, the state government can consider raising funds for social expenditure through CSR funds. Cities like Gurgaon, Panchkula, Faridabad, Hissar, Jhajhar and Rohtak are hubs of corporate and industry. Thus, raising CSR funds for Education infrastructure of government schools and imparting quality education can be one way out to resolve the expenditure needs. For infrastructure projects state can go for public-private-partnerships.

### **FRBM and Budget Management**

- The 15th Finance Commission's proposals have not been fully implemented in the FRBM Act. The State still has a revenue shortfall. Compared to 33.13 percent in 2020-21 the revenue deficit in 2021-22 was 26.03 percent of TRR. The revenue deficit for 2021-2022 was Rs. 20,333 crores, compared to zero in 2011-12. It suggests that money borrowed by the State has been used to cover existing expenses. The State's fiscal deficit for 2021-2022 was Rs. 31,778 crores, or 3.55% of the GSDP, which was within the limit set by the State Government as per the September 2020 amendments to the FRBM Act. The primary source of funding for the fiscal deficit has been market borrowing.
- The FRBM 2024 Report for Haryana highlights areas of development and progress in financial management techniques, while also underlining the state of the Haryana finances. The focus on cutting deficits and increasing income sources is indicative of a strategy to ensure the state's long-term fiscal stability.
- Establishment of an independent State Fiscal Council which provide oversight and accountability in fiscal management especially with regard to adherence to both FRBM and Central Finance Commission targets is needed. This organization could also recommend key areas of improvement in revenue generation and improving efficiency of public expenditure. They could be granted some statutory powers if deemed necessary.

## **Budgetary Allocation to ULBs and PRIs**

- There is a need to enhance the financial autonomy of ULBs and PRIs to have a domino effect on its spending capacity especially on crucial social sectors.
- A more concerning trend has been the strong reliance on grants and transfers which barring the COVID years have maintained a significant presence. Moreover, the over-lapping and lack of synchronization between CFC and SFC has led to different formulae's for SOTR division to PRIs and ULBs. There remains a strong need to regularize and streamline this.
- Moreover, the data base for local bodies is also inadequately maintained and needs to be made more systematic for easier and more efficient access for public accountability and for policy-making as well as research analysis to improve their effectiveness for public well-being.
- There is a significant amount of adhocism in the fiscal devolution to the ULBs in Haryana as well as most other states which really needs urgent attention to meet the needs of urbanization and associated challenges which are constraining the growth and development of the states and its people.
- In order to ensure efficient fiscal delegation, there is an urgent need to map out the activities of the enlisted 18 subjects in order to determine the subfunctions of each function, the number of functionaries needed for each function, and the corresponding amount of funding. In this manner, efficient financial devolution from several sources would provide the intended outcomes benefiting the urban areas and their residents improving their living standards.

## **Performance of PSEs**

- **Debt Management:** Rising debt across sectors, particularly in agriculture, cooperatives, and road transport sectors need to be addressed through restructuring and targeted reforms to reinvigorate them. These PSEs could help enhance non-tax revenue to improve the state finances. This may require a detailed analysis involving experts in the field to achieve their true potential.
- **Operational Efficiency:** Investments in technology and capacity-building could further improve profitability and turnover per employee. This requires a detailed analysis and involving of experts to support them in their turnaround. Power sector PSEs have contributed substantially to the total turnover of state PSEs. The power sector reforms in terms of tariff rationalization, debt restructuring and UDAY scheme has fostered recovery in terms of profitability in the last three years. Similar reforms may be initiated in other loss-making PSEs. Public Private partnerships (PPPs) can help in restructuring other PSEs of the state of Haryana as well.

- **Focus on sectors:** Sectors like agriculture, cooperatives, and industrial infrastructure require strategic support to reduce dependence on electricity PSEs. The agricultural PSEs are profitable and the debts are based on capital expenditure, which in turn can promote agricultural markets and increase the profitability further for these PSEs.
- The modernization of Haryana's public transport infrastructure could play a transformative role in addressing both current and future challenges. By enhancing the fleet with diverse and modern buses, the initiative could not only meet the immediate transportation needs of a growing population but also prepares for long-term environment and social sustainability. The emphasis on reliable and comfortable transportation options for residents thereby contributes to the state's overall development agenda.

### Power Sector

- Haryana's power sector reforms have made significant progress, particularly in improving per capita availability and reducing T&D losses.
- The UDAY scheme has contributed to improved operational efficiency. Continuous modernisation and investment in infrastructure would be essential for meeting future energy demands and enhancing sectoral efficiency.
- Private sector involvement remains crucial for further growth, especially in transmission. Haryana has used public-private partnerships (PPPs) for specific projects, such as transmission line projects, to facilitate sectoral growth.
- Haryana has witnessed significant growth in renewable energy capacity, especially since 2022, driven primarily by solar power initiatives and government-backed schemes such as the PM-KUSUM and Solar Programme. The total renewable energy capacity has grown from 213.63 MW in 2014-15 to 2,449.94 MW in 2024-25, registering a strong CAGR of 27.17%. Despite this progress, the state has only utilised 26.27% of its estimated renewable energy potential, indicating considerable scope for further expansion. Solar energy has emerged as the dominant source, with a CAGR of 68.13%. However, only 32.37% of the estimated solar potential has been tapped. Biomass energy, despite its promise given Haryana's agricultural strength, remains underutilised at just 20.96% of its potential. Notably, the share of renewable energy in Haryana's overall energy distribution has declined from 2.02% in 2011-12 to 0.33% in 2023-24, implying that renewable capacity has not kept pace with growing energy demand in the state.

### Contingent Liabilities

- The **Power Sector** historically received the highest share of guarantees, peaking in 2014-15. but later declined with the adoption of the UDAY scheme. The **Urban Development and Planning Sector** has seen an increase in guarantee allocation since 2016-17, reflecting the state's growing focus on urban infrastructure. The **Cooperative Sector**, in contrast, has seen a decrease in guarantees, possibly indicating financial stabilization. Haryana has made notable progress in managing contingent liabilities by reducing the share of guarantees relative to total liabilities and reallocating support toward infrastructure and urban development within it.

### Subsidies

- State government should reconsider and allocate a larger share of subsidies to the social

sector, mainly the health and education sectors, in order to improve social welfare and strengthen the sustainability of the growth process, which has been beset by social inequity. While the percentage of social welfare subsidies have decreased since 2010 and remained at a lower level, the share of SC/ST/OBC welfare in social sector subsidies has grown. However, overall expenditure on this head has been declining in real terms and has been unable to keep pace with inflation.

- The energy sector has been the highest recipient of subsidies in Haryana. By addressing shortcomings through targeted reforms and better management practices, Haryana can increase the efficacy of its subsidy policies while guaranteeing sustainable growth to its power sector. The UDAY scheme has had a mixed effect on Haryana's power sector, highlighting significant challenges in subsidy distribution equity while also bringing about some improvements in the financial health and operational efficiency of power DISCOMs. To improve the health of the energy industry, strong institutional reforms are needed to guarantee that power subsidies reach the intended recipients which require plugging the loopholes in its billing revenue collection system.

### **Fiscal Deficits and Sustainable Roadmap Debts**

- For the state of Haryana, the Gross Fiscal Deficit has generally been managed reasonably well despite various disruptions in this period. The Revenue Deficit situation has been difficult to manage as there have been very few years with a deficit below 1 percent of GSDP in the revenue account. This has been one of the main reasons for less resources being available for capital expenditure in the state. Government further plans to fund schemes such as CHIRAYU-Ayushman Bharat scheme, PM Suvidya Yojana (Assistance for solar rooftop), etc. which may further affect the state finances in coming years. It would be a challenging task to manage these upcoming commitments and still manage the deficit indicators of the state to stay in the sustainable zone.
- Debt with respect to GSDP have been increasing secularly in the study period, though well within the target of 25% as recommended by Fourteenth Finance Commission. Moreover, Fifteenth Finance Commission recommended the Debt-GSDP ratio to be 33% for the year 2020-21 and to be brought down to 32.5% by 2025-26. The debt-GSDP ratio of Haryana was comfortably within the Fifteenth Finance Commission's recommendations and performed considerably well in this regard.
- Burden of debt servicing has been going up indicating that debt sustainability may become an issue in few years. With a growing debt burden, maintaining fiscal sustainability could become a challenge. The state's ability to generate sufficient revenue to cover its obligations is increasingly under stress. Thus our recommendations on revenue may provide some ideas in containing revenue deficits of the state.
- Resource gap analysis or sufficiency of non-debt receipts for debt servicing reveals that debt has been more or less sustainable for most of the years under consideration.

- The state's nearly static internal revenue buoyancy versus its mounting interest payment load reduces the amount of money available for development expenditures. The state's growing reliance on central transfers is not a healthy sign for state fiscal prudence. Thus budget transition towards more developmental expenditure and less revenue expenditure is the need of the hour.
- In context of how the debt has been utilized, our data analysis shows us that the rise in debt can't be accounted by capital expenditure. In fact, it seems that most of the debt has been utilized to meet revenue expenditures. As Appendix 4.1 illustrates, the pace of growth of expenditure on general services seems to be exceeding the growth of expenditure on social services. This is a worrying trend given Haryana's poor performance in socio-economic indicators. Thus, one can surmise that debt utilization has been rather unproductive and allocative efficiency towards productive debt needs to be emphasized on.
- The state faces significant challenges in managing its liabilities and ensuring that interest payments do not further crowd out essential public services and investments undermining the state's human development. Thus, more expenditure toward human capital that enhances GSDP should be the emphasized.
- The trend forecast for GFD/GSDP has been above 3% in the recent period and if this trend continues then it can create serious challenges for state finances in coming years. This may feed into larger levels of public Debt/GSDP ratio and it could seriously dampen the discretionary power of the elected government as a larger and larger share may be eaten up by interest payment and servicing of Debt. This trend from the recent experience shows that it could reach more than 25% of the Non-Debt Receipts of the state government.
- FRBM requirements need to be implemented more strictly to make sure that the state finances do not get out of control and lead to adverse consequences for the people and the state economy at large. This point needs buttressing that for the Haryana state which has been spending much less on development and social sector (especially education) than other similarly placed states.
- Tighter finances and larger levels of debt and rising interest payment could be a serious challenge which necessitates a more careful and calibrated approach by the Finance Commission to keep the fiscal discipline and order to ensure Macroeconomic stability.

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## Appendix Tables

**Appendix Table 3.1: Revenue Receipts of Haryana (Rs in Lakh)**

Year	Own Non-tax Revenue	Own Tax Revenue	Own Total Revenue	Share in Central Taxes	Central grants	State GST	Total Tax Revenue	Total Non-Tax Revenue	Total Revenue Receipts
	(1)	(2)	(1+2)	(4)	(5)	(6)	(7)	(8)	(9)
2011-2012	472,165	2,039,946	2,512,111	268,155	275,493		2,308,101	747,658	3,055,759
2012-2013	467,315	2,355,900	2,823,215	306,213	233,925		2,662,113	701,240	3,363,353
2013-2014	497,506	2,556,660	3,054,166	334,324	412,718		2,890,984	910,223	3,801,208
2014-2015	461,311	2,763,457	3,224,768	354,809	500,288		3,118,266	961,599	4,079,866
2015-2016	475,249	3,092,909	3,568,158	549,622	637,876		3,642,531	1,113,124	4,755,655
2016-2017	619,609	3,402,568	4,022,177	659,747	567,757		4,062,315	1,187,366	5,249,682
2017-2018	911,285	4,183,646	5,094,931	656,044	518,512	1,157,052	4,839,690	1,429,798	6,269,487
2018-2019	797,564	4,274,394	5,071,957	809,200	707,355	1,877,532	5,083,594	1,504,918	6,588,512
2019-2020	739,975	4,282,495	5,022,469	711,153	1,052,191	1,887,295	4,993,648	1,792,166	6,785,813
2020-2021	696,149	4,191,380	4,887,530	643,759	1,224,813	18,23,578.8	4,835,139	1,920,962	6,756,101
2021-2022	739,413	5,337,716	6,077,129	972,216	759,824	2,292,215	6,309,932	1,499,238	7,809,170
2022-2023 RE	1,095,430	6,533,630	7,629,060	1,037,800	1,033,388	2,850,000	7,571,430	2,128,818	9,700,248
2023-2024 BE	1,265,101	7,571,650	8,836,751	1,116,443	959,048	3,348,000	8,688,093	2,224,149	10,912,242
<b>CAGR %</b>	6.86	8.09	7.90	9.01	9.86	7.34	8.20	8.00	8.16

Source: Author's calculations based on RBI Data, State Finances: A study of Budgets. Appendix I: Revenue Receipts of States and Union Territories with Legislature, States: Chhattisgarh, Goa, Gujarat, Haryana.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

CAGR is calculated based on 2012-2013 to 2023-2024.

Note. RE is Revised Estimate, BE is Budget Estimate

**Appendix Table 3.2: Tax-GSDP Ratio for the state of Haryana (in percentage)**

Year	Nominal GSDP (in Rs Lakhs)	Tax to GSDP Ratio	Own Tax to GSDP Ratio	Own Tax (without SGST) to GSDP Ratio
2011-2012	29,868,833	7.8	6.9	6.9
2012-2013	34,135,116	7.7	6.8	6.8
2013-2014	38,891,663	7.2	6.4	6.4
2014-2015	43,531,000	7.1	6.3	6.3
2015-2016	49,342,446	7.4	6.2	6.2
2016-2017	55,906,786	7.2	6.1	6.1
2017-2018	63,615,088	7.6	6.5	4.7
2018-2019	69,600,629	7.3	6.1	3.4
2019-2020	73,495,475	6.8	5.8	3.2
2020-2021	72,601,868	6.6	5.7	3.2
2021-2022	86,525,859	7.3	6.1	3.5
2022-2023	97,992,533	7.7	6.6	3.7
2023-2024 (Q) RE	109,093,707	7.9	6.9	3.9
<b>Average</b>	66,227,681	7.3	6.3	5.0
<b>SD</b>	23,460,089	0.4	0.4	1.5

Source: Author's calculations based on RBI Data, State Finances: A study of Budgets. Appendix I: Revenue Receipts of States and Union Territories with Legislature, States: Chhattisgarh, Goa, Gujarat, Haryana. <https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets> Authors' calculations of Nominal GSDP (base year-2004-05) is taken from RBI data, Handbook of Statistics on Indian States, Gross State Domestic Product (Current Prices). <https://rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20S> tates

Note. RE is Revised Estimate,, A stands for Advanced Estimate Q stands for Quick Estimate P stands for Provisional Estimate, SD and Averages are calculated based on the period 2012-2013 to 2023-2024

**Appendix Table 3.2: Results of Trend Regression- Dependent Variable - TAX/GSDP ratio**

Model	Coefficient	Standard Error	t-statistic	P> t
Year	.0000699	.0337566	0.00	0.998
Constant	7.223916	68.1041	0.11	0.918
Durbin Watson d-Statistic	.8606188	Akaike info criterion		14.09492
Prob>F	0.9984	R-Squared		0.0000

**Appendix Table 3.3: Results of Trend Regression- Dependent Variable - log (TAX/GSDP ratio)**

Model	Coefficient	Standard Error	t-statistic	P> t
Year	-.0001896	.0046317	-0.04	0.968
Constant	2.377912	9.344415	0.25	0.804
Durbin Watson d-Statistic	.8730516	Akaike info criterion		-33.57529
Prob>F	0.9682	R-Squared		0.0002

**Appendix Table 3.4: Tax Buoyancy**

Year	Tax Growth Rate	GSDP Growth Rate	Tax Buoyancy	Own Tax Growth Rate	Own Tax Buoyancy
2011-2012	0.21	0.15	1.43	0.21	1.47
2012-2013	0.15	0.14	1.07	0.15	1.08
2013-2014	0.09	0.14	0.62	0.09	0.61
2014-2015	0.08	0.12	0.66	0.08	0.68
2015-2016	0.17	0.13	1.26	0.12	0.89
2016-2017	0.12	0.13	0.87	0.10	0.75
2017-2018	0.19	0.14	1.39	0.23	1.66
2018-2019	0.05	0.09	0.54	0.02	0.23
2019-2020	-0.02	0.06	-0.32	0.00	0.03
2020-2021	-0.03	-0.01	2.61	-0.02	1.75
2021-2022	0.31	0.19	1.59	0.27	1.43
2022-2023 RE	0.20	0.13	1.51	0.22	1.69
2023-2024 BE	0.15	0.11	1.30	0.16	1.40

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets. Appendix I: Revenue Receipts of States and Union Territories with Legislature, States: Chhattisgarh, Goa, Gujarat, Haryana.*

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Authors' calculations of Nominal GSDP (base year-2004-05) is taken from RBI data, *Handbook of Statistics on Indian States, Gross State Domestic Product (Current Prices).*

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20States>

Note. RE is Revised Estimate

**Appendix Table 3.5: Estimation of Longer period Own Tax Buoyancy- dependent variable log Own Tax revenue**

<b>Model</b>	<b>Coefficient</b>	<b>Standard Error</b>	<b>t-statistic</b>	<b>P&gt; t </b>
<b>Log_GSDP</b>	.9808982	.0518558	18.92	0.00
<b>Constant</b>	-2.414567	.9309394	-2.59	0.027
<b>Durbin Watson d-Statistic</b>	.7768816	Akaike info criterion		-30.54189
<b>Prob&gt;F</b>	0.0000	R-Squared		0.9728

**Appendix Table 3.5: Estimation of shorter period Own Tax Buoyancy - dependent variable Own Tax revenue**

<b>Model</b>	<b>Coefficient</b>	<b>Standard Error</b>	<b>t-statistic</b>	<b>P&gt; t </b>
<b>D_GSDP</b>	.10003	.0167584	5.97	0.009
<b>Constant</b>	-130647.5	161537.2	-0.81	0.478
<b>Durbin Watson d-Statistic</b>	2.380435	Akaike info criterion		138.0418
<b>Prob&gt;F</b>	0.0094	R-Squared		0.9223

**Appendix Table 3.6: Components of Own Tax Revenue (in Lakhs rupees)**

Year	Land Revenue	Stamps Reg.	Taxes on Property	Taxes on Commodities & Services	Sales Tax	State Excise	Taxes on Vehicles	Taxes on Goods & Passengers	Taxes and Duties on Electricity	All other taxes on commodities & services
	(1)	(2)	(1+2)	(3+4+5+6+7+8)	(3)	(4)	(5)	(6)	(7)	(8)
2011-2012	1,095	279,300	280,395	1,755,555	1,338,369	283,189	74,015	42,932	16,643	407
2012-2013	1,298	332,625	333,922	2,016,994	1,537,658	323,640	88,730	47,076	19,197	685
2013-2014	1,242	320,248	321,490	2,229,934	1,677,433	369,735	109,486	49,745	21,920	1,615
2014-2015	1,528	310,870	312,398	2,447,918	1,899,325	347,045	119,150	52,707	23,974	5,717
2015-2016	1,497	319,121	320,618	2,769,438	2,106,023	437,108	140,038	55,425	25,666	5,178
2016-2017	1,609	328,264	329,872	3,071,511	2,348,841	461,313	158,306	59,459	27,569	16,023
2017-2018	1,806	419,249	421,056	2,604,703	1,560,891	496,621	277,756	231,746	30,603	7,083
2018-2019	1,918	563,616	565,535	1,831,323	899,799	604,187	290,829	2,069	33,692	745
2019-2020	2,068	601,329	603,397	1,791,802	839,780	632,270	291,576	1,584	26,200	388
2020-2021	1,659	515,701	517,361	1,850,440	866,016	686,442	249,508	374	47,606	492
2021-2022	2,128	759,837	761,966	2,283,533	1,122,070	793,342	326,461	594	40,436	627
2022-2023 RE	2,500	1,065,000	1,067,500	2,616,124	1,150,000	1,000,000	420,000	500	45,000	623
2023-2024 BE	2,500	1,255,000	1,257,500	2,966,144	1,295,000	1,150,000	470,000	500	50,000	643
CAGR (in %)	5.61	11.70	11.68	3.27	-1.42	11.14	14.90	-31.53	8.30	-0.52
SD	421.82	313,924.05	314,316.46	444,644.26	499,889.2	262,398.73	124,463.98	65,232.70	10,577.48	4,665.89

Source: Authors' calculations based on RBI data, State Finances: A study of Budgets. Appendix I: Revenue Receipts of States and Union Territories with Legislature, States: Chhattisgarh, Goa, Gujarat, Haryana.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note RE is Revised Estimate, BE is Budget Estimate. CAGR and SD is calculated based on the period 2012-13 to 2023-24.

**Appendix Table 3.7: Estimation of Shorter period Sales Tax Buoyancy - dependent variable Sales Tax Buoyancy**

Model	Coefficient	Standard Error	t-statistic	P> t
<b>D_GSDP</b>	.0138671	.008238	1.68	0.191
<b>Constant</b>	-30490.85	79406.92	-0.38	0.727
<b>Durbin Watson d-Statistic</b>	2.460937	Akaike info criterion		130.9403
<b>Prob&gt;F</b>	0.1909	R-Squared		0.4857

**Appendix Table 3.8: Estimation of Longer period Sales Tax Buoyancy - dependent variable log Sales Tax Buoyancy**

Model	Coefficient	Standard Error	t-statistic	P> t
<b>Log_GSDP</b>	-.552684	.2482055	-2.23	0.050
<b>Constant</b>	24.04586	4.455898	5.40	0.000
<b>Durbin Watson d-Statistic</b>	.7246468	Akaike info criterion		7.037059
<b>Prob&gt;F</b>	0.0501	R-Squared		0.3315

**Appendix Table 3.9: Estimation of Log Longer period Trend growth of Own Non Tax Revenue/GSDP ratio**

Model	Coefficient	Standard Error	t-statistic	P> t
<b>Year</b>	-.0177589	.01208	-1.47	0.172
<b>Constant</b>	31.32727	24.37136	1.29	0.228
<b>Durbin Watson d-Statistic</b>	1.380068	Akaike info criterion		-10.56817
<b>Prob&gt;F</b>	0.1723	R-Squared		0.1777

**Appendix Table 3.10: Estimation of Longer period Own Non-Tax Buoyancy**

<b>Model</b>	<b>Coefficient</b>	<b>Standard Error</b>	<b>t-statistic</b>	<b>P&gt; t </b>
<b>Log_GSDP</b>	.8427298	.1216666	6.93	0.000
<b>Constant</b>	-1.678452	2.184214	-0.77	0.460
<b>Durbin Watson d-Statistic</b>	1.351217	Akaike info criterion		-10.07428
<b>Prob&gt;F</b>	0.000	R-Squared		0.8275

**Appendix Table 3.11: Estimation of Short Run Own Non-Tax Buoyancy**

<b>Model</b>	<b>Coefficient</b>	<b>Standard Error</b>	<b>t-statistic</b>	<b>P&gt; t </b>
<b>D_GSDP</b>	2.20e-08	1.35e-08	1.63	0.178
<b>Constant</b>	-.1120055	.1228863	-0.91	0.414
<b>Durbin Watson d-Statistic</b>	2.43538	Akaike info criterion		-2.818631
<b>Prob&gt;F</b>	0.1776	R-Squared		0.4004

**Appendix Table 4.1: Revenue Expenditure and its broad categories (In Lakhs Rs)**

Year	Revenue Expenditure	Social Services		Economic Services		General Services	
	(Rs Lakhs)	(Rs Lakhs)	R.O.G	(Rs Lakhs)	R.O.G	(Rs Lakhs)	R.O.G
<b>2011-2012</b>	3201489	1264167	15.9	905397	13.2	1021983	9.6
<b>2012-2013</b>	3807172	1451635	14.8	1155673	27.6	1189675	16.4
<b>2013-2014</b>	4188710	1541341	6.2	1274019	10.2	1359731	14.3
<b>2014-2015</b>	4911788	1912056	24.1	1308800	2.7	1676473	23.3
<b>2015-2016</b>	9577854	2153887	12.6	1869036	42.8	1871333	11.6
<b>2016-2017</b>	5249682	2547349	18.3	2087521	11.7	2163079	15.6
<b>2017-2018</b>	7325736	2806134	10.2	1810682	-13.3	2669868	23.4
<b>2018-2019</b>	<b>7715554</b>	2974319	6.0	1902158	5.1	2816897	5.5
<b>2019-2020</b>	8484821	3372648	13.4	1923778	1.1	4917164	74.6
<b>2020-2021</b>	8994660	3616396	7.2	1904847	-1.0	3473416	-29.4
<b>2021-2022</b>	9842504	4092767	13.2	1954946	2.6	3794791	9.3
<b>2022-2023 RE</b>	11500754	4669629	14.1	2389497	22.2	4441628	17.0
<b>2023-2024 BE</b>	12607145	4932762	5.6	3049905	27.6	4624479	4.1
<b>CAGR</b>	10.49	10.73	-	8.42	-	11.98	-

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

Note. \*RE is Revised Estimate, BE is Budget Estimate.

**Appendix Table 4.2 Capital Expenditure (In lakhs Rs)**

Year	Capital Outlay (In Rs Lakhs)			Loans and Advances disbursed	Total Capital Expenditure	Revenue Expenditure	Total Expenditure
	Total	Dev	Non-Dev				
<b>2011-2012</b>	537234	513702	23532	62707	599941	3201489	3801430
<b>2012-2013</b>	576184	592496	35888	52199	628384	3807172	4435556
<b>2013-2014</b>	393460	430733	40288	77561	471021	4188710	4659731
<b>2014-2015</b>	371553	414514	41326	84287	455840	4911788	5367628
<b>2015-2016</b>	690833	1957343	58519	1325030	2015862	9577854	11593716
<b>2016-2017</b>	686309	1091566	46234	451491	1137800	5249682	6387482
<b>2017-2018</b>	1353791	1439553	53727	139489	1493280	7325736	8819015.6
<b>2018-2019</b>	1530660	1529508	76716	19917	1606224	7715554	9321778.4
<b>2019-2020</b>	1766593	1832176	65342	130925	1897518	8484821	10382339.3
<b>2020-2021</b>	586970	621047	58493	92570	759540	8994660	9754199.7
<b>2021-2022</b>	1104557	1135504	65678	96626	1201183	9842504	11043686.5
<b>2022-2023 RE</b>	1464562	1662366	84101	281905	1746467	11500754	13247221.2
<b>2023-2024 BE</b>	1846024	2051669	214146	419791	2265815	12607145	14872960.2
<b>CAGR</b>	10.19	10.91	16.05	18.97	11.28	10.49	10.61

Source: Authors' calculations based on RBI data, *State Finances: A study of Budgets*.

<https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets>

And Economic Survey of Haryana, Department of Economic and statistical Affairs

<https://esaharyana.gov.in/economic-survey-of-haryana/>

Note \*RE is Revised Estimate, BE is Budget Estimate.

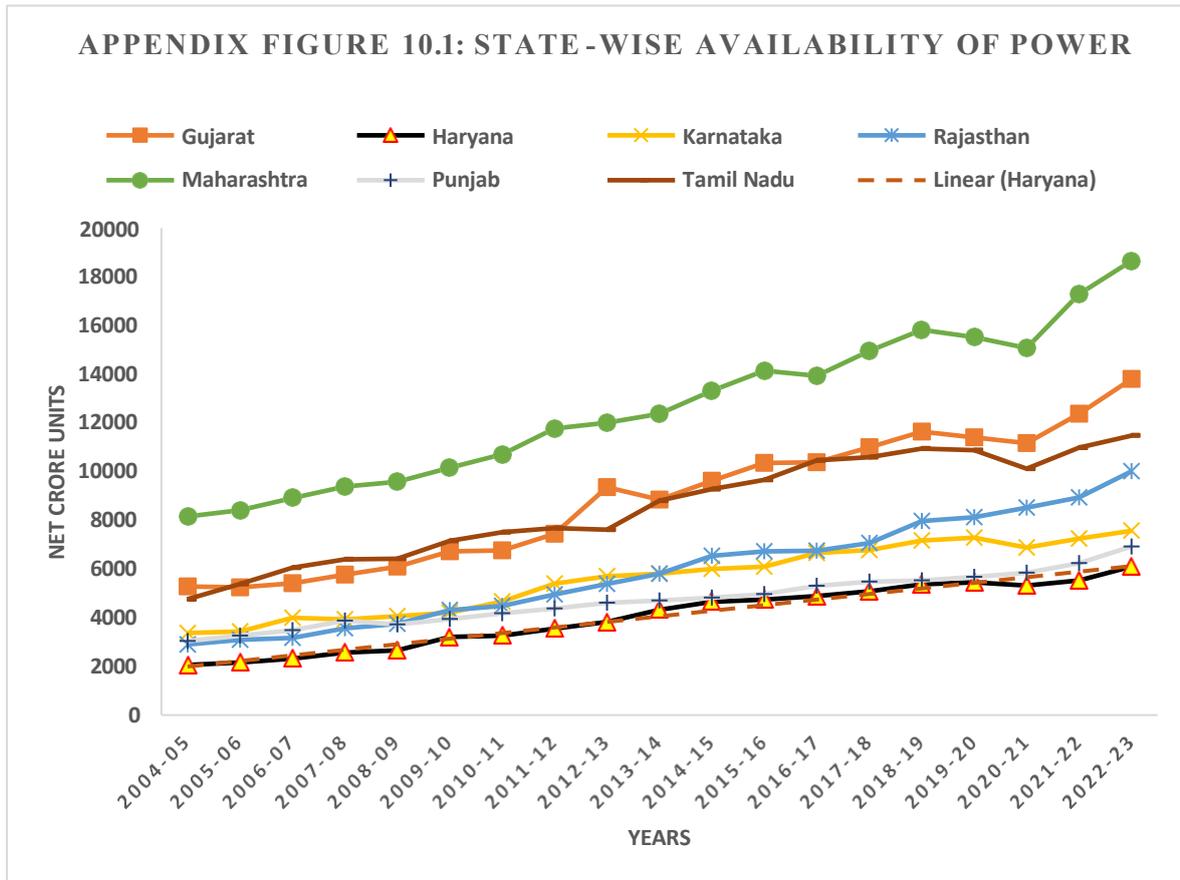
**Appendix Table 4.3: Components of Capital Outlay in Development Expenditure**

Year	Capital outlay	Development expenditure	Total social expenditure	Education, sports, art and culture	Medical and family welfare	Water supply, sanitation, housing and urban development	Social security and welfare	others	Economic expenditure	Agriculture and allied activities	Major and medium irrigation and flood control	energy	Industry and minerals	transport	General economic services
	In Lakhs Rs														
<b>2011-2012</b>	537234	513702	136741	7,579	5,003	80,917	2,110	4419	376961	103,159	88729	80,160	2,037	100877	2000
<b>2012-2013</b>	576184	551,124.0	144600	12,310.0	405.0	83170	5870	6054	406525	165954	88746	19862	222	129540	2200
<b>2013-2014</b>	393460	365,245.0	182395	15,899.0	4,983.0	107738	193	11133	182850	107570	90830	10008	605	186948	2029
<b>2014-2015</b>	371553	342,483.0	189756	18,606.0	6,487.0	95996	5684	17029	152727	105303	96533	6694	122	151731	2951
<b>2015-2016</b>	690833	644,777.0	153999	20,216.0	3,520.0	83542	5745	10943	490778	40090	87621	159750	1	201121	2195
<b>2016-2017</b>	686310	646,372.0	158641	14,175.0	24,419.0	94170	7939	10811	487732	41307	92631	189473	220	158840	3860
<b>2017-2018</b>	1,353,790.7	1,305,700.9	317,270.2	40,365.0	30,221.8	116,920.3	6,540.4	17,550.8	988,430.8	135,081.5	97,355.0	545,443.8	223.8	178,231.1	32,095.6
<b>2018-2019</b>	1530660.2	1459204.5	380465.4	39626.9	33283.2	146495.7	9820.4	11753.0	1078739.1	181608.6	127437.8	550025.0	211.2	176680.1	42390.7
<b>2019-2020</b>	1,766,593.2	1,707,977.0	323,356.2	38,828.5	51,017.0	117,372.2	2,208.1	15,766.6	1,384,620.8	447,726.8	140,081.5	582,963.3	1,321.5	181,944.8	26,574.0
<b>2020-2021</b>	586,970.5	548,209.3	298,612.2	40,932.5	76,637.0	94,411.7	6,454.6	15,089.9	249,597.1	117,184.7	136,575.2	52,709.2	478.6	151,334.1	13,679.2
<b>2021-2022</b>	1,104,556.4	1,048,349.2	547,124.2	57,860.2	89,570.3	169,308.7	6,202.5	12,313.7	501,225.0	2,291.7	180,753.5	5.7	2,267.7	282,386.2	27,064.5
<b>2022-2023 RE</b>	1,464,562.1	1,394,460.7	522,866.7	52,301.0	51,000.0	178,180.0	15,386.0	9,354.4	871,594.0	2,002.0	246,505.0	820.0	18,871.0	484,208.0	34,188.0
<b>2023-2024 BE</b>	1,846,023.5	1,648,377.5	679,684.9	154,234.1	165,860.0	260,030.0	17,200.0	38,259.7	968,692.6	48,937.0	357,400.6	59,251.0	4,524.0	337,990.0	34,950.0

**Appendix Table 4.4: Components of Development Expenditure (in percentage)**

Year	Total Social Expenditure	Education, Sports, Art and culture	Medical and family welfare	Water supply, sanitation & urban development	Social security and welfare	Total economic expenditure	Agriculture and allied activities	Major and medium Irrigation and flood control	Energy	Industry and minerals	Transport	General economic services
	As a % of capital outlay	As a % of total social expenditure				As a % of Capital Outlay	As a % of Total Economic Expenditure					
2011-12	25.45	5.5	3.7	59.18	1.54	70.17	27.37	23.54	21.26	0.54	26.76	0.53
2012-13	25.10	8.5	0.3	57.52	4.06	70.55	40.82	21.83	4.89	0.05	31.87	0.54
2013-14	46.36	8.7	2.7	59.07	0.11	46.47	58.83	49.67	5.47	0.33	102.24	1.11
2014-15	51.07	9.8	3.4	50.59	3.00	41.11	68.95	63.21	4.38	0.08	99.35	1.93
2015-16	22.29	13.1	2.3	54.25	3.73	71.04	8.17	17.85	32.55	0.00	40.98	0.45
2016-17	23.12	8.9	15.4	59.36	5.00	71.07	8.47	18.99	38.85	0.05	32.57	0.79
2017-18	23.44	12.7	9.5	36.85	2.06	73.01	13.67	9.85	55.18	0.02	18.03	3.25
2018-19	24.86	10.4	8.7	38.50	2.58	70.48	16.84	11.81	50.99	0.02	16.38	3.93
2019-20	18.30	12.0	15.8	36.30	0.68	78.38	32.34	10.12	42.10	0.10	13.14	1.92
2020-21	50.87	13.7	25.7	31.62	2.16	42.52	46.95	54.72	21.12	0.19	60.63	5.48
2021-22	49.53	10.6	16.4	30.95	1.13	45.38	0.46	36.06	0.00	0.45	56.34	5.40
2022-23 RE	35.70	10.0	9.8	34.08	2.94	59.51	0.23	28.28	0.09	2.17	55.55	3.92
2023-24 BE	36.82	22.7	24.4	38.26	2.53	52.47	5.05	36.90	6.12	0.47	34.89	3.61

## APPENDIX FIGURES



Source: RBI Handbook of Statistics on Indian States