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Dynamics of Public Expenditure and Public Revenue in Haryana

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Abstract
The study examines the growth and trend of public revenue and public expenditure in Haryana during 2005-2023. It also examines the impact of total revenue on total expenditure. The study examines various components like revenue expenditure, revenue receipts, capital expenditure, and capital receipts using data from State Finances Report, RBI. The research paper uses regression analysis to examine the impact of total revenue on total expenditure, and graphs to analyse the trend in revenue and expenditure.

Keywords: Public Revenue, Public Expenditure, Regression, Haryana

1. INTRODUCTION

Public expenditure refers to the spending made by the government for the welfare of the people and the development of the economy. It includes all expenses incurred by central, state, and local governments to provide public goods and services. In modern economies, public expenditure plays a vital role in promoting economic growth, social justice, and overall national development.

Public expenditure can be broadly classified into developmental and non-developmental expenditure. Developmental expenditure includes spending on education, health, infrastructure, agriculture, and industrial development. This type of expenditure directly contributes to economic growth and improves the standard of living of people. Non- developmental expenditure includes spending on defence, police, administration, interest on public debt, and pensions. Although it does not directly promote growth, it is necessary for the smooth functioning and security of the country.

One of the main objectives of public expenditure is to provide essential services that are necessary for society. These include education, healthcare, sanitation, defence, law and order, and public administration. Services like schools, hospitals, roads, and railways cannot be efficiently provided by the private sector alone, so the government undertakes this responsibility for the benefit of all citizens. Another important role of public expenditure is reducing inequality and poverty. Governments spend money on welfare schemes, subsidies, employment programs, and social security to support weaker sections of society. Such expenditure helps in achieving social justice and balanced economic development.

The money that the government receives to cover its costs and carry out its functions is referred to as public revenue. To deliver public services like infrastructure, welfare programs, healthcare, education, and military, every government needs funding. A government cannot operate efficiently or advance the welfare of its people without sufficient public funding.

Taxes are the primary source of funding for the government. Individuals and organizations are required to pay taxes to the government. These include indirect taxes like sales tax or value- added tax (VAT), which

are collected on products and services, and direct taxes like income tax and corporate tax, which are paid directly by individuals based on their income or profits. The government can lessen economic inequality and redistribute money with the aid of taxes. Non-tax revenue is another significant source of funding for the government. Fees, penalties, and charges collected for public services like granting passports, licenses, or utilities fall under this category. Public enterprises, such railroads, postal services, and government-owned businesses, also provide revenue for the government. Public revenue is derived from these businesses through interest, dividends, and profits.

Additionally, governments may get funding from grants and aid, particularly in underdeveloped nations. These could be provided by international organizations or foreign governments to aid in economic changes, disaster assistance, or development initiatives.

Although borrowing entails future commitments and needs to be carefully handled to prevent excessive debt, it is also utilized as a source of funding.

2. REVIEW OF LITERATURE

Sharma (2019) concluded that there exists a high positive correlation between public expenditure and the economic growth of the state during 1978-2018 using regression analysis. Empirically, it was shown that if public expenditure increases, then the economic growth also rises.

Kannoujia and Kanaujiya (2022) in their study from 1991-2021 in Uttar Pradesh examined that revenue expenditure is increasing and capital expenditure is decreasing. Overall Aggregate Expenditure keeps on growing from 1991 to 2021. Trend analysis on Aggregate Revenue shows the overall increasing trend during the study period. Study concluded that Aggregate Revenue can induce a positive change in aggregate revenue but the aggregate expenditure of Uttar Pradesh is not affected by inflation.

Jain and Singh (2024) examined that there is a significant increase in the revenue receipts after the adoption of GST in 2017. Correspondingly, there is also an increase in economic output of the state Haryana. It interprets the favorable impact of new tax regime on the state's output and receipts.

Kiran and Sharma (2024) in their study examined the expansion of fiscal sector to stimulate the economic growth and development of the economies.

3. OBJECTIVES

This research paper focuses on the state Haryana, located in northern India. Haryana presents an interesting case study due to its rapid economic growth, proximity to the national capital, and unique blend of agricultural and industrial development. By examining the trends, growth, and composition of Haryana's public expenditure from 2005 to 2023, this study aims to examine the effect of public revenue on public expenditure.

1. To examine the growth and trend of public revenue and public expenditure in Haryana during 2005-2023.
2. To examine the impact of total revenue on total expenditure.

4. DATA AND METHODOLGY

The study collects data from secondary sources i.e. budget documents and economic survey of the state, State finances data from Reserve Bank of India.

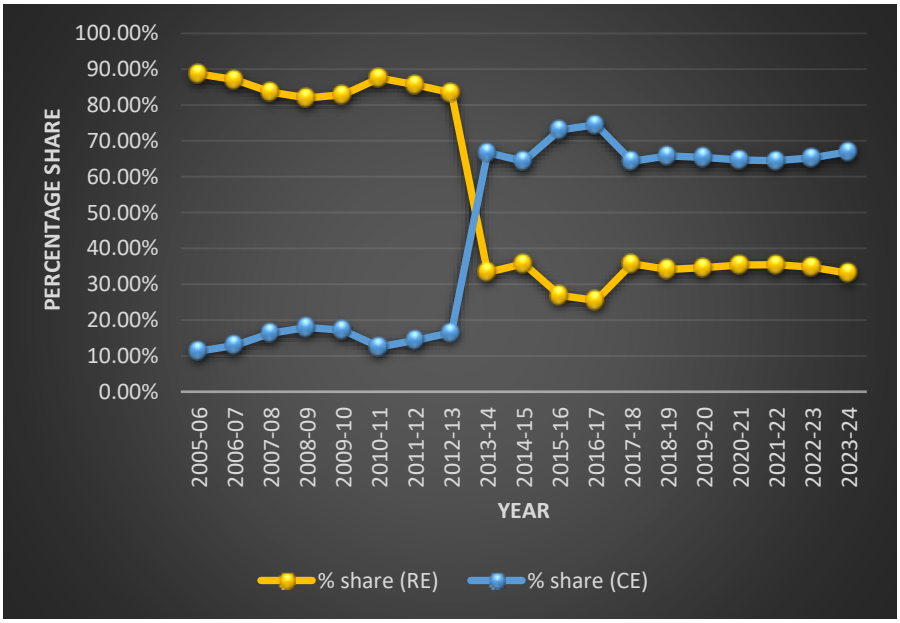
The study employs the combination of tools to know the impact of expenditure strategies on state development like trend analysis, Compound annual growth rate, regression analysis, and correlation.

Table 1: Trends in Revenue Expenditure and Capital Expenditure

YEAR	REVENUE EXPENDITURE	CAPITAL EXPENDITURE	TOTAL EXPENDITURE	% share (RE)	% share (CE)
2005-06	12639.9	1612.31	14252.21	88.69%	11.31%
2006-07	16362.15	2427.6	18789.75	87.08%	12.92%
2007-08	17526.88	3426.15	20953.03	83.65%	16.35%
2008-09	20534.73	4501.67	25036.4	82.02%	17.98%
2009-10	25257.39	5218.48	30475.87	82.88%	17.12%
2010-11	28310.19	4031.11	32341.3	87.54%	12.46%
2011-12	32014.89	5372.34	37387.23	85.63%	14.37%
2012-13	39783.52	7886.49	47670.01	83.46%	16.54%
2013-14	41887.1	83887.94	125775.04	33.30%	66.70%
2014-15	49117.88	88433.37	137551.25	35.71%	64.29%
2015-16	59235.71	160818.81	220054.52	26.92%	73.08%
2016-17	72548.76	212311.97	284860.73	25.47%	74.53%
2017-18	73257.35	131775.61	205032.96	35.73%	64.27%
2018-19	77155.54	148811.08	225966.62	34.14%	65.86%
2019-20	84848.21	160010.07	244858.28	34.65%	65.35%
2020-21	96991.48	177264.04	274255.52	35.37%	64.63%
2021-22	98425.03	178859.05	277284.08	35.50%	64.50%
2022-23	106406.21	200049.26	306455.47	34.72%	65.28%
2023-24	118951.45	241186.49	360137.94	33.03%	66.97%
CAGR	**13.26%**	**32.08%**	**19.65%**		

Source: RBI State Finances Report

Figure 1: Trends in Revenue Expenditure and Capital Expenditure



The development in the composition of expenditures from 2005–06 to 2023–24 reveals that revenue

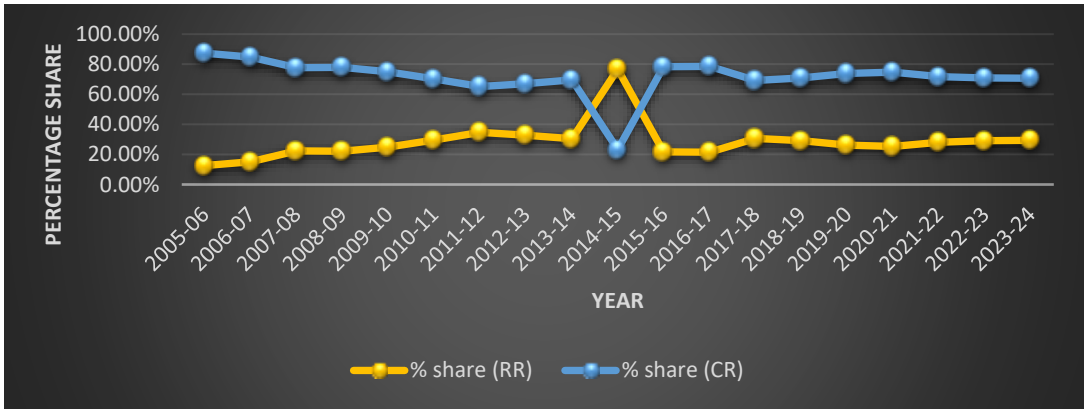
expenditures initially dominated, making up more than 80% of all expenditures until 2012–13. From 2013 to 2014, there is a clear structural change as capital expenditures surpass revenue expenditures and continue to be the key component. After 2013, revenue expenditure drops to roughly 30–35% while capital expenditure stabilizes at roughly 65–75%. This shows a persistent shift in public spending away from consumption-oriented spending and toward capital development and long-term asset creation.

Table 2: Trends in Revenue Receipts and Capital Receipts

YEAR	REVENUE RECEIPTS	CAPITAL RECEIPTS	TOTAL RECEIPTS	% share (RR)	% share (CR)
2005-06	13853.29	95798.04	109651.3	12.63%	87.37%
2006-07	17952.43	100357.63	118310.1	15.17%	84.83%
2007-08	19750.74	68963.26	88714	22.26%	77.74%
2008-09	18452.3	64803.66	83255.96	22.16%	77.84%
2009-10	20992.67	63123.61	84116.28	24.96%	75.04%
2010-11	25563.67	60650.27	86213.94	29.65%	70.35%
2011-12	30557.59	57269.44	87827.03	34.79%	65.21%
2012-13	33673.53	68772.71	102446.2	32.87%	67.13%
2013-14	38012.08	86945.67	124957.8	30.42%	69.58%
2014-15	320798.66	97481.31	418280	76.69%	23.31%
2015-16	47556.55	171687.77	219244.3	21.69%	78.31%
2016-17	61654.85	224804.2	286459.1	21.52%	78.48%
2017-18	62694.87	141421.78	204116.65	30.72%	69.28%
2018-19	65885.12	159776.52	225661.64	29.20%	70.80%
2019-20	67858.13	191801.66	259659.8	26.13%	73.87%
2020-21	67561.01	200134.36	267695.4	25.24%	74.76%
2021-22	78091.69	199284.62	277376.3	28.15%	71.85%
2022-23	89195.45	216915.41	306110.9	29.14%	70.86%
2023-24	105786.93	254663.53	360450.5	29.35%	70.65%
CAGR	**11.96%**	**5.58%**	**6.83%**		

Source: RBI State Finances Report

Figure 2: Trends in Revenue Receipts and Capital Receipts



From 2005–06 to 2023–24, the line graph clearly illustrates the long-term trend of capital receipts overwhelming total receipts. Even while revenue receipts are gradually increasing, their proportion is still constantly smaller than that of capital revenues. Revenue collections exceeded capital receipts in 2014–15, a dramatic but brief turnaround that is not indicative of a long-term trend. Despite a little improvement in revenue mobilization, the post-2015 era demonstrates a return to a capital-receipt-led structure, showing a continued reliance on non- revenue sources.

5. RESULTS AND DISCUSSIONS

Correlation

	TOTAL RECEIPTS (TR)	TOTAL EXPENDITURE (TE)
TOTAL RECEIPTS (TR)	1	
TOTAL EXPENDITURE (TE)	0.829	1

There is a significant positive link between total receipts and total expenditure, as indicated by the correlation value of 0.829. This indicates a high level of fiscal dependency between income mobilization and spending decisions, as increases in total collections are strongly correlated with increase in total expenditure.

Linear regression model: aggregate expenditure on aggregate revenue

The estimated linear regression model examines the relationship between Total Expenditure (TE) and Total Receipts (TR) and is specified as:

$TE = b_1 + b_2 TR + u$

b_1= intercept

b_2=slope coefficient i.e. +changes in total expenditure due to change in total revenue

TE= total expenditure

TR= total revenue

u= error term

Anova Table

Regression Statistics								
Multiple R	0.829925049							
R Square	0.688775586							
Adjusted R Square	0.670468268							
Standard Error	69128.05491							
Observations	19							
ANOVA								
	df	*SS*	*MS*	*F*	*Significance F*			
Regression	1	1.79788E+11	1.8E+11	37.622964	1.103E-05			
Residual	17	81237695588	4.78E+09					
Total	18	2.61026E+11						
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-32257.3214	33977.80723	-0.94936	0.3557375	-103944.228	39429.5856	-103944.228	39429.58558
X Variable 1	0.943803468	0.153870394	6.133756	1.103E-05	0.61916531	1.26844162	0.619165315	1.268441622

The strong F-statistic value of 37.62 in the ANOVA table indicates that the regression model is statistically significant. This suggests that the unexplained (residual) variation in total expenditure is significantly smaller than the explained variance resulting from total income. The model offers a strong overall fit, as evidenced by the rejection of the null hypothesis that total receipts have no effect on total expenditure.

Because of its high p-value (0.356), the computed intercept coefficient (–32,257.33) is statistically insignificant, indicating that autonomous expenditure is not substantially different from zero when total revenues are zero. There is a strong positive correlation between total receipts and total expenditure, as indicated by the slope coefficient for total receipts (0.944), which is positive and highly statistically significant ($p < 0.01$). This coefficient's statistical significance is further supported by the fact that zero is not included in the 95% confidence interval (0.62 to 1.27). Overall, the findings suggest that total expenditure grows proportionately to increases in total receipts.

6. CONCLUSION

From the above regression analysis, it is concluded that there is high positive correlation between public revenue and public expenditure in Haryana. Followingly, the evidence suggests that with increase in public revenue, public expenditure also goes on rising proportionately. The pre-FRBM expenditure structure of Haryana demonstrated discretionary fiscal behaviour, which was characterized by growth in revenue expenditures exceeding revenue receipts, Financing consumption with borrowing, and Inadequate commitment measures to prevent fiscal slippages. At the cost of long-term macro-fiscal stability, short-term political optimization was made possible by the lack of legally binding fiscal regulations. Hard financial constraints imposed by the FRBM framework resulted in decreased revenue shortfalls, better coordination between capital expenditures and borrowing fiscal planning predictability. At the subnational level, fiscal regulations effectively served as commitment tools, reducing time-inconsistent budgetary behaviour.

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