

Haryana Budget Analysis 2018-19

The Finance Minister of Haryana, Captain Abhimanyu, presented the Budget for financial year 2018-19 on March 9, 2018.

Budget Highlights

- The **Gross State Domestic Product** of Haryana for 2018-19 (at current prices) is estimated to be Rs 6,87,572 crore. This is 13% higher than the revised estimates for 2017-18.
- **Total expenditure** for 2018-19 is estimated to be Rs 1,02,733 crore, a 9.7% increase over the revised estimates of 2017-18. In 2017-18, there was an increase of Rs 1,301 crore (1.4%) in the expenditure over the budget estimates.
- **Total receipts (excluding borrowings)** for 2018-19 are estimated to be Rs 83,333 crore, an increase of 9% as compared to the revised estimates of 2017-18. In 2017-18, total receipts (excluding borrowings) were 2.2% (1,633 crore) higher than the budget estimates.
- **Revenue deficit** for the next financial year is targeted at Rs 8,254 crore, or 1.2% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 19,399 crore (2.82% of GSDP).
- The allocations for agriculture, health, rural development, and irrigation are estimated to witness the highest increase in allocations over the previous year. Allocations for energy, and urban development are expected to witness to decrease.

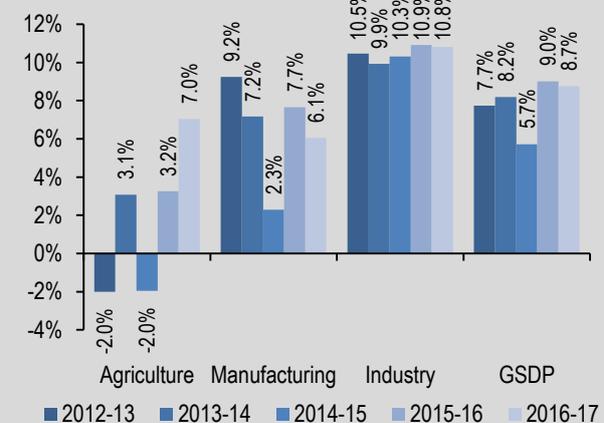
Policy Highlights

- Haryana has launched a limited **Cashless Medical Services Scheme** for government employees and pensioners. The scheme is applicable for six life threatening conditions: (i) cardiac emergencies, (ii) accidents, (iii) 3rd and 4th stage cancer, (iv) coma, (v) brain haemorrhage, and (vi) electrocution. The upper limit of up to five lakh rupees for cashless medical facility has been removed.
- An **Asset Management Cell** has been created for identifying government land and properties, both, within and outside the state. The state is expected to raise Rs 1,000 crore by monetising these properties.
- Haryana has approved the creation of a new non-banking financial company (NBFC) called '**Haryana State Financial Services Ltd.**'. The company will act as an in-house treasury manager to efficiently manage surplus funds of public sector enterprises, autonomous bodies, and other state entities.
- The state has set up the **Swarna Jayanti Haryana Institute of Fiscal Management**. The Institute will provide training and conduct research programmes for government officials in the areas of public finance policy, financial management, and administration. Further, the state is setting up a **Sustainable Development Goals (SDGs) Coordination Centre** to implement 'Vision 2030' based on these SDGs.

Haryana's Economy

- **Economy:** The GSDP of Haryana has grown in the range of 7% to 9% between 2012-13 and 2016-17. The growth rate dropped to 5.7% in 2014-15.
- The services sector with a share of 52% in the GSDP grew by 11% in 2016-17 over the previous year. Manufacturing, which contributes 30% to the GSDP grew by 6.1%. Agriculture with a share of 18% grew by 7% in 2016-17.
- **Per capita income:** The per capita GSDP of Haryana in 2016-17 (at current prices) was Rs 1,99,612. This is 11% higher than 2015-16, when the per capita GSDP was Rs 1,79,432.

Figure 1: Growth in GSDP and sectors (year-on-year)



Source: Central Statistics Office; PRS.

Budget Estimates for 2018-19

- The total expenditure in 2018-19 is targeted at Rs 1,02,733 crore. This is 9.7% higher than the revised estimates of 2017-18. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 83,333 crore and borrowings of Rs 19,399 crore. Total receipts for 2018-19 (other than borrowings) are expected to be 9% higher than the revised estimates of 2017-18.

Table 1: Budget 2018-19 - Key figures (Rs crore)

Items	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE of 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Total Expenditure	79,781	92,384	93,686	1.4%	1,02,733	9.7%
A. Borrowings	26,285	17,572	17,240	-1.9%	19,399	12.5%
B. Receipts (except borrowings)	53,496	74,813	76,445	2.2%	83,333	9.0%
Total Receipts (A+B)	79,781	92,384	93,686	1.4%	1,02,733	9.7%
Revenue Deficit	15,907	11,125	8,226	-26.1%	8,254	0.3%
As % of GSDP	2.92%	1.80%	1.35%		1.20%	
Fiscal Deficit	26,285	17,572	17,240	-1.9%	19,399	12.5%
As % of GSDP	4.82%	2.84%	2.83%		2.82%	
Primary Deficit	15,743	6,315	5,353	-15.2%	5,362	0.2%
As % of GSDP	2.89%	1.02%	0.88%		0.78%	

Notes: BE is Budget Estimate; RE is Revised Estimate.

Sources: Haryana Budget Documents 2018-19; PRS.

Expenditure in 2018-19

- Capital expenditure** for 2018-19 is proposed to be Rs 17,546 crore, which is an increase of 14% over the revised estimates of 2017-18. This includes expenditure which affects the assets and liabilities of the state, and leads to creation of assets (such as bridges and hospital), and repayment of loans, among others.
- Revenue expenditure** for 2018-19 is proposed to be Rs 85,187 crore, which is an increase of 9% over revised estimates of 2017-18. This expenditure includes payment of salaries, maintenance, etc.
- In 2018-19, Haryana is expected to spend Rs 26,503 crore on servicing its debt (i.e., Rs 12,466 crore on repaying loans, and Rs 14,037 crore on interest payments). This is 40% higher than the revised estimates of 2017-18.

Haryana is expected to spend Rs 20,597 crore on salaries, and Rs 8,301 crore on pensions. The total amount of Rs 28,898 crore constitutes 34% of the state's revenue expenditure. The estimated expenditure is 8% higher than 2017-18.

Table 2: Expenditure budget 2018-19 (Rs crore)

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Capital Expenditure	11,378	12,449	15,374	23.5%	17,546	14.1%
Revenue Expenditure	68,403	79,936	78,311	-2.0%	85,187	8.8%
Total Expenditure	79,781	92,384	93,686	1.4%	1,02,733	9.7%
A. Debt Repayment	5,276	9,945	7,054	-29.1%	12,466	76.7%
B. Interest Payments	10,542	11,257	11,887	5.6%	14,037	18.1%
Debt Servicing (A+B)	15,818	21,202	18,941	-10.7%	26,503	39.9%

Sources: Haryana Budget Documents 2018-19; PRS.

Sector expenditure in 2018-19

The sectors listed below account for **58%** of the total budgeted expenditure of Haryana in 2018-19. A comparison of Haryana's expenditure on key sectors with 18 other states can be found in the [Annexure](#).

Table 3: Sector-wise expenditure for Haryana Budget 2018-19 (Rs crore)

Item	2016-17 Actuals	2017-18 Revised	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19	Budget Provisions for 2018-19
Education	11,202	13,407	14,935	11%	<ul style="list-style-type: none"> Out of the total expenditure, 96% is on revenue expenses, and the remaining 4% on capital expenses. Classes at the National Law University, Sonapat are proposed to be started from 2018-19.
Energy	12,410	13,259	12,076	-9%	<ul style="list-style-type: none"> The power transmission system will be strengthened by creating 24 new sub-stations, and adding 775 km of transmission lines.
Water Supply, Sanitation, Housing, and Urban Development	5,526	10,282	9,553	-7%	<ul style="list-style-type: none"> Haryana has been declared an open defecation free state. 20 cities have been covered under the AMRUT scheme for urban development. The state has granted approval for the construction of 11,259 houses for the economically weaker sections.
Transport	4,408	4,945	5,446	10%	<ul style="list-style-type: none"> Strategic action plan for phased development of International Aviation Hub at Hisar has been finalised. Haryana is the first state which has adopted a new technology of mechanised filling of potholes.
Health	3,044	3,815	4,769	25%	<ul style="list-style-type: none"> The government seeks to open medical colleges in every district. Government medical colleges in Bhiwani and Jind are in the pipeline. It also proposes to open medical colleges in Mahendragarh, and Gurugram. The National Cancer Institute at AIIMS Jajjhar will commence operations during the year.
Agriculture	2,932	3,240	4,760	47%	<ul style="list-style-type: none"> The government has decided to set up 'Haryana Kisan Kalyan Pradhikaran'. The authority will take measures to make agriculture remunerative and enhance productivity. The state has prepared a 'Horticulture Vision' which seeks to double the area under horticulture by 2030.
Rural Development	2,892	3,476	4,232	22%	<ul style="list-style-type: none"> Under the Swachh Bharat Mission (Gramin), 6.3 lakh individual household latrines have been constructed. It is envisaged to make Haryana plastic free.
Irrigation	2,338	2,778	3,322	20%	<ul style="list-style-type: none"> Four projects are in the pipeline to bring 4,000 cusecs of additional water to the Yamuna river during monsoons. These projects are: (i) Western Jamuna Canal (WJC) Main Line Lower, (ii) WJC Main Branch, (iii) rehabilitation of parallel Delhi branch, and (iv) remodelling of Augmentation Canal to construct new cement-concrete lined channel.
% of total expenditure	56%	59%	58%		

Source: Budget Speech 2018-19 and Annual Financial Statement, Haryana Budget Documents 2018-19; PRS.

- During 2017-18, Haryana is expected to spend more than its budget estimates on sectors such as water supply, housing, and urban development (21%), and energy (13%). It is expected to spend less than the budget estimate on agriculture (33%), education (11%), and rural development (8%).
- Haryana has allocated Rs 741 crore for the Sarva Shiksha Abhiyan in 2018-19. This is 17% more than the revised estimates of 2017-18 (Rs 632 crore). It has allocated Rs 350 crore for MGNREGA, which is 3% more than the revised estimates of 2017-18 (340 crore). Rs 160 crore has been allocated for the Pradhan Mantri Awas Yojana (Urban). This is 33% more than the revised estimates of 2017-18 (Rs 120 crore).

Receipts in 2018-19

- The **total revenue receipts** for 2018-19 are estimated to be Rs 76,933 crore, an increase of 9.8% over the revised estimates of 2017-18. Of this, Rs 60,434 crore will be raised by the state through its **own resources** (79% of the revenue receipts), and Rs 16,499 crore will be **devolved by the centre** in the form of grants and the state's share in taxes (21% of the revenue receipts).
- **Non Tax Revenue:** Haryana has estimated to generate Rs 11,303 crore through its own non-tax sources in 2018-19. This is an increase of 2.9% over the revised estimates of 2017-18.

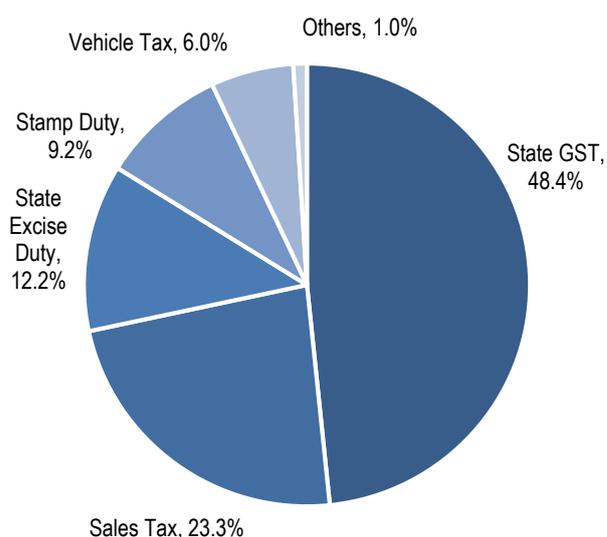
Table 4: Break up of state government receipts (Rs crore)

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
State's Own Tax	34,026	43,340	44,690	3.1%	49,132	9.9%
State's Own Non-Tax	6,196	10,082	10,985	9.0%	11,303	2.9%
Share in Central Taxes	6,597	8,372	8,372	0.0%	9,300	11.1%
Grants-in-aid from Centre	5,678	7,018	6,039	-13.9%	7,199	19.2%
Total Revenue Receipts	52,497	68,811	70,085	1.9%	76,933	9.8%
Borrowings	26,285	17,572	17,240	-1.9%	19,399	12.5%
Other receipts	1,000	6,002	6,360	6.0%	6,400	0.6%
Total Capital Receipts	27,285	23,574	23,600	0.1%	25,800	9.3%
Total Receipts	79,781	92,384	93,686	1.4%	1,02,733	9.7%

Sources: Haryana Budget Documents 2018-19; PRS.

- **Tax Revenue:** Total own tax revenue of Haryana is estimated to be Rs 49,132 crore in 2018-19, which is an increase of 10% over the revised estimates of 2017-18. The composition of the state's tax revenue is shown in Figure 2. The tax to GSDP ratio is targeted at 7.1% in 2018-19, which is marginally lower than the revised estimate of 7.3% in 2017-18. This implies that growth in collection of taxes is expected to be lower than the growth in the economy (13%).

Figure 2: Composition of Tax Revenue in 2018-19 (BE)



- State Goods and Services Tax (GST) is expected to be the largest component of Haryana's own tax revenue in 2018-19. It is expected to generate Rs 23,760 crore (48% of the own tax revenue).
- The state is expected to generate Rs 11,440 crore from the levy of sales tax on items such as alcohol for human consumption and petroleum products. Further, the state is expected to raise Rs 6,000 crore from state excise duty.
- Tax revenue will also be generated by levying stamp duty on real estate transactions (Rs 4,500 crore), and taxes on vehicles (Rs 2,950 crore).

Deficits, Debts and FRBM Targets for 2018-19

The Haryana Fiscal Responsibility and Budget Management (FRBM) Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue deficit: It is the excess of revenue expenditure over revenue receipts. A revenue deficit implies that the government needs to borrow in order to finance its expenses which do not create capital assets. The budget estimates a revenue deficit of Rs 8,254 crore (or 1.2% of GSDP) in 2018-19. The estimate indicates that the state is not expected to meet the target of eliminating revenue deficit, prescribed by the 14th Finance Commission.

Haryana had targeted a fiscal deficit of 2.47% at the budget stage for 2016-17. It exceeded this target with the actual fiscal deficit being 4.82% for the year.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government, and leads to an increase in total liabilities. In 2018-19, fiscal deficit is estimated to be Rs 19,399 crore, which is 2.82% of the GSDP. The estimate is within the 3% limit prescribed by the 14th Finance Commission. This limit may be relaxed to a maximum of 3.5%, if states are able to contain their debt and interest payments to certain specified levels.

Outstanding Liabilities: It is the accumulation of borrowings over the years. In 2018-19, the outstanding liabilities are expected at 23.4% of the GSDP.

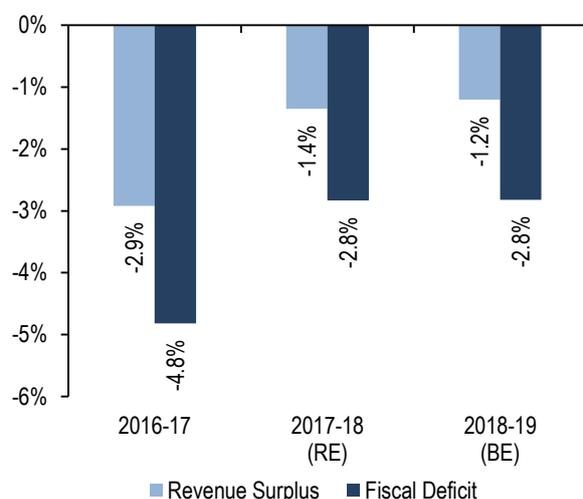
Table 5: Budget targets for deficits for Haryana (% of GSDP)

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2016-17	-2.92%	-4.82%	22.85%
2017-18 (RE)	-1.35%	-2.83%	23.30%
2018-19 (BE)	-1.20%	-2.82%	23.44%
2019-20	Revenue Surplus	-3.00%	25.00%
2020-21	Revenue Surplus	-3.00%	25.00%

Sources: Haryana Budget Documents 2018-19; PRS.

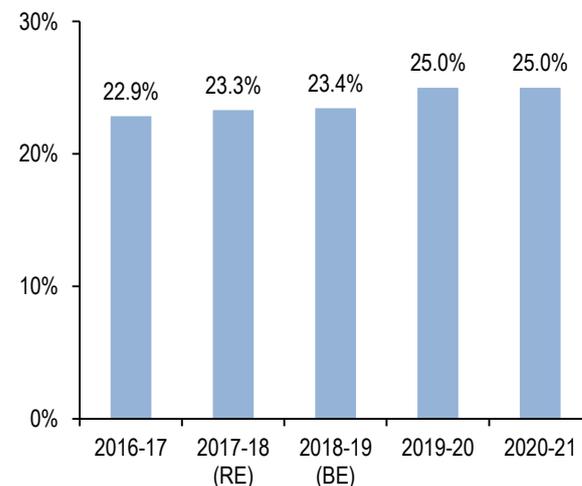
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2016-17 to 2018-19:

Figure 3: Revenue and Fiscal Deficit (% of GSDP)



Sources: Haryana Budget Documents; PRS.

Figure 4: Outstanding liabilities targets (% of GSDP)



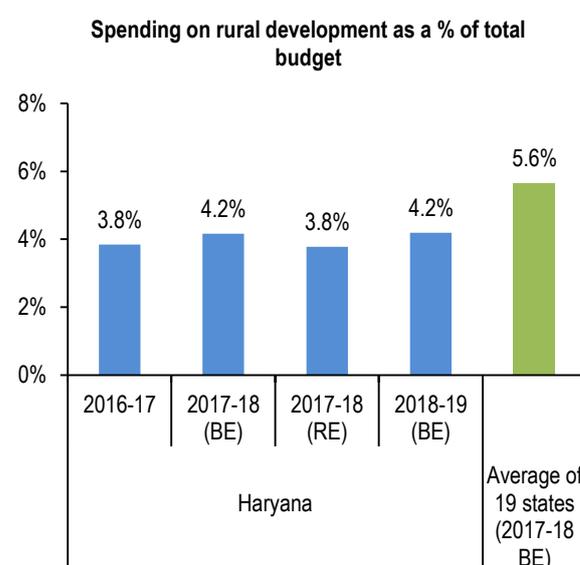
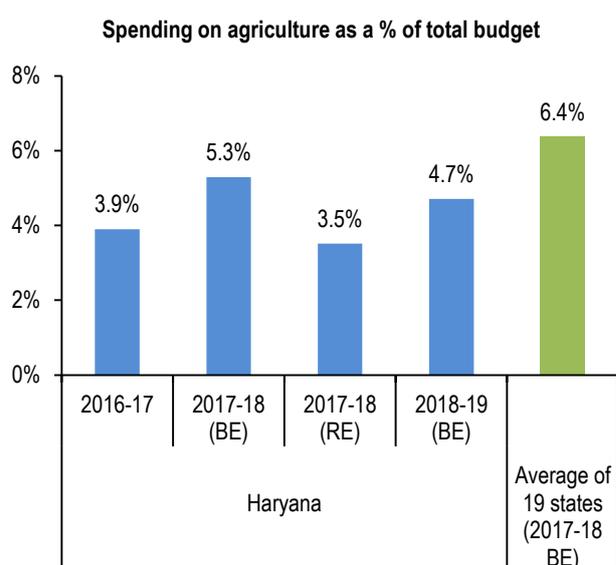
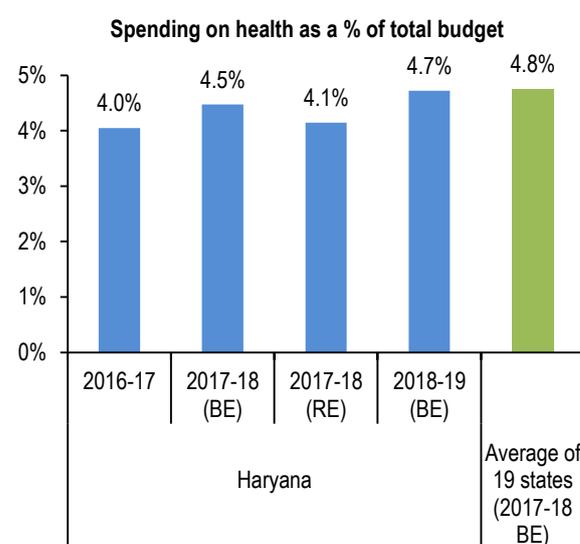
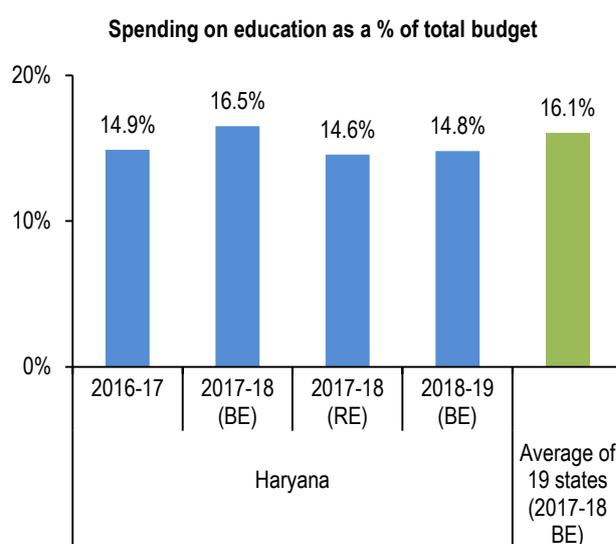
Sources: Haryana Budget Documents; PRS.

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Annexure

The graphs below compare Haryana's expenditure on four key sectors as a proportion of its total budget, with 19 states (including Haryana) based on their budgets presented for 2017-18.¹

- **Education:** Haryana has allocated 14.8% of its total budget on education in 2018-19. This is lower than the average expenditure allocated to education by 18 other states (using 2017-18 BE).
- **Health:** Haryana has allocated 4.7% of its total expenditure on health, which is marginally lower than the average expenditure of 18 other states. Since 2016-17, the share of total expenditure spent by Haryana on health has gradually increased from 4%.
- **Agriculture:** The state has allocated 4.7% of its total budget towards agriculture and allied activities. This is lower than the allocations of 18 other states (6.4%). In 2017-18, the state had allocated 5.3% of its expenditure for agriculture at the budget stage. This was revised down to 3.5% at the revised stage.
- **Rural development:** Haryana has allocated 4.2% of its expenditure on rural development. This is lower than the average (5.6%) of the 18 other states.



Note: 2016-17, 2017-18 (BE), 2017-18 (RE), and 2018-19 (BE) figures are for Haryana.

Source: Annual Financial Statement (2017-18 and 2018-19), various state budget documents; PRS.

¹ The 18 states apart from Haryana are: Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, and West Bengal.