

# **Fiscal Health in Haryana: Economic Growth and Performance of State After Enactment of Frbm Act**

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## **ABSTRACT**

In this study, we propose to examine the Economic performance of Haryana state after enactment of FRBM Act. Fiscal management plays a very important role in the growth and development of any state. State's fiscal management assumes significance for sustaining the growth in the states. To bring out the development preferences and to enhance of welfare, it is very important to analyze the economic performance of the state government.

The study covers the time period from 2005-06 to 2012-13. The data for the current study will be taken from the secondary sources like; various issues on "State finances" by Reserve Bank of India, Haryana Economic Survey, EPW foundation Database of Haryana, Haryana Statistical Abstract. The main objective of the study is to examine the economic growth performance of Haryana state after enactment of FRBM Act. Least Square Growth rate formula has been used to estimate the growth rate of expenditure. This LSGR formula considers the every value of observation in estimation of growth rate. Percentage method has been applied to make data comparable.

## **Introduction:-**

Haryana is a high-income growth State with large industrial base and vast agriculture resource base. It is the first state to initiate and implement VAT for own revenue generation. Haryana is also one of the early states to enact the Fiscal Responsibilities and Budget Management Act (2005) for fiscal correction. The backbone of the State's economy is agriculture and allied activities.

In this study, we propose to examine the Economic performance of Haryana state after enactment of FRBM Act. Fiscal management plays a very important role in the growth and

development of any state. State's fiscal management assumes significance for sustaining the growth in the states. To bring out the development preferences and to enhance of welfare, it is very important to analyze the economic performance of the state government.

The study covers the time period from 2005-06 to 2012-13. This is the time period of post FRBM Act. The data for the current study will be taken from the secondary sources like; various issues on "State finances" by Reserve Bank of India, Haryana Economic Survey, EPW foundation Database of Haryana, Haryana Statistical Abstract. The main objective of the study is to examine the economic growth performance of Haryana state after enactment of FRBM Act. Least Square Growth rate formula has been used to estimate the growth rate of expenditure. This LSGR formula considers the every value of observation in estimation of growth rate. Percentage method has been applied to make data comparable.

In this paper we first discuss the overview of state. After this we discuss the economic performance of State, measures are taken GSDP growth rate, per capita income and sectoral composition. Last section discusses the some concluding observation.

#### **Economic Performance of Haryana State:-**

The economic growth of Haryana has been excellent since its formation about 1966. However, the state of Haryana, an old success story of the green revolution in the country, continues to be relatively high per capita income state. Haryana is one of the highest per capita incomes states in the country. The trend rate of growth in GSDP of Haryana was above the all-India growth rate up to the year 2003-04. However, since then it has fallen below the national average. This is a disturbing trend. But after 2005-06 it was again rise up and above the national average. Key economic indicators are elaborated in the table below:-

**Table-1**  
**Current Economic Overview**

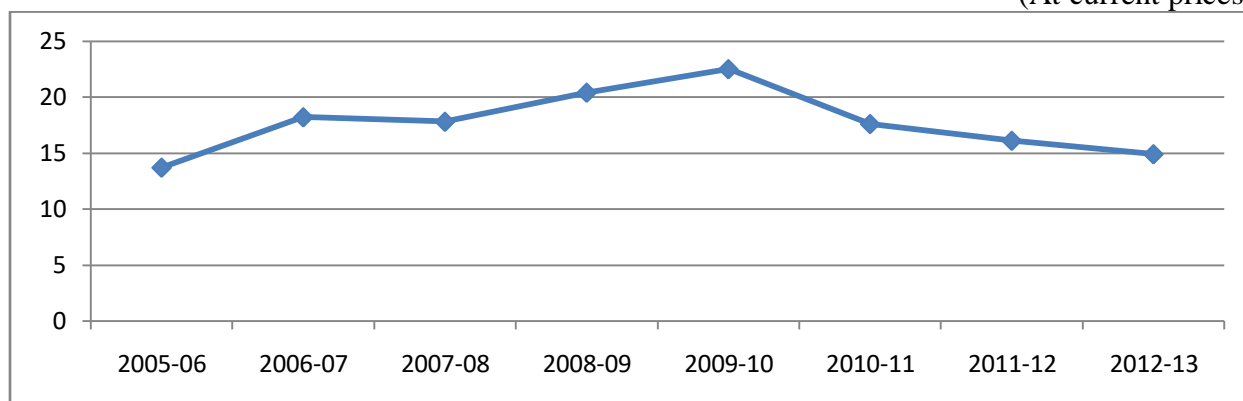
<b>Particulars</b>	<b>Unit</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>Gross State Domestic Production (GSDP)</b> At constant prices (2004-05)	Rs. Crore	165960	179097	191820
At Current Prices	Rs. Crore	265033	307605	353440
<b>Growth Rate of GSDP At Constant</b>	Percentage	9.30	7.90	7.10

<b>Price</b>				
<b>Per Capita Income</b>	Rs.	59140	62927	66410
At Constant Price				
At Current Price	Rs.	95135	109064	123554

Source: - *Economic Survey of Haryana, Planning Department, Government of Haryana. Central Statistical Organization, Directorate of Economics and Statistics.*

Gross State Domestic Product of Haryana at constant price increased from 165960 crore in 2010-11 to Rs. 179097 crore in 2011-12 and Rs. 191820 crore in 2012-13 while growth rate as per GSDP decreased from 9.30% in 2010-11 to 7.10% in 2012-13.

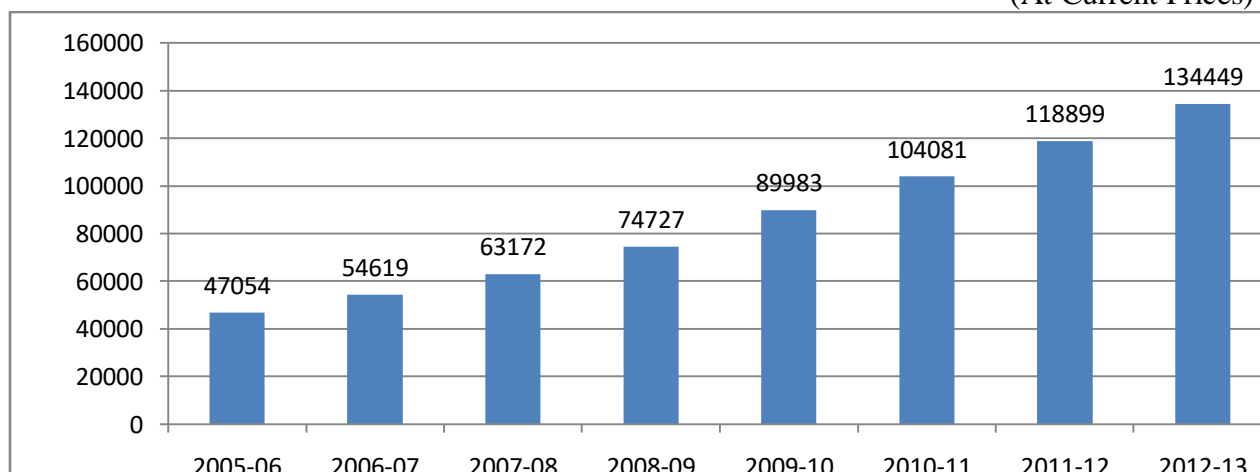
**Figure-1**  
**Growth Performance of GSDP of Haryana in Percentage**  
(At current prices)



Source: - *EPW Research Foundation Database of Haryana*

Per capita income is the accepted measure of economic development of a state. It is another important indicator to assess the economic growth as well as the living standard of the people of a State or a Country. Haryana has 2<sup>nd</sup> highest per capita income among all the states of India after Goa. Figure 2 shows the continuously increase in per capita income of Haryana after FRBM Act. The per capita income of the state at current prices is likely to reach at the level of Rs. 1,34,449 during 2012-13 as against Rs. 118899 in 2011-12. The per capita income of the state has always remained much higher than all India level in the past. This drastic increase in per capita income at current price after 2005-06 may be attributed to high inflation rate.

**Figure-2**  
**Per Capita Income of Haryana**

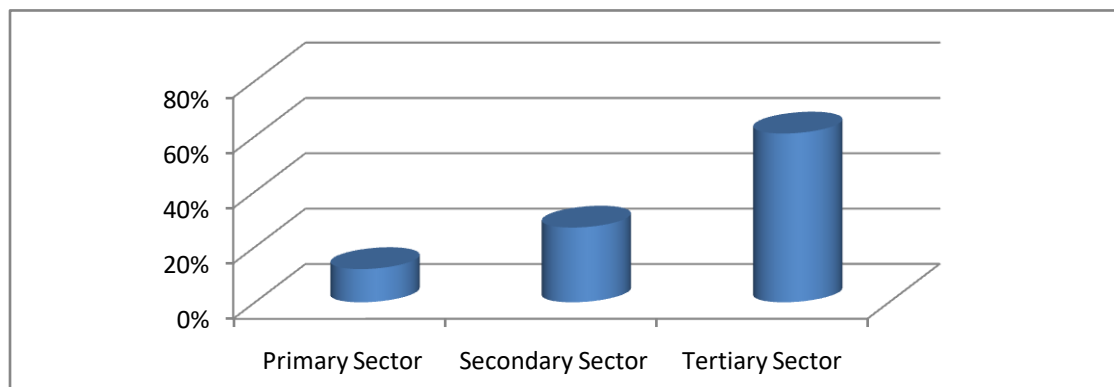


Source: - EPW Research Foundation Database of Haryana.

**Sectoral Composition:-**

Haryana is a state where agriculture and Industrial Sector and Service sector all have shown a good contribution in the Gross state Domestic Product. Sectoral composition of GSDP has shown in figure 3 in 2012-13. This composition shows that the major part of GSDP comes from tertiary sector. The agriculture sector contributes the only 12 per cent in GSDP in 2012-13. Industrialization plays a vital and crucial role in the development of an economy. The industry sector is the 2nd largest contributor to the state GDP and it contributes 27 per cent in GSDP. The tertiary sector is the major contributor and it contributes the 61 per cent in GSDP in 2012-13.

**Figure-3  
Sectoral Composition of GSDP (2012-13)**

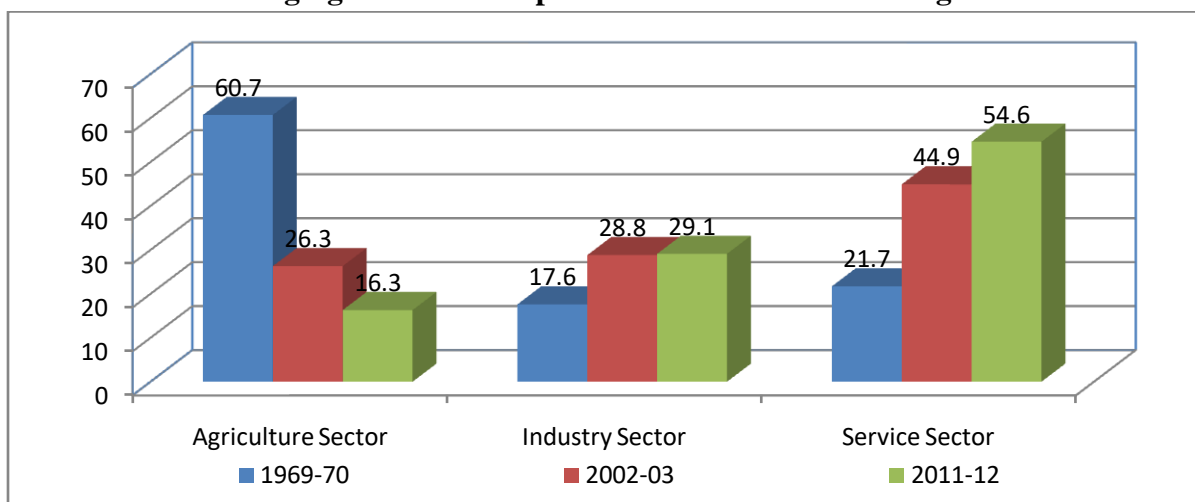


Source: - Economic Survey of Haryana, Planning Department, Government of Haryana

State Economy has experienced a significant structural transformation since the formation of Haryana State. It is shifting from primary to tertiary sector on behalf of occupational structure.

The shifting from primary to service sector and manufacturing is due to rich facilities of infrastructure provided by the state government Agriculture occupies a dominant position from beginning but now a days the share of agriculture and allied activities, the secondary sector includes mining and manufacturing and tertiary sector includes service sector like transport and communication, commerce and other services.

**Figure-3**  
**Changing Sectoral Composition of GSDP in Percentage**



Source: - *Economic Survey of Haryana, Planning Department, Government of Haryana*

Figure 3 shows the percentage share of various sectors in state’s GSDP. The service and manufacturing sector are the main driving forces of the Haryana economy. These are important sectors from tax point of view. The sectoral composition of the GSDP shown in figure shows that share of service sector has increased from 44.9 percent in 2002-03 to 54.9 percent in 2011-12. The share of industry sector, which was 17.6 percent in 1969-70, has also made gains as it has gone up to 29.1 percent in 2011-12. The share of agriculture and allied sector has shown a decline during this period. The rising share of secondary and tertiary sector and declining share of primary sector is indicative of state’s increasing tax potential and economic development. The share of the service sector in state Goss Domestic Product (GDP) increased from 21.7 per cent (1969-70) to 54.6 per cent (2011-12). The service sector is composed of Trade, Hotels & Restaurants, transport, storage & communication, Finance, Insurance, Real estate & Business services, Public administration and others.

**Growth in Agriculture Sector:-**

Agriculture is the main occupation of the people of this state. Here agriculture is practiced from ancient times. More than 50 percent people of Haryana earn their livelihood from agriculture, which is the pivot of the state. The food grain production in the Haryana during the year 2012-13 was 162.26 lacks tons. Paddy, Wheat, Jowar, Bazra, Maize, Barley, Sugarcane, Cotton, Pulses, Oilseeds and Potato are the main crops of the state. For the diversity in agriculture the cash crops like sugarcane, cotton and oilseeds are grown on a large scale while the production of sunflower, soyabean, fruits and vegetables is being encouraged. Intensive and Extensive agriculture is also being practiced in the state.

Table 2 shows that Haryana economy has significant agrarian component. Table 2 shows the percentage share of wheat and rice to total food grain production. Total food grains production increased from 13295 thousand tonnes in 2000-01 to 16226 thousand tonnes in 2012-13 with growth rate of 3 per cent. Wheat and Rice are the main crops in Haryana. The production of wheat increased from 9669 thousand tonnes in 2000-01 to 11117 thousand tonnes in 2012-13. The percentage share of wheat is 72.73 per cent to total food grain in 2000-01 and it declined to 65.61 per cent in 2005-06. The percentage share of wheat to total food grain is 68.51 per cent in 2012-13. The growth rate of wheat production was 3 per cent during the study period. As well the production of Rice is also increased in absolute terms from 2695 thousand tonnes in 2000-01 to 3976 thousand tonnes in 2012-13 with growth rate of 4 per cent. The percentage share of rice to total food grain production was 20.27 per cent in 2000-01 and it reached to 24.50 per cent in 2012-13.

**Table-2**  
**Growth of Agriculture Production in Haryana**

(000 Tonnes)

Crop	Wheat	Rice	Total Food Grain Production	Oilseeds	Sugarcane
2000-01	9669 (72.73)	2695 (20.27)	13295 (100)	563	8170
2005-06	8853 (65.61)	3194 (23.76)	13494 (100)	830	8310
2006-07	10059 (68.16)	3371 (22.84)	14759 (100)	837	9651

2007-08	10232 (66.90)	3606 (23.58)	15294 (100)	617	8850
2008-09	11360 (70.22)	3299 (20.40)	16178 (100)	911	5206
2009-10	10488 (68.35)	3628 (23.64)	15345 (100)	862	5707
2010-11	11578 (69.63)	3465 (20.84)	16629 (100)	945	6040
2011-12	13119 (71.42)	3759 (20.46)	18370 (100)	771	6959
2012-13	11117 (68.51)	3976 (24.50)	16226 (100)	980	7437
LSGR*	3%	4%	3%	4%	-4%

*Source: - Booklet on Haryana Economy, Department of Economic and Statistical Analysis, Haryana.*

The production of Oilseeds is also increased from 563 thousand tonnes in 2000-01 to 980 thousand tonnes in 2012-13 with growth rate of 4 per cent. But the production of sugarcane is decreased from 8170 thousand tonnes in 2000-01 to 7437 thousand tonnes in 2012-13. The growth rate of sugarcane was shown negative sign during the time of consideration and it was -4 per cent. Sugarcane is only crop which production is decreased in absolute term during the study period. Actually the production of Sugarcane was continuously increased from 2000-01 to 2007-08 but there was a drastic decrease in 2008-09 and it reached to 5206 thousand tonnes from 8850 thousand tonnes. After that it starts to increase.

### **Concluding Observations:-**

On the whole, it can be concluded that after reviewing all the variables given in this study that the state is moving in the right direction to achieve the highest levels of development and progress as compared to the rest of the states of India. Haryana is one of the most advanced States in the country. It has been leading state in carrying out fiscal reforms. The planning commission has also cherished the state government for the reforms initiatives taken in various sectors.

As we object in this study to analyze the growth performance of Haryana State, the GSDP growth rate has increased during the time of consideration. The per capita income of state also

shows an increasing trend. The agriculture status has also improved after the enactment of FRBM Act while the share of agriculture has declined in GSDP since its formation.

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