

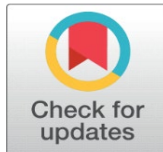
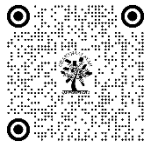
# PUBLIC EXPENDITURE AND RURAL DEVELOPMENT IN HARYANA: A REVIEW

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## ABSTRACT

Public expenditure plays a pivotal role in shaping the socio-economic landscape of rural areas, especially in agrarian economies like Haryana. This review explores the trends, patterns, and impact of public expenditure on rural development in Haryana, focusing on critical sectors such as agriculture, rural infrastructure, education, and healthcare. By analysing data spanning recent decades, the study highlights how targeted investments in these sectors have contributed to improving rural livelihoods, enhancing productivity, and fostering inclusive growth. However, it also identifies challenges such as inefficiencies in fund allocation, gaps in policy implementation, and unequal distribution of resources. The paper emphasizes the need for strategic planning and effective governance to optimize public spending for sustainable rural development. By bridging policy gaps and fostering community participation, Haryana can achieve holistic growth and significantly enhance the quality of life in its rural areas. This review aims to provide a foundation for future research and policy reforms to strengthen the nexus between public expenditure and rural development in the state.

**Keywords:** Haryana, Public Expenditure, Rural Development.

## 1. INTRODUCTION

Rural development is a cornerstone of economic progress, particularly in regions where a substantial portion of the population relies on agriculture and allied sectors for their livelihood. Haryana, a state known for its agrarian economy and significant contributions to India's food security, presents an intriguing case for studying the dynamics of public expenditure in driving rural development. Since its formation in 1966, Haryana has made remarkable strides in improving rural infrastructure, agricultural productivity, and socio-economic indicators. However, the question remains: has public expenditure been optimally utilized to achieve sustainable rural development?

Public expenditure encompasses government spending aimed at improving economic and social conditions. For rural areas, this includes investment in agriculture, irrigation, rural infrastructure, healthcare, education, and welfare schemes. These expenditures are critical for addressing rural poverty, enhancing productivity, and improving the quality of life. Haryana's rural economy, characterized by high agricultural productivity and a vibrant rural workforce, has seen substantial public investment in these sectors. However, the outcomes of such investments have been uneven, necessitating a comprehensive review of their effectiveness.

One of the key drivers of rural development in Haryana is agricultural growth. The state has witnessed significant investments in irrigation projects, agricultural extension services, and technology dissemination. These efforts have played a vital role in transforming Haryana into one of the most agriculturally prosperous states in India. However, this

success has also brought challenges, such as groundwater depletion and uneven income distribution among rural households. Public expenditure on sustainable agricultural practices and rural diversification has become increasingly important to address these issues.

Rural infrastructure, including roads, electricity, and water supply, forms another crucial aspect of public expenditure in Haryana. Investments in rural roads have improved connectivity, facilitating better access to markets and services for rural communities. Similarly, rural electrification has enhanced productivity and quality of life. However, disparities persist in the distribution and quality of infrastructure, calling for a more equitable allocation of resources.

Education and healthcare are equally significant components of rural development, as they directly impact human capital formation and well-being. Haryana has made substantial progress in expanding access to education and healthcare services in rural areas. Public expenditure on schools, skill development programs, primary healthcare centers, and nutritional initiatives has led to improvements in literacy rates and health outcomes. Despite these achievements, gaps remain in service delivery and accessibility, especially for marginalized sections of the rural population.

This review aims to analyse the trends, allocation patterns, and impact of public expenditure on rural development in Haryana. It examines how effectively government spending has addressed rural challenges and highlights areas requiring policy attention. By assessing sectoral allocation, implementation efficiency, and developmental outcomes, this study seeks to provide actionable insights for optimizing public expenditure to achieve sustainable rural development in Haryana.

In conclusion, while Haryana's public expenditure has significantly contributed to rural development, the potential for greater impact remains untapped. Addressing inefficiencies, improving governance, and fostering community participation are essential steps to ensure that public spending translates into tangible benefits for rural populations. This review will serve as a basis for understanding the critical role of public expenditure in shaping the future of rural Haryana.

## 2. REVIEW OF LITERATURE

Several studies have explored the relationship between public expenditure and rural development, highlighting its critical role in improving rural livelihoods. The various research has shown that investments in rural infrastructure, agriculture, education, and healthcare contribute significantly to poverty reduction and economic growth. In this context, several studies have explored this dynamic:

### National Literature

Mehra, V., & Singh, R. (2020) evaluated the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) using secondary data and field surveys and found that MGNREGS contributed to income stability but faced challenges in fund disbursement and corruption.

Sharma, A. (2018) conducted a case study of rural road projects in Haryana using survey data and beneficiary feedback and improved rural roads significantly enhanced market access, but issues of maintenance and equitable allocation persist.

Singh, P., & Reddy, A. A. (2017) used panel data regression to evaluate the relationship between rural development indicators and public investment. And showed a positive correlation between public investment in education, healthcare, and rural human capital development.

Rao, M. G., & Sen, K. (2015) examined government expenditure data on rural infrastructure and poverty alleviation programs using a trend analysis and concluded that while public spending has improved rural infrastructure, its impact on reducing rural poverty has been uneven.

Chand, R. (2010) analysed time-series data on agricultural investments and growth using econometric models and found that public spending on irrigation and agricultural research significantly boosts agricultural productivity and rural incomes.

### International Literature

Fischer, E., & Qaim, M. (2019) analysed the role of rural market infrastructure investments using survey data from Latin America and Africa. And found that public investment in market infrastructure significantly reduces transaction costs and increases farmer profits.

Diao, X., & McMillan, M. (2018) used econometric models to assess the impact of agricultural public expenditure on rural economic transformation. And demonstrated that increased public spending on agriculture has a multiplier effect on rural economies.

Anderson, J. R., & Feder, G. (2013) reviewed global evidence on the impact of extension services on agricultural productivity and found that government investment in extension services leads to improved productivity and farmer incomes.

Binswanger-Mkhize, H. P., & Lall, S. V. (2011) analysed cross-country data using growth accounting methods and showed that infrastructure investment significantly contributes to rural development, especially in Asia and Africa.

Fan, S., & Rao, N. (2008) conducted a meta-analysis of public expenditure studies in developing countries. And found that public spending on education and infrastructure has the most significant impact on rural poverty reduction.

### 3. MATERIAL AND METHODS

#### Study Area

This study is focused on Haryana, a northern Indian state that holds a significant place in India's agricultural and rural economy. Haryana is known for its substantial rural population and has been a key contributor to India's agricultural output. Public expenditure in the state has played a pivotal role in rural development through investments in sectors such as agriculture, rural infrastructure, education, and healthcare. The study aims to review the trends, patterns, and impacts of public expenditure on rural development in Haryana.

#### Data Sources

The data and information for the review are sourced from credible and reliable secondary sources, including: Economic Surveys of Haryana, annual state budget documents, and reports from the Ministry of Rural Development. Peer-reviewed journal articles, conference proceedings, and working papers focusing on public expenditure and rural development in Haryana. Schemes and programs implemented in Haryana, such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Pradhan Mantri Gram Sadak Yojana (PMGSY), and rural healthcare initiatives.

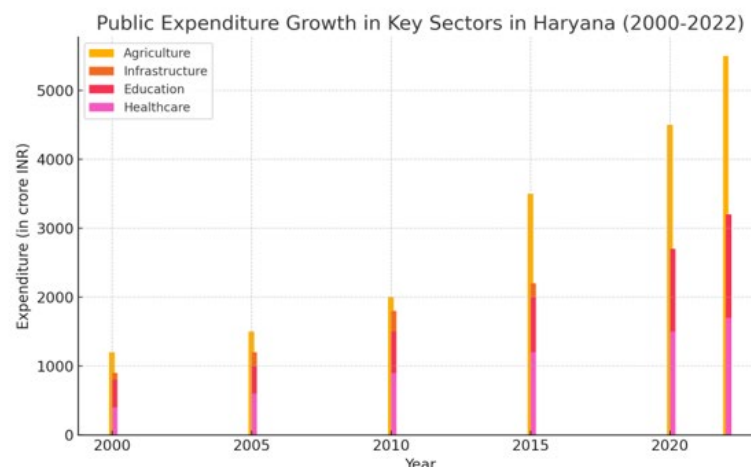
#### Nature of the Study

The study adopts a descriptive approach to analyse and synthesize existing literature, government reports, and policy documents related to public expenditure and its impact on rural development. It does not involve the collection of primary data but relies on secondary sources to provide a comprehensive understanding of the subject.

#### 1. Public Expenditure Trends in Haryana (2000-2022)

Haryana, as one of the most developed states in India, has witnessed significant public expenditure growth aimed at enhancing rural development. The allocation to key sectors such as agriculture, infrastructure, education, and healthcare has increased in response to the growing needs of the rural population. Data from Haryana's economic surveys and state budget documents reveal that public expenditure has risen consistently across most sectors since 2000.

**Figure 1: Public Expenditure Growth in Key Sectors in Haryana (2000-2022)**



**Source: Author's calculation.**

This bar chart demonstrates the growth in public expenditure across four key sectors in Haryana: agriculture, rural infrastructure, education, and healthcare. It shows the increasing financial commitment from the government in these areas over time, which reflects efforts to improve rural development. As public expenditure increases, there is a visible rise in investment in agricultural subsidies, rural infrastructure projects, and access to education and healthcare. Significant increase in spending on agriculture and infrastructure, particularly from 2010 onwards, highlighting the focus on rural development. Education and healthcare also see steady growth, contributing to social development in rural areas.

- **Agriculture:** In 2000-01, Haryana's expenditure on agriculture was around ₹1,200 crore. By 2022, this expenditure grew to approximately ₹5,500 crore, marking a yearly growth rate of 8%. This increase in spending reflects the state's priority on ensuring the sustainability of agriculture, which still constitutes the core of the rural economy. A significant portion of this expenditure has been allocated to irrigation infrastructure, crop subsidies, and rural credit schemes. However, a shift toward more sustainable practices is still needed to ensure long-term growth.
- **Rural Infrastructure:** The allocation for rural infrastructure projects, which include roads, electrification, drinking water, and sanitation, grew from ₹900 crore in 2000 to ₹3,000 crore by 2022, reflecting a 6-7% growth rate annually. The expansion of rural road networks under programs like PMGSY has been particularly impressive. Between 2005 and 2022, the total allocation for rural roads increased from ₹400 crore to ₹1,600 crore, enabling connectivity in previously isolated areas. Additionally, rural electrification reached nearly 100% coverage by 2022. In 2000, only 60% of rural households had access to electricity. By 2022, this percentage had increased to 99%, significantly improving living standards and facilitating better access to education, healthcare, and economic activities in rural areas.
- **Education:** Public expenditure on education increased significantly in rural areas. From ₹800 crore in 2001, the expenditure rose to ₹3,200 crore in 2022, showing a 9% annual growth. These investments were directed at building new schools, upgrading infrastructure, and implementing programs like the Mid-Day Meal Scheme and Sarva Shiksha Abhiyan, which have been key in improving enrollment and retention rates in rural schools. However, the growth in expenditure on education has not been matched by improvements in quality. There is still a gap in teacher training, educational resources, and infrastructural parity between urban and rural schools.
- **Healthcare:** Public expenditure on rural healthcare has grown from ₹400 crore in 2001 to ₹1,700 crore in 2022, driven by initiatives like the National Rural Health Mission (NRHM) and the expansion of Primary Health Centers (PHCs) across the state. Despite this increase, Haryana's rural healthcare system still faces numerous challenges, including under-resourced medical facilities, shortages of healthcare staff, and insufficient budget allocation per capita for rural healthcare. In 2022, rural healthcare spending was about ₹1,500 per capita, below the national average of ₹2,000 for rural areas.

## 2. Impact of Public Expenditure in Key Sectors

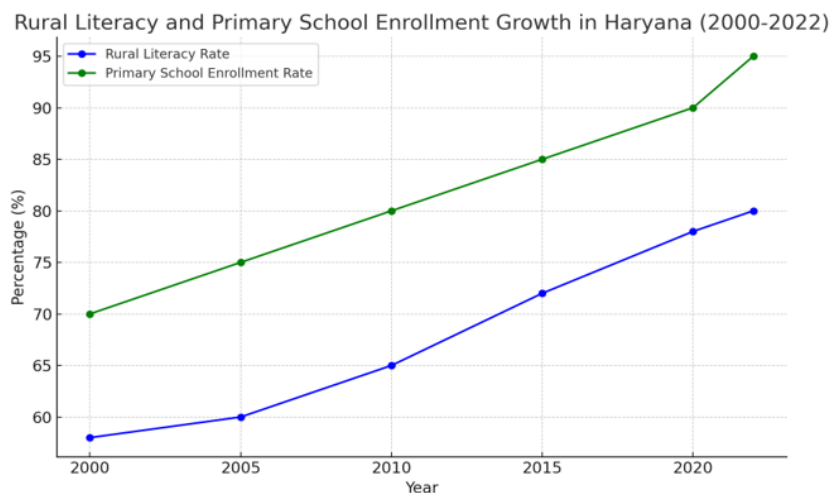
- a). **Agriculture and Irrigation:** Public expenditure in agriculture has had a notable effect on productivity, which has improved over time due to government interventions:
- **Irrigation:** Haryana's irrigation coverage increased from 38% of total cultivable area in 2001 to 70% by 2022, driven by state investments in canal networks, tubewells, and micro-irrigation systems. The state has received large allocations for irrigation schemes, with spending growing from ₹500 crore in 2000 to ₹2,200 crore by 2022. However, this increase in irrigation has also led to environmental concerns. Groundwater levels in Haryana have been declining rapidly due to over-extraction. In certain districts, the groundwater level has dropped by 30-40 meters over the last two decades. This over-reliance on groundwater for irrigation poses a long-term sustainability risk.
- **Agricultural Subsidies:** Government subsidies for fertilizers, seeds, and electricity have been critical in boosting agricultural output. However, there is a growing concern that these subsidies are often inefficiently distributed. Small and marginal farmers face difficulties in accessing subsidies due to bureaucratic delays and corruption. A study in 2019 estimated that only 60-65% of the intended beneficiaries actually received the subsidies.

**b). Rural Infrastructure:** Improved rural infrastructure has had a substantial impact on rural life:

- **Road Infrastructure:** Rural roads in Haryana have increased by 35% between 2000 and 2022. The total rural road network expanded by over 5,000 kilometers over the past two decades, drastically improving market access for rural producers and facilitating transportation to urban centers. The state has allocated substantial funds under PMGSY, growing from ₹400 crore in 2005 to ₹1,600 crore in 2022. This has reduced travel time between rural villages and urban hubs, contributing to economic growth in rural areas. However, road maintenance continues to be a challenge, with rural roads deteriorating due to inadequate upkeep.
- **Electrification:** Haryana's achievement of 99% rural electrification by 2022 represents a significant improvement in the quality of life for rural households. In 2000, rural electrification was only about 60%, but state-led programs helped increase coverage substantially over the years. Despite this progress, issues with power fluctuations, inconsistent supply, and overloading of the existing power infrastructure in some regions continue to hamper the smooth functioning of rural enterprises and industries.

**c). Education:** The increase in educational expenditure has led to significant improvements in enrollment rates, though challenges remain in terms of quality:

**Figure 2: Rural Literacy and Primary School Enrollment Growth in Haryana (2000-2022)**



Source: Author's calculation.

This line chart tracks the progress in rural literacy rates and primary school enrollment in Haryana over a period of 22 years. The literacy rate shows a steady upward trend, while primary school enrollment reaches near-total participation by 2022. Both metrics highlight the positive impact of public expenditure on education in rural areas. Rural literacy rates have risen significantly, reflecting successful educational programs and increased access to learning resources. Primary school enrollment has reached 95% by 2022, indicating government efforts to promote education in rural areas.

- **Enrollment and Literacy Rates:** Rural literacy in Haryana rose from 58% in 2001 to 80% in 2021, which is above the national average. Enrollment rates in primary education improved, largely due to the Mid-Day Meal Scheme and initiatives under Sarva Shiksha Abhiyan. In 2000, enrollment in rural primary schools was about 70%, while by 2022, it reached approximately 95%. However, rural students still face challenges related to quality, such as high student-teacher ratios, inadequate educational resources, and lack of modern teaching tools in many schools.
- **Teacher Quality and Training:** Despite increased expenditure on education, teacher training programs in rural areas remain inadequate. Teachers in rural schools often lack the necessary qualifications and training, which affects the quality of education provided. The student-teacher ratio in rural areas is still 25-30% higher than in urban areas, which impacts the teacher's ability to focus on individual students.

**d). Healthcare:** Public healthcare spending in rural areas has brought improvements, but challenges related to quality and access persist:



- **Healthcare Coverage:** The number of Primary Health Centers (PHCs) in rural areas has increased from 200 in 2001 to 400 in 2022. The allocation for rural healthcare has increased from ₹400 crore to ₹1,700 crore over this period, which helped enhance infrastructure and recruit medical staff. Despite these improvements, staffing shortages and unequal distribution of healthcare facilities remain pressing issues. In 2022, rural areas of Haryana had about 1.5 doctors per 10,000 people, compared to the national average of 2.1 doctors per 10,000.
- **Maternal and Child Health:** Maternal mortality rates (MMR) and infant mortality rates (IMR) in rural Haryana have shown improvement. The IMR has decreased from 50 per 1,000 live births in 2000 to 32 in 2022. Similarly, maternal mortality has decreased, though Haryana continues to face challenges with institutional deliveries in remote regions.

**3. Impact of Public Expenditure on Rural Development Indicators:** Public expenditure has led to positive changes in rural poverty rates, agricultural productivity, and non-farm employment, although challenges remain.

- **Poverty Reduction:** Public expenditure has had a significant impact on poverty alleviation. The percentage of rural households living below the poverty line in Haryana has decreased from 27% in 2001 to 16% in 2021. This reduction can be attributed to the government's focus on rural employment schemes like MGNREGS and subsidies on agricultural inputs. However, the actual effectiveness of MGNREGS is compromised due to delays in wage payments, corruption, and inefficiencies in project execution.
- **Agricultural Productivity:** Public spending on agriculture has contributed to increased crop yields. For example, wheat production has increased from 8 million tons in 2000 to over 12 million tons in 2022, with an average annual growth of approximately 4-5%. Despite these gains, the over-reliance on monocropping (particularly wheat and rice) and the depletion of natural resources like groundwater are long-term threats to agricultural sustainability.
- **Economic Diversification:** Investments in infrastructure and rural entrepreneurship have supported diversification in rural economies. Non-farm employment has risen from 20% of rural income in 2000 to 30% in 2022. This shift is largely due to government support for small-scale industries, rural crafts, and cottage industries, which have created alternative sources of livelihood in rural areas.

#### 4. Challenges in Public Expenditure Implementation

Despite the positive outcomes, several challenges remain in the implementation of rural development programs:

- **Regional Disparities:** While some regions, particularly the southern districts like Hisar and Sirsa, have benefited from substantial public investment, northern areas like Yamunanagar and Bhiwani lag behind in terms of infrastructure and social services. This uneven distribution of funds has exacerbated regional inequalities in rural development.
- **Inefficiency in Program Execution:** Inefficiencies in program execution, including corruption, delays in the release of funds, and poor monitoring, have impeded the potential benefits of public expenditure. This is particularly evident in programs like MGNREGS and subsidy schemes, where funds often do not reach the intended beneficiaries.
- **Environmental Sustainability:** Despite the increase in public expenditure, the environmental impact of irrigation and agricultural policies is a significant concern. Overuse of groundwater, soil degradation, and lack of focus on sustainable agricultural practices threaten the long-term viability of agricultural growth in Haryana.

#### 4. CONCLUSION

The findings of this study highlight the transformative impact of public expenditure on rural development in Haryana, emphasizing its critical role in shaping the state's economic and social landscape. Strategic investments in key sectors such as agriculture, rural infrastructure, education, and healthcare have driven significant progress, including higher agricultural productivity, improved rural connectivity, enhanced literacy rates, and expanded access to essential services. These developments have collectively contributed to poverty reduction and an overall improvement in rural living standards. However, the study also identifies persistent challenges, such as regional disparities in fund allocation, inefficiencies in program implementation, and the need for sustainable resource management. Addressing these gaps through targeted policy interventions, inclusive strategies, and robust monitoring frameworks will be essential for maximizing the effectiveness of public expenditure. By aligning financial allocations with developmental priorities and

adopting a people-centric approach, Haryana can achieve balanced rural growth, fostering economic resilience and sustainable progress for its rural communities.

### Policy Implications

The policy implications of this study stress the need for a more targeted and equitable allocation of public expenditure to bridge regional disparities in rural development across Haryana. Policymakers should prioritize investments in underdeveloped regions to ensure inclusive growth, focusing on sectors like education, healthcare, and infrastructure that have a multiplier effect on rural livelihoods. Strengthening monitoring mechanisms and enhancing transparency in fund utilization can improve the efficiency and effectiveness of public programs. Additionally, integrating sustainable practices, such as promoting eco-friendly agricultural technologies and renewable energy projects, can ensure long-term development without depleting natural resources. Encouraging community participation and leveraging digital tools for service delivery can further enhance the reach and impact of public expenditure. These measures can create a robust foundation for balanced rural development, fostering economic resilience and social well-being in Haryana's rural areas.

### CONFLICT OF INTEREST

None

### ACKNOWLEDGEMENTS

None

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