



drishti

## Scheme for Special Assistance to States for Capital Expenditure

 [drishtias.com/printpdf/scheme-for-special-assistance-to-states-for-capital-expenditure](https://drishtias.com/printpdf/scheme-for-special-assistance-to-states-for-capital-expenditure)

### Why in News

All the **States except Tamil Nadu** have availed benefits of the scheme for “**Special Assistance to States for Capital Expenditure**”.

The scheme was **announced by the Ministry of Finance** as a part of the **Aatmanirbhar Bharat package**.

### Key Points

- **Background:** As part of the Aatmanirbhar Bharat Package, the government had announced that the **Centre will offer Rs. 12,000 crore special interest-free 50-year loan to states**, exclusively for capital expenditure.
- **Aim:** To **boost capital expenditure by the State governments** which are facing a difficult financial environment this year due to the shortfall in tax revenue arising from the **Covid-19 pandemic**.
- **Three Parts:**
  - **Part-I** of the scheme **covers the north-eastern region** (Rs. 200 crores).
  - **Part-II** is for **all other States** (Rs. 7500 crores).
  - **Part-III** of the scheme is **aimed at pushing various citizen-centric reforms** in the States.
    - Under this Part, an amount of **Rs. 2000** crores is earmarked.
    - This amount **will be available only to those States** which **carry out at least three out of the four reforms** specified by the Ministry of Finance on the reform-linked additional borrowing permissions.
    - **Four Reforms: One nation one ration card**, ease of doing business, urban local body/ utility reform and power sector reforms.

- **Status:**
  - The Ministry of Finance has **approved Rs. 9,879.61 crore** worth of capital expenditure proposals of 27 States.
    - Of this, Rs. 4,939.81 crore has been released as the first instalment.
  - The capital expenditure projects have been **approved in diverse sectors** such as health, rural development, water supply, irrigation, power, transport, education, urban development.

## Capital Expenditure

- **Meaning:**
  - Capital expenditure is the **money spent by the government** on the development of machinery, equipment, building, health facilities, education, etc.
  - It also includes the expenditure incurred **on acquiring fixed assets** like land and investment by the government that gives profits or dividend in future.
  - Along with the creation of assets, **repayment of loan** is also capital expenditure, as it reduces liability.
  - Capital spending is **associated with investment or development spending**, where expenditure has benefits extending years into the future.
- **Significance:**
  - Capital expenditure, which leads to the creation of assets are long-term in nature and allow the economy to **generate revenue for many years** by adding or improving production facilities and boosting operational efficiency.
  - It also **increases labour participation**, takes stock of the economy and **raises its capacity to produce more in future**.
- **Different from Revenue Expenditure:**
  - Unlike capital expenditure, which creates assets for the future, revenue expenditure is one that **neither creates assets nor reduces any liability** of the government.
  - Salaries of employees, interest payment on past debt, subsidies, pension, etc, fall under the category of revenue expenditure. It is **recurring in nature**.

**Source: PIB**