



Scheme Special Assistance to States for Capital Investment

For Prelims: Scheme Special Assistance to States for Capital Investment, PM Gati Shakti Master Plan, PM Gram Sadak Yojana, Optical Fibre Cable

For Mains: Government Policies & Interventions, Growth & Development, Infrastructure

Why in News?

Recently, the Government has launched a **Scheme Special Assistance to States for Capital Investment for 2022-23**.

What is the Scheme Special Assistance to States for Capital Investment?

▪ About:

- Under this Scheme, financial assistance is provided to the States Governments in the form of **50-year interest free loan** for capital investment projects.
- For the 2022-23 Financial Year (FY) a total financial assistance of Rs 1 lakh crore would be given to states.
- The loan under the scheme **would be over and above the normal borrowing ceiling** allowed to states for FY 2022-23 and should be spent in the same year.

▪ Eligible Parts of the Scheme:

- New or ongoing projects or for settling pending bills in ongoing capital projects.
- States may submit projects of higher value than the funds allocated, indicating their preference/priority.

▪ Different Parts of the Scheme:

- For capital works ([PM Gati Shakti Master Plan](#) will receive priority), PM Gati Shakti related expenditure, [PM Gram Sadak Yojana](#), Incentives for digitisation, [Optical Fibre Cable](#), Urban reforms, Disinvestment and monetisation.

- **Exclusion:** Projects with capital outlay of less than 5 crore (2 crore for North East) and repair and maintenance projects irrespective of capital outlay are not eligible

What is 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 dividends 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 is long-term in nature and allows 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.

UPSC Civil Services Examination Previous Year Question (PYQ)

Q. Which of the following is/are included in the capital budget of the Government of India? (2016)

1. Expenditure on acquisition of assets like roads, buildings, machinery, etc.
2. Loans received from foreign governments
3. Loans and advances granted to the States and Union Territories

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (d)

Exp:

- Capital Budget: It may be defined as the part of the budget, which deals with the capital receipts and capital expenditures of the government.
- Capital Receipts: Capital receipts refer to those receipts which either create a liability or cause a reduction in the assets of the government. Generally, non-revenue receipts of the government are known as capital receipts. These include loan recovery, borrowings by the government (loan from market and foreign countries and multilateral institutions), other receipts of the government like postal deposits, provident fund, etc. **Hence, statement 2 is correct.**
- Capital Expenditure: An **expenditure which either creates an asset** (e.g., construction of road, school) or reduces liability (e.g., repayment of the loan) is called capital expenditure. These include loan disbursement by the government (loans and advances granted to the States and Union Territories), loan repayments by the government, expenditure on acquisition of assets like roads, buildings, machinery, etc., capital expenditure of government on defence, general services, and other liabilities. **Hence, statements 1 and 3 are correct.**
- **Therefore, option (d) is the correct answer.**

Source: PIB

