

CHAPTER 1

FINANCES OF THE STATE GOVERNMENT

This chapter provides an audit perspective on finances of the State Government during 2017-18 and analyses changes in major fiscal aggregates relative to 2016-17 keeping in view the overall trends during the preceding five years.

The analysis is based on details contained in the Finance Accounts of the Government of Jharkhand (GoJ).

1.1 Gross State Domestic Product (GSDP)¹

The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices and constant prices (Base year: 2011-12) are given in **Table 1.1**.

Table 1.1: GDP of India and GSDP of the State

Year	2013-14	2014-15	2015-16	2016-17	2017-18
India's GDP at current prices (₹ in crore)	1,12,33,522	1,24,67,959	1,37,64,037	1,52,53,714	1,67,73,145
Growth rate of India's GDP at current prices (percentage)	12.88	10.99	10.40	10.82	9.96
State's GSDP at current prices (₹ in crore)	1,88,567	2,18,525	2,06,613	2,35,560	2,55,271
Growth rate of GSDP at current prices (percentage)	7.92	15.89	(-) 5.45	14.01	8.37
State's GSDP at constant prices (₹ in crore)	1,65,816	1,86,534	1,74,881	1,94,475	2,03,358
Growth rate of GSDP at constant prices (percentage)	1.57	12.49	(-) 6.25	11.20	4.57
Per Capita GDP of India at current prices (in ₹)	NA	99,728	1,14,424	1,19,375	1,29,800
Per Capita GSDP of the State at current prices (in ₹)	NA	66,220	61,676	69,487	74,390

Source: GDP/GSDP figures issued by Ministry of Statistics and Programme Implementation, (MoSPI) GoI dated 28.08.2018.

The profile of the State is given in **Appendix 1.1-Part A**. The structure of the Government Accounts is explained in **Part B** and the layout of the Finance Accounts is given in **Part C**.

1.1.1 Summary of fiscal transactions in 2017-18

Table 1.2 presents a comparative summary of the State Government's fiscal transactions during 2017-18 *vis-à-vis* 2016-17. **Appendix 1.2** provides an abstract of receipts and disbursements as well as the overall fiscal position during 2017-18.

¹ GDP and GSDP are the market value of all officially recognised final goods and services produced within the Country and the State respectively in a given period of time and are an important indicator of the Country's and State's economy.

Table 1.2: Summary of fiscal operations in 2016-17 and 2017-18

(₹ in crore)

Receipts	2016-17	2017-18	Disbursements	2016-17	2017-18		
Section-A: Revenue					Establishment	State and Central Scheme	Total
Revenue Receipts	47,053.93	52,756.03	Revenue Expenditure	45,089.04	27,952.98	22,999.09	50,952.07
Own Tax revenue	13,299.25	12,353.44	General Services	13,023.76	16,105.92	452.41	16,558.33
Non-Tax revenue	5,351.42	7,846.67	Social Services	18,557.37	6,834.83	12,740.14	19,574.97
Union Taxes and Duties	19,141.92	21,143.63	Economic Services	13,507.91	5,012.23	9,806.54	14,818.77
Grants from GoI	9,261.35	11,412.29	GIA Contributions	0.00	0.00	0.00	0.00
Section –B: Capital							
Misc. Capital Receipts	0.00	25.09	Capital Outlay	10,860.68	69.14	11,883.57	11,952.71
Recoveries of Loans and Advances	38.46	42.41	Loans and Advances disbursed	1,335.06	88.80	1,762.87	1,851.67
Inter State Settlement	0.00	0.00	Inter State Settlement	0.00	0.00	0.00	0.00
Public Debt Receipts*	7,081.42	8,136.85	Repayment of Public Debt	2,077.88	2,949.50	0.00	2,949.50
Transfers to Contingency Fund	0.00	0.00	Expenditure from Contingency Fund	0.00	0.00	0.00	0.00
Public Account Receipts#	22,051.80	27,833.30	Public Account Disbursements #	16,819.82	22,885.14	0.00	22,885.14
Opening Cash Balance	1,904.72	1,947.85	Closing Cash Balance	1,947.85	150.44	0.00	150.44
Total	78,130.33	90,741.53	Total	78,130.33	54,096.00	36,645.53	90,741.53

Source: Finance Accounts of the Government of Jharkhand for the years 2016-17 and 2017-18

* Excluding net transactions under Ways and Means advances and overdraft

Figures do not include transactions under 'Other Accounts' i.e., Departmental Cash Balance, Permanent Imprest and Cash Balance Investment

The trends in revenue receipts (RR), revenue expenditure (RE) and capital expenditure (CE) relative to GSDP at current as well as constant prices are presented in **Table 1.3** below.

Table 1.3: Trends in RR/ RE/ CE relative to GSDP

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue receipts relative to GSDP					
RR at current prices (₹ in crore)	26,137	31,565	40,638	47,054	52,756
Rate of growth of RR at current prices (per cent)	5.52	20.77	28.74	15.79	12.12
RR at constant prices (₹ in crore)	22,984	26,944	34,397	38,847	42,027
Rate of growth of RR at constant prices (per cent)	(-)0.69	17.23	27.66	12.94	8.19
RR/ GSDP (per cent)	13.86	14.44	19.67	19.98	20.67
Revenue expenditure relative to GSDP					
RE at current prices (₹ in crore)	23,472	31,795	36,553	45,089	50,952
Rate of growth of RE at current prices (per cent)	0.31	35.46	14.96	23.35	13.00
RE at constant prices (₹ in crore)	20,640	27,140	30,939	37,225	40,590
Rate of growth of RE at constant prices (per cent)	(-)5.60	31.49	14.00	20.32	9.04
RE/ GSDP (per cent)	12.45	14.55	17.69	19.14	19.96
Capital expenditure relative to GSDP					
CE at current prices (₹ in crore)	4,722	5,543	8,159	10,861	11,952
Rate of growth of CE at current prices (per cent)	11.95	17.39	47.19	33.12	10.05
CE at constant prices (₹ in crore)	4,152	4,732	6,906	8,967	9,522
Rate of growth of CE at constant prices (per cent)	5.36	13.95	45.96	29.84	6.19
CE/ GSDP (per cent)	2.50	2.54	3.95	4.61	4.68

As evident from the table above, revenue receipts, revenue expenditure and capital expenditure have increased from 2013-14 to 2017-18 as a percentage of GSDP even after accounting for inflation. The rate of growth in capital formation was significantly lower in 2017-18 when compared to earlier years.

1.1.2 Review of the fiscal situation

The performance of the State during 2017-18 under major variables provided in the budget based on recommendations of the Fourteenth Finance Commission (FFC) and targeted in the Medium Term Fiscal Policy (MTFP) Statement placed in the Legislature under Fiscal Responsibility and Budget Management (FRBM) Act, is given in **Table 1.4**. Government of Jharkhand borrowed ₹ 5,553 crore from the market on UDAY bonds and provided ₹ 583 crore from the Consolidated Fund to the Jharkhand Bijli Vitran Nigam Limited (DISCOM) during 2015-16. Thereafter, no borrowings were made on UDAY bonds and, as a result, there was no impact of UDAY on the fiscal deficit of the State during 2017-18.

Table 1.4: Major fiscal variables

(in per cent)

Fiscal variables	2017-18			
	FFC projection for the State	Target as prescribed in MTFP Statement	Targets as per Budget estimates	Actuals
Revenue Deficit (-)/Surplus (+) w.r.t GSDP	Nil	(+)2.77	(+)3.04	(+)0.71
Fiscal Deficit w.r.t. GSDP	3.25	2.49	2.72	4.67
Ratio of total outstanding debt of the Government to GSDP at current prices	25.77	26.65	26.65	30.20

The State achieved the targets provided in the FRBM Act by eliminating the Revenue Deficit in 2006-07 and turning the deficit into Revenue Surplus except during 2014-15². The Revenue Surplus of ₹ 1,804 crore in 2017-18 as a percentage of GSDP (0.71 per cent) was much lower than the MTFP estimate (2.77 per cent) and the budget estimates (3.04 per cent).

During 2017-18, the Fiscal Deficit (₹ 11,933 crore) was 4.67 per cent of GSDP at current prices which was much beyond the recommended ceiling of 3.25 per cent by the FFC. Further, FD-GSDP ratio was nearly double its target under MTFP and its budget estimate for the year.

The Debt-GSDP ratio of the State was 30.20 per cent during 2017-18 which was much higher than the MTFP estimate (26.65 per cent) and FFC projection (25.77 per cent). High Debt-GSDP ratio was indicative of increased debt burden on the State during the year.

Recommendation: The State should take appropriate steps to achieve normative projections of the FFC and targets set in the MTFP so as to strengthen its fiscal position.

1.1.2.1 Composition of Fiscal Deficit and its financing pattern

The financing pattern of the Fiscal Deficit has been shown in **Table 1.5**.

² Revenue deficit of ₹ 230 crore

Table 1.5: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-08		
Composition of Fiscal Deficit		2,256	6,564	11,523	10,192	11,933		
1	Revenue Deficit (-)/Surplus (+)	2,665	(-)230	4,085	1,965	1,804		
2	Net Capital expenditure	4,722	5,543	8,159	10,861	11,928		
3	Net Loans and Advances	199	791	7,449	1,296	1,809		
Financing pattern of Fiscal Deficit*						Receipt	Disbursement	Net
1	Market Borrowings	2,535	4,488	4,755	4,725	5,999	1,192	4,807
2	Loans from GoI	(-)33	(-)5	(-)2	77	232	161	71
3	Special Securities issued to NSSF	129	335	573	(-)733	0	746	(-)746
4	Loans from Financial Institutions	455	(-)8	5,673	934	1,905	851	1,054
5	Small Savings, PF etc.	9	(-)202	(-)159	(-)121	1,016	950	66
6	Reserve Fund	271	275	10	383	401	109	292
7	Deposits and Advances	(-)254	1,093	2,111	5,031	15,651	10,929	4,722
8	Suspense and Miscellaneous	(-)1	(-)13	17	(-)30	(-)163	61	(-)224
9	Remittances	157	(-)238	1	(-)30	10,559	10,466	93
10	Inter-State Settlement	(-)50	-	-	-	-	-	-
11	Cash balance increase (+)/ Decrease(-)	580	841	(-)1,461	(-)43	1948	150	1,798

*All these figures are net of disbursements/outflows during the year except for 2017-18

Source: Finance Accounts of the Government of Jharkhand for the respective years

During 2017-18, the Fiscal Deficit of ₹ 11,933 crore was mainly met from Market Borrowings (₹ 4,807 crore) and Deposits and Advances (₹ 4,722 crore).

1.1.2.2 Quality of Deficit/Surplus

Ideally, revenue receipts should cover the revenue expenditure (including interest payments) of the State. While Revenue Deficit is made up from the borrowings and drawings on balances with the Reserve Bank of India, Revenue Surplus can be used for capital expenditure thereby reducing the need for borrowings and drawings from Reserve Bank Deposits (RBD). Further, if the non-debt receipts can meet the Primary Expenditure³, there will be no Primary Deficit, to be financed by borrowings. Thus, a necessary condition for stability in finances of the State is that non-debt receipts should be adequate to cover the incremental primary expenditure and incremental interest payments.

Table 1.6: Components of Primary Deficit/Surplus in the State

(₹ in crore)

Year	Non-Debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Deficit (-) / Surplus (+)	Primary Deficit (-) / Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2013-14	26,160	20,858	4,722	222	25,802	(+)5,302	(+)358
2014-15	31,598	28,866	5,543	824	35,233	(+)2,732	(-)3,635
2015-16	40,669	33,233	8,159	7,480	48,872	(+)7,436	(-)8,203
2016-17	47,093	40,917	10,861	1,335	53,113	(+)6,176	(-)6,020
2017-18	52,824	46,290	11,953	1,852	60,095	(+)6,534	(-)7,271

Source: Finance Accounts of the Government of Jharkhand for the respective years

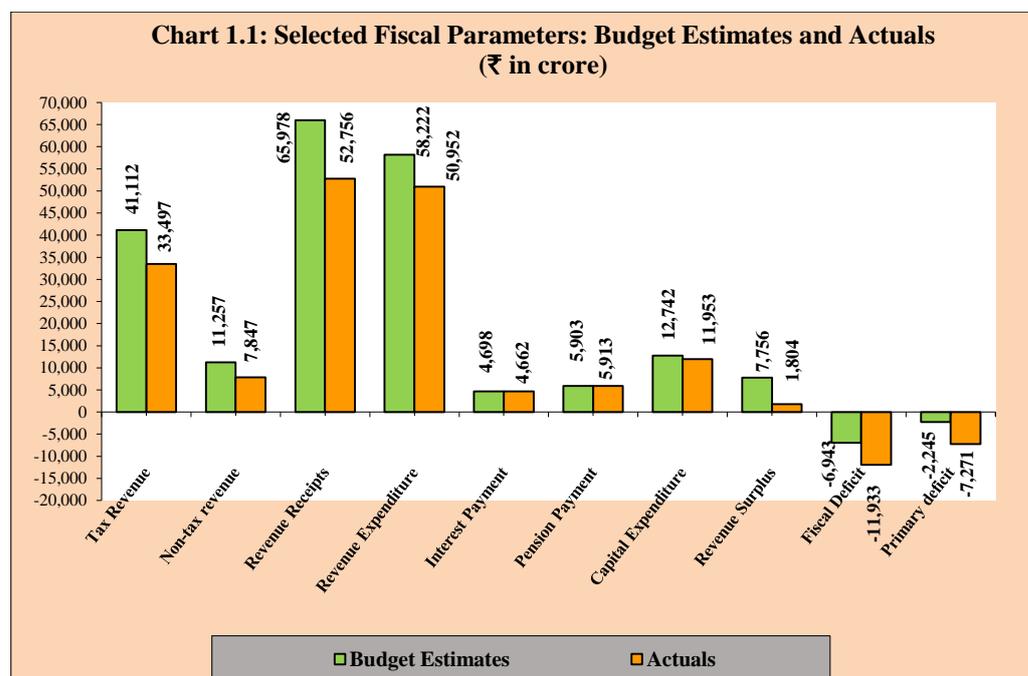
The composition of the Primary Deficit in **Table 1.6** indicates the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable for improving the productive capacity of the State's economy.

³ Expenditure on Revenue, Capital and Loans and Advances, but not interest payments

1.1.3 Budget estimates and actuals

The budget papers presented by the State Government delineate the projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the Budget Estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, both within and outside the control of the Government.

Chart 1.1 presents a comparative analysis of the budget estimates and actuals for some important fiscal parameters for 2017-18.



Source: Annual Financial Statement and Finance Accounts of the Government of Jharkhand for the year 2017-18
Note: Tax revenue includes State's share in Union Taxes

The above chart shows that both actual revenue receipts and revenue expenditure were much less than the budget estimates prepared by the State Government for 2017-18. Revenue receipts was less than its budget estimates by ₹ 13,222 crore during the year mainly due to less collection in Tax Revenue by ₹ 7,615 crore and Non-tax Revenue by ₹ 3,411 crore against the budget estimate.

The decrease in revenue expenditure (by ₹ 7,270 crore) during 2017-18 was mainly due to less expenditure on Social Services (by ₹ 3,603 crore) and Economic Services (by ₹ 3,265 crore) as compared to budget estimates.

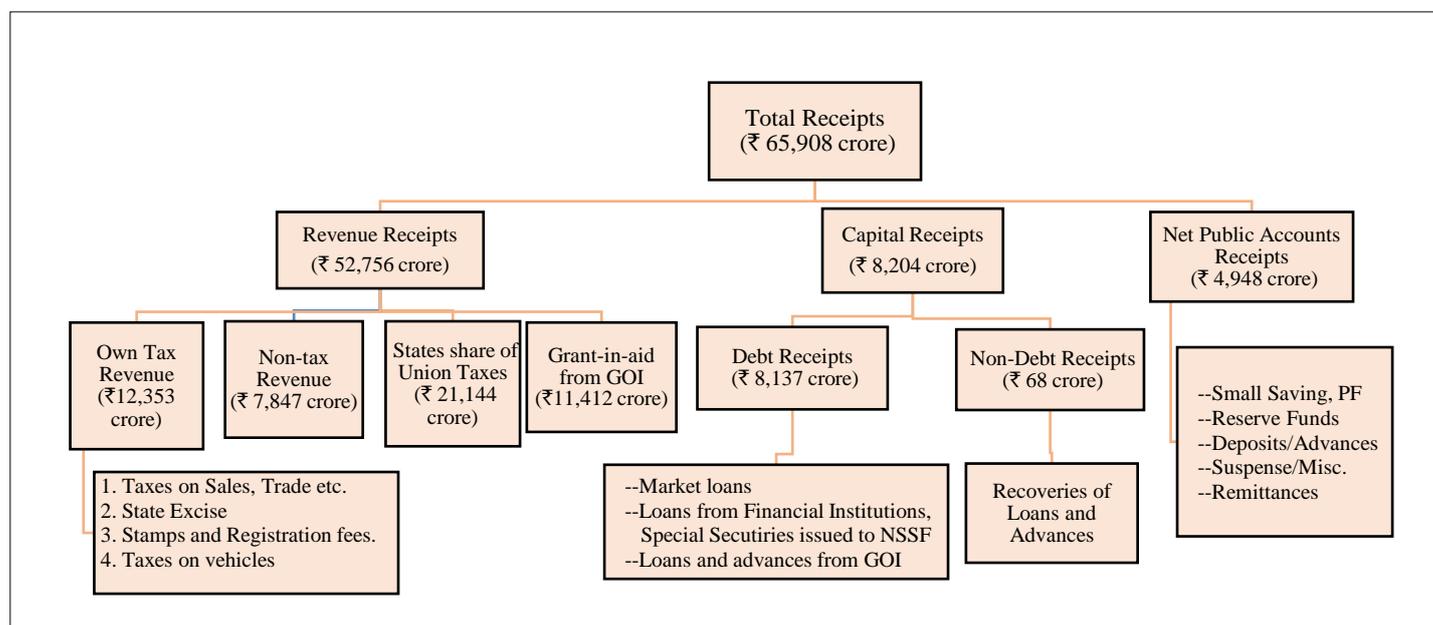
During the year, the capital expenditure of the State was less than the budget estimates by ₹ 789 crore.

Recommendation: The Finance Department should rationalise the budget preparation exercise so that the gap between budget estimates and actuals is bridged.

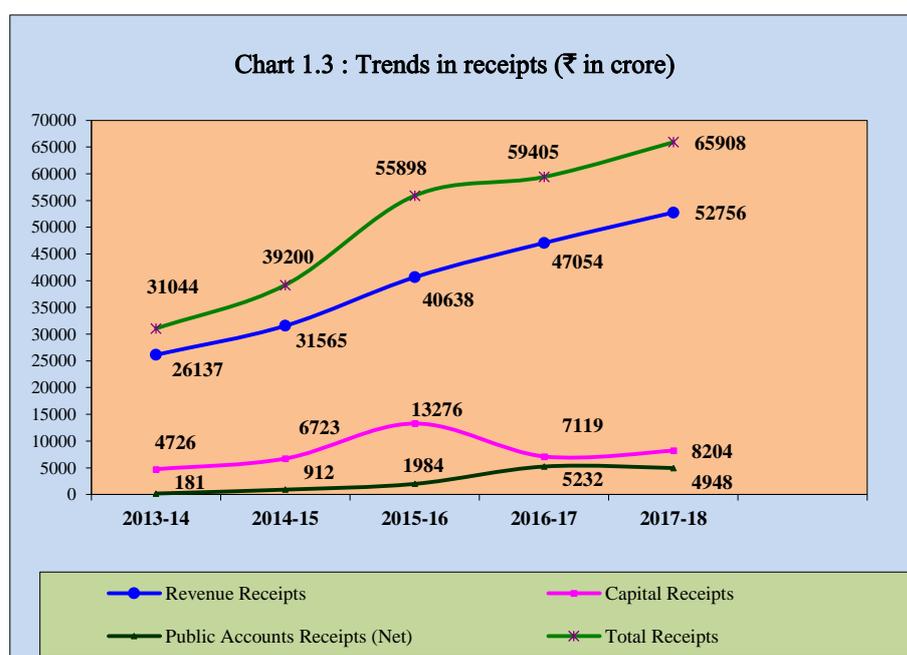
1.2 Resources of the State

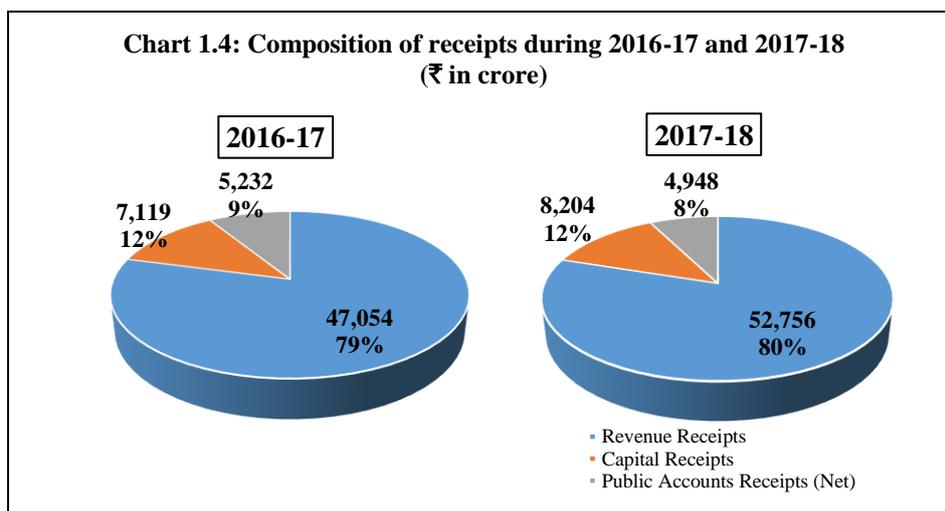
Table 1.2 at page 2 above and Charts 1.2 to 1.4 present different perspectives of the financial resources of the State as depicted in the Financial Accounts.

Chart 1.2: Components and sub-components of resources



Source: Finance Accounts of the Government of Jharkhand 2017-18



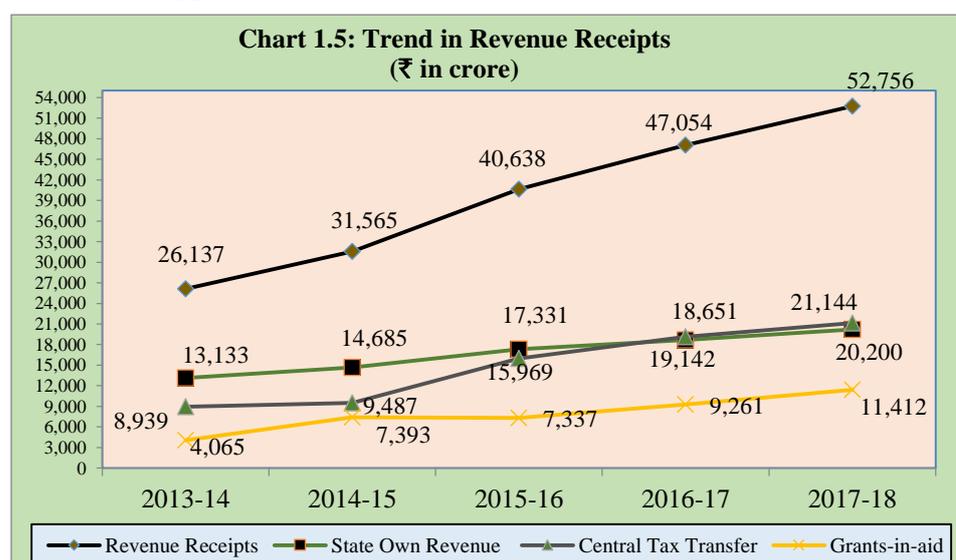


Source: Finance Accounts of the Government of Jharkhand for the years 2016-17 and 2017-18

The share of Revenue Receipts to Total Receipts (RR/TR) increased by one *per cent* in 2017-18 whereas, share of public accounts receipts to total receipts decreased by one *per cent* over the previous year. Share of capital receipts to total receipts remained the same during 2016-18.

1.3 Revenue Receipts

The trends and composition of revenue receipts over the period 2013-18 are presented in **Appendix 1.3** and in **Chart 1.5**.



Source: Finance Accounts of the Government of Jharkhand for the respective years.

State's own revenue was less than the revenue (CTT & GIA) received from GoI. During 2017-18, GIA and central share of taxes grew significantly (23.20 *per cent* and 10.50 *per cent* respectively) whereas, the growth rate of State revenue was only 8.30 *per cent* over the previous year.

The trend of revenue receipts relative to GSDP is presented in **Table 1.7**.

Table 1.7: Trends in Revenue Receipts relative to GSDP

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Receipts (RR) (₹ in crore)	26,137	31,565	40,638	47,054	52,756
Rate of growth of RR (<i>per cent</i>)	5.52	20.77	28.74	15.79	12.12
R R/GSDP at current price (<i>per cent</i>)	13.86	14.44	19.67	19.98	20.67
R R/GSDP at constant price (<i>per cent</i>)	15.76	16.92	23.24	24.20	25.94
State's Own Tax / GSDP at current price	4.97	4.74	5.56	5.65	4.84
State's Own Tax / GSDP at constant price	5.66	5.55	6.56	6.84	6.07
Growth rate of GSDP at current price	7.92	15.89	-5.45	14.01	8.37
Growth rate of GSDP at constant price	1.57	12.49	-6.25	11.20	4.57

1.3.1 State's Own Resources

The State's actual Own Tax and Non-Tax Revenue for 2017-18 in comparison to the FFC assessment and budget estimates is given in **Table 1.8**.

Table 1.8: Tax and Non-Tax receipts

	(₹ in crore)		
	FFC projections	Budget estimates	Actual
Own Tax Revenue	18,867	18,401	12,353
Non-Tax Revenue	5,357	11,257	7,847
OTR to GSDP	7.39	7.21	4.84

Source: FFC report, Budget document and Finance Accounts for the year 2017-18

The shortfall in achievement of own tax revenue against projections and estimates was mainly due to less collection of Goods and Services Tax (by ₹ 2,442 crore) and State Excise (by ₹ 759 crore) than the estimates whereas, in non-tax revenue it was due to less collection of revenue from Non-ferrous mining and metallurgical industries (by ₹ 2,567 crore).

Ratio of Own Tax Revenue (OTR) to GSDP of Jharkhand during the last five years compared to the neighbouring states is shown in **Table 1.9**.

Table 1.9: Ratio of OTR to GSDP and comparison with neighbouring states

Name of States	2013-14	2014-15	2015-16	2016-17	2017-18
Jharkhand	4.97	4.74	5.56	5.65	4.84
Bihar	6.29	6.05	6.89	5.57	4.74
Odisha	5.70	6.31	6.81	6.06	6.71
West Bengal	5.29	5.49	5.33	5.17	5.16
Chhattisgarh	6.93	7.10	7.29	7.22	6.82

As shown in the table above, OTR to GSDP ratio of Jharkhand (4.84 *per cent*) was significantly lower than the ratio of the neighbouring states like Odisha, West Bengal and Chhattisgarh (6.71, 5.16 and 6.82 *per cent* respectively) while it was slightly higher than the ratio of Bihar (4.74 *per cent*) during 2017-18.

1.3.1.1 Tax Revenue

Gross collections of major taxes and duties are depicted in **Table 1.10**

Table 1.10: Components of Tax Revenue

(₹ in crore)

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18	CAGR*	Cost of collection (2017-18) per cent	Cost of collection (2016-17) per cent	All India Average of cost of collection 2016-17
Taxes on Sales, Trade, SGST**etc.	7,305	8,070	8,999	10,549	9,839	7.73	0.64	0.47	0.69
State Excise	628	740	912	962	841	7.57	2.35	1.74	2.01
Taxes on Vehicles	495	660	633	682	778	11.97	0.82	0.91	2.61
Stamps and Registration Fees	502	531	532	607	469	(-).1.69	3.63	2.85	2.99
Land Revenue	230	84	164	240	156	(-).9.25	-	-	-
Taxes on Goods & Passengers	1	1	0	0	0	-	-	-	-
Other Taxes	219	264	239	259	270	5.37	-	0.82	-
Total Tax Revenue	9,380	10,350	11,479	13,299	12,353	-	-	-	-

Source: Finance Accounts of the Government of Jharkhand for the respective years

* CAGR: Compound Annual Growth Rate

**SGST: State Goods and Services Tax

The own tax receipts of the State had decreased by seven *per cent* during 2017-18 in comparison to the previous year. The shortfall in Taxes on Sales, Trade and SGST was compensated (₹ 1,265 crore) by Government of India in the form of Grants-in-aid as detailed in *Paragraph 1.3.3*. Receipts under State Excise declined by ₹ 121 crore during 2017-18 as the State Government had taken over (August 2017) sale of liquor resulting in reduction in the number of outlets. Receipts from Stamps and Registration fees also declined (₹ 138 crore) as a result of concessions given to women on first registration of land/house valued upto ₹ 50 lakh. Land revenue of the State decreased during 2017-18 (by ₹ 84 lakh) due to revision in policy of settlement of Government land.

Cost of collection of own Taxes

As depicted in the **Table 1.10**, cost of collection of taxes in the State during 2017-18 was significantly higher than the all India average in respect of State Excise and Stamps & Registration Fees. Further, in 2017-18, cost of collection of taxes in the State was higher than the previous year for all the taxes except Taxes on Vehicles due to less collection of taxes under these heads after implementation of GST, whereas expenditure on collection remained the same.

1.3.1.2 Non-Tax Revenue (NTR)

Non-Tax Revenue collected during 2017-18 was ₹ 7,847 crore against the normative projection of ₹ 5,357 crore by the FFC for the year.

Component-wise Non-Tax Revenue collected during 2013-18 is as shown in **Table 1.11**.

Table 1.11: Component-wise Non-Tax Revenue

(₹ in crore)

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18
Interest receipts	69.48	143.04	122.44	121.34	168.88
Dividends & Profits	18.00	0.00	0.47	0.00	0.00
Other non-tax receipts	3,665.23	4,192.02	5,730.11	5,230.07	7,677.79
Total	3,752.71	4,335.06	5,853.02	5,351.41	7,846.67

Source: Finance Accounts of the Government of Jharkhand for the respective years

The share of NTR in revenue receipts increased from 11.37 per cent in 2016-17 to 14.87 per cent in 2017-18. In comparison to nine per cent decrease during 2016-17, the growth rate of NTR increased by 46.64 per cent in 2017-18 over the previous year mainly due to more collection in Non-ferrous Mining and Metallurgical Industries (by ₹ 1,847 crore), Other Social Services (by ₹ 168 crore) and Crop Husbandry (by ₹ 160 crore) over the previous year.

Recommendation: The Government should make efforts to achieve its own target of receipts given in the budget document.

1.3.2 Grants-in-aid from Government of India

The trend of release of Grants-in-aid by GoI is shown in Table 1.12.

Table 1.12: Component-wise grants released by GoI

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan Grants	1,319.91	1,780.26	1,685.82	1,875.29	-
Grants for State Plan Schemes	1,565.83	4,914.69	4,950.18	6,792.89	-
Grants for Central Plan Schemes	28.28	83.56	50.90	78.01	-
Grants for Centrally Sponsored Plan Schemes	1,150.96	614.17	650.74	515.16	-
Grants for Centrally Sponsored Schemes	-	-	-	-	7,985.24
Finance Commission Grants	-	-	-	-	1,583.03
Other Grants	-	-	-	-	1,844.02
Total	4,064.98	7,392.68	7,337.64	9,261.35	11,412.29
Percentage of increase over previous year	(-16.00)	82.00	(-0.74)	26.21	23.22
Total grants as a percentage of revenue receipts	15.55	23.42	18.06	19.68	21.63

Source: Finance Accounts of the Government of Jharkhand 2017-18

Note: Sub-major head and nomenclature of GoI grants have been changed from 2017-18 onwards. Hence, it is shown separately in the table.

Grants from GoI increased from ₹ 9,261.35 crore in 2016-17 to ₹ 11,412.29 crore in 2017-18 mainly due to compensation to State for revenue loss arising out of implementation of GST (₹ 1,539.90 crore⁴).

1.3.3 Central Tax Transfers

Trend of Central Tax Transfers (CTT) over the past five years are depicted in Table 1.13.

Table 1.13: Central Tax Transfers

(₹ in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18	CAGR
Central Tax Transfer (CTT)	8,939	9,487	15,969	19,142	21,144	24.02
CTT as share of RR	34.20	30.06	39.30	40.68	40.08	-

Source: Finance Accounts of the Government of Jharkhand for the respective years

The increase of CTT in 2017-18 over the previous year was mainly due to transfer of Central Goods and Services Tax (₹ 299 crore) and Integrated Goods

⁴ Includes ₹ 274.90 crore received during 2017-18 from GoI as compensation for revenue loss due to phasing out of CST pertaining to 2012-13.

and Services Tax (₹ 2,134.44 crore). The CTT constituted 40.08 *per cent* of the revenue receipts of the State during 2017-18.

Goods and Services Tax

State Government implemented the Goods and Services Tax (GST) Act which became effective from 1 July 2017. According to GST (Compensation to the States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG of India. A base year (2015-16) revenue figure of taxes subsumed under GST was finalised under GST Act. In the case of Jharkhand, the revenue was ₹ 6,410.51 crore during the base year (2015-16). The projected revenue for any year in a State shall be calculated by applying the projected growth rate (14 *per cent* per annum) over the base year revenue of that State.

The projected revenue for the year 2017-18 in accordance with the base year figure was ₹ 8,331.10 crore and as per Section 7 of the Goods and Services Tax (Compensation to States) Act 2017, the projected bi-monthly revenue figures of Jharkhand worked out to ₹ 1,388.52 crore amounting to a total of ₹ 6,248.34 crore for the period 1st July 2017 to 31st March 2018. The revenue figure under GST for the year 2017-18 has been depicted in Finance Accounts as per nature of receipts i.e., State Goods and Services (SGST) Tax, Input Tax Credit cross utilization of SGST and IGST (Integrated Goods and Services Tax), Apportionment of IGST-transfer-in of Tax component to SGST and Advance apportionment from IGST. Against the projected revenue of ₹ 6,248.34 crore, the revenue receipt of the State Government under GST during July 2017 to March 2018 is given in **Table 1.14**.

Table 1.14: Projected revenue and SGST/IGST collection from July 2017 to March 2018

Month	Revenue to be protected	Pre-GST taxes collected*	SGST collected	Provisional apportionment of IGST	Total Amount received**	Compensation received***	Short receipt (-)/ Excess receipt (+)
	1	2	3	4	5=(2+3+4)	6	7= {(5+6)-1}
July and Aug. 2017	1,388.52	1110.27	326.43	0	1,436.70	313.00	361.18
Sept. and Oct. 2017	1,388.52	571.59	648.82	0	1,220.41	489.00	320.89
Nov. and Dec. 2017	1,388.52	619.45	954.64	0	1,574.09	94.00	279.57
Jan. and Feb. 2018	1,388.52	663.64	1,112.42	0	1,776.06	369.00	756.54
March 2018	694.26	1037.75	800.57	281	2,119.32	0.00	1,425.06
Total	6,248.34	4,002.70	3,842.88	281.00	8,126.58	1,265.00	3,143.24

*Includes VAT & CST (net of refund) and revenue from the taxes subsumed in GST by excluding VAT and CST on petroleum products and liquor.

** Figures are audited.

*** Figures for compensation are provisional.

Advance apportionment of IGST and its adjustment against GST compensation

The GoI is to apportion IGST to State Governments under section 17 of the IGST Act, 2017. The State Tax Division, Ministry of Finance, Department of Revenue (GoI) sanctioned (March 2018) provisional/advance settlement of apportionment of ₹ 281 crore with the condition that the amount will be adjusted in the year 2018-19 from the regular settlement of IGST on the basis of monthly returns in ten equal instalments starting from April 2018.

1.3.4 Forgone Revenue

1.3.4.1 Under-assessment, non-levy, short levy of taxes

During 2017-18, test check of the records of 57 units relating to Taxes on Trade etc., State Excise, Taxes on Vehicles, Land Revenue, Stamps & Registration Fees and Mines Receipts revealed under-assessment/short levy/loss of revenue aggregating ₹ 1,255.35 crore in 8,136 cases. During 2017-18, the departments concerned accepted under-assessment and other deficiencies of ₹ 39.28 crore in 7,159 cases pointed out by Audit. However, recovery made in this regard has not been reported to Audit.

1.3.4.2 Revenue arrears

As on 31 March 2018, arrears in collection of revenue was ₹ 6,355.57 crore (Commercial Tax Department), of which ₹ 1,646.43 crore was outstanding for more than five years. Further, ₹ 1,580.03 crore was held up by the Courts and other appellate authorities. Information regarding revenue arrears from other departments was not furnished (March 2019). The total revenue arrears as on 31 March 2018 was 31 *per cent* of own resources of the State against 23 *per cent* during 2016-17.

1.3.5 Labour Cess

As per section 5 of the Building and other Construction Workers' Welfare Cess Rules 1998, amounts collected as labour cess from contractors was required to be transferred to the Labour Welfare Board.

As per the Finance Accounts, ₹ 393.67 crore was collected as cess from contractors executing government projects upto 2017-18. The cess collected has not been transferred to the Labour Welfare Board (March 2019) inflating the Revenue Surplus and understating the Fiscal Deficit of the State during the relevant years and represent the unaccounted liabilities of the State as discussed in Paragraph 3.11.

1.3.5.1 Accounting and Utilisation of Labour Cess

It was observed that the Labour Welfare Board has not finalised its accounts since inception (July 2008). However, receipts and utilisation of cess as furnished by the Board is shown in **Table 1.15**.

Table 1.15: Details of amounts received by the Board and its utilisation

(₹ in crore)

Year	Amount provided by the Government as Grant-in-aid	Amount received directly by the Board	Total Receipt	Amount spent by the Board on schemes	Amount spent on establishment	Total Expenditure	Unutilised balance amount
(1)	(2)	(3)	{(2+3)=4}	(5)	(6)	{(5+6)=7}	{(4-7)=8}
Upto 2015-16	5.08	252.16	257.24	104.08	1.66	105.74	151.50
2016-17	0	70.26	70.26	48.33	1.29	49.62	20.64
2017-18	0	31.40	31.40	41.64	0.90	42.54	-11.14
Total	5.08	353.82	358.90	194.05	3.85	197.9	161.00

During the period 2009-10 to 2017-18, ₹ 194.05 crore was spent on twenty two welfare schemes whereas ₹ 3.85 crore was spent on establishment.

Recommendation: The Jharkhand Building and other Construction Workers' (BOCW) Welfare Board should take steps for timely preparation of annual accounts and its submission to the Accountant General (Audit) for audit.

The GoJ should ensure transfer of Labour Cess to the Labour Welfare Board as early as possible so that the BOCW Welfare Board can fulfil its objectives of improving the working conditions of building and other construction workers and providing adequate financial assistance to them.

1.4 Capital Receipts

Apart from revenue receipts, the State also received capital receipts, which comprised of proceeds from disinvestments, recovery of loans and advances given by the Government, internal borrowings of the Government from financial institutions and Loans and Advances from Government of India (GoI). Details of capital receipts during 2013-18 are given in **Table 1.16**.

Table 1.16: Trends in growth and composition of receipts

(₹ in crore)

Source of State's Receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Capital Receipts (CR)	4,726.00	6,723.00	13,276.00	7,120.00	8,204.00
Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	25.00 ⁵
Recovery of Loans and Advances	23.00	33.00	31.00	38.00	42.00
Public Debt Receipts	4,703.00	6,690.00	13,245.00	7,081.00	8,137.00
Rate of growth of debt capital receipts (per cent)	(-9.50)	42.30	98.00	(-47.00)	15.00
Rate of growth of non-debt capital receipts (per cent)	(-46.51)	43.48	(-6.06)	22.58	76.32
Rate of growth of GSDP at current price	7.92	15.89	-5.45	14.01	8.37
Rate of growth of debt CR (per cent)	(-9.54)	42.25	97.98	(-46.54)	14.90

Source: Finance Accounts of the Government of Jharkhand for the respective years

During 2017-18, Capital Receipts of the State increased by 15 per cent over the previous year. The Debt Capital Receipts was significantly high in 2015-16 due to one-time borrowings of ₹ 5,553.37 crore under Ujjwal DISCOM Assurance Yojana (UDAY) bonds. No borrowing was made on UDAY bonds during 2016-18.

⁵ There was a Miscellaneous Capital Receipts of ₹ 25 crore due to disinvestment of assets during 2017-18.

1.4.1 Recoveries from loans and advances

Details of loans given and recoveries made during last five years are given in the table below:

Table 1.17: Loans and Advances

Years	₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Opening balance of Loans	7,748	7,947	8,738	16,187	17,482 [#]
Loans given	222	824	7,480	1,335	1,852
Recovery made	23	33	31	39	42
Closing balance of loans	7,947	8,738	16,187	17,483	19,292

Source: Finance Accounts of the Government of Jharkhand for the respective years

[#] Adjusted due to rounding off.

Major recipient of the loans and advances given every year was to the DISCOM but no repayment was made against the same, leading to outstanding balance of ₹ 18,444 crore at the end of 31 March 2018. An amount of ₹ 7,222.18 crore which was outstanding loan to Jharkhand State Electricity Board before its unbundling in January 2014 and kept in Government Account for final settlement, was also included in the total outstanding loans to the DISCOM. During 2017-18, a fresh loan of ₹ 1,761 crore was given to the DISCOM. Recoveries of ₹ 42 crore shown in the above table were mainly from the loans and advances given to Government servants.

1.4.2 Debt receipts from internal sources

The State Government's internal debt increased from ₹ 4,597 crore in 2013-14 to ₹ 7,905 crore in 2017-18. However, during 2015-16, it was ₹13,080 crore due to borrowings on UDAY bonds.

Table 1.18: Trends of Debt receipts from internal sources

	₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Internal Debt of Government	4,597	6,537	13,080	6,847	7,905
Total Public Debt and other Liabilities	12,841	19,809	33,843	19,193	25,205
As percentage to Total Public Debt and other Liabilities	35.80	33.00	38.65	35.67	31.36

Source: Finance Accounts of the Government of Jharkhand for the respective years

The impact of borrowings at a higher rate of interest than returns on investments by the State is discussed in **Para 1.8.3**.

1.4.2.1 Borrowings on UDAY Bonds for DISCOMs

To improve the operational and financial efficiency of the State DISCOM, the State Government issued a loan of ₹ 6,136 crore to JBVNL during 2015-16 of which, ₹ 5,553 crore was raised as borrowings on UDAY bonds and ₹ 583.00 crore was given from the Consolidated Fund of the State. Borrowings on UDAY bonds have been raised at an interest rate of 8 to 8.99 *per cent* per annum which was to be repaid between the years 2021-22 to 2030-31, whereas the interest rate of the loan given to the JBVNL was 13 *per cent* per annum.

No borrowing was made by the State on UDAY bonds during 2016-17 and 2017-18.

1.5 Public accounts receipts

Transactions in Public Accounts are not subject to vote by the State Legislature. The Public Accounts receipts of the State as at the end of the concerned financial year are given in **Table 1.19**.

Table 1.19: Public Accounts Receipts

(₹ in crore)

Resources under various heads	2013-14	2014-15	2015-16	2016-17	2017-18
Public Accounts Receipts	14,275	20,189	29,037	22,052	27,833
Small Savings, Provident Fund etc.	760	843	830	873	1,016
Reserve Fund	293	308	522	453	401
Deposits and Advances	7,204	12,182	19,499	11,145	16,020
Suspense and Miscellaneous	-59	18	161	300	-163
Remittances	6,077	6,838	8,025	9,281	10,559

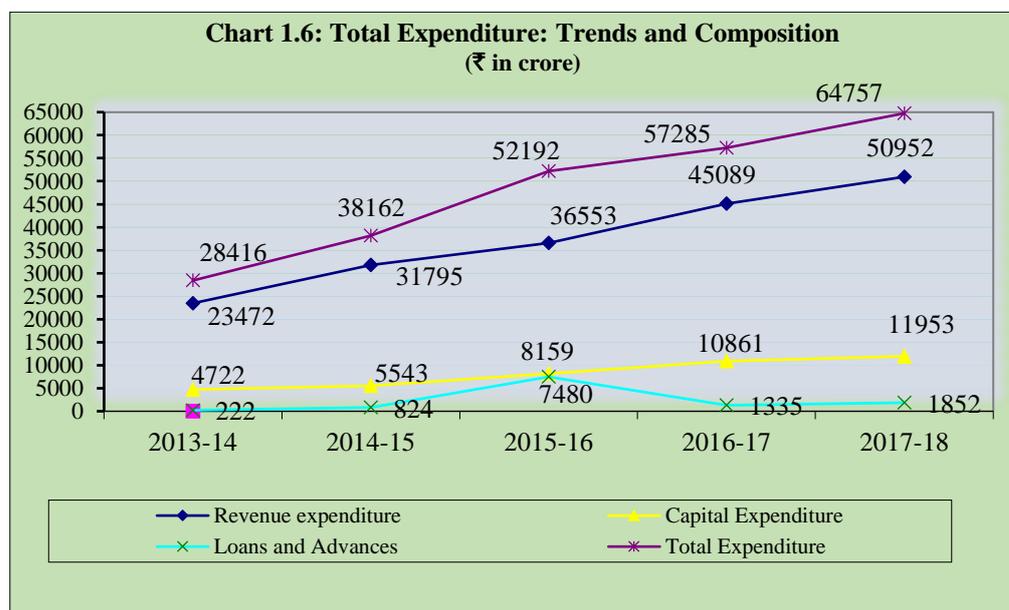
Source: Finance Accounts of the Government of Jharkhand for the respective years

Increase in Deposits and Advances during 2017-18 was mainly due to significant increase in credit in Personal Ledger accounts of DISCOM companies booked as 'State Electricity Board Working Funds' (by ₹ 1,370 crore) and 'Other Fund' (by ₹ 2,160 crore) in comparison to the previous year.

1.6 Application of resources

Growth and Composition of Expenditure

Chart 1.6 presents the trends in Total Expenditure and its composition over the last five years (2013-18).



Source: Finance Accounts of the Government of Jharkhand for the respective years

1.6.1 Capital Expenditure (CE)

During 2017-18, Capital Expenditure (CE) increased to ₹ 11,953 crore against ₹ 10,861 crore in 2016-17. The percentage of CE to GSDP at current prices was 4.68 per cent during 2017-18 against 4.61 per cent in 2016-17. There was consistent increase in capital expenditure during 2014-18.

Major share of capital expenditure was on economic services (₹ 9,618 crore). Priority was given to expenditure on transport (₹ 5,142 crore), rural development (₹ 2,093 crore) and irrigation and flood control (₹ 1,689 crore).

Ratio of Capital Expenditure to GSDP of Jharkhand (4.68) was significantly higher than West Bengal and Chhattisgarh (1.90 and 3.43 respectively). However, it was lower than the ratio of Bihar and Odisha (5.93 and 5.07 respectively). Trend of CE to GSDP ratio of Jharkhand during the last five years as compared to neighbouring States is shown in **Table 1.20** below:

Table 1.20: Ratio of Capital Expenditure to GSDP and comparison with neighbouring states

Name of States	2013-14	2014-15	2015-16	2016-17	2017-18
Jharkhand	2.50	2.54	3.95	4.61	4.68
Bihar	4.42	5.29	6.49	6.39	5.93
Odisha	2.62	3.52	5.17	4.90	5.07
West Bengal	1.02	1.38	1.56	1.29	1.90
Chhattisgarh	2.21	2.96	3.39	3.61	3.43

1.6.2 Revenue Expenditure (RE)

Revenue expenditure (RE) as percentage of total expenditure remained nearly same during 2016-17 and 2017-18 which was a positive trend. RE to TE was highest in 2013-14 and 2015-16 (83 *per cent*). Further, during 2017-18, revenue expenditure was 20 *per cent* of GSDP at current prices.

Out of total revenue expenditure of ₹ 50,952 crore during 2017-18, ₹ 27,953 crore was spent on establishment and ₹ 22,999 crore was spent on State and Central schemes.

1.6.3 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of expenditure on salaries and wages, subsidies, pension and interest payments. **Table 1.21** and **Chart 1.7** present the trend in the expenditure on these components during 2013-18.

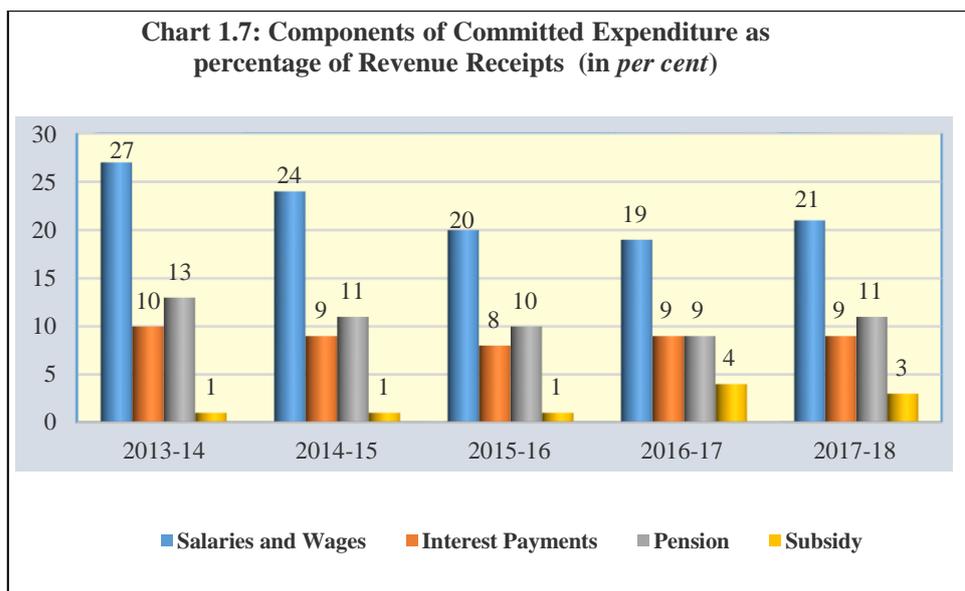
Table 1.21: Components of Expenditure on Salaries and Wages, Subsidies, Pension and Interest Payments

(₹ in crore)					
Components of Committed Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18
Salaries* and Wages, of which	6,934(27)	7,417(24)	8,218(20)	8,927 (19)	11,221(21)
Establishment	6,766(26)	7,193(23)	7,943(19)	8,649 (18)	10,790(20)
State & Central Schemes	168(1)	224(1)	275(1)	278(1)	431(1)
Interest Payments	2,614(10)	2,929(9)	3,320(8)	4,172(9)	4,662(9)
Pension	3,484(13)	3,463(11)	3,990(10)	4,135(9)	5,913(11)
Subsidies	187(1)	246(1)	522(1)	1,859(4)	1,440(3)
Total	13,219(51)	14,055(45)	16,050(39)	19,093(41)	23,236 (44)

Source: Finance Accounts of the Government of Jharkhand for the respective years

Figures in parentheses indicate percentage of revenue receipts

* Also includes salaries paid out of Grants-in-aid.



Source: Finance Accounts of the Government of Jharkhand for the respective years

Salaries

During 2017-18, Salaries & Wages (₹ 11,221 crore), Interest Payments (₹ 4,662 crore) and Pension (₹ 5,913 crore) together accounted for 42.78 per cent of the revenue expenditure and consumed 41.31 per cent of the revenue receipts.

Pension

State Government employees recruited on or after 1 December 2004 are covered under the National Pension System (NPS) which is a defined contributory pension scheme. In terms of the Scheme, the employee contributes 10 per cent of basic pay and dearness allowance, which is matched by the State Government and the entire amount is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank.

During 2017-18, employer's contribution of ₹ 383.16 crore was transferred to NSDL. The State Government transferred ₹ 382.47 crore out of total receipt of ₹ 386.29 crore as employees' contribution to the NSDL during 2017-18 leaving a balance of ₹ 13.52 crore⁶ in the Public Account (Major Head 8342-117-Defined Contribution Pension Scheme) at the end of 2017-18. Short transfer of employees' contribution has resulted in denying Government employees of their entitlement to have their balances invested by NSDL under the NPS.

Interest Payments

The growth rate of Interest Payments was 12 per cent over the previous year mainly due to increase of interest on Market Loans by ₹ 199 crore (8 per cent) and interest on other internal debt by ₹ 287 crore (75 per cent) over the previous year. Interest Payments were nine per cent of revenue receipts during 2017-18. Major components of Interest Payments during 2016-17 and 2017-18 are given in **Table 1.22** below:

⁶ Including opening balance of ₹ 9.70 crore

Table 1.22: Components of Interest Payments

(₹ in crore)

Component of debt	Outstanding Liabilities as of 1 April 2017	2016-17		Outstanding Liabilities as on 31 March 2018	2017-18	
		Interest paid	Interest paid as percentage of outstanding balance		Interest paid	Interest paid as percentage of outstanding balance
Internal debt	43,755.57	3,817.29	8.72	48,682.31	4,330.05	8.89
Loans & Advances from GoI	2,085.49	118.50	5.68	2,162.28	116.18	5.37
Small Savings, Provident fund etc.	1,197.17	229.21	19.15	1,075.67	213.68	19.86
Others	9,492.00	7.25	0.08	14,906.70	1.77	0.01
Total	56,530.23	4,172.25	7.38	66,826.96	4,661.68	6.98

Source: Finance Accounts of the Government of Jharkhand for the respective years

Subsidy

During 2017-18, Government of Jharkhand paid ₹ 1,440 crore⁷ as subsidy mainly under MH 3456- Civil Supplies (₹ 827 crore), 2401-Crop Husbandry (₹ 398 crore) and 2852-Industries (₹ 62 crore). Subsidy increased from ₹ 187 crore in 2013-14 to ₹ 1,859 crore in 2016-17 which decreased to ₹ 1,440 crore in 2017-18. Decrease of ₹ 419 crore in 2017-18 was mainly due to less subsidy under Distribution of sugar/salt (₹ 208 crore), Pradhan Mantri Ujjawala Yojana (₹ 24 crore), Antyodaya Anna Yojana (₹ 2 crore) and Bonus for Paddy Procurement (₹ 2 crore) under Head 3456-Civil Supplies. No subsidy was given for power and irrigation.

1.6.4 Major programmes

During 2017-18, ₹ 16,709 crore was budgeted for 35 major flagship programmes under the State Plan (SP) against which ₹ 15,408 crore was utilised. Under the Central Plan (CP), ₹ 8,575 crore was utilised against ₹ 10,461 crore budgeted for the year.

The budget provisions and actual expenditure on some major programmes during 2017-18 under SP and CP are shown in **Table 1.23**.

Table 1.23: Expenditure on major programmes

(₹ in crore)

Sl. No.	Name of programme	Budget Provision	Expenditure
State Plan			
1	Major Roads	3,978.52	3,812.46
2	Minimum Needs Programmes-Construction of Rural Roads	1,107.09	1,082.18
3	Loan to Jharkhand Urja Sancharan Nigam Ltd. for transmission	1,079.03	1,079.03
4	Indira Awas Yojana – Schemes for General (Pradhan Mantri Awas Yojana Rural)	883.75	883.75
5	Sarva Shiksha Abhiyan	620.00	400.00
6	Major Urban Transport Project and Civic Infrastructure	555.00	555.00
7	Rural Sanitation	542.05	480.72
8	Priority Household Schemes	497.45	497.86
Central Plan			
1	GIA for Pradhan Mantri Awas Yojana (CSS)	546.21	546.21
2	Swachh Bharat Mission (CSS)	116.53	116.53
3	Smart City (CSS)	204.00	204.00
4	Urban Renewal Mission AMRUT (CSS)	123.59	123.59

Source: Appendix-V of Finance Accounts of the Government of Jharkhand 2017-18

⁷ Appendix II of Finance Accounts 2017-18

1.6.5 Financial assistance

Details of grants and loans given by the State Government during 2013-18 are presented in **Table 1.24**.

Table 1.24: Financial assistance to Local Bodies and other Institutions

(₹ in crore)

Financial Assistance to Institutions	2013-14	2014-15	2015-16	2016-17	2017-18
Panchayati Raj Institutions (PRIs)	910.68	3,378.42	3,407.48	2,533.77	1,270.13
Urban Local Bodies (ULBs)	88.38	1,619.77	1,830.77	2,961.14	1,155.11
Public Sector Undertakings	1,528.89	3,643.86	3,987.54	0.00	0.00
Autonomous Bodies	2,451.34	2,512.95	5,480.60	7,942.59	11,431.05
Non-Governmental Organisations	106.65	684.99	0.00	0.00	0.00
Others	1,335.91	564.03	184.53	6,894.52	6,857.70
Total	6,421.85	12,404.02	14,890.92	20,332.02	20,713.99
As percentage of Revenue Expenditure	27.36	39.01	40.74	45.09	40.65

Source: Statement 10 of Finance Accounts Government of Jharkhand for the respective years

Financial assistance to ULBs and PRIs was provided through regular service heads of the Urban Development Department and Rural Development Department instead of under Head '3604-Financial assistance to ULBs and PRIs' specified for the purpose.

1.6.5.1 Urban Local Bodies (ULBs)

There are 48 ULBs (Nagar Nigam-9, Nagar Parishad-20, Nagar Panchayat-18, and Notified Area Committee-1) in the State.

Details of funds provided to ULBs are given in **Table 1.25** below:

Table 1.25: Funds made available to Urban Local Bodies

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Revenue Receipt (RR) of the State	26,137	31,565	40,638	47,054	52,756	198,150
Revenue Expenditure (RE) of the State	23,472	31,795	36,553	45,089	50,952	187,861
Financial Assistance given to ULBs	88	1,620	1,831	2,961	1,155.11	7,655.11
Financial Assistance as percentage to RR	0.34	5.13	4.51	6.29	2.19	3.86
Financial Assistance as percentage to RE	0.37	5.10	5.01	6.57	2.27	4.07
Own collection ⁸	45.54	8.96	14.99	60.09	184.55 ⁹	314.13

Source: Finance Accounts of the Government of Jharkhand for the respective years

The Second State Finance Commission (December 2009 to December 2014) had not made any recommendations on devolution of funds to ULBs. The Third State Finance Commission (January 2014 to January 2019) has also not made any interim recommendations in this regard. The Urban Development Department has not responded to several audit queries on the devolution of the 18 functions and powers stipulated under the Jharkhand Municipal Act, 2011 (**Appendix 1.4 Part-A**).

The State Government entrusted (October 2011) the C&AG with Technical Guidance and Supervision (TGS) over audit of Local Bodies (Urban Local Bodies and Panchayati Raj Institutions). Accordingly, the Bihar and Orissa

⁸ Information regarding funds collected by the ULBs from own sources has not been furnished by the Urban Development Department. However, information obtained during audit of various ULBs has been included.

⁹ Own Tax collection obtained during audit of 39 ULBs. Two Nagar Parishad (Chirkunda and Phusro), six Nagar Panchayat (Bachra, Badaki Saraiya, Barharwa, Chhatarpur, Domchach and Dhanwar) and Jugsalai Notified Area Committee were not audited during 2017-18.

Local Fund Audit Act, 1925 read with Jharkhand Local Fund Audit (Amendment) Act 2012 (JLFA Act) provided for audit by Director of Local Fund Audit (DLFA) to whom the C&AG was required to provide TGS. The State Government created 22 posts (March 2013) to make DLFA functional and appointed DLFA in November 2014. The DLFA informed (August 2016) that 3 Deputy Controllers of Accounts and 14 Audit Officers have been appointed. The DLFA is conducting audit of accounts of ULBs as per JLFA Act. The Accountant General (Audit), Jharkhand is conducting audit of local bodies on test check basis.

1.6.5.2 Panchayati Raj Institutions

There are 4,689 PRIs¹⁰ in the State. Details of fund releases to PRIs during 2013-18 are given in **Table 1.26**.

Table 1.26: Funds released to Panchayati Raj Institutions

Particulars	(₹ in crore)					Total
	2013-14	2014-15	2015-16	2016-17	2017-18	
Revenue Receipt (RR) of the State	26,137	31,565	40,638	47,054	52,756	1,98,150
Revenue Expenditure (RE) of the State	23,472	31,795	36,553	45,089	50,952	1,87,861
Financial Assistance to PRIs	911	3,378	3,407	2,534	1,270	11,500
Financial Assistance as percentage to RR	3.49	10.70	8.38	5.39	2.41	5.80
Financial Assistance as percentage to RE	3.88	10.62	9.32	5.62	2.49	6.12

Source: Finance Accounts of the Government of Jharkhand for the respective years

The State Government issued orders of transfer of funds to Panchayats in October 2012. As depicted in **Appendix 1.4 Part-B**, out of stipulated 29 functions, 16 functions have been devolved to PRIs either completely or partially as of August 2015. The State Government notified (March 2011) the 'Jharkhand Panchayati Raj (Budget & Accounts) Regulation 2010' and the accounting in PRIs is done accordingly.

Audit of PRIs is conducted by the DLFA and the AG (Audit) in the same manner as discussed under paragraph 1.6.5.1.

1.7 Quality of expenditure

Developmental expenditure (expenditure on social and economic services) constituted 73 per cent of Total Expenditure in 2017-18 whereas, it was 76 per cent in 2016-17.

1.7.1 Adequacy of public expenditure

Table 1.27 analyses the fiscal priority of the State Government with regard to Development Expenditure, Social Sector Expenditure and Capital Expenditure during 2017-18, taking 2013-14 as the base year.

¹⁰ 24 Zila Parishads, 263 Panchayat Samitis and 4,402 Gram Panchayats

Table 1.27: Fiscal priority of the State in 2013-14 and 2017-18

Fiscal Priority by the State*	AE/GSDP	DE#/AE	ESE/AE	SSE/AE	CE/AE	Education/ AE	Health/AE
General Category States Average (Ratio) 2013-14	14.7	66.5	28.9	37.6	13.6	17.2	4.5
Jharkhand State's Average (Ratio) 2013-14	15.1	64.3	32.1	32.2	14.8	14.3	4.0
General Category States Average (Ratio) 2017-18	16.1	67.9	29.6	36.7	14.4	15.5	4.9
Jharkhand State's Average (Ratio) 2017-18	25.4	73.1	40.5	32.6	18.5	12.9	4.4

*As per cent to GSDP at current prices

AE: Aggregate Expenditure (Total Expenditure), DE: Development Expenditure, SSE: Social Sector Expenditure, ESE: Economic Service Expenditure, CE: Capital Expenditure

Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

Source: GSDP as available on CSO website as on 28 August 2018.

As evident from the table, the ratio of development expenditure, economic service expenditure and capital expenditure to aggregate expenditure (AE) was significantly higher than the average for the General Category States (GCS) during 2017-18. However, Education Sector Expenditure and Health Sector Expenditure was less than the average of GCS during the year.

Recommendation: State Government should give priority to Social Sector Expenditure with emphasis on the Health and Education Sector.

1.7.2 Efficiency of expenditure use

Table 1.28 presents the trends in Development Expenditure relative to the Aggregate Expenditure of the State during 2017-18 *vis-à-vis* the budgeted amounts and the expenditure during the previous years.

Table 1.28: Development Expenditure

Components of Development Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18	
					BE*	Actuals
Development Expenditure						
Development Revenue Expenditure	13,512(48)	21,171(55)	24,551(47)	32,065(56)	41,262	34,535(53)
Development Capital Expenditure	4,554(16)	5,217(14)	7,588(15)	10,271(18)	11,926	11,148(17)
Development Loans and Advances	209(1)	807(2)	7,431 ¹¹ (14)	1,283(2)	1,923	1,796(3)
Total	18,275	27,195	39,570	43,619	55,111	47,479
Growth of Development Expenditure	(-).5.4	48.8	45.5	10.2	-	8.8

Figures in parentheses indicate percentage to aggregate expenditure (RE + CE + L&A)

* Both budget estimates and actuals are gross figures.

Source: Finance Accounts and budget publication of the Government of Jharkhand 2017-18

1.7.3 Expenditure on selected Social and Economic Services

Table 1.29 presents the efficiency of expenditure in selected Social and Economic services.

¹¹ On account of loans of ₹ 5,553 crore to DISCOM under UDAY.

Table 1.29: Efficiency of expenditure use in selected Social and Economic services*(In per cent)*

Social/Economic Infrastructure	2016-17			2017-18		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S & W	O&M		S&W	O & M
Social Services (SS)						
General Education	0.39	37.51	0.00	0.01	49.72	0.00
Health and Family Welfare	21.42	38.13	0.00	10.83	32.17	0.00
WS, Sanitation and HUD	7.96	3.29	0.27	10.14	3.33	0.10
Total (SS)	7.61	21.72	0.11	7.23	25.94	0.25
Economic Services (ES)						
Agriculture & Allied Activities	20.47	18.13	0.09	23.15	18.50	0.05
Irrigation and Flood Control	82.39	95.98	2.17	80.92	95.85	1.5
Power & Energy	0.00	0.00	1.37	0.00	0.00	1.47
Transport	90.99	24.22	26.01	90.64	25.52	27.53
Total (ES)	37.21	9.84	3.21	36.71	10.68	2.84
Total (SS+ES)	23.55	16.72	1.42	23.55	19.36	1.37

TE: Total Expenditure of that sector; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance, as per Finance Accounts it represents actual expenditure booked under detailed head -05- Maintenance and Repairs.

Source: Finance Accounts of the Government of Jharkhand 2017-18

As depicted in the above table, ratio of salary to revenue expenditure in General Education increased significantly from 37.51 *per cent* in 2016-17 to 49.72 *per cent* in 2017-18, whereas in Health and Family Welfare salary to revenue expenditure decreased from 38.13 *per cent* in 2016-17 to 32.17 *per cent* in 2017-18.

1.8 Financial analysis of Government expenditure and investments

This section presents a broad financial analysis of investments and other capital expenditure of the Government.

1.8.1 Financial results of irrigation projects

The Thirteenth and Fourteenth Finance Commissions had prescribed cost recovery rate on irrigation projects for assessing the commercial viability of these projects. However, no irrigation scheme was declared as commercial by the Government of Jharkhand.

As per Appendix VIII (i) of the Finance Accounts, there are 42 Irrigation projects in Jharkhand with total capital outlay of ₹ 1,982.10 crore at the end of 2017-18, of which, ₹ 1,720.06 crore was spent on working expenses and maintenance charges. During 2017-18, ₹ 48.78 crore¹² was received as revenue from these projects.

Recommendation: The State Government may initiate measures to declare irrigation projects as commercial for cost recovery as per Finance Commission's recommendations.

1.8.2 Incomplete projects

Department-wise information pertaining to incomplete projects which were to be completed on or before 31 March 2018 is given in **Table 1.30**.

¹² Miscellaneous revenue.

Table 1.30: Department-wise profile of incomplete projects

₹ in crore)

Department	No. of incomplete projects	Estimated cost of projects	Cumulative expenditure as on 31.3.2018
Building Construction	4	413.67	244.10
Drinking Water and Sanitation	4	55.16	22.49
Road Construction	48	1,789.44	1,032.61
Rural Works	4	34.69	17.36
Water Resources	53	179.61	86.10
Total	113	2,472.57	1,402.66

Source: Appendix IX of the Finance Accounts 2017-18--Government of Jharkhand

The blocking of funds on incomplete works impinges negatively on the quality of expenditure. Delay in completion of projects/works not only invites the risk of cost escalation but also deprives the State of the intended benefits.

Out of 113 projects shown in the above table, revised cost of only six¹³ projects were provided which showed that estimated cost of ₹ 231.10 crore in those six projects escalated to ₹ 1,074.16 crore due to non-completion of those projects in time. Since the details of the remaining 125 projects were not furnished by the departments, their revised cost was not exhibited in the Finance Accounts and was thus not ascertainable.

An analysis of construction of Punasi Dam under Water Resources Department revealed that the project was started in January 1982 at an estimated cost of ₹ 26.09 crore and was to be completed by March 1990. As per estimates, on completion of the project, 15,384 Ha. of Kharif land and 8,907 Ha. Rabi land could have been irrigated. However, as of May 2019, the work was not completed and the cost of the project was raised upto ₹ 797.72 crore in the third revision of the estimate. The cost escalation due to non-completion of the project on time was 2,958 per cent over the original estimate.

At the end of May 2019, the physical progress of Dam work, Spillway, Canal and Distributaries were 80 per cent, 40 per cent, 50 per cent and 10 per cent respectively.

It was also noticed that the work was stopped for a long time during the period 1990 to 1998 and 2001 to 2012 due to shortage of funds, delay in land acquisition, forest clearance etc.

Thus, non-completion of project on time not only resulted in high cost escalation but also the intended benefit of irrigation of land was not achieved (May 2019).

Recommendation: The Public Works Departments of the State may evolve a mechanism to ensure timely completion of projects. The revised estimates of all the incomplete projects should be prepared and approved on priority so as to have a realistic assessment of the funds required to complete these projects.

¹³ Punasi Reservoir, Konar Main Canal, Subernarekha Canal Division, Jamshedpur, w/s of Harinchara to Barhait Rd., w/s to Mirzachouki-Barizore-Simra Rd. w/s of Sobhanpur Bhatta to Rajgaon Rd.

1.8.3 Investment and returns

As per annual accounts of the State ending 31 March 2018, the Government had invested ₹ 376.87 crore in one Regional Rural Bank (₹ 45.73 crore), 15 Government companies (₹ 170.80 crore) and 19 co-operatives, corporations, and societies (₹ 160.34 crore) since inception of the State in November 2000 (Table 1.31). However, verification of PSUs accounts and sanction orders of the State during 2016-17 revealed that the Government accounts had understated investment by ₹ 124.54 crore during 2000-2016, due to erroneous budgetary categorisation, viz., not providing for the investment under the appropriate minor head and depicting investment in share capital as GIA. After being pointed out by Audit, Finance Department of the State had reconciled and corrected investment figures in respect of three companies amounting to ₹ 50¹⁴ crore during 2017-18 reducing the unsettled investments to ₹ 74.54¹⁵ crore against five entities at the end of the current financial year.

Table 1.31: Returns on investments

Investment/Return/cost of borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Investment at the end of the year (₹ in crore)	226.22	241.25	261.70	320.83 ¹⁶	376.87
Returns (₹ in crore)	18.00	Nil	0.47	Nil	Nil
Returns (per cent)	7.76	Nil	0.18	Nil	Nil
Average rate of interest on Government borrowings(per cent)	7.22	7.22	6.63	6.76	6.98
Difference between interest rate and return (per cent)	0.54	7.22	6.45	6.76	6.98
Notional loss due to difference between interest rate of market borrowing and interest received on the returns (₹ in crore)	1.22	17.42	16.88	21.69	26.31

Source: Statement 19 of Finance Accounts Government of Jharkhand 2017-18

Over the past five years, the State Government has incurred a notional loss of ₹ 83.52 crore on account of difference between the interest on Government's borrowings and the return on investment, of which, the notional loss in 2017-18 was ₹ 26.31 crore. The return on investment of the State Government is therefore negative. Despite no return from its investments, the State Government made investment of ₹ 23.50 crore in the State PSUs in the form of equity during 2017-18.

Audit further observed that investments made by the erstwhile State of Bihar in Government Companies, Co-operative Institutions and Local Bodies, Statutory Corporations and Joint Stock Companies up to 14 November 2000 (₹ 2,389.55 crore) have not been apportioned between the successor States of Bihar and Jharkhand.

1.8.4 Loans and advances by State Government

Apart from equity investments in the above entities, the State Government has also been providing Loans and Advances (L&A) to many of these entities and its employees. Table 1.32 presents the outstanding Loans and Advances as on 31 March 2018 and interest receipts *vis-à-vis* interest payments during the last five years.

¹⁴ Jharkhand Hill Area Lift Irrigation Corporation ₹ 5 crore; Jharkhand Urban Infrastructure Development Corporation ₹ 35 crore and Jharkhand Silk Textile and Handicraft Development Corporation ₹ 10 crore.

¹⁵ Greater Ranchi Development Authority- ₹ 39.14 crore; Jharkhand Urban Transport Corporation Ltd.- ₹ 15 crore; Jharkhand State Agriculture Development Corporation Ltd.- ₹ 2 crore; Jharkhand Medical and health Infrastructure Development and Procurement Corporation Ltd.- ₹ 5 crore; Jharkhand Urja Vikash Nigam Ltd.- ₹ 8.40 crore and Jharkhand State Food and Civil Supplies Corporation Ltd.- ₹ 5 crore.

¹⁶ Amount revised after reconciliation with records of PSUs.

Table 1.32: Loans and advances given by the State Government

(₹ in crore)

Loans/Interest Receipts/ cost of borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Opening Balance of Loans (₹ in crore)	7,748	7,947	8,738	16,187	17,482*
Amount advanced during the year (₹ in crore)	222	824	7,480	1,335	1,852
Amount recovered during the year (₹ in crore)	23	33	31	39	42
Recovery as percentage of outstanding L&A	0.3	0.4	0.4	0.2	0.2
Closing Balance	7,947	8,738	16,187	17,483	19,292
Net addition (₹ in crore)	199	791	7,449	1,297	1,809
Total interest receipts (₹ in crore)	2.74	15.72	4.33	3.88	87.66
Interest receipts as a percentage of outstanding L&A	0.03	0.20	0.05	0.02	0.50
Average rate of interest on Government borrowings (per cent)	7.22	7.22	6.63	6.76	6.98
Interest in arrear	797.72	875.44	903.98	1,009.20	1,044.09
Interest in arrear as per cent of outstanding loans and advances	10.30	11.01	10.35	6.23	5.97

Source: Finance Accounts of the Government of Jharkhand for the respective years

* Adjusted due to rounding off

A significant portion of the total outstanding loans at the end of March 2018 (₹ 19,292 crore), pertains to loans to DISCOMs (₹ 18,444 crore) and Urban Local Bodies (₹ 706 crore).

Outstanding arrears of loanee entities at the end of March 2018 amounted to ₹2,378 crore (principal: ₹ 1,334 crore and interest: ₹ 1,044 crore). However, due to loan to the DISCOM companies under UDAY during 2015-16, the percentage of interest in arrear in respect of outstanding loans and advances given by the State Government was less in the years 2016-17 and 2017-18.

Loan to Jharkhand State Food and Civil Supplies Corporation Ltd. (₹ 44 crore) in 2011-12 was understated in the Government accounts due to incorrect budgetary categorisation under the revenue sector instead of in the capital sector. Loans to Jharkhand State Electricity Board (JSEB) amounting to ₹ 7,222 crore continue to be depicted in the government accounts as receivable from the Board, even though the Board was unbundled in January 2014 into separate companies. Thus, the assets of the State was inflated to the extent of ₹ 7,222 crore.

Recommendation: The State Government should rationalise its investments and loans advanced to various entities such that the return on investment and loans at least matches the Government borrowing costs.

1.8.5 Cash Balances and investment of Cash Balances

Details of cash balances and investments made by the State Government during the year are shown in **Table 1.33**.

Table 1.33: Cash balances and Investment of Cash balances

(₹ in crore)

Particulars	As on 31 March 2017	As on 31 March 2018
Cash Balances	1,947.85	150.44
Investments from Cash Balances (a to c)	1,439.09	354.56
a. GoI Treasury Bills	1,439.09	354.56
b. GoI Securities	Nil	Nil
c. Other Investments	Nil	Nil
Interest realised on investment	117.01	78.57
Deposit with Reserve Bank	502.26	-242.16
Departmental Cash Balance	6.50	38.04

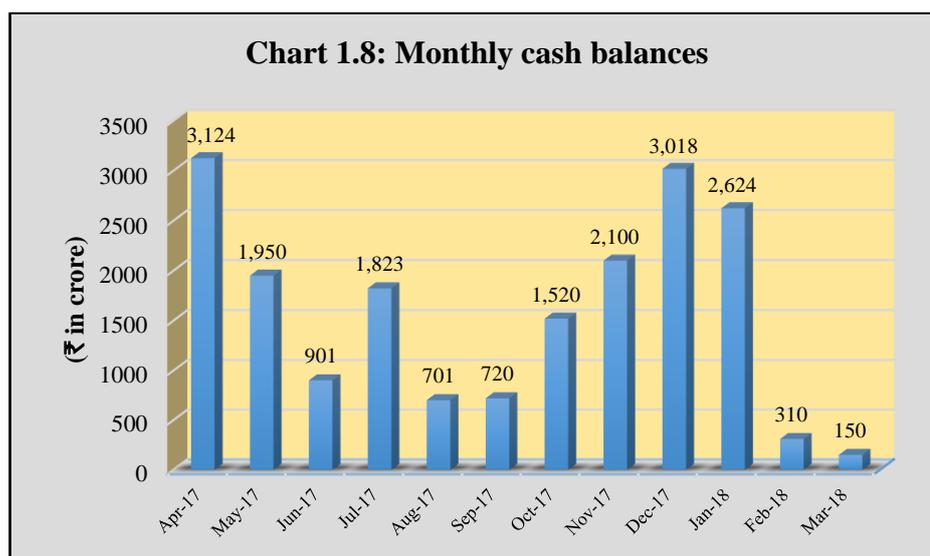
Source: Finance Accounts of the Government of Jharkhand 2017-18

The cash balance was invested in GoI Treasury Bills by the RBI.

There was a difference of ₹ 219.24 crore (net credit) between the figures reflected in the accounts {₹ 242.16 crore (credit)} and that intimated by the RBI {(₹ 22.92 crore (debit))}. This difference in the Reserve Bank Deposit Balance has been taken up by the Principal Accountant General (A&E), Jharkhand with RBI, Ranchi for reconciliation and necessary correction.

During scrutiny of records it was noticed that Ministry of Finance, Government of India allowed the State Government to raise open market borrowings of ₹ 6,000 crore during the year 2017-18. Accordingly, the State Government borrowed the amount through nine state development loans at interest rates ranging from 7.27 per cent to 8.08 per cent per annum.

After inter-month fluctuation the cash balance of the State stood at ₹ 150 crore at the end of financial year 2017-18 as shown in **Chart 1.8**:



1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

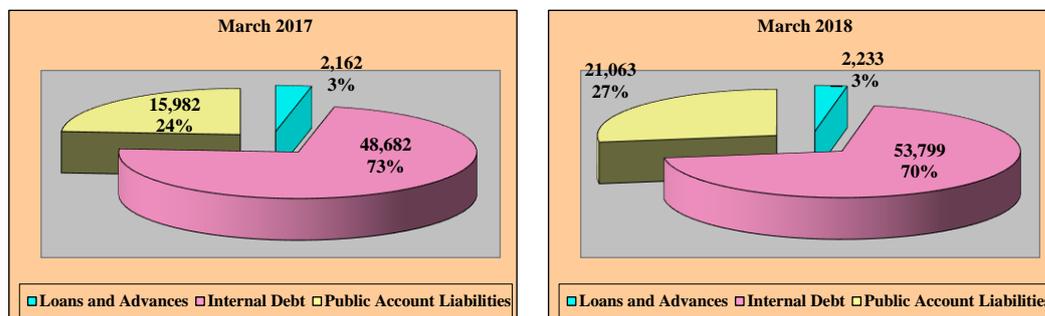
The Government accounting system does not provide for comprehensive accounting of fixed assets like land and buildings owned by the Government. Nevertheless, these are depicted through the assets created out of the expenditure incurred and the financial liabilities of the Government. **Appendix 1.5** gives an abstract of such liabilities and assets as on 31 March 2018, compared with the corresponding position as on 31 March 2017. While the liabilities consist mainly of internal borrowings, Loans and Advances from the GoI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of Capital Outlay, Loans and Advances given by the State Government and the cash balances.

The Jharkhand FRBM Act, 2007 defines the total liabilities of the State as the liabilities under the Consolidated Fund of the State and the Public Account of the State, which include Loans and Advances from the Central Government, open market borrowings, loans from financial institutions, Public Account balances of Small Savings, Reserve Funds and Deposits etc.

1.9.2 Fiscal Liabilities

The trends of outstanding fiscal liabilities of the State are presented in **Appendix 1.3**. The composition of fiscal liabilities during the years 2016-17 and 2017-18 is also shown in **Chart 1.9**.

Chart 1.9: Composition of Outstanding Fiscal Liabilities at the end of March 2017 and March 2018 (₹ in crore)



Source: Finance Accounts of the Government of Jharkhand for the years 2016-17 and 2017-18

Table 1.34: Trends in Fiscal Liabilities: Basic parameters

(₹ in crore)

Components	2013-14	2014-15	2015-16	2016-17	2017-18	CAGR
Internal Debt	27,940	32,755	43,756	48,682	53,799	17.80
Loans and Advances from GoI	2,092	2,087	2,085	2,162	2,233	1.64
Public Account Liabilities	7,562	8,727	10,689	15,982	21,063	29.25
Total Fiscal Liabilities	37,594	43,569	56,530	66,826	77,095	19.67
Growth of Fiscal Liabilities (<i>per cent</i>)	7.8	15.9	29.7	18.2	15.4	NA
Fiscal Liability to GSDP at current price (<i>per cent</i>)	19.9	19.9	27.4	28.4	30.2	NA
Fiscal Liabilities as percentage to Revenue Receipts	143.83	138.03	139.1	142.0	146.1	NA

Source: Finance Accounts of the Government of Jharkhand for the respective years
NA- Not applicable

The ratio of Fiscal Liabilities to GSDP at current prices was 30.20 *per cent* in 2017-18 compared to the normative projection (25.77 *per cent*) made by the FFC for the State.

The Fiscal Liabilities of undivided Bihar are yet to be apportioned between the successor States.

Recommendation: The State should take steps to achieve the normative projection of FFC in respect of Fiscal parameters of the State.

1.9.3 Sinking Fund

Following the recommendations of the Twelfth Finance Commission, the State has created a Consolidated Sinking Fund for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds etc. during 2016-17. Further, a minimum annual contribution of 0.50 *per cent* of outstanding liabilities at the beginning of the year was required to be transferred to the fund.

GoJ had an outstanding debt of ₹ 66,826 crore at the beginning of 2017-18, for which, a minimum amount of ₹ 334.13 crore was required to be transferred to the fund. Though GoJ made budget provision of ₹ 247 crore during the year, the amount was not transferred to the fund.

1.9.4 State Disaster Response Fund (SDRF)

As per Para 19 and 20 of SDRF guidelines 2010, the balances under the funds should be invested by the State in (a) Central Government dated securities (b) auctioned treasury bills and (c) interest earning deposits and certificates of deposits with Scheduled Commercial Banks. However, the balances under the fund as on 1 April 2017 (₹ 1,259.29 crore) were not invested by the State Government.

Further, as per the guidelines, the Government was required to pay interest on the uninvested balances at the rate of interest (8.08 *per cent*) payable on overdrafts, which is to be added to the corpus of the fund itself. However, GoJ had not paid any interest to SDRF since its creation, which works out to ₹ 505.37 crore at the applicable rates of interest for the period 2010-18. Of this, unpaid interest for 2017-18 alone amounted to ₹ 101.74 crore, resulting in overstatement of revenue surplus and understatement of fiscal deficit for the year. The SDRF had a closing balance of ₹ 1,551.04 crore as on 31 March 2018. Consequently, the balances in the Fund are only book entries and do not represent actual cash balance. Such unpaid interest since the operation of the Fund represents the unaccounted liabilities of the State.

Recommendation: The State should invest the balances lying under this fund as per the SDRF guidelines.

1.9.5 Status of Guarantees – Contingent liabilities

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed.

As per the recommendation of the Twelfth Finance Commission, the GoJ was required to constitute a Guarantee Redemption Fund (GRF) with minimum annual contribution of 0.50 *per cent* of outstanding guarantees at the beginning of the year. However, the Fund has not been created.

1.10 Debt Management

1.10.1 Debt profile

Apart from the magnitude of debt of the State Government, it is important to analyse the various indicators that determine the debt sustainability¹⁷ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation¹⁸; sufficiency of non-debt receipts¹⁹; net availability of borrowed funds²⁰; burden of interest payments (measured by

¹⁷ Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time. It also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings and returns from such borrowings. It means that a rise in fiscal deficit should match the increase in capacity to service the debt.

¹⁸ A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or the cost of public borrowings, the debt-GSDP ratio is likely to be stable provided the primary balances are either zero or positive or are moderately negative.

¹⁹ Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

²⁰ Defined as the ratio of debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which debt receipts are used in debt redemption indicating the net availability of borrowed funds.

interest payments to revenue receipts ratio) and the maturity profile of State Government securities.

1.10.2 Debt Sustainability

Table 1.35 analyses the debt sustainability of the State according to these indicators for a period of five years beginning from 2013-14.

Table 1.35: Debt Sustainability - Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2013-14	2014-15	2015-16	2016-17	2017-18
Debt-GSDP ratio	19.9	19.9	27.4	28.4	30.2
Sufficiency of Incremental Non-debt Receipts (Resource Gap)*	1,275	(-)2,885	4,313	(-)2,113	(-)131.54
Net Availability of Borrowed Funds	110	3,046	9,641	6,224	5,606
Burden of Interest Payments (IP/RR Ratio)	10	9.28	8.17	8.87	8.84

Source: Finance Accounts of the Government of Jharkhand for the respective years

*Formula in **Appendix 1.6**

During 2017-18, the Debt-GSDP ratio at 30.20 *per cent* was higher than the normative projection fixed by the FFC (25.77 *per cent*). It was also significantly higher than the target set in the MTFP document (26.65 *per cent*). Significant inter year fluctuations in Resource Gap indicates inconsistent collection of non-debt receipts by the State during the period 2013-18.

Table 1.36: Net availability of borrowed funds

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Receipts under public debt and other liabilities ²¹	12,840	19,808	28,482	19,193	25,206
Repayment (principal and interest) under public debt and other liabilities	12,730	16,762	18,841	12,969	19,599
Net fund available	110	3,046	9,641	6,224	5,607
Percentage of net fund available to receipts under public debt and other liabilities	0.86	15.38	33.85	32.43	22.24

Source: Finance Accounts of the Government of Jharkhand for the respective years

Net availability of borrowed funds decreased gradually from ₹ 9,641 crore in 2015-16 to ₹ 5,607 crore in 2017-18. During 2017-18, the main contributors in borrowed funds were internal debt (₹ 7,905 crore) and deposit not bearing interest (₹ 1,526 crore).

During 2017-18, the receipts of the State under public debt and other liabilities increased by 31 *per cent* whereas, repayment of public debt and other liabilities including interest increased by 51 *per cent* over the previous year resulting in less availability of borrowed funds to the State.

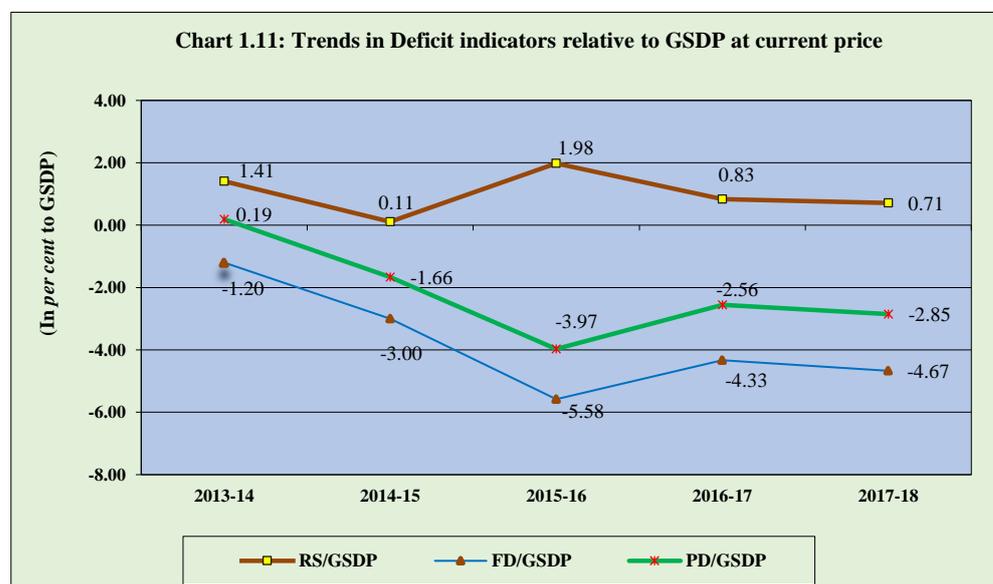
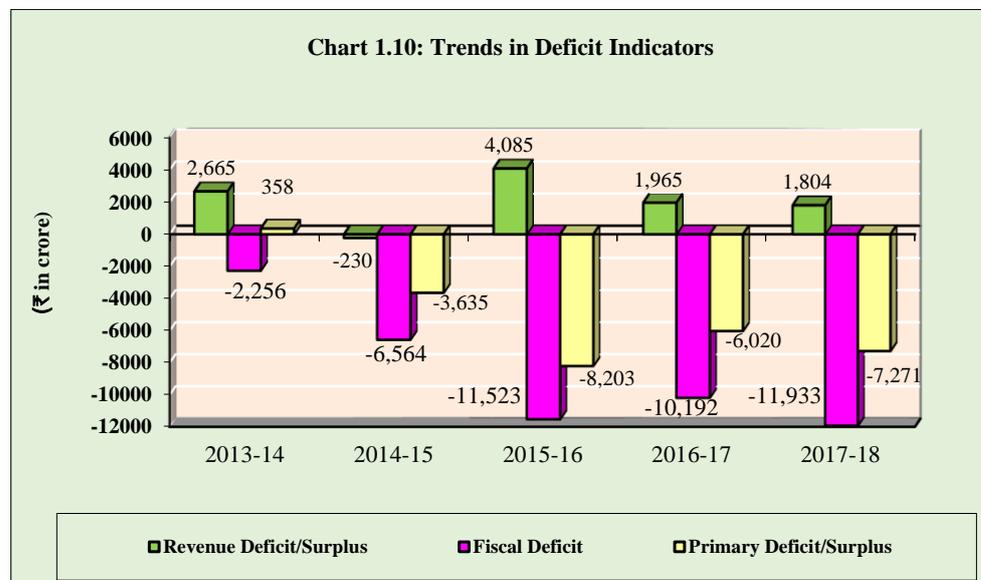
The net availability of borrowed funds as percentage to receipts under borrowings decreased sharply from 32.43 *per cent* in 2016-17 to 22.24 *per cent* in 2017-18 which was indicative of less availability of borrowed funds for capital works in the State during the year.

²¹ Small Savings, Provident Funds etc (₹ 1,016.42 crore); Reserve funds bearing interest (₹ 401 crore); Deposits bearing interest (₹ 386.30 crore) and Deposits not bearing interest (₹ 15,264.96 crore)

1.11 Fiscal Imbalances

1.11.1 Trends in deficits

Chart 1.10 and Chart 1.11 present the trends of deficit indicators over the period 2013-18.



The State managed to show a Revenue Surplus of ₹ 1,804 crore in 2017-18 mainly due to less revenue expenditure than the original budget estimates (by ₹ 3,604 crore under Social Services and by ₹ 3,265 crore under Economic Services).

During 2016-17 and 2017-18, the growth rate of revenue receipts decreased to 16 per cent and 12 per cent respectively whereas growth rate of revenue expenditure increased to 23 per cent and 13 per cent resulting in decrease in Revenue surplus during these years. The higher growth rate of revenue expenditure was due to more expenditure on services like Water Supply, Sanitation, Housing and Urban Development, Rural Development, Agriculture and Allied Activities, Energy etc.

During 2015-16, 2016-17 and 2017-18, the growth rate of the State's own revenue was 18 *per cent*, 7.6 *per cent* and 8.3 *per cent* respectively.

The State achieved the target (as per the State FRBM Act and recommendations of the State Finance Commissions) of reducing the Revenue Deficit to 'zero' during 2013-18, except in 2014-15. The State achieved Revenue Surplus to GSDP ratio of 0.71 *per cent* in 2017-18 against the target of 2.77 *per cent* indicated in MTFP. The Fiscal Deficit to GSDP ratio was 4.67 *per cent* at the end of March 2018, against the target of 2.49 *per cent* fixed in the budget document and the FFC norms of 3.25 *per cent*.

After inter-year fluctuations, Primary Deficit was (-) 2.85 *per cent* of GSDP in 2017-18.

Recommendation: The Government should ensure achievement of normative projections made by FFC as well as estimated targets in the budget documents.