

CHAPTER I

FINANCES OF THE UNION TERRITORY GOVERNMENT

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The Union Territory (UT) of Puducherry is located on the east coast of India and extends over an area of 490 sq.km. The UT consists of four regions, namely, Puducherry, Karaikal, Mahe and Yanam, geographically separated from each other. The UT is administered under the provisions of the Government of Union Territories Act, 1963. As per 2011 census, the UT's population was 12.48 lakh, which recorded a decadal growth rate of 28.13 *per cent* as compared to 2001 census. The population projection as per National Commission on population was 17 lakh during 2015-16 in the UT of Puducherry. The percentage of population below the poverty line was 7.7, which was lower than the all-India average of 29.5. The UT's Gross State Domestic Product (GSDP) in 2015-16, at current price, was ` 26,533 crore. The UT's literacy rate increased from 81.24 *per cent* (as per 2001 census) to 85.80 *per cent* (as per 2011 census). The per capita income of the UT stood at ` 2,12,604 as per 2011 census. General data relating to the UT is given in **Appendix 1.1**.

Gross State Domestic Product

Gross State Domestic Product (GSDP) is the market value of all officially recognised final goods and services produced within the UT in a given period of time. The growth of GSDP of the UT is an important indicator of the UT's economy as it indicates the standard of living of the UT's population. The trends in the annual growth of India's Gross Domestic Product (GDP) and UT's GSDP at current prices are indicated below in **Table 1.1**.

Table 1.1: Trend of growth of GDP and GSDP

	2011-12	2012-13	2013-14	2014-15	2015-16
India's GDP (` in crore)	87,36,039	99,51,344	1,12,72,764	1,24,88,205	1,35,76,086
Growth rate of GDP (percentage)	@	13.91	13.28	10.78	8.71
UT's GSDP (` in crore)	16,818	18,875	21,870	24,089	26,533
Growth rate of GSDP (percentage)	@	12.23	15.87	10.14	10.15

(Source : GSDP in Puducherry-Directorate of Economics and Statistics, Puducherry; India's GDP-Information from Ministry of Statistics and Programme Implementation and Accountants General)

@ Growth rate of GSDP not indicated, since comparison with the year 2010-11 could not be made as the base year has been revised to 2011-12

The terms and abbreviations used in this Report are listed in the Glossary at Page No. 86

1.1 Introduction

This Chapter provides a broad perspective of the finances of the Government of the UT of Puducherry during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the last five years. The structure of Government Accounts and the layout of the Finance Accounts are shown in **Appendix 1.1 - Part B and Part C**. The methodology adopted for the assessment of the fiscal position of the UT is given in **Appendix 1.2**. A time series data on the UT Government finances is given in **Appendix 1.3**.

1.1.1 Summary of Current Year's Fiscal Transactions

Table 1.2 presents the summary of the UT Government's fiscal transactions during the current year (2015-16) *vis-à-vis* the previous year (2014-15), while **Appendix 1.4 - Part A** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2 : Summary of Current Year's Fiscal Operations

(` in crore)

Receipts	2014-15	2015-16	Disbursements	2014-15	2015-16		
					Non Plan	Plan	Total
Section-A: Revenue							
Revenue receipts	4,758	5,088	Revenue expenditure	4,800	3,617	1,668	5,285
Tax Revenue	1,993	2,260	General services	1,417	1,415	54	1,469
Non-Tax Revenue	1,300	1,138	Social services	1,831	892	1,307	2,199
Share of Union Taxes/ Duties	Nil	Nil	Economic services	1,544	1,303	308	1,611
Grants from the Government of India	1,465	1,690	Grants-in-aid and Contributions	8	6	Nil	6
Section-B: Capital							
Miscellaneous Capital Receipts	Nil	Nil	Capital expenditure	614	-5	444	439
Recoveries of Loans and Advances	2	2	Loans and Advances disbursed	1	*	*	1
Public Debt receipts	704	741	Repayment of Public Debt	183	*	*	169
Contingency Fund	Nil	Nil	Contingency Fund	Nil	-	-	Nil
Public Account receipts	982	1,015	Public Account disbursements	845	*	*	938
Opening Cash Balance	1,232	1,235	Closing Cash Balance	1,235	*	*	1,249
Total	7,678	8,081	Total	7,678			8,081

(Source: Finance Accounts of respective years)

* Bifurcation of Plan and Non-Plan not available

Following are the significant changes during 2015-16 as compared to the previous year 2014-15:

- Revenue receipts increased by ` 330 crore due to increase in Tax Revenue by ` 267 crore and release of additional grants by

Government of India (GOI) by ₹ 225 crore, which was offset partially by reduction in Non-Tax Revenue of ₹ 162 crore.

- Revenue expenditure increased by ₹ 485 crore due to more expenditure on General Services (₹ 52 crore), Social Services (₹ 368 crore), Economic Services (₹ 67 crore), which was offset by less expenditure on Grants-in-aid (GIA) and Contributions (₹ 2 crore).
- Capital expenditure reduced by ₹ 175 crore.
- Public Account receipts and disbursements increased by ₹ 33 crore and ₹ 93 crore respectively during 2015-16.

1.1.2 Review of the fiscal situation

As UT of Puducherry was not covered under Finance Commission, Fiscal Responsibility and Budget Management (FRBM) Act was not enacted. However, fiscal road map based on the principles of GOI's FRBM Act had been prepared (June 2012) and approved by GOI. The target prescribed in the fiscal road map and target proposed in the budget are given in **Table 1.3**.

Table 1.3: Comparison of fiscal variable with road map for 2015-16

Fiscal variables	Target proposed in the fiscal road map	Target proposed in the budget	Actuals
Revenue deficit(-) / surplus (+) (₹ in crore)	(-) 14.23	(+) 1.67	(-) 197.33
Fiscal deficit / GSDP (per cent)	(-) 2.41	(-) 2.29	(-) 2.40
Ratio of total outstanding debt of the Government to GSDP (per cent)	29.28	Not available	29.22

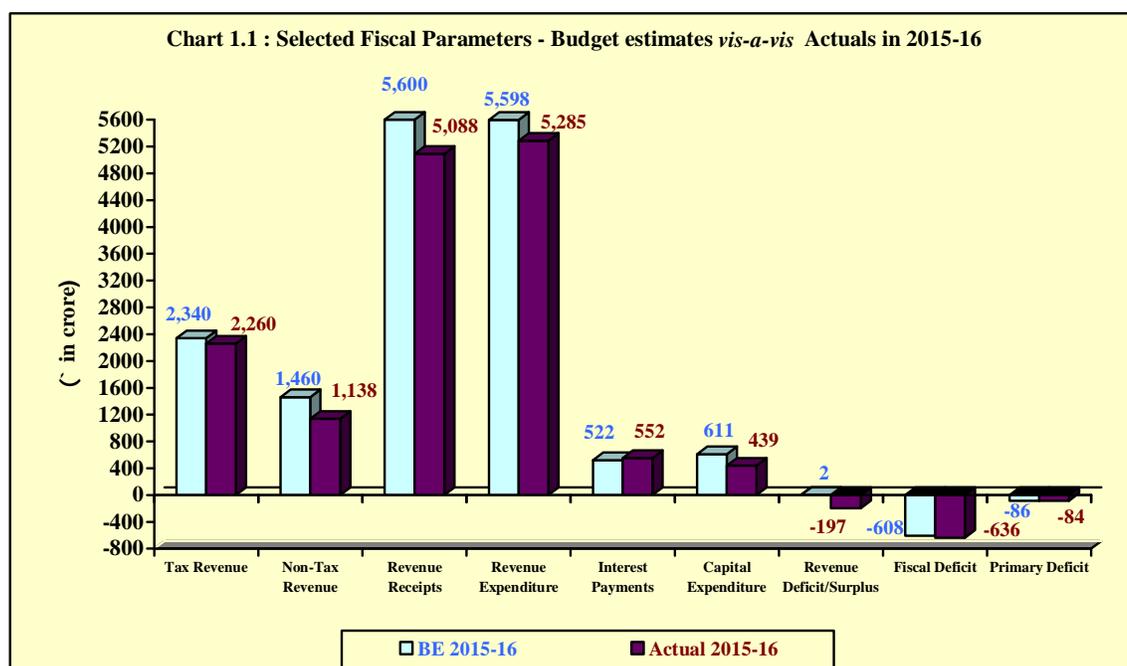
(Source: Finance Accounts, fiscal road map and budget documents)

As against the target proposed in the fiscal road map for revenue deficit of ₹ 14.23 crore, UT Government's revenue deficit was ₹ 197.33 crore, which was 14 times more than what was projected in the fiscal road map. Though the target proposed in the budget, however, showed revenue surplus, the UT of Puducherry was nowhere near even to the budgeted revenue surplus. This is indicative of the fact that the fiscal road map of Puducherry requires to be revisited with a realistic fiscal road map. The Chief Minister of Puducherry in his Budget Speech – 2015-16, had also mentioned that the UT Government had requested GOI to replace the current fiscal road map with a more practical road map based on the principles of the GOI's FRBM Act, which would enhance the performance of the Union Territory *vis-a-vis* the tax receipts and GSDP growth.

1.1.3 Budget estimates and actuals

The Budget papers presented by a State/UT Government provide description of the estimated 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 of the desired fiscal objectives.

Chart 1.1 presents the budget estimates and actuals for some important fiscal parameters.



(Source: Finance Accounts and budget documents)

It can be seen from the chart above that the UT had witnessed shortfall in all the key fiscal parameters except interest payment and primary deficit as compared to the budget estimates. The reason for shortfall in actual revenue receipts was because of less Tax Revenue and Non-Tax Revenue Receipts as compared to the budgeted projections. The revenue expenditure and capital expenditure were also less than the budget estimates. Less Revenue expenditure was witnessed on all sectors other than Social Welfare and Nutrition and Other Social Services. Similarly, less capital expenditure was also noticed on Health and Family Welfare, Water Supply, Sanitation, Housing and Urban Development, Social Security and Welfare etc., under Social Services and Agriculture and Allied activities, Dairy Development, Fisheries, Irrigation and Flood Control, Ports and Light Houses, Energy and Tourism under Economic Services.

The variation between the budget estimate and the actual is shown in the **Table 1.4** below.

Table 1.4: Variation between Budget Estimate and Actuals

(` in crore)

Particulars	Budget Estimate	Actuals	Variation	Increase/Decrease in per cent
Revenue Receipts	5,600	5,088	(-) 512	(-) 9.14
Tax Revenue	2,340	2,260	(-) 80	(-) 3.42
Non-Tax Revenue	1,460	1,138	(-) 322	(-) 22.05
Grants- in-aid from GOI	1,800	1,690	(-) 110	(-) 6.11
Revenue Expenditure	5,598	5,285	(-) 313	(-) 5.59
Capital Expenditure	611	439	(-) 172	(-) 28.15

It may be seen from the table above that the gap between the estimates and actuals indicated that either the estimates were not realistic or the UT Government had not been able to collect the receipts as projected and could not spend as it should have done especially in respect of Capital Expenditure.

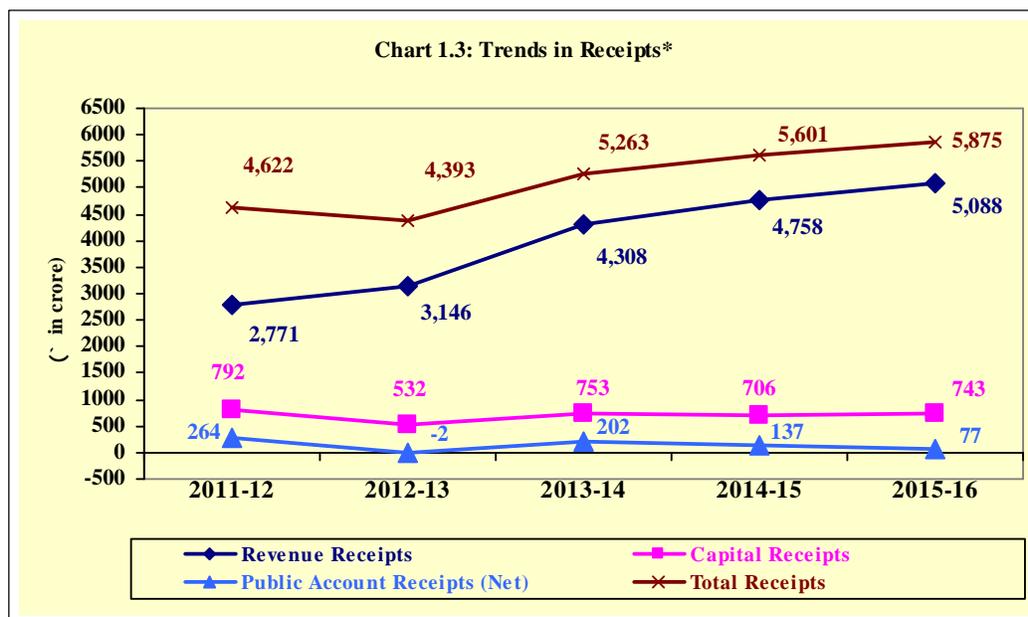
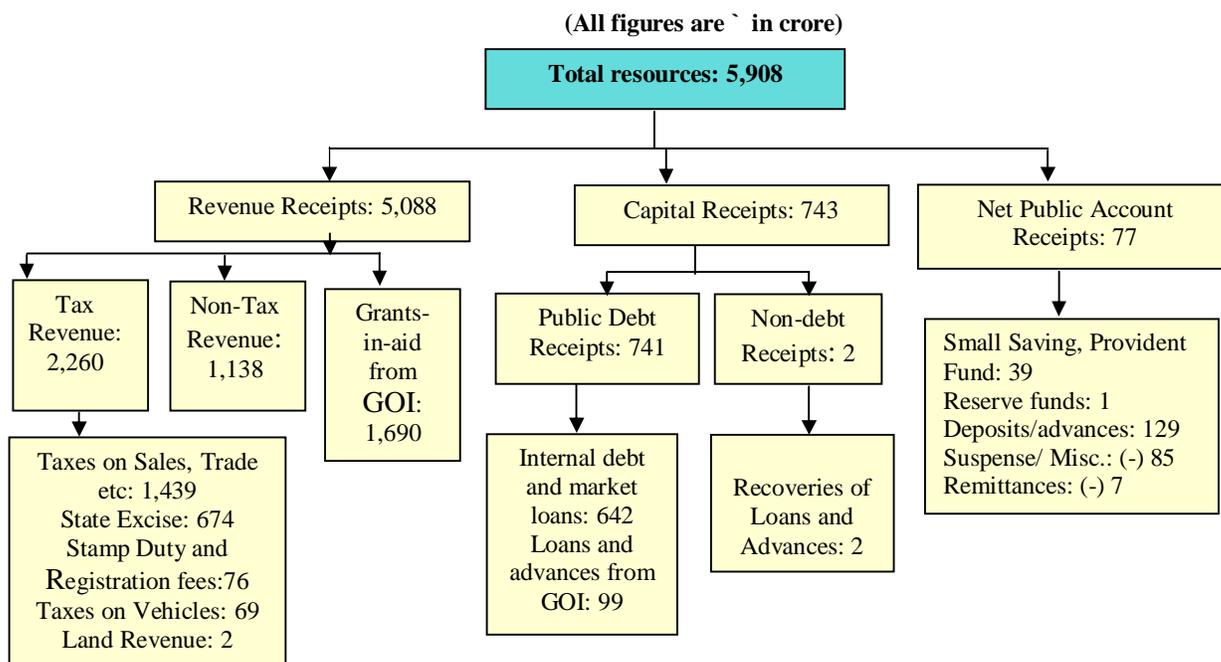
1.2 Resources of the Union Territory

1.2.1 Resources of the Union Territory as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute resources of the Government. Revenue receipts consist of Tax Revenues, Non-Tax Revenues and GIA from GOI. Capital receipts comprise miscellaneous capital receipts such as recoveries of loans and advances, debt receipts from internal sources (market loans), loans and advances from GOI as well as accruals from the Public Account. **Chart 1.2** presents the receipts and disbursements of the UT during the current year, as recorded in its Annual Finance Accounts, while **Chart 1.3** depicts the trends in various components of the receipts during 2011-12 to 2015-16. **Chart 1.4** depicts the composition of resources during the current year.

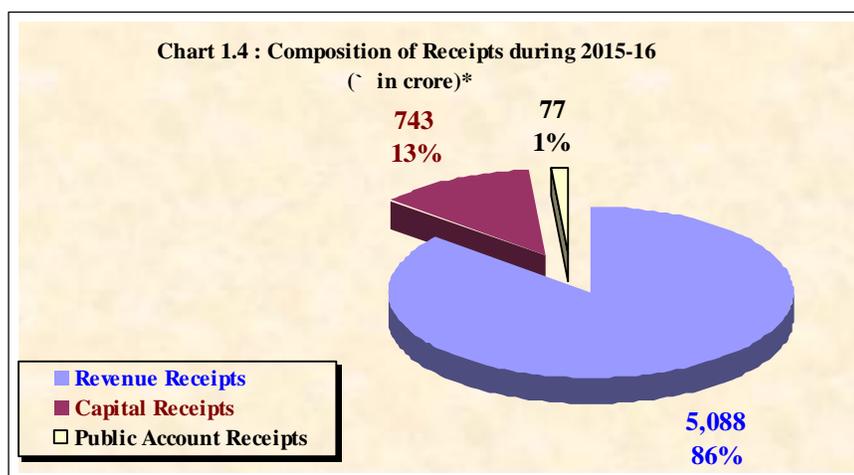
The following flow **Chart 1.2** shows the components and sub-components of resources.

Chart 1.2: Components and sub-components of resources



(Source: Finance Accounts of respective years)

* Total Receipts includes Net Receipts under Public Account



(Source: Finance Accounts of respective years)

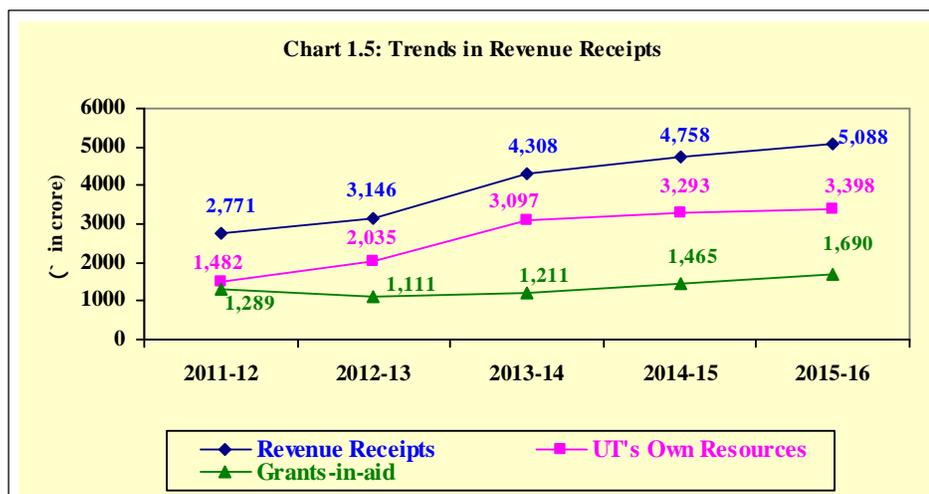
* Total Receipts includes Net Receipts under Public Accounts

Major part of the UT's receipts consist of revenue receipts (86 per cent), followed by capital receipts (13 per cent) and Public Account receipts (one per cent).

Total receipts increased by ` 330 crore over the previous year, mainly due to increase in revenue receipts.

1.3 Revenue Receipts

Statement-14 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the UT's own tax and non-tax revenues and GIA from GOI. The trends of revenue receipts over the period 2011-12 to 2015-16 are presented in **Appendix 1.3** and depicted in **Chart 1.5**.



(Source: Finance Accounts of respective years)

Revenue receipts of UT increased by ₹ 330 crore (6.94 per cent) over the previous year. Tax Revenue and GIA from GOI increased by ₹ 267 crore and ₹ 225 crore respectively, which was offset by decrease in Non-Tax Revenue of ₹ 162 crore.

The trends of revenue receipts relative to GSDP are presented in **Table 1.5** below.

Table 1.5: Trends in Revenue Receipts relative to GSDP

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (RR) (₹ in crore)	2,771	3,146	4,308	4,758	5,088
RR/GSDP (per cent)	16.48	16.67	19.70	19.75	19.18
Rate of growth of RR (per cent)	(-13.41)	13.53	36.94	10.44	6.94
UT's own taxes (₹ in crore)	1,329	1,917	1,904	1,993	2,260
Rate of growth of own taxes (per cent)	23.74	44.24	(-) 0.68	4.67	13.40
GSDP growth (per cent)	@	12.23	15.87	10.14	10.15
Buoyancy Ratios					
Revenue buoyancy with reference to GSDP (ratio)	@	1.10	2.33	1.03	0.68
UT's own tax buoyancy with reference to GSDP (ratio)	@	3.62	(-) 0.04	0.46	1.32

(Source: Finance Accounts of respective years)

@ Growth rate of GSDP not indicated, since comparison with the year 2010-11 could not be made as the base year has been revised to 2011-12

The GSDP, at the current prices, was estimated to increase from ₹ 24,089 crore in 2014-15 to ₹ 26,533 crore in 2015-16, representing growth of 10.15 per cent. While rate of growth of revenue receipts was 6.94 per cent in 2015-16, growth of own taxes increased to 13.40 per cent during the year.

The buoyancy ratio indicates elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. As against growth rate of GSDP of 10.15 per cent, the growth rate of own taxes was 13.40 per cent, indicating that growth of own taxes was more than the growth rate of GSDP. As a result, UT's own tax buoyancy¹ with reference to GSDP was 1.32 in 2015-16. While the revenue buoyancy² with reference to GSDP decreased from 1.03 in 2014-15 to 0.68 in 2015-16, UT's own tax buoyancy with reference to GSDP turned positive during 2014-15 (which stood at 0.46) and during 2015-16 it stood at 1.32.

1.3.1 Union Territory's Own Resources

The UT's performance in mobilisation of resources was assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The UT's actual Tax and Non-Tax Revenue for the year 2015-16

¹ Own Tax Buoyancy is the Rate of Growth of Tax Revenue with reference to the Rate of Growth of GSDP (ROG of OTR: 13.40/ROG of GSDP: 10.15=1.32)

² Revenue Buoyancy is the Rate of Growth of Revenue Receipts with reference to the Rate of Growth of GSDP (ROG of RR: 6.94/ROG of GSDP: 10.15=0.68)

vis-à-vis target proposed in the fiscal road map and budget estimates are given in **Table 1.6**.

Table 1.6: Tax and Non-Tax Revenue *vis-à-vis* budget estimates and target proposed in the fiscal road map

(` in crore)

	Target proposed in the fiscal road map	Budget estimate 2015-16	Actuals
Tax Revenue	3,625	2,340 ³	2,260
Non-Tax Revenue	155	1,460	1,138

(Source: Budget documents, Finance Accounts and details furnished by the Department)

The actual Tax Revenue was less by ` 1,365 crore (38 *per cent*) and ` 80 crore (3.42 *per cent*) than target proposed in the fiscal road map and budget estimate respectively. While Non-Tax Revenue was less by ` 322 crore (22 *per cent*) than budget estimates, it was more by ` 983 crore than fiscal road map target. This is indicative of the fact that the target fixed in fiscal road map is unrealistic and requires to be amended in line with the principles laid down in the GOI's FRBM Act in order to project the performance of the UT Government in more realistic way.

1.3.1.1 Tax Revenue

The details of gross collection in respect of major taxes and duties are given in **Table 1.7**.

Table 1.7: Components of UT's Tax receipts

(` in crore)

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase in 2015-16 over previous year
Taxes on Sales, Trade, etc.	750	1,287	1,256	1,313	1,439	(+) 9.60
State Excise	447	504	512	545	674	(+) 23.67
Taxes on Vehicles	54	52	52	59	69	(+) 16.95
Stamp Duty and Registration fees	77	73	83	75	76	(+) 1.33
Land Revenue	1	1	1	1	2	100
Total	1,329	1,917	1,904	1,993	2,260	(+) 13.40

(Source: Finance Accounts of respective years)

The UT's Tax Revenue increased by ` 267 crore (13.40 *per cent*) in 2015-16, over the previous year, mainly due to increase in collection under Taxes on Sales and Trade (` 126 crore) and State Excise (` 129 crore).

³ Tax Revenue in 2014-15 was ` 1,993 crore against the budget estimate of ` 2,100 crore (Fiscal road map target was ` 3,021 crore). Hence, in view of the trend in Tax Revenue Receipts, the current year's budget estimate was fixed at a lower side

1.3.1.2 Non-Tax Revenue

The components of Non-Tax Revenue receipts are given in **Table 1.8**.

Table 1.8: Components of UT's Non-Tax receipts

(in crore)

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	Variation in 2015-16 over previous year in percentage
Interest receipts	35	35	62	91	88	(-) 3.4
Dividends and Profits	4	1	6	2	4	(+) 100
Other Non-Tax receipts	114	82	1,125	1,207	1,046	(-) 13.3
Total	153	118	1,193	1,300	1,138	(-) 12.4

(Source: Finance Accounts of respective years)

The Non-Tax Revenue receipts decreased from ` 1,300 crore in 2014-15 to ` 1,138 crore in 2015-16. While interest receipts and other non-tax receipts decreased by ` 3 crore and ` 161 crore respectively, dividends and profits increased by ` two crore.

1.3.1.3 Grants-in-aid from GOI

The GIA received from GOI for the years 2011-12 to 2015-16 are given in **Table 1.9**.

Table 1.9: GIA from GOI

(in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16
Non-Plan grants	926.07	525.38	513.50	513.00	807.04
Grants for UT's Plan scheme	266.61	546.59	663.69	803.44	698.90
Grants for Centrally Sponsored schemes	96.01	38.80	33.32	148.36	183.92
Total	1,288.69	1,110.77	1,210.51	1,464.80	1,689.86
Percentage of increase/decrease of GIA over previous year	(-) 6.81	(-)13.81	8.98	21.01	15.36
Total grant as a percentage of revenue receipts	46.51	35.31	28.10	30.79	33.21

(Source: Finance Accounts of respective years)

GIA received from GOI as a percentage over previous year increased by 15.36 during 2015-16. The total grant as a percentage of revenue receipts increased from 30.79 in 2014-15 to 33.21 in 2015-16.

The overall GIA received during 2015-16 increased by ` 225 crore, due to increase of ` 294 crore in Non-Plan grants and ` 36 crore in grants for Centrally Sponsored schemes, which was offset by decrease of ` 105 crore under grants for UT's Plan schemes.

1.4 Capital Receipts

Public debt receipts, recoveries of loans and advances and miscellaneous capital receipts are the capital receipts of the UT Government. The trends in growth of capital receipts for the period from 2011-12 to 2015-16 are given in **Table 1.10**.

Table 1.10: Growth of capital receipts

(` in crore)

Source of receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital receipts	792	532	753	706	743
Miscellaneous capital receipts	Nil	Nil	Nil	Nil	Nil
Recovery of loans and advances	4	3	3	2	2
Public debt receipts	788	529	750	704	741
Rate of growth of Public debt receipts (<i>per cent</i>)	(-) 7.73	(-) 32.87	41.78	(-) 6.13	5.26
Rate of growth of non-debt capital receipts (<i>per cent</i>)	Nil	(-) 25.00	Nil	(-) 33.33	Nil
Rate of growth of capital receipts (<i>per cent</i>)	(-) 7.69	(-) 32.83	41.54	(-) 6.24	5.24

(Source: Finance Accounts of respective years)

The capital receipts increased by ` 37 crore in 2015-16 entirely due to increase in Public Debt receipts.

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account and are not subject to vote by the UT Legislature. For Public Account Receipts, the Government acts as a banker. The balance amount after disbursements is the fund available with the Government for use for various activities. Public Account Receipts for the period from 2011-12 to 2015-16 are given in **Table 1.11**.

Table 1.11: Trends in composition of Public Account Receipts

(` in crore)

Resources under various heads	2011-12	2012-13	2013-14	2014-15	2015-16
Public Account Receipts	1,058.58	715.17	910.80	981.76	1,015.31
(a) Small savings, Provident Fund, etc.	246.41	257.16	266.34	289.93	303.43
(b) Reserve Fund	11.87	28.53	50.00	95.56	1.00
(c) Deposits and advances	323.49	259.70	269.59	195.80	392.45
(d) Suspense and miscellaneous	28.92	(-) 143.10	5.43	(-) 2.49	(-) 95.96
(e) Remittance	447.89	312.88	319.44	402.96	414.39

(Source: Finance Accounts of respective years)

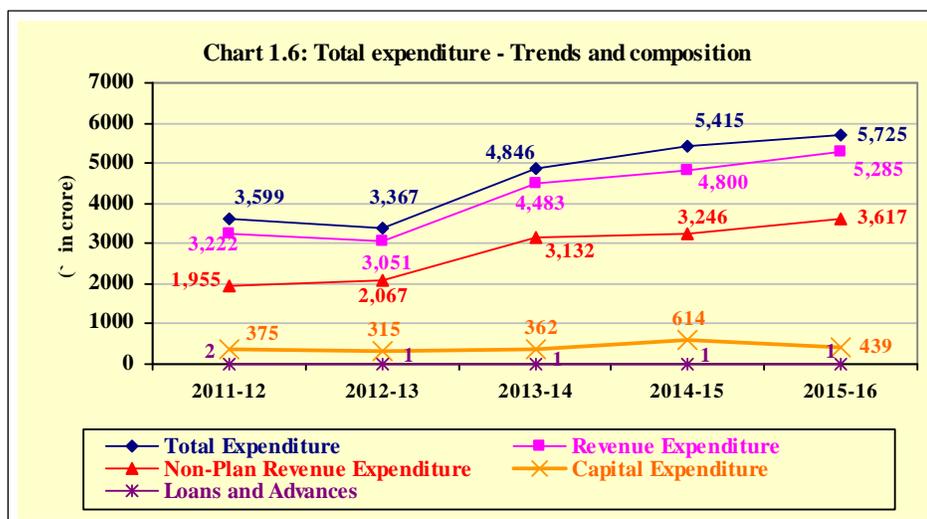
The Public Account Receipts increased from ` 981.76 crore in 2014-15 to ` 1,015.31 crore in 2015-16.

1.6 Application of Resources

Analysis of the allocation of expenditure at the UT Government level assumes significance since major expenditure responsibilities are entrusted with the UT Government functionaries. In view of budgetary constraints in raising public expenditure, that too financed by deficit or borrowings, it is important to ensure that in the process of ongoing fiscal correction and consolidation process, development expenditure is encouraged more rather than concentrating more on revenue expenditure.

1.6.1 Growth and Composition of Expenditure

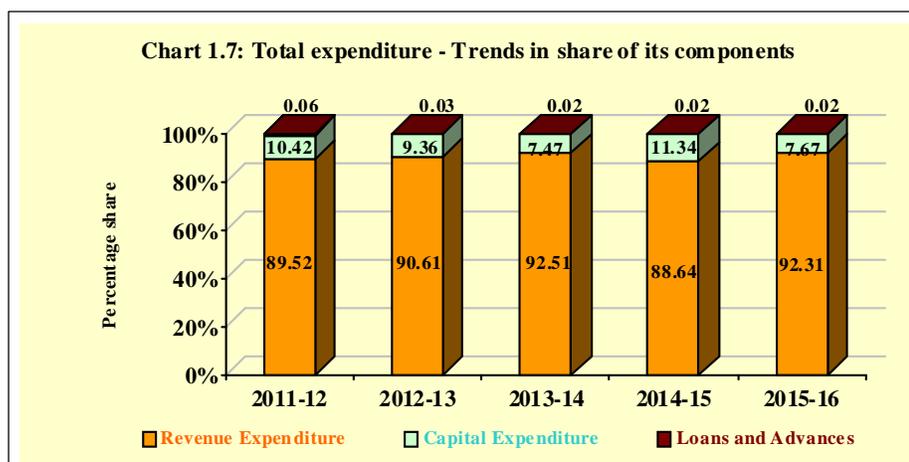
Chart 1.6 presents the trends and composition of total expenditure over a period of five years (2011-12 to 2015-16) and its composition in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Charts 1.7 and 1.8**.



(Source: Finance Accounts of respective years)

Total expenditure⁴ of the UT increased by 5.72 per cent from ` 5,415 crore in 2014-15 to ` 5,725 crore in 2015-16. The revenue expenditure increased by ` 485 crore (10.1 per cent) and the capital expenditure decreased by ` 175 crore (28.5 per cent) during 2015-16 when compared to last year.

Revenue expenditure was 92.31 per cent of the total expenditure, of which, 68.44 per cent was the Non-Plan component. The capital expenditure accounted for 7.67 per cent of the total expenditure in 2015-16.

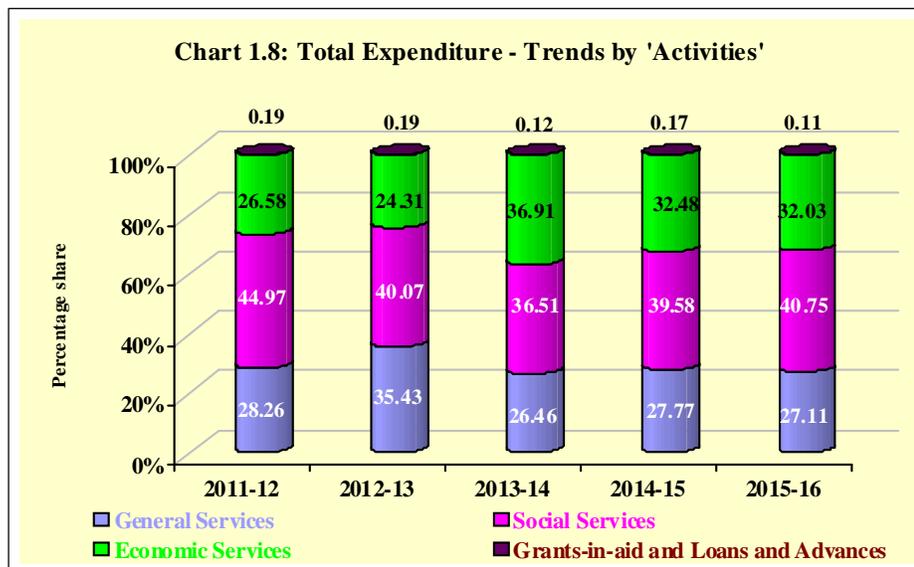


(Source: Finance Accounts of respective years)

It may be seen from **Chart 1.7** above that the Revenue expenditure as a share of Total expenditure had been increasing consistently over a period of five years. Only during 2014-15, the UT Government could marginally

⁴ Total expenditure includes revenue expenditure, capital expenditure and disbursement of loans and advances

contain the Revenue expenditure (88.64 per cent as compared to 92.51 per cent during 2013-14), which again shot up to 92.31 per cent in 2015-16.



(Source: Finance Accounts of respective years)

During 2015-16, expenditure on General Services, Social Services and Economic Services was 27.11, 40.75 and 32.03 per cent of the total expenditure respectively. The expenditure on General Services, Social Services and Economic Services increased by 3.19, 8.87 and 4.32 per cent respectively over the previous year.

1.6.2 Revenue expenditure

Revenue expenditure increased by ` 485 crore as compared to previous year. It constitutes 92.31 per cent of total expenditure of ` 5,725 crore during the year. Revenue deficit stood at 0.74 per cent of GSDP.

1.6.3 Committed Expenditure

The committed expenditure of the UT Government on the revenue account mainly consists of interest payments, expenditure on salaries and pensions and subsidies. **Table 1.12** presents the trends of expenditure on these components during 2011-12 to 2015-16.

Table 1.12: Components of Committed Expenditure

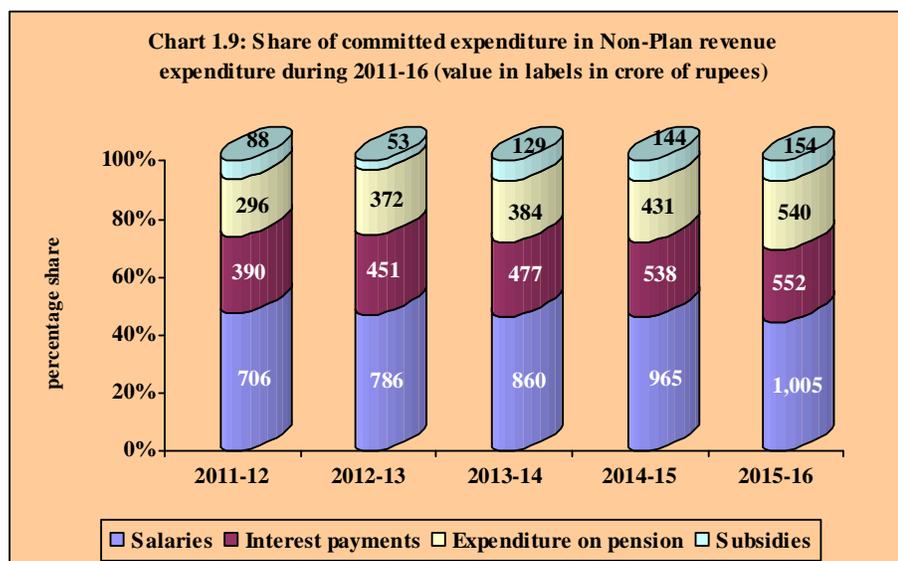
(₹ in crore)

Components of Committed Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16
Salaries, of which	956 (34)	1,063 (34)	1,172 (27)	1,332 (28)	1,377 (27)
Non-Plan Head	706	786	860	965	1,005
Plan Head**	250	277	312	367	372
Interest Payments	390 (14)	451 (14)	477 (11)	538 (11)	552 (11)
Expenditure on Pension	296 (11)	372 (12)	384 (9)	431 (9)	540 (11)
Subsidies	88 (3)	53 (2)	129 (3)	144 (3)	154 (3)
Total	1,730 (62)	1,939 (62)	2,162 (50)	2,445 (51)	2,623 (52)
Figures in bracket indicate percentage to revenue receipts					
** Plan head also includes the salaries paid under Centrally Sponsored Schemes					

(Source: Finance Accounts of respective years)

It may be seen from the table above that the total committed expenditure of the UT Government had been increasing consistently over the period of five years but as a percentage to revenue receipts, the UT Government had been able to contain the percentage to 52 from 62 in 2011-12.

Chart 1.9 presents the share of committed expenditure in Non-Plan revenue expenditure on salaries, interest payments and pension during 2011-12 to 2015-16.



(Source: Finance Accounts of respective years)

The committed expenditure (₹ 2,623 crore) increased continuously from 2011-12 to 2015-16 and constituted around 52 *per cent* of Revenue Receipts and 50 *per cent* revenue expenditure respectively during 2015-16.

Expenditure on salaries under Non-Plan and Plan during the current year was ₹ 1,005 crore and ₹ 372 crore respectively. During 2015-16, expenditure on salary increased by ₹ 45 crore (3 *per cent*) over the previous year and as a percentage of revenue receipts, it was around 27.

Pension payments increased by 25 *per cent* from ₹ 431 crore in 2014-15 to ₹ 540 crore in 2015-16 and it stood at around 11 *per cent* of revenue receipts.

Interest payments increased by ₹ 14 crore (around 3 *per cent*) in 2015-16 over the previous year mainly due to increase in internal debt, which had increased from ₹ 4,221 crore in 2014-15 to ₹ 4,812 crore in 2015-16 (around 14 *per cent*). The interest payments was 11 *per cent* of the total revenue receipts for the third year consecutively.

Subsidies which were three *per cent* of revenue receipts in 2015-16, represent the expenditure booked under the object head 'Subsidies' under Welfare of Scheduled Castes, Social Security and Welfare, Crop Husbandry, Animal Husbandry, Fisheries, Food Storage and Warehousing, Minor Irrigation, Village and Small Industries, Tourism and other General Economic Services. The all India percentage of subsidy against Revenue Receipts is 21.97 *per cent*, which is indicative of the fact that the UT had been doing well to contain the expenditure on subsidy within the all India percentage of 21.97 *per cent*.

1.6.4 Financial Assistance by UT Government to Local Bodies and other Institutions

The Panchayati Raj system in Puducherry is governed by the provisions of the Pondicherry Village and Commune Panchayat Act, 1973, which has devolved several powers to Village and Commune Panchayats. The Act was further amended in 1994, so as to conform to the 73rd amendment to the Constitution. In Puducherry, there are five Municipalities, 10 Commune Panchayats and 98 Village Panchayats. The quantum of assistance provided by way of grants and loans to Local Bodies and other institutions during the current year relative to the previous years is presented in **Table 1.13**.

Table 1.13: Financial Assistance to Local Bodies and other institutions
(` in crore)

Financial Assistance to Institutions	2011-12	2012-13	2013-14	2014-15	2015-16
(1)	(2)	(3)	(4)	(5)	(6)
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	25.15	28.09	37.08	50.56	45.96
Municipalities	48.37	23.43	44.89	43.98	53.83
Panchayati Raj Institutions	30.91	3.75	18.36	12.14	1.10
Development Agencies and Autonomous Bodies	302.86	263.03	348.59	459.75	433.37
Co-operatives	30.42	35.32	32.63	68.72	61.49
Other Institutions*	6.75	6.43	5.75	25.49	120.56
Total	444.46	360.05	487.30	660.64	716.31
Assistance as percentage of revenue expenditure	14	12	11	14	14

(Source: Information furnished by the Director of Accounts and Treasuries, Puducherry)

* Welfare societies and religious institutions

Financial assistance extended to Local Bodies and other institutions increased from ` 660.64 crore in 2014-15 to ` 716.31 crore in 2015-16. The increase was mainly due to more financial assistance given to Welfare societies and religious institutions.

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the UT generally reflects the quality of its expenditure. Improvement in the quality of expenditure basically involves three aspects, *viz.*, adequacy of the expenditure (*i.e.*, adequate provisions for providing public services), efficiency of utilisation of funds and its effectiveness.

1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to the social and economic infrastructure are largely assigned to State/UT Governments. Enhancing human development levels requires the States/UTs to step up their expenditure on key Social Services like education, health, etc. **Table 1.14** analyses the fiscal priority (percentage of expenditure category to aggregate expenditure) of the UT Government with regard to development expenditure, social sector expenditure and capital expenditure during the

current year and compares the fiscal priority given to different categories of expenditure of the UT of Puducherry in 2012-13 and 2015-16.

Table 1.14 A: Fiscal priority of the UT in 2012-13 and 2015-16

Fiscal priority of the UT		AE/ GSDP	DE/AE	SSE/AE	CE/AE	ESE/AE	Expenditure on Education, Sports, Art and Culture/AE	Expenditure on Health and Family Welfare/AE
Puducherry (Percentage)	2012-13	18	64	40	9	24	15	9
	2015-16	21	73	41	8	32	12	9
General Category States (Percentage)	2012-13	14	70	38	14	30	18	5
	2015-16	16	71	36	15	34	16	4
AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; CE: Capital Expenditure; ESE: Economic Sector Expenditure Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed								

(Source: (1) Directorate of Economics and Statistics, Puducherry and (2) Finance Accounts for Expenditure figures)

It may be seen from the table above that the aggregate expenditure, as a percentage to GSDP, increased from 18 in 2012-13 to 22 in 2015-16, which showed that the UT Government of Puducherry spent higher proportion of its GSDP on aggregate expenditure in 2015-16.

While the percentage of Development expenditure to aggregate expenditure had increased from 64 in 2012-13 to 73 in 2015-16, there was a slight decline in Education, Sports, Art and Culture, where the percentage had decreased from 15 in 2012-13 to 12 in 2015-16. In respect of Health and Family Welfare, the percentage was static.

The table below analyses the fiscal priority set by the UT Government in key areas of Education, Sports, Art and Culture and Health and Family Welfare.

Table 1.14 B: Fiscal priority of the UT in 2012-13 and 2015-16

Fiscal priority of the UT		Per capita expenditure on Education, Sports, Art and Culture (in `)	Per capita expenditure on Health and Family Welfare (in `)
Puducherry	2012-13	4,135	2,412
	2015-16	5,536	3,902

Per capita expenditure on Education, Sports, Art and Culture and per capita expenditure on Health and Family Welfare increased from ` 4,135 and ` 2,412 in 2012-13 to ` 5,536 and ` 3,902 in 2015-16 respectively.

1.7.2 Efficiency of utilisation of funds

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the UT Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods⁵. Apart from improving the allocation towards development expenditure, the efficiency of utilisation of funds is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and the proportion of revenue expenditure being incurred on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.15** depicts the trends in development expenditure relative to the aggregate expenditure of the UT during 2011-12 to 2015-16.

Table 1.15: Development Expenditure

(` in crore)

Components of Development Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16
Development Expenditure (a to c)	2,575.35 (72)	2,168.24 (64)	3,558.19 (73)	3,902.36 (72)	4,165.91 (73)
a. Development Revenue Expenditure	2,249.43 (63)	1,907.25 (57)	3,243.06 (67)	3,375.71 (62)	3,809.86 (67)
b. Development Capital Expenditure	325.92 (9)	260.99 (8)	315.13 (6)	526.65 (10)	356.05 (6)
c. Development Loans and Advances	Nil	Nil	Nil	Nil	Nil

(Source: Finance Accounts of respective years)

Figures in bracket indicate percentage of aggregate expenditure

Development expenditure increased by ` 263.55 crore from ` 3,902.36 crore in 2014-15 to ` 4,165.91 in 2015-16. The development capital expenditure, as a percentage of aggregate expenditure, decreased from 10 in 2014-15 to 6 in 2015-16.

Table 1.16 provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services during 2014-15 and 2015-16.

⁵ **Core public goods** are goods which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good

Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need rather than the ability and willingness to pay the Government and therefore wishes to encourage their consumption

Table 1.16: Efficiency of utilisation of funds in selected Social and Economic Services

(Percentage)

Social/Economic Infrastructure	2014-15		2015-16	
	Share of CE to TE	In RE, the share of S&W	Share of CE to TE	In RE, the share of S&W
Social Services (SS)				
General Education	2.23	72.99	3.10	73.58
Health and Family Welfare	2.19	62.31	1.70	57.45
Water Supply, Sanitation and Housing and Urban Development	28.50	23.16	29.96	8.31
Total (SS)	14.57	37.33	5.73	36.02
Economic Services (ES)				
Agriculture and Allied Activities	5.65	24.45	5.72	23.02
Irrigation and Flood Control	63.94	62.69	65.01	68.25
Power and Energy	5.50	9.08	3.76	6.30
Transport	61.11	39.49	72.02	58.77
Total (ES)	12.18	14.16	12.10	12.12
Total (SS+ES)	13.50	30.19	8.55	25.92
TE: Total Expenditure on the sector/services concerned; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages				

(Source: Finance Accounts and figures furnished by the Director of Accounts and Treasuries for wages)

Expenditure on Social Services

The share of capital expenditure in the total expenditure under Health and Family Welfare decreased marginally, the share of General Education increased from 2.23 in 2014-15 to 3.10 in 2015-16 and Water Supply, Sanitation, Housing and Urban Development increased from 28.50 *per cent* in 2014-15 to 29.96 *per cent* in 2015-16. The share of salaries and wages in the revenue expenditure on Social Services decreased from 37.33 *per cent* in 2014-15 to 36.02 *per cent* in 2015-16.

Expenditure on Economic Services

The capital expenditure on Economic Services, as a percentage of total expenditure on Economic Services, decreased marginally from 12.18 in 2014-15 to 12.10 in 2015-16. The share of salaries and wages in the revenue expenditure on Economic Services decreased from 30.19 *per cent* in 2014-15 to 25.92 *per cent* in 2015-16.

1.8 Financial Analysis of Government Expenditure and Investments

The UT is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to dependence on market based resources, the UT Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds, rather than bearing the same on its budget in the form of implicit subsidies. This section presents information on incomplete projects and a broad financial analysis of investments by the Government during the current year *vis-à-vis* the previous years.

1.8.1 Incomplete projects

The information pertaining to incomplete projects in the Public Works Department as on 31 March 2016 is given in **Table 1.17**.

Table 1.17: Profile of incomplete projects

(` in crore)

Department	No. of incomplete Projects*	Expenditure during the year	Cumulative expenditure as on 31.3.2016
Public Works Department	14	6.02	78.58

(Source: Finance Accounts)

* Only those projects which were scheduled to be completed before 31 March 2016 are included in the table

Failure to complete the projects on time led to escalation of project costs and delayed accrual of the projects' benefits to the society at large. Further, delays also resulted in postponement of revenue realisation from the projects. Out of the 14 incomplete projects, one project was scheduled to be completed in September 2011, but the work was yet to be completed and physical achievement was 80 *per cent* at the end of 2015-16. Similarly, another project which was scheduled to be completed in August 2014 had not yet been completed and physical achievement was just 25 *per cent* at the end of 2015-16.

1.8.2 Investment and returns

As of March 2016, Government invested ` 1,018.52 crore (` 711.23 crore in 14 Government Companies and one Statutory Corporation and ` 307.29 crore in 358 Co-operative Institutions) as indicated in **Table 1.18**. Though the average rate of interest on UT Government's borrowings was 7.5 *per cent*, the average rate of return on investment was only around 0.3 *per cent* during 2011-12 to 2015-16.

Table 1.18: Return on Investment

Investment/Return/Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year (₹ in crore)	948.87	960.09	981.85	998.93	1,018.52
Return (₹ in crore)	3.51	1.01	6.30	1.63	3.93
Return (per cent)	0.4	0.1	0.6	0.2	0.4
Average rate of interest on Government borrowings (per cent)	7.8	8.0	7.7	7.9	7.5
Difference between interest rate and return (per cent)	7.4	7.9	7.1	7.7	7.1

(Source: Finance Accounts of respective years)

A performance based system of accountability should be put in place in the Government Companies / Statutory Corporations so as to derive profitability and improve efficiency in the service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify if high cost borrowings are worth to be channelised there.

1.8.3 Loans and advances by UT Government

During 2015-16, Government did not provide any loans and advances to any institution/organisation. **Table 1.19** presents the outstanding loans and advances as on 31 March 2016 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 1.19: Outstanding loans and interest received on loans and advances by the UT Government

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Opening Balance	17.83	16.09	14.12	12.41	11.42
Amount advanced during the year	2.07	1.45	1.30	1.45	1.31
Amount repaid during the year	3.81	3.42	3.01	2.44	2.10
Closing Balance	16.09	14.12	12.41	11.42	10.63
Net increase (+)/ decrease (-)	(-) 1.74	(-) 1.97	(-) 1.71	(-) 0.99	(-) 0.79
Interest receipts	2.30	2.64	2.46	2.48	2.23
Interest receipts as percentage of outstanding loans and advances	13.56	17.47	18.55	20.81	20.22
Interest payments as percentage of outstanding fiscal liabilities of the UT Government	7.16	7.67	7.28	7.65	7.12
Difference between interest payments and interest receipts (per cent)	6.40	9.80	11.27	13.16	13.10

(Source: Finance Accounts of respective years)

The quantum of loan advanced decreased from ₹ 1.45 crore in 2014-15 to ₹ 1.31 crore in 2015-16 and repayments of loan by the loanees decreased from ₹ 2.44 crore in 2014-15 to ₹ 2.10 crore in 2015-16. The total amount of ₹ 1.31 crore advanced during the year was only loans and advances given to Government servants.

1.8.4 Cash balance and investment of cash balances

Table 1.20 shows the cash balance and investment of cash balances for 2014-15 and 2015-16.

Table 1.20: Cash balance and investment of cash balance

(₹ in crore)

	Opening balance on 1 April 2015	Closing balance on 31 March 2016
(a) General cash balance		
(i) Cash in treasuries	Nil	Nil
(ii) Deposit with RBI	0.15	(-) 0.56
(iii) Deposits with other banks	Nil	Nil
(iv) Local remittances	Nil	Nil
Total	0.15	(-) 0.56
(v) Investment held in cash balance investment account	987.88	984.17
General Cash balance – Total (a)	988.03	983.61
(b) Other cash balances and investments		
(vi) Departmental cash balances	0.41	0.91
(vii) Permanent Imprest	1.53	1.61
(viii) Investment out of earmarked funds	244.92	263.08
Total (b)	246.86	265.60
Grand Total (a) + (b)	1,234.89	1,249.21

(Source: Finance Accounts of respective years)

The cash balance increased from ₹ 1,234.89 crore in 2014-15 to ₹ 1,249.21 crore in 2015-16. During the year, the cash balance investment⁶ was ₹ 984.17 crore.

⁶ Cash Balance investment is the mandatory investment required to be done by each State/UT Government with RBI. This balance is the combined cash and cash equivalent balance of Consolidated Fund, Contingency Fund and Public Account

1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

Comprehensive accounting of fixed assets like land and buildings owned by the Government is not done in the existing Government accounting system. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4 - Part B** gives an abstract of such liabilities and assets as on 31 March 2016, compared with the corresponding position on 31 March 2015. 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 the capital outlay, loans and advances given by the UT Government and cash balances. The ratio of cumulative assets to liabilities as on 31 March 2016 was 0.85, indicating that assets were not sufficient to meet the liabilities.

1.9.2 Fiscal Liabilities

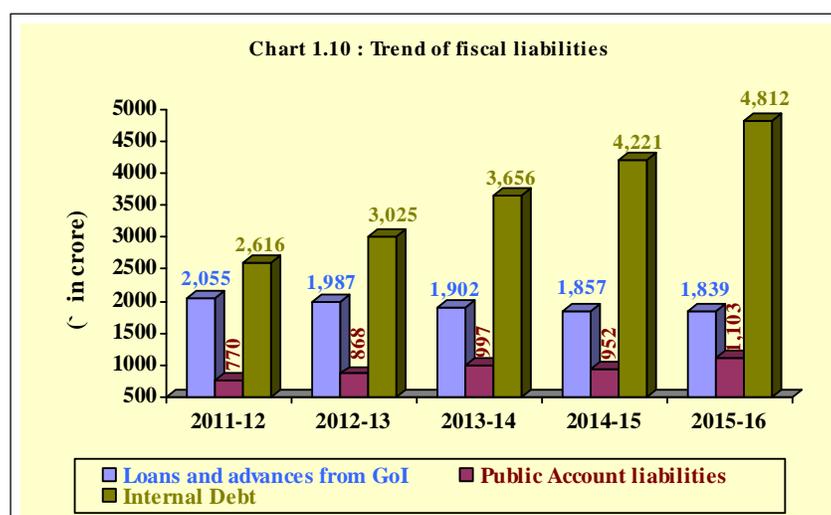
Fiscal liabilities are internal debt, loans and advances from GOI and the Public Account liabilities comprising small savings and provident fund, reserve funds and deposits. The trends in outstanding fiscal liabilities of the UT are presented in **Appendix 1.3**. The composition of fiscal liabilities for the period 2011-12 to 2015-16 is presented in **Chart 1.10** and the trends of fiscal liabilities relative to revenue receipts and GSDP are presented in **Table 1.21** below.

Table 1.21: Trend of fiscal liabilities

	2011-12	2012-13	2013-14	2014-15	2015-16
Fiscal liabilities (₹ in crore)	5,441	5,880	6,555	7,030	7,754
Rate of Growth of fiscal liabilities (per cent)	18.59	8.07	11.48	7.25	10.30
Percentage of revenue receipts	196	187	152	148	152
Percentage of GSDP	32	31	30	29	29

(Source: Finance Accounts of respective years)

It may be seen from the table above that though the fiscal liabilities of the UT Government had been increasing over the period of five years, the rate of growth had declined from 18.59 per cent in 2011-12 to 10.30 per cent in 2015-16. Even the fiscal liabilities as percentage to GSDP had also declined from 32 in 2011-12 to 29 in 2015-16, which is indicative of a good fiscal correction path adopted by the UT Government.



(Source: Finance Accounts of respective years)

The outstanding fiscal liabilities have shown a steady increase from ` 5,441 crore in 2011-12 to ` 7,754 crore in 2015-16. The fiscal liabilities at the end of 2015-16 represented 152 *per cent* of revenue receipts (` 5,088 crore) during the year.

While internal debts which constituted 60 *per cent* of total fiscal liabilities in 2014-15, increased to 62 *per cent* in 2015-16, loans and advances from GOI decreased from 26 to 24 *per cent* of the fiscal liabilities during the same period. The Public Account liabilities also increased from ` 952 crore in 2014-15 to ` 1,103 crore in 2015-16. The fiscal liabilities represented about 29 *per cent* of GSDP during 2015-16.

1.9.3 Contingent liabilities

Status of guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the UT Government in case of defaults by borrowers for whom the guarantees have been extended.

Guarantees for the purpose of Administration of Union Territories, prior to the amendment of the Union Territories Act on 6 September 2001, were given by GOI under Article 292 of the Constitution of India. In the event of the guarantees being invoked, the payment would initially be charged to the Consolidated Fund of India and the amount subsequently recovered from the Government of the UT. Consequent to amendment of the UT Act on 6 September 2001 and issue of its notification by the Government of India on 10 May 2006, the Government of UT of Puducherry is empowered to give guarantees. As per Statement No.9 of the Finance Accounts, the maximum amount for which guarantees were given by UT Government and

GOI on behalf of the UT and outstanding guarantees for the last three years are given in **Table 1.22**.

Table 1.22: Guarantees given by the Government of India on behalf of the UT of Puducherry

Guarantees	2011-12	2012-13	2013-14	2014-15	2015-16
Maximum amount guaranteed (` in crore)	20.98	20.98	20.98	37.50	56.18
Outstanding amount of guarantees (` in crore)	5.83	5.25	4.95	27.80	44.48
Percentage of maximum amount guaranteed to total Revenue receipts	0.76	0.67	0.49	0.79	1.10

(Source: Finance Accounts of respective years)

As a percentage of revenue receipts, the maximum amount guaranteed increased from 0.79 in 2014-15 to 1.10 in 2015-16. No guarantee was invoked during any of the five years.

1.10 Debt Management

Apart from the magnitude of debt of the UT Government, it is important to analyse various indicators that determine the debt sustainability of the UT. This section assesses the sustainability of debt of the UT Government in sufficiency of non-debt receipts, net availability of borrowed funds⁷, burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of the UT Government's debts.

Table 1.23 indicates the debt sustainability of the UT for a period of five years beginning from 2011-12.

Table 1.23: Debt Sustainability - Indicators and Trends

(` in crore)

Indicators of Debt Sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Rate of growth of outstanding debts* (percentage)	15.61	7.29	10.91	9.36	9.43
Debt [#] /GSDP (percentage)	27.78	26.55	25.41	25.23	25.07
Rate of growth of GSDP	@	12.23	15.87	10.14	10.15
Average interest rate of outstanding debt	8.28	8.54	8.36	8.50	8.18
Burden of Interest Payments (IP/RR) (percentage)	14.07	14.34	11.07	11.31	10.85

⁷ Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption, indicating the net availability of borrowed funds

Indicators of Debt Sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Debt Repayment/Debt Receipts (percentage)	19.92	35.73	27.20	25.99	22.81
Net debt available to the UT Government	269.65	(-) 72.87	104.84	25.45	51.60
Maturity profile of internal debt and GOI loans (in years)					
0 – 1	189 (4.04)	203 (4.05)	212.74 (3.83)	221.63 (3.65)	233.58 (3.51)
1 – 3	625 (13.38)	424 (8.46)	448.60 (8.07)	819.99 (13.49)	1,191.79 (17.92)
3 – 5	707 (15.14)	756 (15.08)	1,114.87 (20.06)	1,279.76 (21.06)	1,549.06 (23.29)
5 – 7	1,115 (23.87)	1,168 (23.30)	1,426.65 (25.67)	1,467.49 (24.14)	1,192.30 (17.93)
7 and above	2,035 (43.57)	2,461 (49.11)	2,345.40 (42.20)	2,279.63 (37.50)	2,484.28 (37.35)
			9.96* (0.17)	9.96* (0.16)	Nil*
Outstanding Public debt as on 31 March 2016					6,651.01

(Source: Finance Accounts of respective years)

Figures in bracket represents percentage to total outstanding Public Debt.

- # Excluding Public Account liability
- * Maturity profile not available due to non-receipt of terms and conditions from Ministry of Finance, New Delhi which was included in 2015-16 under 3-5 years
- @ Growth rate of GSDP not indicated, since comparison with the year 2010-11 could not be made as the base year has been revised to 2011-12

The rate of growth of outstanding debt, which was at 15.61 *per cent* in 2011-12 had decreased to 9.43 *per cent* in 2015-16. A falling Debt-GSDP ratio can be considered as leading towards stability. The UT's Debt-GSDP ratio has been gradually decreasing from 2011-12 onwards and stood at 25.07 *per cent* during 2015-16, which is indicative of a prudent fiscal consolidation.

The burden of interest payment, which was 14 *per cent* of the Revenue receipts in 2011-12, decreased to 11 *per cent* in 2013-14 and remained the same during 2014-15 and 2015-16. The debt repayment to debt receipts, which was at 19.92 *per cent* in 2011-12, increased to 35.73 *per cent* during 2012-13 and thereafter, started declining and stood at 22.81 *per cent* during 2015-16. The net debt available to the UT Government drastically reduced from ` 269.65 crore in 2011-12 to ` 51.60 crore during 2015-16.

The maturity profile of the UT Government's Public debt indicates that nearly 62.65 *per cent* of the total Public debt is repayable within next seven years, which is very high.

Bunching of repayments in any particular year would cause financial stress to that year's budget. The maturity profile of the UT's debt indicates a year-on-year increase in its repayment burden. In UT, the greater portion

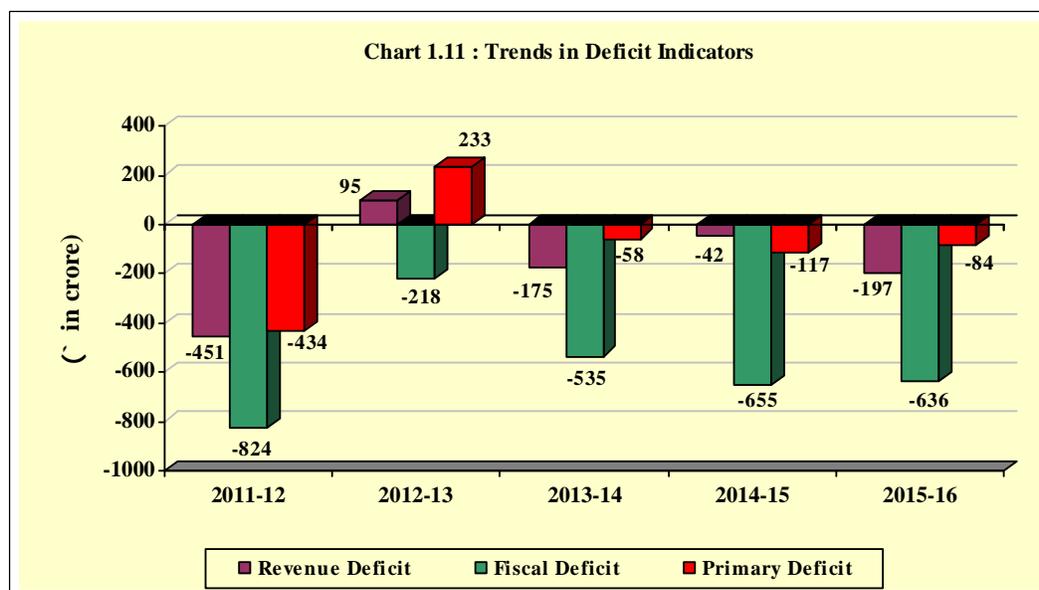
of repayments would happen between the 3rd and 7th years from borrowings and beyond seven years. Government could face challenges in order to meet the liabilities at that time.

1.11 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal soundness or imbalances in the finances of the UT Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources are applied, are important pointers to its fiscal health. This section presents the trends, nature, magnitude and manner of financing these deficits.

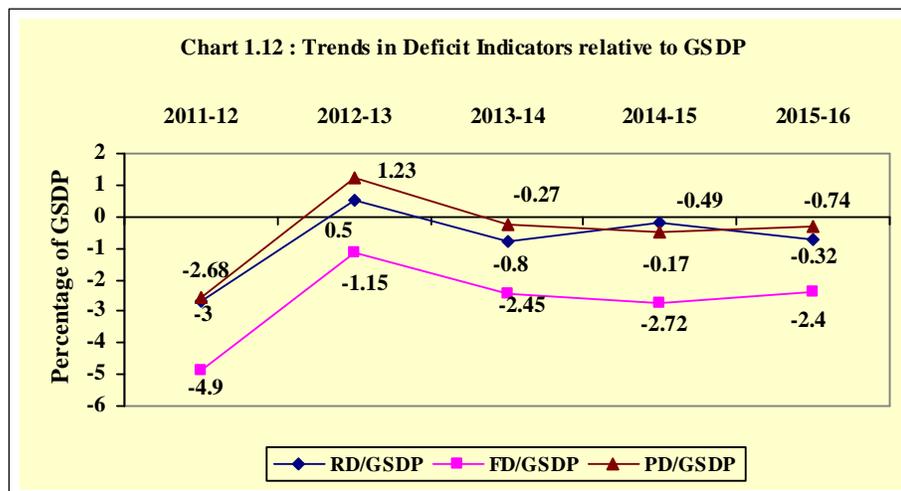
1.11.1 Trends in Deficits

Charts 1.11 and 1.12 present the trends in deficit indicators during the period 2011-12 to 2015-16.



(Source: Finance Accounts of respective years)

Chart 1.12 below depicts the trends in deficit indicators relative to GSDP of the UT of Puducherry for the period from 2011-12 to 2015-16.



(Source: Finance Accounts of respective years)

Revenue deficit indicates the excess of revenue expenditure over revenue receipts. The revenue deficit of ` 42 crore during 2014-15 increased to ` 197 crore in 2015-16 (increased by over 369 *per cent*). The fiscal deficit decreased marginally from ` 655 crore in 2014-15 to ` 636 crore in 2015-16 (3 *per cent*). The primary deficit also decreased from ` 117 crore in 2014-15 to ` 84 crore (28 *per cent*) in 2015-16.

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.24**.

Table 1.24: Components of Fiscal Deficit and its Financing Pattern

(` in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Split up of Fiscal Deficit		824	218	535	655	636
1	Revenue Deficit(-)/Surplus(+)	(-)451	(+) 95	(-) 175	(-) 42	(-) 197
2	Net Capital Expenditure	375	315	362	614	439
3	Net Loans and Advances	(+)2	(+) 2	(+) 2	(+) 1	--
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	703	409	630	566	591
2	Loans from GOI	(-) 72	(-) 69	(-) 84	(-) 46	(-) 18
3	Small Savings, PF etc.	19	14	33	51	39
4	Deposits and Advances	203	71	80	(-) 34	129
5	Suspense and Miscellaneous	25	(-)132	6	(-) 25	(-) 85
6	Remittances	5	17	32	50	(-) 7
7	Reserve Funds	12	29	50	96	1
	Total	895	339	747	658	650
8	Overall Surplus/Deficit (cash balance)	71	121	212	3	14

* All these figures are net of disbursements/outflows during the year

(Source: Finance Accounts of respective years)

The fiscal deficit decreased by ` 19 crore during 2015-16, which was due to decrease in capital expenditure from ` 614 crore in 2014-15 to ` 439 crore in 2015-16, which was partly offset by increase in revenue deficit. The increase in fiscal deficit, along with increase in interest payments by ` 14 crore, led to primary deficit of ` 84 crore during the year. The UT had been increasingly relying on market borrowings for financing its fiscal deficit.

The Fourteenth Finance Commission (FC-XIV) had recommended that reduction of fiscal deficit and revenue deficit, relative to GSDP by 1.4 percentage points each, as well as a reduction in the primary deficit, relative to GSDP by 0.2 percentage point would improve in the fiscal position of a State/UT. In respect of UT of Puducherry, the fiscal deficit and the primary deficit relative to GSDP had been reduced by 33 *per cent* and 40 *per cent* respectively during 2015-16. The revenue receipt relative to GSDP had increased considerably over the previous year which was well ahead of the FC-XIV recommendations. There is a need to ensure that the momentum gained to improve the fiscal position of the UT of Puducherry is maintained in the forthcoming years.

1.11.3 Quality of Deficit/Surplus

The bifurcation of the primary deficit as shown in **Table 1.25** indicates the extent to which the deficit was on account of enhancement in capital expenditure, which may have been desirable to improve the productive capacity of the UT's economy.

Table 1.25: Primary Deficit/Surplus - Bifurcation of Factors

(` in crore)

Year	Revenue Receipts	Recovery of Loans and Advances	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances disbursed	Primary Expenditure	Primary Revenue Deficit (-) / Surplus (+)	Primary Deficit (-) / Surplus (+)
(1)	(2)	(3)	(4 (2+3))	(5)	(6)	(7)	(8 (5+6+7))	(9 (2-5))	(10 (4-8))
2011-12	2,771	4	2,775	2,832	375	2	3,209	(-) 61	(-) 434
2012-13	3,146	3	3,149	2,600	315	1	2,916	546	233
2013-14	4,308	3	4,311	4,006	362	1	4,369	302	(-)58
2014-15	4,758	2	4,760	4,262	614	1	4,877	496	(-) 117
2015-16	5,088	2	5,090	4,734	439	1	5,174	354	(-) 84

(Source: Finance Accounts of respective years)

As capital expenditure decreased from ` 614 crore in 2014-15 to ` 439 crore in 2015-16, primary deficit decreased from ` 117 crore in 2014-15 to ` 84 crore in 2015-16. Primary revenue surplus decreased from ` 496 crore in 2014-15 to ` 354 crore in 2015-16. This is indicative of the fact that there was a disproportionate increase in the primary revenue expenditure as compared to the Revenue Receipts.

1.12 Conclusion

High share of Revenue Expenditure in total expenditure: The Revenue Expenditure of ` 5,285 crore during 2015-16 constituted 92.30 *per cent* of total expenditure. The committed expenditure such as salaries, pension and interest payments constituted around 52 *per cent* of Revenue Receipts and 50 *per cent* of Revenue Expenditure.

Enhanced Development Expenditure: Development Expenditure increased by ` 264 crore from ` 3,902 crore in 2014-15 to ` 4,166 crore in 2015-16. However, Development Expenditure, as a percentage of aggregate expenditure, marginally increased from 72 in 2014-15 to 73 in 2015-16.

Low return on investments: As of 31 March 2016, Government invested ` 1,018.52 crore in Government Companies and Co-operative Institutions. Though the average rate of interest on UT Government's borrowings was 7.5 *per cent*, the average rate of return on investments was around 0.3 *per cent* during 2011-12 to 2015-16.

High ratio of fiscal liabilities to GSDP: The outstanding fiscal liabilities increased from ` 5,441 crore in 2011-12 to ` 7,754 crore in 2015-16. The fiscal liabilities represented about 29 *per cent* of GSDP in 2015-16.

Maturity Profile: The maturity profile of the UT Government's Public debt indicates that nearly 62.65 *per cent* of the total Public debt is repayable within next seven years, which shows that UT Government is leading towards debt trap.