

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

1 Profile of Chhattisgarh

The State of Chhattisgarh, located in the central part of India and created in November 2000 by dividing the State of Madhya Pradesh, has an area of 1,35,192 sq. km. It is the 10th largest State of the country in terms of geographical area and the 16th largest State by population (2.55 crore as per 2011 census). The State's population increased from 2.08 crore in 2001 to 2.55 crore in 2011 recording a decadal growth of 22.61 *per cent*. The percentage of population living below the poverty line was 47.90¹, which is more than the all-India average of 29.50. The Gross State Domestic Product (GSDP) of Chhattisgarh in 2015-16 at current price was ₹ 2,51,447.14 crore. The State's literacy rate increased from 64.66 *per cent* (as per 2001 census) to 70.28 *per cent* (as per 2011 census) which was less than all-India average of 73.00 *per cent* (as per 2011 census). At current prices, the per capita income of the State was estimated at ₹ 81,756 during 2015-16. General Data relating to the State is given in **Appendix 1.1 (Part-A)**.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period. The growth of GSDP of the State is an important economic indicator of the State's economy, as it depicts the increase in total value of production activities in the State. The trends in the annual growth of India's GDP and GSDP of the State at current prices are indicated in **Table 1.1**.

Table 1.1: Annual growth rate of GDP and GSDP (at current prices)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
India's GDP ² (₹ in crore)	87,36,039	99,51,344	1,12,72,764	1,24,88,205	1,35,76,086
Growth rate of GDP (in percentage)	--	13.91	13.28	10.78	8.71
State's GSDP ² (₹ in crore)	1,58,074	1,77,511	2,06,786 ^P	2,36,318 ^Q	2,51,447 ^A
Growth rate of GSDP (in percentage)	--	12.30	16.49	14.28	6.40

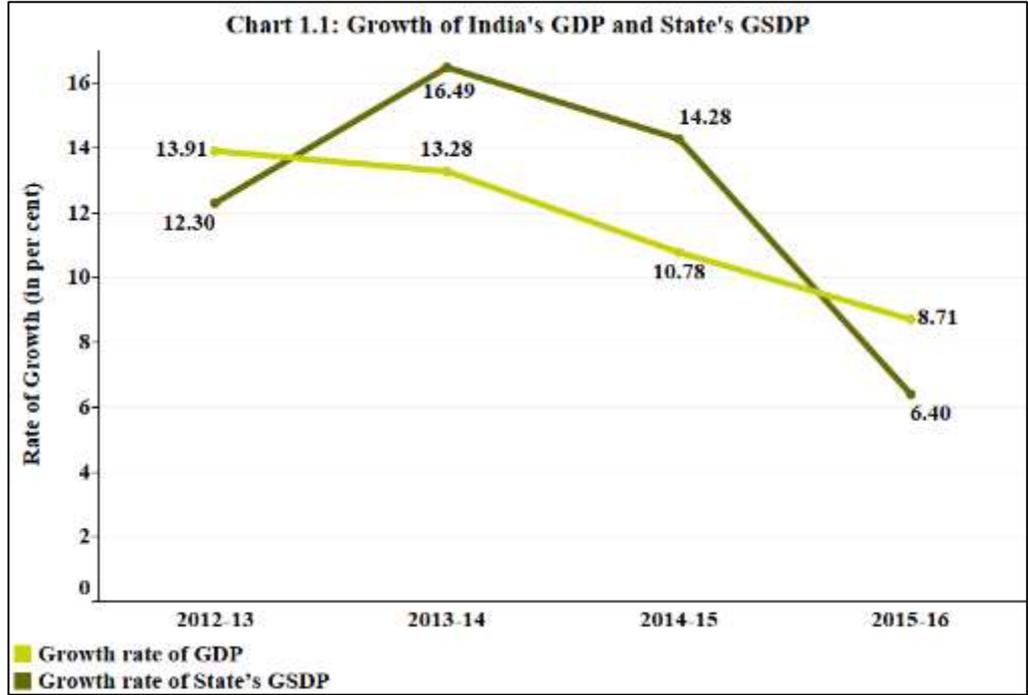
(Source: Website of the Ministry of Statistics and Programme Implementation, Government of India.)
(A-advanced estimates, Q-quick estimates or P-provisional estimates)

The GSDP of Chhattisgarh State grew at the rate of 6.40 *per cent* during 2015-16 which is less than the projection made in the Fourteenth Finance Commission (14thFC) (14.42 *per cent*).

¹ Below poverty line as per Report of the Expert Group (Rangarajan) to Review the Methodology for Measurement of Poverty, Planning Commission (June 2014).

² GDP and GSDP estimates for the period 2011-12 to 2014-15 are revised due to change in base year to 2011-12 from 2004-05.

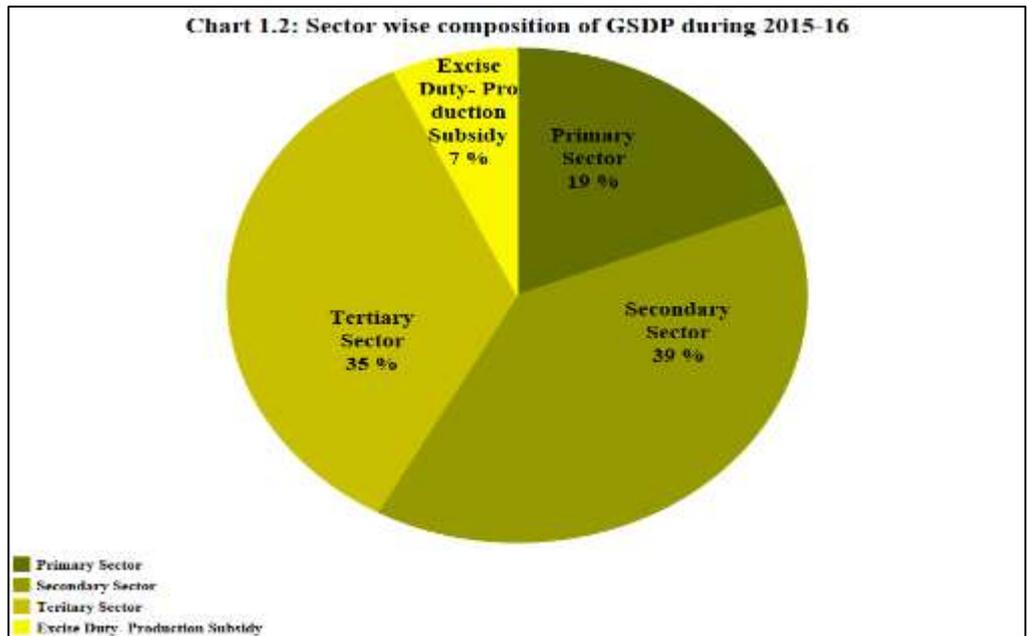
Comparison of Growth rate of India's GDP and State's GSDP is depicted in **Chart 1.1.**



(Source: Website of the Ministry of Statistics and Programme Implementation, Government of India.)

As can be seen from the above chart, the GSDP growth rate of the State was lower than the GDP growth rate of India during 2012-13 and thereafter higher than the GDP growth rate of India during 2013-14 and 2014-15. The growth rate of GSDP of the State was lower than the GDP growth rate of India during 2015-16.

Sector wise composition of GSDP of the State during 2015-16 is depicted in the **Chart 1.2.**



(Source: Economic Survey of Chhattisgarh 2015-16)

As can be seen from the above chart, Secondary sector continued to be the dominant source of GSDP and it accounted for 39.22 per cent of the GSDP

during 2015-16. Out of the remaining 60.78 per cent, 19.01 per cent was contributed by Primary Sector, 35.15 per cent by Tertiary Sector and 6.62 per cent by Excise duty-Production Subsidy.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Chhattisgarh during the year 2015-16. It analyses the significant changes in the major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last few years. This analysis has been made based on Finance Accounts of the State and information obtained from the Government. The structure and form of Government Accounts have been explained in **Appendix 1.1 Part (B)** and the layout of the Finance Accounts is depicted in **Appendix 1.1 Part (C)**.

The methodology adopted for assessment of the fiscal position of the State is given in **Appendix 1.2**. Time series data on State Government finances for last five years is given in **Appendix 1.3**.

1.1.1 Summary of fiscal transaction in 2015-16

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

Table 1.2: Summary of Fiscal Operations in 2015-16

(₹ in crore)

Receipts			Disbursement				
Section-A-Revenue	2014-15	2015-16	Section-A-Revenue	2014-15	2015-16		
					Non-Plan	Plan	Total
Revenue Receipts	37,988.01	46,067.71	Revenue Expenditure	39,561.29	23,172.02	20,529.04	43,701.06
Own Tax Revenue	15,707.26	17,074.86	General Services	9,041.58	10,348.93	59.83	10,408.76
Non-Tax Revenue	4,929.91	5,214.79	Social Services	15,388.85	5,885.62	10,453.73	16,339.35
Share of Union Taxes/Duties	8,363.03	15,716.47	Economic Services	14,152.22	6,037.06	10,015.48	16,052.54
Grants from Government of India	8,987.81	8,061.59	Grants-in-Aid and contributions	978.64	900.41	0.00	900.41
Section- B- Capital and Others							
Miscellaneous Capital Receipts	3.03	2.84	Capital Outlay	6,544.25	1.96	7,943.05	7,945.01
Recoveries of Loans and Advances	194.86	296.39	Loans and Advances Disbursed	88.32	---	---	164.73
Inter-State Settlement	0.91	0.52	Inter-State Settlement	1.22	---	---	0.49
Public Debt Receipts	6,439.67	7,251.15	Repayment of Public Debt	1,336.73	---	---	1,250.18
Contingency Fund	0.00	0.00	Contingency Fund	0.00	---	---	0.00
Public Account Receipts	51,321.89	55,059.09	Public Account Disbursement	49,933.47	---	---	54,000.89
Opening Cash Balance	2,735.29	1,218.38	Closing Cash Balance	1,218.38	---	---	2,833.72
Total	98,683.66	1,09,896.08	Total	98,683.66	---	---	1,09,896.08

(Source: Finance Accounts of the State Government 2015-16)

The significant changes during 2015-16 as compared to the previous year are as under:

- Revenue receipts (₹ 46,068 crore) increased by ₹ 8,080 crore (21.27 per cent) over that of the previous year (₹ 37,988 crore) mainly due to an increase in share of central tax transfer by ₹ 7,353 (87.92 per cent) over the previous year and also due to increase in own tax revenue by ₹ 1,368 crore (8.71 per cent) and Non Tax Revenue increased by ₹ 285 crore (5.78 per cent). Grant-in-Aid from Government of India decreased by ₹ 926 crore (10.31 per cent).
- Against the projections of Own Tax Revenue (₹ 20,872 crore) and Non Tax Revenue (₹ 5,324 crore) made by the fourteenth finance commission, the actual were ₹ 17,075 crore (81.81 per cent) and ₹ 5,215 crore (97.95 per cent) respectively. Thus Own Tax Revenue fell significantly below the normative projections made by the 14th FC while collection of Non Tax was marginally below than the 14th FC Projection.
- Revenue Expenditure (RE) increased sharply from ₹ 39,561 crore in 2014-15 to ₹ 43,701 crore in 2015-16 due to increase in General Services and Social Services by ₹ 1,367 and ₹ 951 crore, respectively over the previous year. However, RE was 18.67 per cent lower than the budget estimate of ₹ 53,730 crore.
- Capital Expenditure increased by ₹ 1,401 crore (21.40 per cent) in 2015-16 over the previous year, which was mainly under transport (₹ 478 crore), Rural Development (₹ 264 crore), Education Art and Culture (₹ 236 crore) and Irrigation and Flood control Departments (₹ 198 crore).
- Public Debt receipts decreased by ₹ 811 crore (12.60 per cent) against increase of ₹ 2,508 crore (63.78 per cent) in 2014-15 over the previous year.
- Public Account receipts and Public Account disbursement increased by ₹ 3,737 crore (7.28 per cent) and ₹ 4,067 crore (8.15 per cent) respectively.
- The net impact of the above transactions was an increase of ₹ 1,615 crore in the cash balance at the end of 2015-16 over the previous year.

1.1.2. Review of the fiscal position

In compliance with the recommendations of Twelfth Finance Commission (TFC), the Government of Chhattisgarh enacted its Fiscal Responsibility and Budget Management Act, 2005 (FRBM Act), as amended in September 2011 and thereafter in May 2016 with a view to ensuring prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability and greater transparency in fiscal operations of the Government and conduct of fiscal policy in a Medium Term Fiscal Framework (MTFF).

The State Government passed the Chhattisgarh Fiscal Responsibility and Budget Management (Amendment) Act, 2016 in May 2016. According to the Act, the State Government shall, by rules, specify the fiscal rules suggested for the FRBM Acts of States by the Finance Commission.

The Fourteenth Finance Commission (14thFC) has prescribed a Fiscal Consolidation roadmap, fiscal deficit targets and annual borrowing limits for the States during the award period as enunciated below:

- i. Fiscal deficit of all States will be anchored to an annual limit of three *per cent* of GSDP. The States will be eligible for flexibility of 0.25 *per cent* over and above this for any given year for which the borrowing limits are to be fixed if their debt-GSDP ratio is less than or equal to 25 *per cent* in the preceding year.
- ii. States will be further eligible for an additional borrowing limit of 0.25 *per cent* of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 *per cent* of the revenue receipts in the preceding year.
- iii. The two options under these flexibility provisions can be availed of by a State either separately, if any of the above criteria is fulfilled, or simultaneously if both the above stated criteria are fulfilled. Thus, a State can have a maximum fiscal deficit-GSDP limit of 3.50 *per cent* in any given year.
- iv. The flexibility in availing the additional limit under either of the two options or both will be available to a State only if there is no revenue deficit in the year in which borrowing limits are to be fixed and the immediately preceding year.
- v. If a State is not able to fully utilise its sanctioned borrowing limit of three *per cent* of GSDP in any particular year during the first four years of the award period (2015-16 to 2018-19), it will have the option of availing this un-utilised borrowing amount (calculated in rupees) only in the following year but within the award period.

Major fiscal variables for the year 2015-16, as set in FRBM Act, MTFP, 14thFC and in the budget documents of the State are presented in **Table 1.3**.

Table 1.3: Major Fiscal Variables for 2015-16

(₹ in crore)

Fiscal variables	2015-16				
	14 th FC Targets	Targets as prescribed in FRBM Act	Targets as per Budget	Projections in MTFPS	Actuals
Revenue Deficit (-)/ Surplus (+)	Revenue Surplus	Revenue Surplus	(+)4,226.64	(+)4,226.64	(+)2,366.65
Fiscal Deficit (-)/ Surplus (+)	To maintain Fiscal Deficit of maximum 3.50 <i>per cent</i> of GSDP	To maintain Fiscal Deficit of maximum 3.50 <i>per cent</i> of GSDP	(-)6,835.66	(-)6,835.66	(-)4,573.71 (1.82 <i>per cent</i> of GSDP)
Outstanding Debt as <i>per cent</i> of GSDP	13.73	13.73	Not given in budget	16.09	15.04

(Source: FRBM Act documents, 14thFC Report, Budget documents and Finance Accounts 2015-16 of the State)

As evident from **Table 1.3**, State had Revenue Surplus of ₹ 2,366.65 crore during 2015-16 and achieved the 14thFC and FRBM target of revenue surplus. However, the revenue surplus fell short of the projections made in Budget Estimate and Medium Term Fiscal Policy Statement (MTFPS) by 44.01 *per cent*.

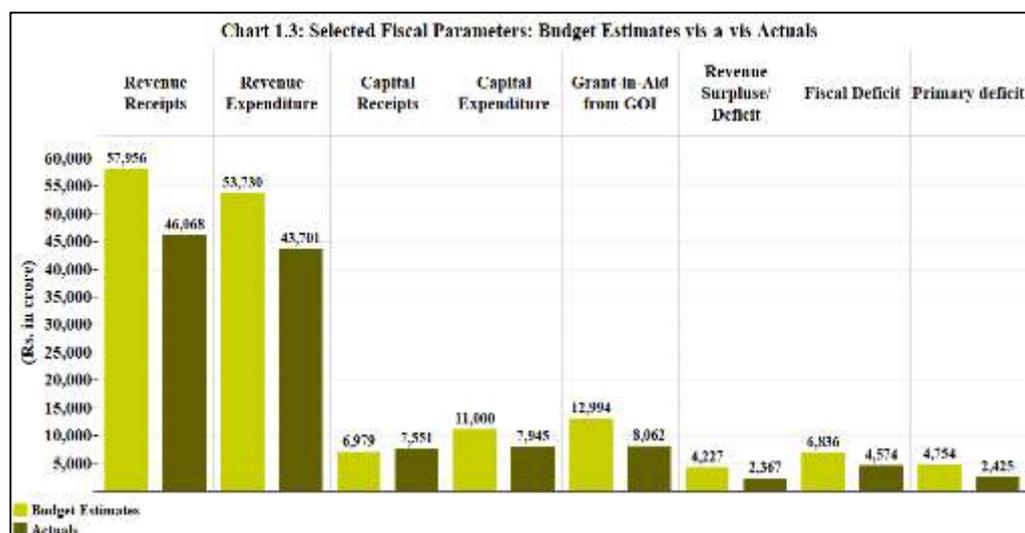
The Fiscal Deficit during 2015-16 (₹ 4,574 crore) decreased by ₹ 3,434 crore from ₹ 8,008 crore in 2014-15 mainly due to shift from position of Revenue Deficit of ₹ 1,573 crore in the year 2014-15 to position of Revenue Surplus of ₹ 2,367 crore in 2015-16 and increase in Capital expenditure by ₹ 1,401 crore from ₹ 6,544 crore in 2014-15 to ₹ 7,945 crore in 2015-16. In spite of that the percentage of Fiscal Deficit to GSDP at 1.82 was well within the limit of 3.50 per cent as estimated under 14thFC projection and FRBM Act during 2015-16.

The total outstanding debt as a per cent of GSDP at 15.04 per cent was more than the 14thFC & FRBM targets (13.73 per cent) but within the limit prescribed in MTFPS (16.09 per cent).

1.1.3 Budget Estimates and Actuals

The budget papers presented by the State Government provide description of 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 (BE) are indicative that desired fiscal objectives were neither attained nor optimised due to various causes, some within the control of the Government and some beyond the control of the Government. The details of Budget Estimates *vis-à-vis* actuals for the year 2015-16 are given in **Appendix 1.5**.

Chart 1.3 presents a comparative analysis of the Budget Estimates and actuals for some important fiscal parameters for 2015-16.



(Source: Finance Accounts of the State Government 2015-16 and Budget Estimate 2015-16 of the State)

The above chart shows that actual receipts and expenditure, except capital receipts were less than the budget estimates of State Government for 2015-16.

The shortfall in actual Revenue Receipts by ₹ 11,889 crore (20.51 per cent) was mainly due to less receipt than the BE of Own Tax and Non-Tax Revenues by ₹ 3,011 crore (14.99 per cent) and Grants-in-Aid from Government of India (GOI) by ₹ 4,933 crore (37.96 per cent).

The decrease in actual Revenue Expenditure (by ₹ 10,029 crore) was mainly due to decrease in actual expenditure under Social Services by ₹ 4,946 crore

(23.24 *per cent*) and Economic Services by ₹ 4,703 crore (22.66 *per cent*) against BE.

The actual Capital Expenditure of the State was less than the BE by ₹ 3,055 crore (27.77 *per cent*). This was mainly due to less expenditure on Economic Services by ₹ 2,394 crore (29.30 *per cent*) and Social Services by ₹ 678 crore (27.27 *per cent*), which is a matter of concern for the State.

During 2015-16, State had Revenue Surplus of ₹ 2,366.65 crore as against the projection made in Budget Estimate of Revenue Surplus of ₹ 4,226.64 crore. Fiscal Deficit was projected at ₹ 6,836 crore, but actual was ₹ 4,574 crore. Primary Deficit was projected at ₹ 4,754 crore, but actual was ₹ 2,425 crore indicating good fiscal management.

1.1.4 Gender Budgeting

Gender Budget of the State provides the estimates and expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partially. Separate volume of Gender Budget was prepared by the state along with the Budget (2015-16) giving the details of budget provision relating to women and girls in various schemes. As per Gender budget document, schemes relating to women were bifurcated into two categories- (1) Schemes in which 100 *per cent* budget provision were related to women, and (2) Schemes in which at least 30 *per cent* of budget provision were related to women.

During 2015-16, budget provisions were made in 16 departments³ (category-1:23 schemes and category-2:101 schemes) for benefit of women and the girl child.

The details of Budget estimates as per gender budget document, provision of fund as per Appropriation Account and actual expenditure in respect of 23 schemes for category (1) above are given in **Appendix 1.6**

- As per Gender Budget 2015-16, the estimated provision as per gender budget documents for 23 schemes was ₹ 1,049.56 crore. However, the final budget provision of ₹ 619.47 crore (59 *per cent*) was made by the State Government against which an expenditure of ₹ 619.49 crore was incurred.
- Entire provision of ₹ 8.50 crore for the Girls Incentive Scheme had been surrendered during 2015-16 because the scheme was not in existence and funds had not been received from Government of India. Saving had occurred under this head during 2013-14 and 2014-15 as well. Despite the fact that entire provision under this head was surrendered on 31 March 2016, expenditure of ₹ 0.01 crore was made which is unauthorised.

Even though the Government presented an outcome budget for 2015-16 and there were quantifiable deliverables against various items of gender related activities, the nodal department did not monitor the progress of

³ Agriculture Department, Animal Husbandry, Food and Civil supply Department, Forest Department, Higher Education Department, Labour Department, Medical Education Department, Panchayat and Rural Development, Public Health and Family Welfare Department, School Education, Social Welfare Department, Sports and Youth Welfare, Technical Education and Manpower Department, Tribal Welfare Department, Village Industries Department, Women and Child Development Department.

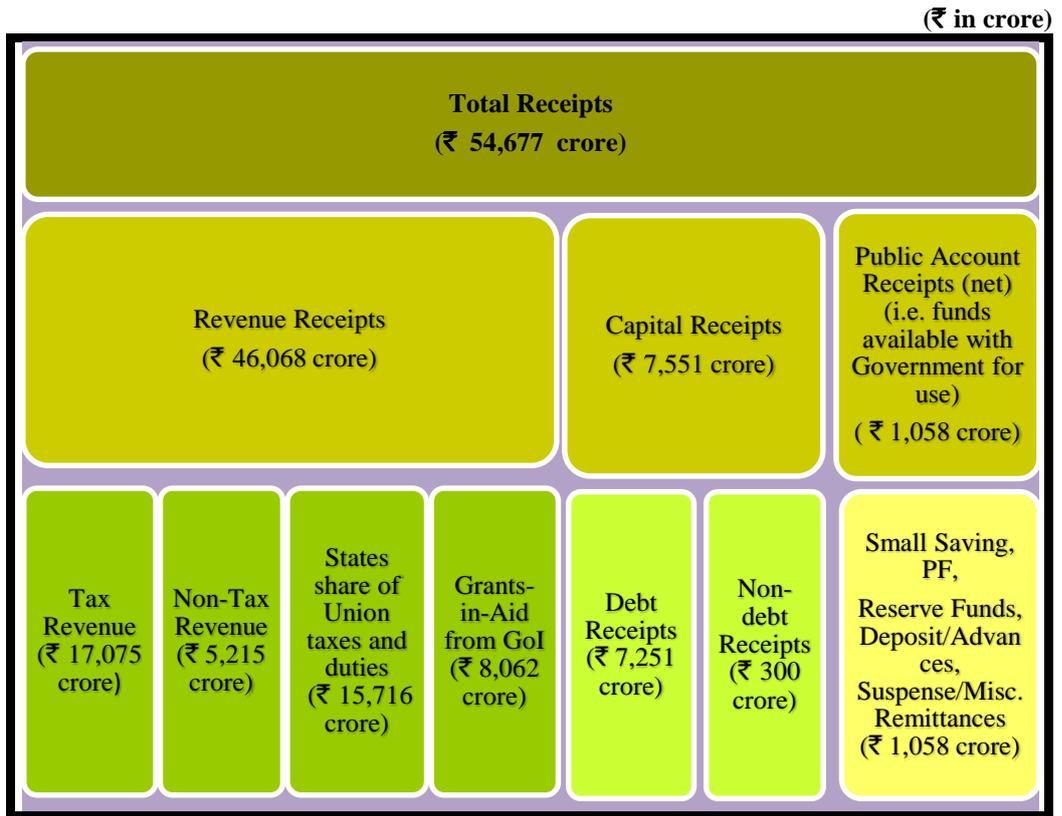
implementation of the schemes nor there was any special cell in the department for monitoring. There was no evaluation of various programmes or schemes regarding women during the year by any agency of the State.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

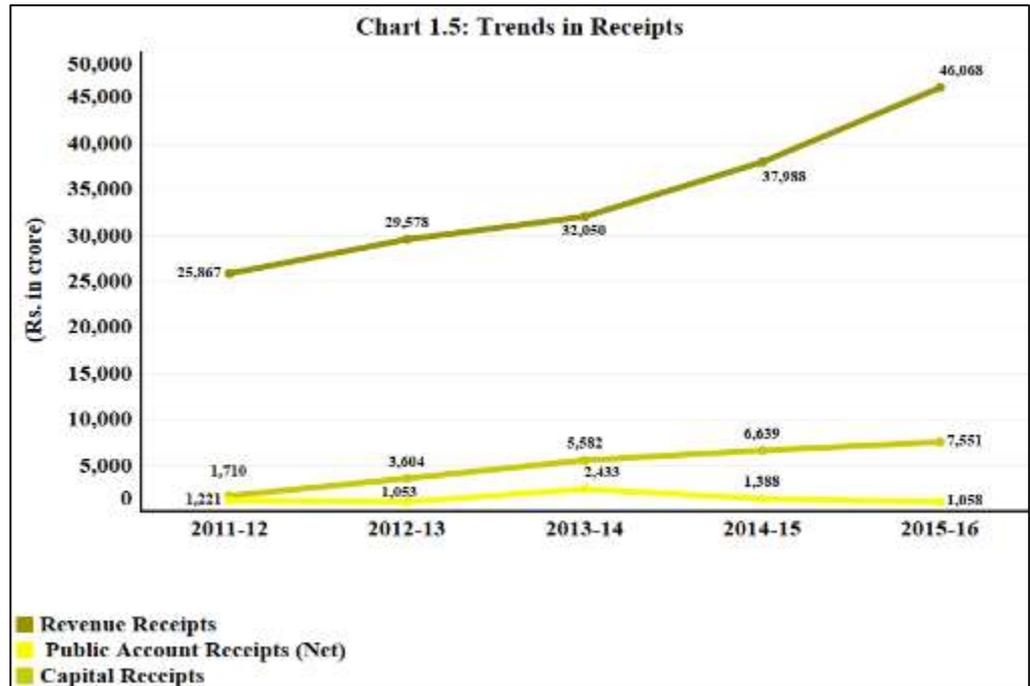
Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of Own Tax Revenue, Non-Tax Revenue, State's share of Union taxes and duties and Grants-in-Aid from the GOI. Capital receipts comprise Miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of Loans and Advances, Debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and Loans and Advances from GOI. Besides, the funds available in the Public Accounts after disbursement is also utilised by the Government to finance its deficit. **Table-1.2** (at page no. 3) presents the receipts and disbursements of the State during the current year 2015-16 as recorded in its Annual Finance Accounts. Flow chart showing the components and sub-components of resources is given in **Chart 1.4** depicting the composition of resources of the state during 2015-16.

Chart 1.4: Flowchart of components and sub-components of resources of the State



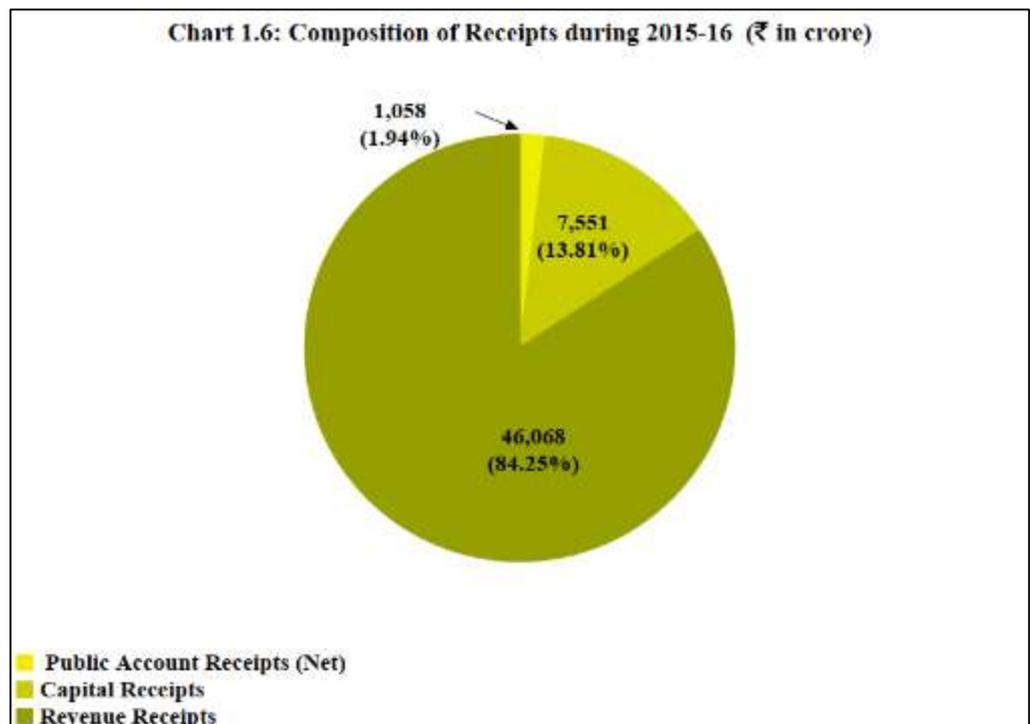
(Source: Finance Accounts 2015-16)

Chart 1.5 depicts the trend in various components of the receipts of the State during the period 2011-16.

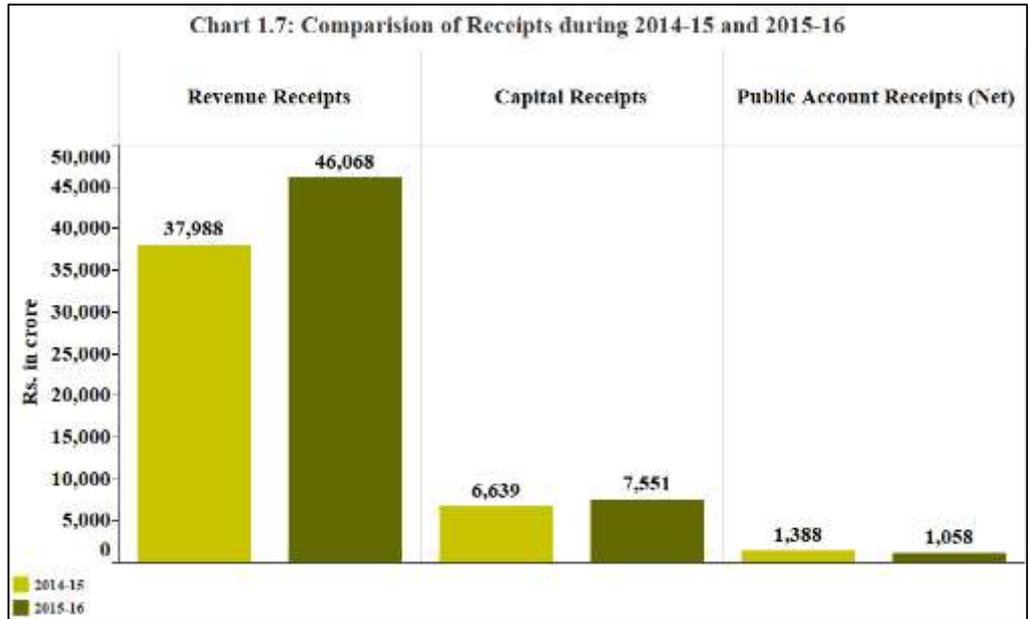


(Source: Finance Accounts of the respective years)

Chart 1.6 depicts the composition of receipts of the State during the year 2015-16 and **Chart 1.7** presents a comparative analysis of the receipts for the year 2014-15 and 2015-16.



(Source: Finance Accounts 2015-16)



(Source: Finance Accounts 2014-15 and 2015-16)

It may be seen from **Chart 1.4** to **Chart 1.7** that:

- The total receipts of the State increased by ₹ 25,879 crore (89.86 per cent) from ₹ 28,798 crore in 2011-12 to ₹ 54,677 crore in 2015-16 due to increase in Revenue Receipts by ₹ 20,201 crore, Capital Receipts by ₹ 5,841 crore. However, Net Public Account Receipts decreased by ₹ 163 crore.
- Share of Revenue Receipts to Total Receipts fluctuated between 80 per cent and 90 per cent during 2011-16.
- Net Public Account Receipts decreased from ₹ 1,388 crore in 2014-15 to ₹ 1,058 crore in 2015-16.

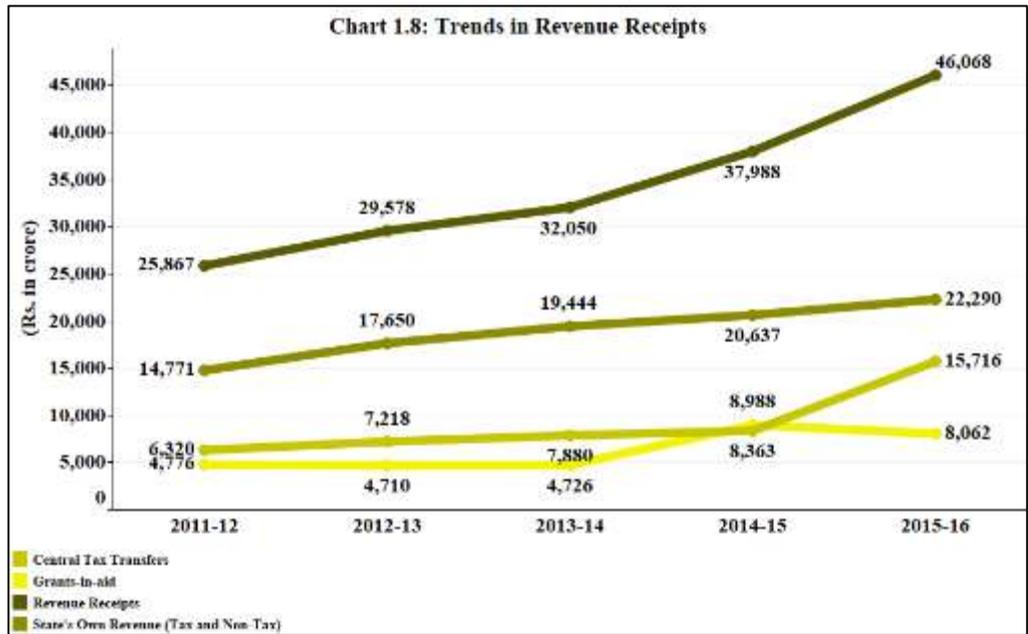
1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

Till 31 March 2014, the Central Government had been transferring a sizeable quantum of funds directly to the State Implementing Agencies for implementing various schemes/programmes in social and economic sectors, which were recognised as critical and these funds were not routed through the State Budget/State Treasury System. Hence, expenditure of these funds was not mentioned in the Finance Accounts of the State. As such, the Annual Finance Accounts did not provide a complete picture of the resources of the State. GOI's decision to release all assistance pertaining to Centrally Sponsored Schemes/Additional Central Assistance directly to the State Government and not to implementing agencies with effect from 1.4.2014, the direct transfer to implementing agencies has increased by ₹ 130.65 crore (38.92 per cent) from ₹ 335.65 crore in 2014-15 to ₹ 466.30 crore in 2015-16.

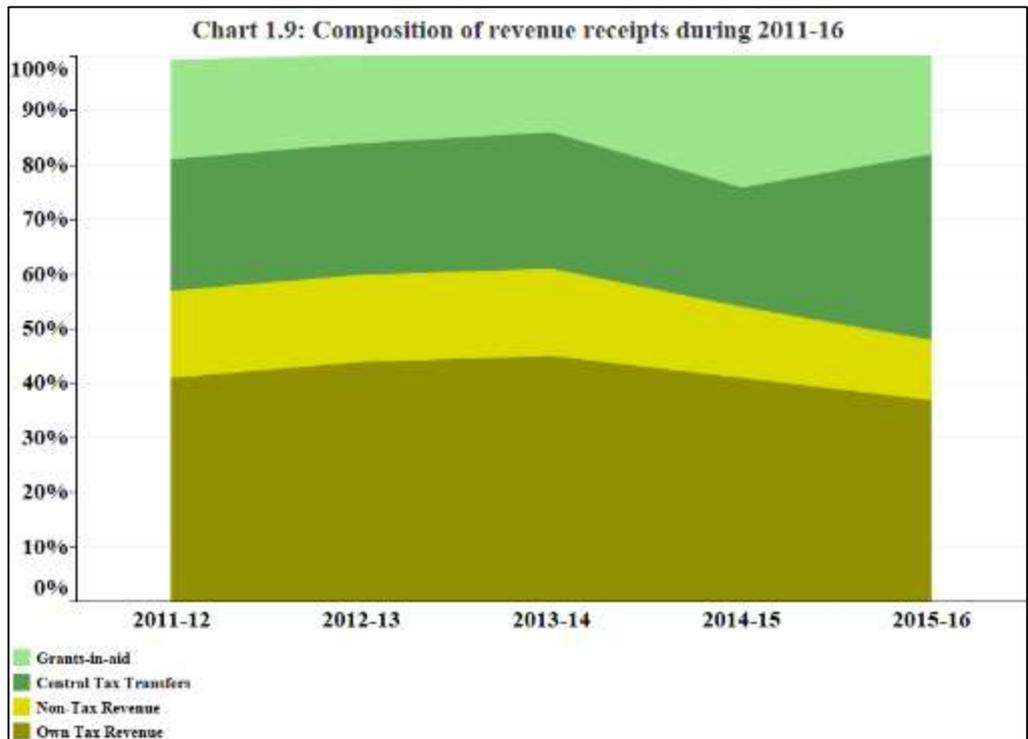
1.3 Revenue Receipts

Statement-14 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts consist of the State's Own Tax and Non-Tax Revenues, Central Tax Transfers and Grants-in-Aid from GOI. The trends and composition of Revenue Receipts over the period 2011-16 is depicted in

Appendix 1.3 and Chart 1.8 and percentage of composition of Revenue Receipts is depicted in Chart 1.9.



(Source: Finance Accounts of the respective years)



(Source: Finance Accounts of the respective years)

An analysis of Revenue Receipts of the State revealed that:

- Revenue Receipts showed progressive increase (₹ 20,201 crore: 78.10 per cent) from ₹ 25,867 crore in 2011-12 to ₹ 46,068 crore in 2015-16 while the growth rate of Revenue Receipts showed fluctuating trends ranging between 8.36 and 21.27 per cent during the period 2011-16. Revenue Receipts grew by ₹ 8,080 crore (21.27 per cent) in 2015-16 compared to growth of ₹ 5,938 crore (18.53 per cent) in previous year mainly due to increase in own

tax revenue ₹ 1,368 crore, non tax revenue ₹ 285 crore, share of Union taxes ₹ 7,353 crore.

- During 2015-16, 48 *per cent* of the Revenue Receipts came from the State's own resources comprising of tax and non-tax revenue while the Central tax transfers (34 *per cent*) and Grant-in-aid (18 *per cent*) together contributed the remaining 52 *per cent*.
- An increase of 8.71 *per cent* in tax revenue, 5.78 *per cent* in non-tax revenue and 87.92 *per cent* in State's share of Union taxes and duties from GOI and decrease of 10.31 *per cent* in Grant-in-aid from GOI over the previous year resulted in overall increase of 21.27 *per cent* in the Revenue Receipts during 2015-16 over the previous year.

The trend in revenue receipts relative to GSDP is presented in **Table 1.4**.

Table 1.4: Trends in Revenue Receipts relative to GSDP

	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (RR) (₹ in crore)	25,867	29,578	32,050	37,988	46,068
Rate of growth of RR (<i>per cent</i>)	13.86	14.35	8.36	18.53	21.27
State's own tax	10,712	13,034	14,343	15,707	17,075
Rate of growth of State's own tax (<i>per cent</i>)	18.96	21.68	10.04	9.51	8.71
Gross State Domestic Product ⁴ (₹ in crore)	1,58,074	1,77,511	2,06,786 ^P	2,36,318 ^Q	2,51,447^A
Rate of Growth of GSDP	--	12.30	16.49	14.28	6.40
RR/GSDP (<i>per cent</i>)	16.36	16.66	15.50	16.07	18.32
Buoyancy Ratios⁵					
Revenue Buoyancy with respect to GSDP	-	1.17	0.51	1.30	3.32
State's Own Tax Buoyancy with reference to GSDP	-	1.76	0.61	0.67	1.36

(Source: Finance Accounts of the respective years)

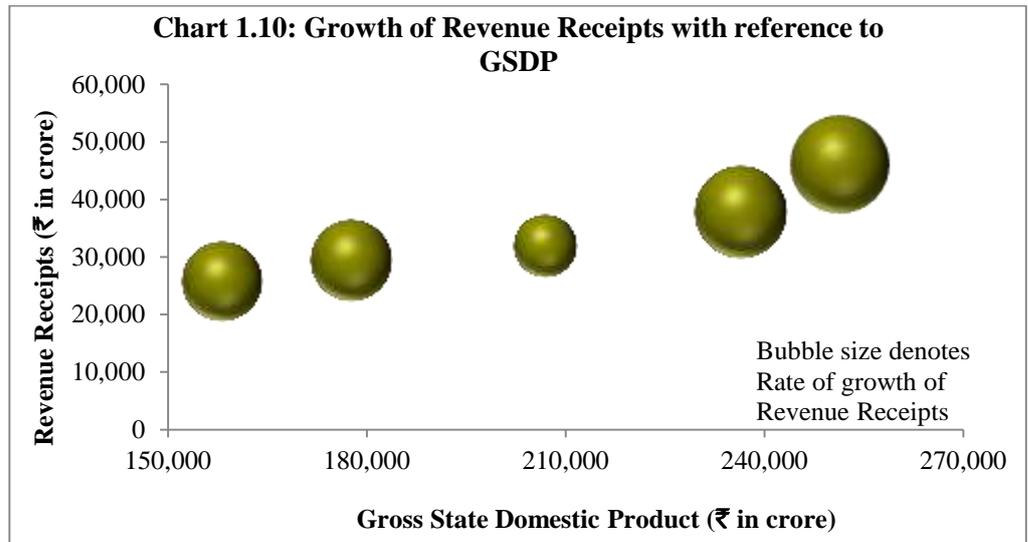
A-Advance estimates, Q-Quick estimates and P-Provisional estimates

- Revenue buoyancy, which is directly proportionate to growth of revenue receipts and GSDP, showed an oscillating trend and ranged between 0.51 and 3.32. It reached its highest level at 3.32 in 2015-16 due to increase in growth rate of Revenue Receipt (21.27 *per cent*) as compared to previous year (18.53 *per cent*). The growth of Revenue Receipt increased due to increase in Central Tax Transfer of ₹ 15,716.47 crore in 2015-16 whereas it was ₹ 8,363.03 crore in 2014-15.
- Similarly, State's own tax revenue buoyancy also showed an oscillating trend and ranged between 0.61 and 1.76 due to fluctuation of growth of tax revenue and the buoyancy ratio, which was at its highest at 1.76 in 2012-13 and lower down to 0.61 in 2013-14 and thereafter increased to 1.36 during 2015-16.

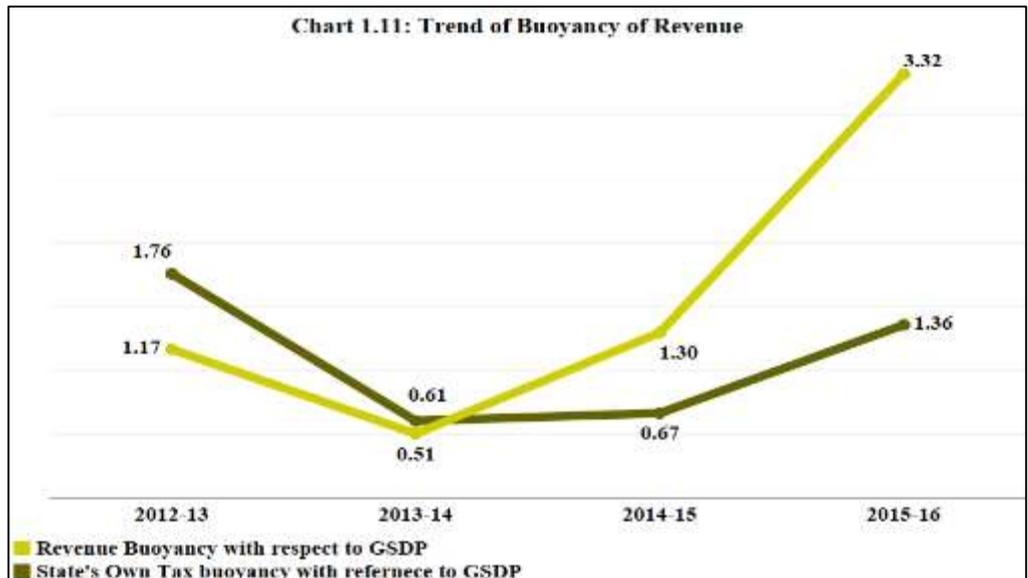
⁴ GSDP estimates for the period 2011-12 to 2014-15 are revised; therefore, percentage ratio/buoyancies of various parameters with reference to GSDP for 2011-12 to 2014-15 indicated in earlier Reports have also been revised. The GSDP figures were shown as ₹ 1,44,112 crore during 2011-12, ₹ 1,65,641 crore during 2012-13, ₹ 1,85,682 crore during 2013-14 and ₹ 2,10,192 crore during 2014-15.

⁵ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.6 percentage points, if the GSDP increases by one *per cent*.

Chart 1.10 depicts that rate of growth of revenue indicating an erratic trend despite steady growth of GSDP and Total Revenue Receipts and **Chart 1.11** depicts the trends of Buoyancy ratios.



(Source: Finance Accounts of the respective years)



(Source: Finance Accounts of the respective years)

Revenue buoyancy with respect to GSDP shows a steady growth, the State's Own Tax Buoyancy with reference to GSDP decreased in 2013-14 and thereafter shown an increasing trend during 2014-15 and 2015-16 which is an indication that the own tax is not growing commensurate with the GSDP.

1.3.1 State's Own Resources

As the State's share in central taxes and Grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual Own tax and Non-tax revenue receipts for the year 2015-16 *vis-à-vis* assessment made by 14thFC and budget estimates are given in **Table 1.5** and **Table 1.6**.

Table 1.5: Tax Revenue and Non-Tax Revenue

	14 th FC Projection	Budget Estimates	FRBM disclosures	Actual
State's Own Tax Revenue	20,872	20,086	20,086	17,075
State's Non-Tax Revenue	5,324	8,663	8,663	5,215

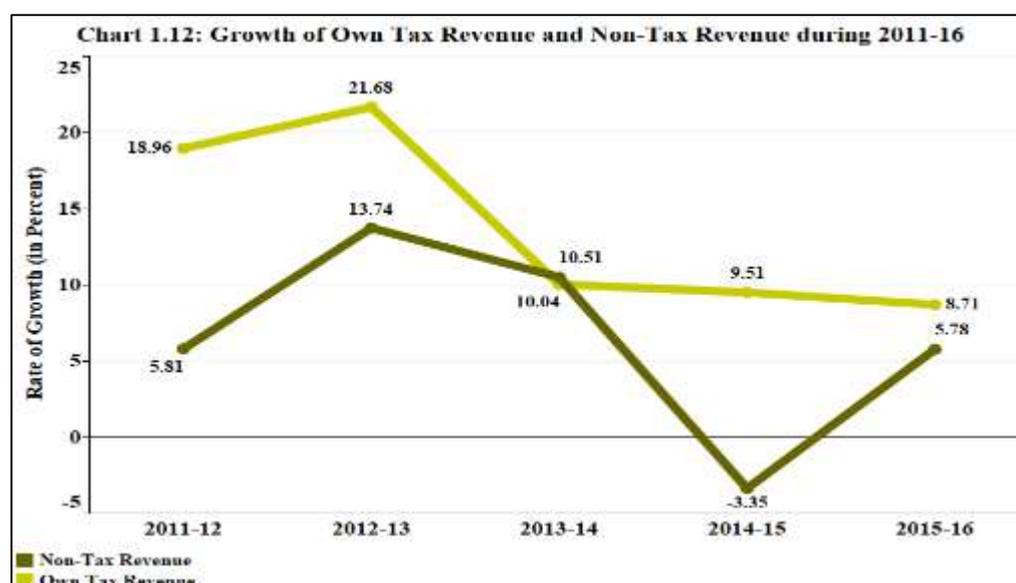
(Source: Finance Accounts 2015-16, FRBM documents, Budget books and 14thFC report).

Table 1.6: Growth of Tax/Non-Tax Revenue during 2011-16

	2011-12	2012-13	2013-14	2014-15	2015-16
Own Tax Revenue	10,712	13,034	14,343	15,707	17,075
Rate of Growth (<i>per cent</i>)	18.96	21.68	10.04	9.51	8.71
Non-Tax Revenue	4,058	4,616	5,101	4,930	5,215
Rate of Growth (<i>per cent</i>)	5.81	13.74	10.51	(-)3.35	5.78

(Source: Finance Accounts of the respective years)

The rate of growth of Tax and Non tax revenue of the State is shown in **Chart 1.12** below.



(Source: Finance Accounts of the respective years)

The actual realisation of the State's Own Tax Revenue during the current year was lower than the projection made by 14thFC (₹ 20,872 crore), FRBM disclosures (₹ 20,086 crore) and BE (₹ 20,086 crore). The main reason for short achievement against BE was less collection of stamps and registration fees, taxes on sales, trade etc., taxes on goods and passengers, taxes on vehicles, Land Revenue and Taxes and duties on Electricity.

The actual collection under these heads were less by 12.21 *per cent*, 19.00 *per cent*, 27.85 *per cent*, 4.03 *per cent*, 26.76 *per cent* and 1.94 *per cent*, than the budget estimates respectively (**Appendix 1.5**).

Similarly, the State's Non-Tax Revenue was lower than the BE and FRBM disclosures by ₹ 3,448 crore (39.80 *per cent*) and the 14thFC projection by ₹ 109 crore (2.05 *per cent*).

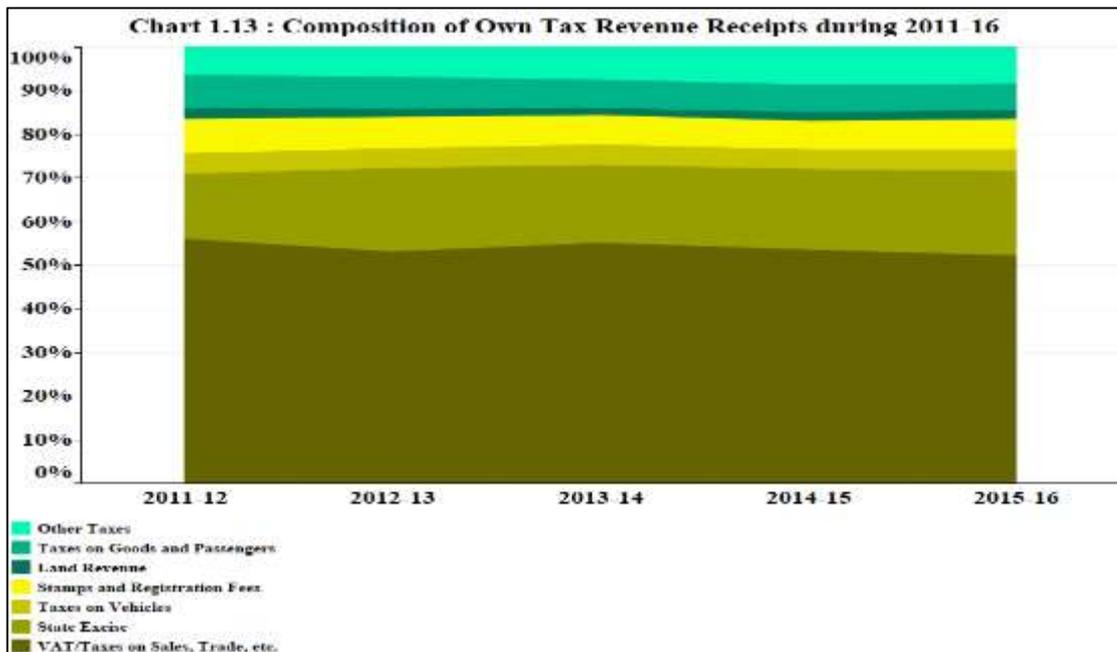
1.3.1.1 Tax Revenue

The gross collection of major taxes and duties during the last five financial years is given in **Table 1.7** and percentage composition of Tax Revenue Receipts is depicted in **Chart 1.13**.

Table 1.7: Components of Tax Revenue

Revenue Head	₹ in crore)					
	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage increase during 2015-16 over previous year
1	2	3	4	5	6	7
Taxes on sales, trades etc.	6,006	6,929	7,930	8,429	8,908	5.68
State Excise	1,597	2,486	2,549	2,892	3,338	15.42
Taxes on Vehicles	502	592	651	703	829	17.92
Stamps and Registration Fees	846	952	990	1,023	1,185	15.84
Land Revenue	271	234	226	332	364	9.64
Taxes on Goods and Passengers	826	954	945	982	1,040	5.91
Other Taxes ⁶	664	887	1,052	1,346	1,411	4.83
Total	10,712	13,034	14,343	15,707	17,075	8.71
Growth Rate (in per cent)	18.96	21.68	10.04	9.51	8.71	

(Source: Finance Accounts of the respective years)



(Source: Finance Accounts of the respective years)

Out of the total Tax Revenue (TR) in 2015-16, Taxes on sales, trades etc. contributed 52 per cent followed by State Excise 20 per cent and all other taxes together contributed 28 per cent. The TR of the State increased by ₹ 6,363 crore (59.40 per cent) from ₹ 10,712 crore during 2011-12 to ₹ 17,075 crore in 2015-16. The share of TR in Revenue Receipts has come down to 37 per cent in 2015-16 as against 41 per cent during 2014-15.

⁶ Other Taxes- hotel receipts, taxes on income and expenditure, taxes and duties on electricity and taxes and duties on services and commodities.

The growth rate of TR was 18.96 per cent in 2011-12 and thereafter continuously declined from 21.68 per cent in 2012-13 to 8.71 per cent in 2015-16. The increase of tax revenue by ₹ 1,368 crore during 2015-16 (₹ 17,075 crore) over the previous year (₹ 15,707 crore) was mainly due to increase in receipts under taxes on sales, trades etc. (by ₹ 479 crore), State excise (by ₹ 446 crore), taxes on vehicles (by ₹ 126 crore), taxes and duties on Electricity (by ₹ 60 crore) and Land Revenue (by ₹ 32 crore).

1.3.1.2 Non-Tax Revenue

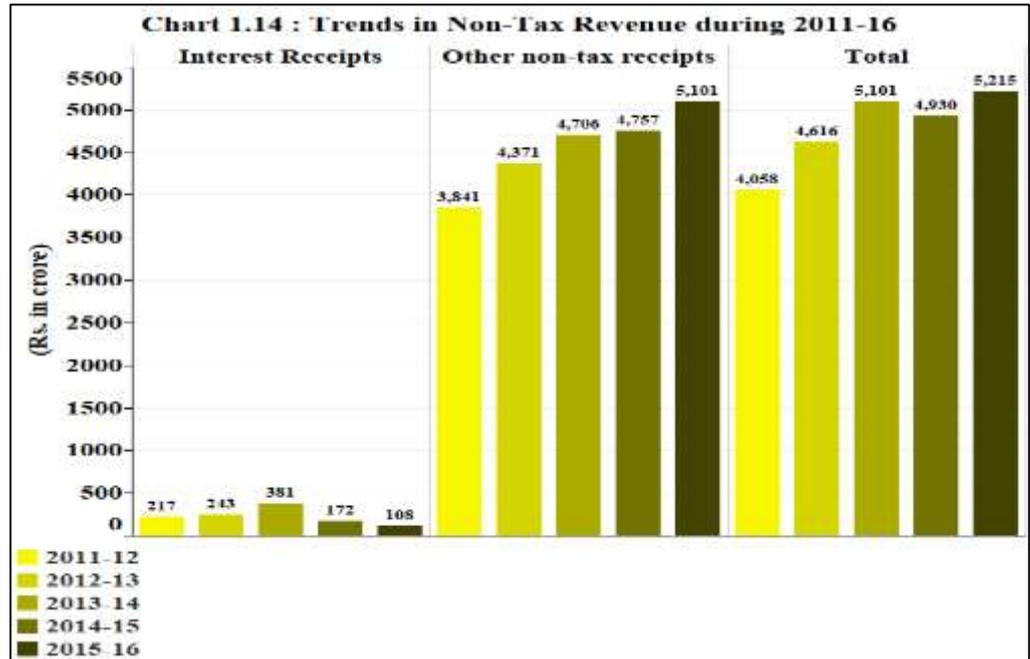
The details of components of non-tax revenue receipts during 2011-16 are given in **Table 1.8** and trends of these components in non-tax revenue and trends of non-tax revenue during 2011-16 is depicted in **Chart 1.14** and **Chart 1.15** respectively.

Table 1.8: Components of Non-Tax Revenue

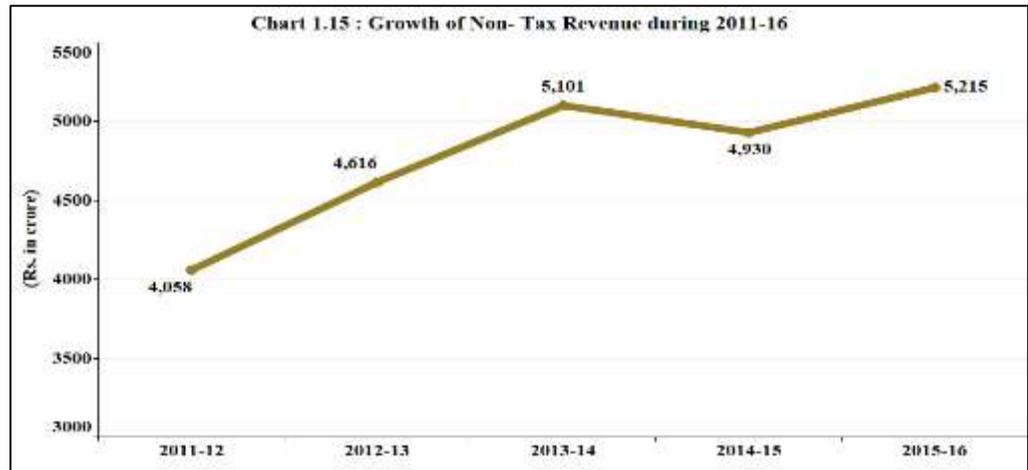
(₹ in crore)

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage Variation over previous year
Interest Receipts	216.57	243.13	380.90	171.89	108.23	(-37.04)
Dividends and Profits	0.46	2.19	14.21	0.86	5.73	566.28
Other non-tax receipts	3,841.45	4,370.63	4,706.06	4,757.16	5,100.83	7.22
Total	4,058.48	4,615.95	5,101.17	4,929.91	5,214.79	5.78

(Source: Finance Accounts of the respective years)



(Source: Finance Accounts of the respective years) Dividends and profits have not been depicted as the amount is very small.



(Source: Finance Accounts of the respective years)

The total Non-Tax Revenue receipts increased by ₹ 1,157 crore (28.51 per cent) from ₹ 4,058 crore in 2011-12 to ₹ 5,215 crore in 2015-16. The Non-Tax Revenue increased by 5.78 per cent (₹ 285 crore) during 2015-16 over the previous year mainly due to increase in receipts under non-ferrous mining and metallurgical industries by ₹ 137 crore, Major irrigation by ₹ 91 crore, Forestry and Wild Life by ₹ 61 crore. The share of NTR in Revenue Receipts was 11 per cent as against 13 per cent during 2014-15.

During 2015-16, the interest receipts decreased from ₹ 172 crore in 2014-15 to ₹ 108 crore in 2015-16 due to decrease in Cash balance investment resulting in receipt of less interest. The Dividends and profits showed fluctuating trend and ranged between ₹ 0.46 crore to ₹ 14.21 crore during the period 2011-16. However, the other non-tax revenue receipts increased by ₹ 1,260 crore (32.80 per cent) from ₹ 3,841 crore in 2011-12 to ₹ 5,101 crore during 2015-16.

The non-ferrous mining and metallurgical industries (₹ 3,710 crore) contributed 71.14 per cent of total Non-Tax Revenue (₹ 5,215 crore). The growth of non-tax revenue of the non-ferrous mining and metallurgical industries (₹ 137 crore) was 3.83 per cent over the previous year.

1.3.2 Cost of Collection of Tax

The gross collection of major taxes and expenditure on collection during the financial years 2011-12 to 2015-16 are given in **Table 1.9**.

Table 1.9: Cost of collection of taxes and duties

Heads of revenue	Year	Gross collection (₹ in crore)	Expenditure on collection of revenue (₹ in crore)	Percentage of expenditure on collection	All-India average percentage of previous year
1	2	3	4	5	6
VAT/Taxes on sales, trade etc.	2011-12	6,006.25	40.63	0.68	0.75
	2012-13	6,928.65	37.42	0.54	0.83
	2013-14	8,894.01	41.40	0.47	0.73
	2014-15	8,428.61	48.55	0.58	0.88
	2015-16	8,908.36	50.81	0.57	0.91
Taxes on vehicles	2011-12	502.19	10.00	1.99	3.71
	2012-13	591.75	10.73	1.81	2.96
	2013-14	655.35	7.48	1.14	4.17
	2014-15	703.48	12.42	1.77	6.25
	2015-16	829.22	12.86	1.55	6.08

1	2	3	4	5	6
State excise	2011-12	1,596.97	52.06	3.26	3.05
	2012-13	2,485.68	46.63	1.88	2.98
	2013-14	2,578.19	53.22	2.06	2.96
	2014-15	2,892.45	59.74	2.07	1.81
	2015-16	3,338.40	58.79	1.76	2.09
Stamps and Registration fees	2011-12	845.82	20.75	2.45	1.60
	2012-13	951.65	17.27	1.81	1.89
	2013-14	989.35	13.87	1.40	3.25
	2014-15	1,023.33	27.00	2.64	3.37
	2015-16	1,185.22	25.14	2.12	3.59

(Source: Information compiled by the Revenue Audit wing of the AG (Audit))

It can be seen from the **Table 1.9** that during 2015-16, the percentage of cost of collection in respect of VAT/taxes on sales, trade etc., State Excise, Stamp and registration fees and Taxes on vehicles decreased in comparison to the previous years. During 2015-16, the percentage of expenditure on collection of VAT/taxes on sales, trade etc., taxes on vehicles, state excise and stamp and registration fees was less than the all India average for the same.

1.3.3 Grants-in-Aid from Government of India

The trend of release of Grants-in-Aid from GOI under Non-plan, State plan, Central Plan and Centrally Sponsored schemes is shown in **Table 1.10**.

Table 1.10: Component-wise Grants-in-Aid released by GOI

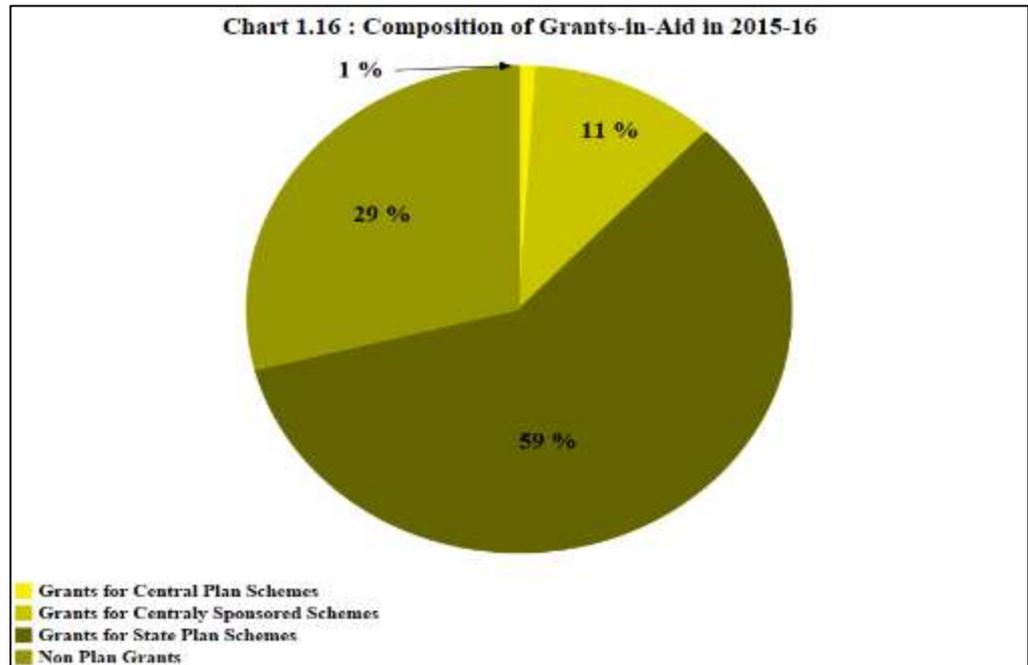
(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	2	3	4	5	6
Non-Plan Grants	1,545.07	1,227.29	1,415.78	1,568.28	2,328.79
Grants for State Plan Schemes	1,930.51	2,112.69	2,121.47	6,435.44	4,775.83
Grants for Central Plan Schemes	61.75	107.28	43.34	131.73	91.37
Grants for Centrally Sponsored Schemes	1,238.88	1,263.07	1,145.57	852.35	865.60
Total	4,776.21	4,710.33	4,726.16	8,987.80	8,061.59
Percentage increase/decrease over previous year	7.24	(-1.38)	0.34	90.17	(-10.31)
Total grants as a percentage of Revenue Receipts	18.46	15.93	14.75	23.66	17.50
Revenue Receipts	25,867	29,578	32,050	37,988	46,068

(Source: Finance Accounts of the respective years)

- During 2015-16, Grants-in-Aid from GOI stood at ₹ 8,062 crore, which decreased (by 10.31 per cent) from ₹ 8,988 crore in 2014-15.
- Non-Plan grants from GOI increased from ₹ 1,568 crore in 2014-15 to ₹ 2,329 crore in 2015-16.
- The State Plan grants decreased from ₹ 6,435 crore in 2014-15 to ₹ 4,776 crore in 2015-16 due to sharp decrease in Block grants by ₹ 3,455 crore. However, other grants increased by ₹ 1,690 crore in 2015-16 over the previous year.
- Grants for Central Plan Schemes decreased by ₹ 40 crore and Grants for Centrally Sponsored Schemes increased by ₹ 13 crore in 2015-16 as compared to previous year.
- The share of Grants-in-Aid in Revenue Receipts was 17.50 per cent in 2015-16 as against 23.66 per cent during 2014-15.

The composition of Grants-in-Aid for the year 2015-16 is depicted in **Chart 1.16**.



(Source: Finance Accounts 2015-16)

1.3.4 Central Tax Transfers

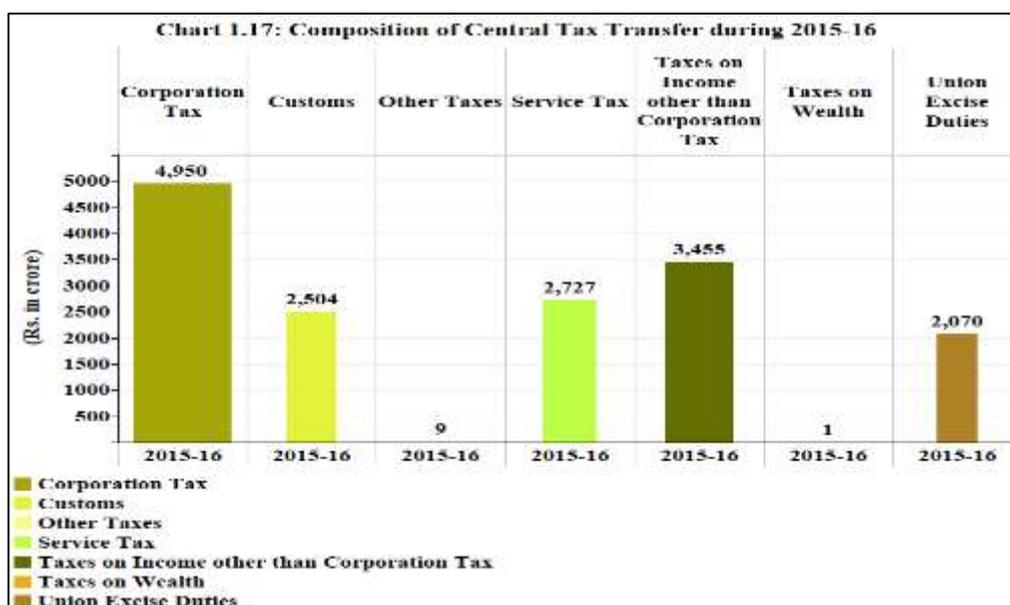
GOI transfers share of State Government in Union Taxes and Duties such as Corporation Tax, Income Tax, Service Tax, Union Excise Duties etc. The trends in these Central tax transfers during 2011-16 are given in **Table 1.11** and composition during the year 2015-16 is given in **Chart 1.17**.

Table 1.11: Trends in Central tax transfers

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Corporation Tax	2,487.79	2,592.61	2,650.20	2,920.41	4,950.08
Taxes on Income other than Corporation Tax	1,263.69	1,552.15	1,745.08	2,085.45	3,455.09
Taxes on Wealth	9.60	4.38	7.28	7.88	0.92
Customs	1,095.85	1,199.39	1,285.73	1,352.54	2,504.03
Union Excise Duties	709.12	815.11	908.08	763.73	2,069.99
Service Tax	754.39	1,053.96	1,283.85	1,232.95	2,727.11
Other Taxes	0.00	0.00	0.00	0.07	9.25
Total	6,320.44	7,217.60	7,880.22	8,363.03	15,716.47

(Source: Finance Accounts of the respective years)



(Source: Finance Accounts 2015-16)

During 2015-16, the Central Tax Transfers (CTT) were ₹ 15,716 crore as against ₹ 8,363 crore during 2014-15. The CTT of the state increased by ₹ 7,353 crore (87.92 per cent) during 2015-16 over the previous year due to increase in net proceeds assigned to state. The increase was across the board under Corporation tax (by ₹ 2,030 crore), Service tax (by ₹ 1,494 crore), Taxes on income other than corporation tax (by ₹ 1,370 crore), Union excise duties (by ₹ 1,306 crore) and Customs (by ₹ 1,151 crore). However, Taxes on Wealth sharply decreased by ₹ 6.96 crore (88.32 per cent) over the previous year. The CTT constituted 34 per cent of Revenue Receipt of the state during 2015-16. The major component of CTT during 2015-16 was Corporation Tax (31.50 per cent) whereas minor component was Taxes on Wealth (0.0059 per cent) as reflected in **Chart 1.17**.

1.3.5 Utilisation of the Thirteenth and Fourteenth Finance Commission grants

To improve the various organs of the State Government, the ThFC had recommended grants for the State Governments and 14thFC has recommended Grants-in-aid of revenues of States for Revenue Deficit, Local Bodies and Disaster Management under Article 275 of the Constitution. As per Statement No. 14 of Finance Accounts 2015-16, the State Government received Finance Commission Grants of ₹ 968.30 crore (₹ 718.57 crore under major head 1601-01-104-Grants under the proviso to Art.275(1) of the Constitution–Finance Commission Grants and ₹ 249.73 crore under major head 1601-01-109-Grants towards contribution to State Disaster Response Fund).

The position of utilisation of the ThFC and 14thFC grants during 2015-16 under various major heads is given in **Table 1.12**.

Table 1.12: Utilisation of ThFC and 14thFC grants for the year 2015-16

(₹ in crore)

Major Head and nomenclature	Total Provision in Budget	Status				Percentage of unutilised amount
		Surrender	Expenditure	Savings(-) Excess(+)	Total unutilised amount	
1	2	3	4	5	6=3+5	7
Fourteenth Finance Commission						
REVENUE ACCOUNT						
2217-Urban Development	152.39	-76.19	144.76	68.56	-7.63	5.01
2515-Other Rural Development Programmes	566.18	0.00	566.18	0.00	0.00	0.00
Total 14thFC	718.57	-76.19	710.94	68.56	-7.63	
Thirteenth Finance Commission						
REVENUE ACCOUNT						
2055-Police	0.23	-0.14	0.00	-0.09	0.23	100
2205-Art and Culture	7.25	-0.92	6.33	0.00	0.92	13
2217-Urban Development	0.00	-68.56	0.00	0.00	68.56	--
2406-Forestry and Wildlife	25.00	-17.29	7.29	-0.42	17.71	71
2515-Other Rural Development Programmes	254.99	0.00	254.49	-0.50	0.50	0.2
2810-New and Renewable Energy	77.24	0.00	77.24	0.00	0.00	0
CAPITAL ACCOUNT						
4202-Capital outlay on Education Sports, Art and Culture	4.00	-0.06	3.06	-0.88	0.94	24
4235- Capital Outlay on Social Security and Welfare	0.95	0.00	0.95	0.00	0.00	0
Total ThFC	369.66	-86.97	349.36	-1.89	88.86	

(Source: Detailed Appropriation Accounts for the year 2015-16)

It is evident from the **Table 1.12** that:

- Out of total provision of ₹ 718.57 crore granted under 14thFC, an amount of ₹ 710.94 crore, constituting 98.94 per cent of total amount was utilised during 2015-16.
- Even though the award period of ThFC was 2010-15, the State had also utilised the ThFC grants during 2015-16 under various major heads. Out of total provision of ₹ 369.66 crore granted under ThFC, an amount of ₹ 349.36 crore, constituting 94.51 per cent of total amount was utilized and ₹ 88.86 crore was either surrendered or lapsed to the Government account during 2015-16.

1.4 Capital Receipts

Capital Receipts consist of miscellaneous Capital Receipts, recovery of Loans and Advances, Inter-State Settlement and Public Debt Receipts. The trends and composition of Capital receipts during 2011-16 is depicted in **Table 1.13** and **Appendix 1.3**.

Table 1.13: Trends in growth and composition of Capital Receipts

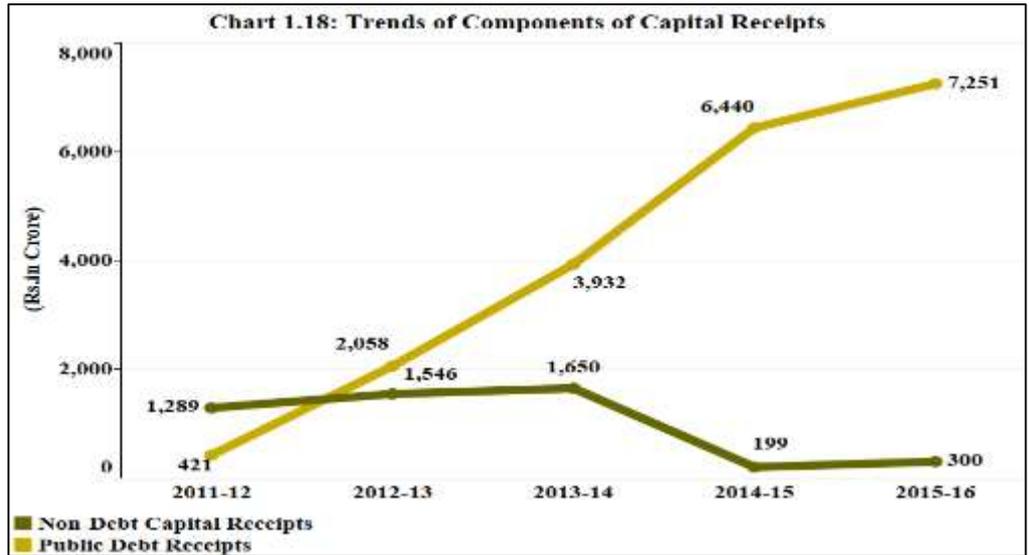
(₹ in crore)

Sources of State's Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts (CR)	1,710.01	3,603.66	5,581.94	6,638.47	7,550.90
Miscellaneous Capital Receipts	3.93	2.39	7.64	3.03	2.84
Recovery of Loans and Advances	1,282.53	1,542.01	1,637.27	194.86	296.39
Inter-State Settlement	2.21	1.53	5.14	0.91	0.52
Total – Non-Debt Capital Receipts	1,288.67	1,545.93	1,650.05	198.80	299.75

Rate of growth of Non-Debt Capital Receipts(<i>per cent</i>)	127.53	19.96	6.74	(-)87.95	50.78
Internal Debt	364.60	2,041.03	3,917.30	6,430.98	7,105.87
Loans and advances from the Central Government	56.74	16.70	14.59	8.69	145.28
Public Debt Receipts	421.34	2,057.73	3,931.89	6,439.67	7,251.15
Rate of growth of Public Debt Capital Receipts(<i>per cent</i>)	(-)47.01	388.38	91.08	63.78	12.60
Rate of Growth of GSDP (<i>per cent</i>)	--	12.30	16.49	14.28	6.40
Rate of growth of CR (<i>per cent</i>)	25.59	110.74	54.90	18.93	13.74

(Source: Finance Accounts of the respective years)

The trend of growth of components of capital receipt of the State during the period 2011-16 is depicted in **Chart 1.18**.



(Source: Finance Accounts of the respective years)

It is evident from the **Table 1.13** that Capital Receipts of the State increased by ₹ 5,841 crore from ₹ 1,710 crore in 2011-12 to ₹ 7,551 crore in 2015-16. The increase of ₹ 912 crore in Capital Receipts in 2015-16 over the previous year was mainly due to increase in public debt receipts by ₹ 811 crore and non Debt Receipt by ₹ 101 crore. Further, Public Debt Receipts increased due to increase in Market Loan from ₹ 4,200 crore in 2014-15 to ₹ 4,850 crore in 2015-16. Further, Compensation and other Bonds contributed ₹ 870 crore in Public Debt Receipts.

Similarly, as is evident from the chart above, the Capital receipt has seen a sharp rise in public debt receipts from ₹ 421 crore to ₹ 7,251 crore between 2011-12 to 2015-16 where as the non-debt capital receipt has gone down during the same period indicating a dependence on market borrowing to finance the deficit.

1.4.1 Recoveries of Loans and Advances

Recoveries of loans and advances increased from ₹ 1,282.53 crore during 2011-12 to ₹ 1,637.27 crore during 2013-14 and decreased to ₹ 194.86 crore in 2014-15 and again increased to ₹ 296.39 crore in 2015-16. During the year, recovery of loans were mainly received from Chhattisgarh Infrastructure Development Corporation for voluntary retirement to the employees of the State Transport Department (₹ 171.98 crore) and Loans to local bodies for water supply and sanitation (₹ 79.62 crore).

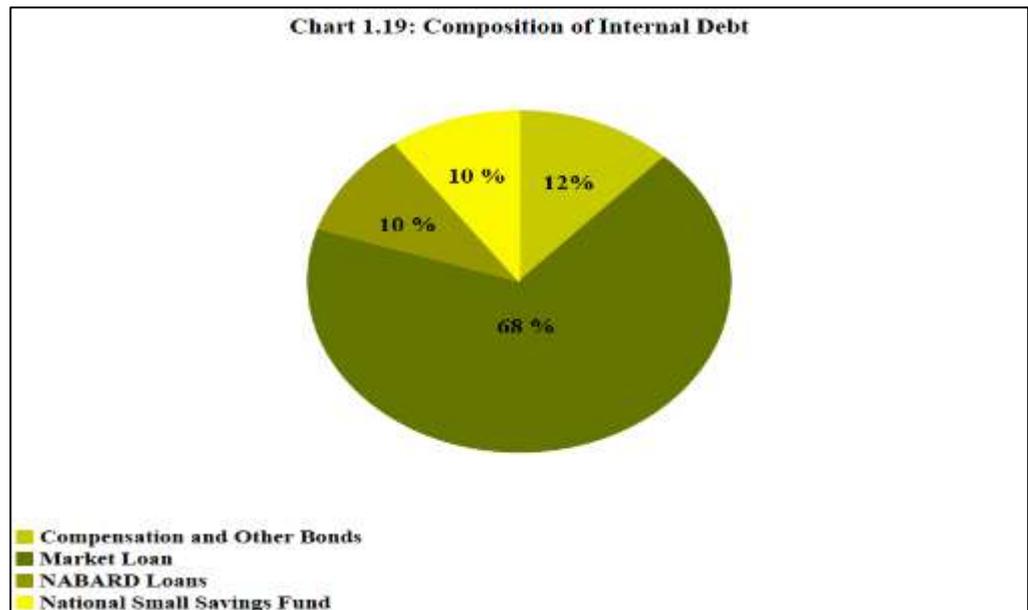
1.4.2 Debt receipts from internal sources

The State raises funds from the internal market to fulfill its resource gap and to meet the capital expenditure. The internal debt sharply increased from ₹ 365 crore in 2011-12 to ₹ 7,106 crore in 2015-16. The internal debt increased by ₹ 675 crore (10.49 per cent) in 2015-16 as compared to previous year. During 2015-16, the major contributor to internal debt was market loans (₹ 4,850 crore), Compensation and other Bonds (₹ 870 crore), Loan raised from National Bank for Agriculture and Rural Development (₹ 674 crore), National Small Savings Fund (₹ 712 crore). No Ways and Means advances were received during the year which depicted in **Table 1.14**.

Table 1.14: Composition of Internal Debt of State Government

(₹ in crore)					
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Market Loans	0.00	1,500.00	3,000.00	4,200.00	4,850.00
Compensation and other Bonds	0.00	--	0.00	0.00	870.12
Loans from financial institutions	152.63	288.80	674.62	796.13	673.52
Special securities issued to National Small Savings Fund	211.97	252.23	242.68	658.81	712.23
Ways and means advance from Reserve Bank of India	--	--	--	776.04	0.00
Total	364.60	2,041.03	3,917.30	6,430.98	7,105.87

The composition of internal debt for the year 2015-16 is depicted in **Chart 1.19**.



(Source: Finance Accounts 2015-16)

1.4.3 Loans and Advances from Government of India

Loans and advances from GOI decreased continuously during the period 2011-15, from ₹ 57 crore in 2011-12 to ₹ nine crore in 2014-15 and sharply increased to ₹ 145 crore in 2015-16 over previous year. In the year 2015-16, loans and advances of ₹ 145 crore were received for State Plan schemes. No fresh loans were received for Central Plan schemes and Centrally Sponsored schemes during 2015-16.

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 of the State are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use. The net Public Account Receipts and its composition over the period 2011-16 are depicted in **Table 1.15**.

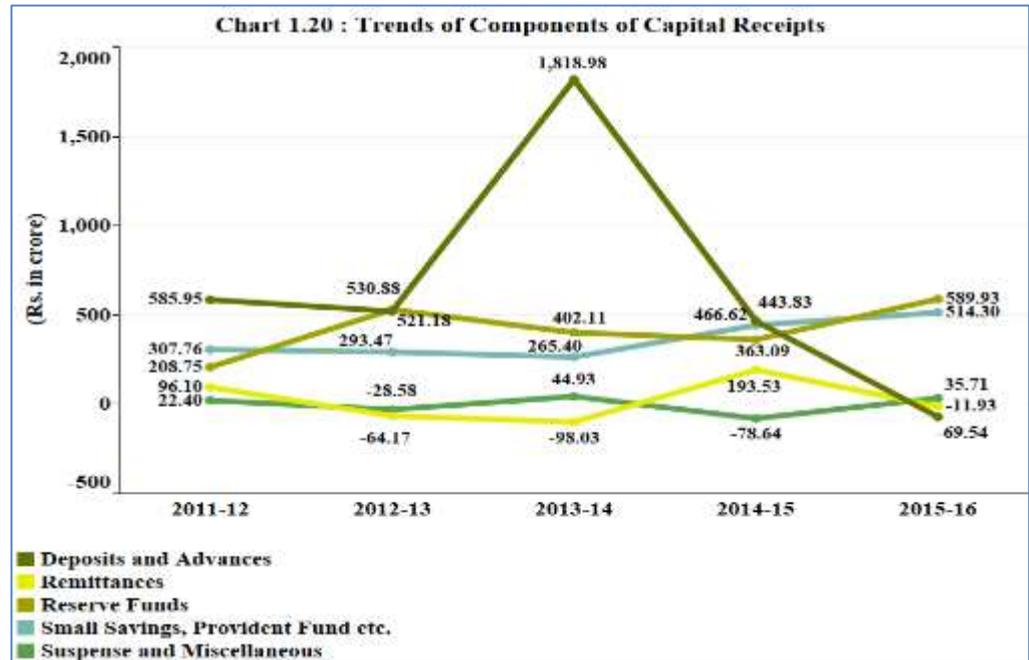
Table 1.15: Net Public Account Receipts and its composition

(₹ in crore)

Resources under various heads	2011-12	2012-13	2013-14	2014-15	2015-16
Net Public Account Receipts⁷					
a. Small Savings, Provident Fund etc.	307.76	293.47	265.40	443.83	514.30
b. Reserve Funds	208.75	530.88	402.11	363.09	589.93
c. Suspense and Miscellaneous	22.40	(-)28.58	44.93	(-)78.64	35.70
d. Remittances	96.10	(-)64.17	(-)98.03	193.53	(-)11.93
e. Deposits and Advances	585.95	521.18	1,818.98	466.62	(-)69.54
f. Closing Overdraft from Reserve Bank of India	0.00	0.00	0.00	0.00	0.00
Total Public Account Receipts (Net)	1,220.96	1,052.78	2,433.39	1,388.43	1,058.46

(Source: Finance Accounts of the respective years)

The trend of net availability of funds under various components during the period 2011-16 is depicted in **Chart 1.20**.



(Source: Finance Accounts of the respective years)

The Net Public Account Receipts (PAR) (total PAR minus total Public Account Disbursement) showed fluctuating trend during 2011-12 to 2015-16 and ranged between ₹ 1,053 crore and ₹ 2,433 crore. The net PAR increased

⁷ Net public Accounts Receipts = Public Account Receipts-Disbursement and Suspense and Miscellaneous and Reserve fund figures depicted after excluding Investment figures.

by ₹ 1,053 crore in 2012-13 to ₹ 2,433 crore in 2013-14 and thereafter decreased to ₹ 1,388 crore in 2014-15 and to ₹ 1,058 crore in 2015-16. The decrease in net PAR during the year was mainly due to decrease in Deposits and advances and Remittances. However, the net Public Account Receipts increased in Small Savings, Provident Fund etc., Suspense and Miscellaneous and Reserve Funds.

1.6 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since responsibility for incurring of major expenditure are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure especially expenditure directed towards development and social sectors.

1.6.1 Growth and composition of expenditure

The total expenditure incurred and its composition during the years 2011-12 to 2015-16 are given in **Table 1.16**. The trends in total expenditure⁸ over a period of last five years (2011-16) and its composition both in terms of 'economic classification' and 'expenditure by activities' are depicted in **Chart 1.21** and **Chart 1.22** respectively.

Table 1.16: Total expenditure and its composition

	2011-12	2012-13	2013-14	2014-15	2015-16
Total Expenditure (₹ in crore)	27,957	33,779	38,757	46,195	51,811
Rate of Growth (in per cent)	22.21	20.82	14.74	19.19	12.16
Revenue Expenditure (₹ in crore) (Percentage to Total Expenditure)	22,628 (81)	26,972 (80)	32,859 (85)	39,561 (85.64)	43,701 (84.35)
Of which Plan Revenue Expenditure (₹ in crore)	10004	12440	13749	20990	20529
Of which Non Plan Revenue Expenditure (₹ in crore)	12,624	14,532	19,110	18,571	23,172
Capital Expenditure (₹ in crore) (Percentage to Total Expenditure)	4,056 (14)	4,919 (15)	4,574 (12)	6,544 (14.17)	7,945 (15.33)
Loans and Advances* (₹ in crore) (Percentage to Total Expenditure)	1,273 (05)	1,888 (05)	1,324 (03)	90 (0.19)	165 (0.32)
State's GSDP (₹ in crore)	1,58,074	1,77,511	2,06,786 ^P	2,36,318 ^Q	2,51,447 ^A
Growth rate of GSDP (Percentage)	--	12.30	16.49	14.28	6.40

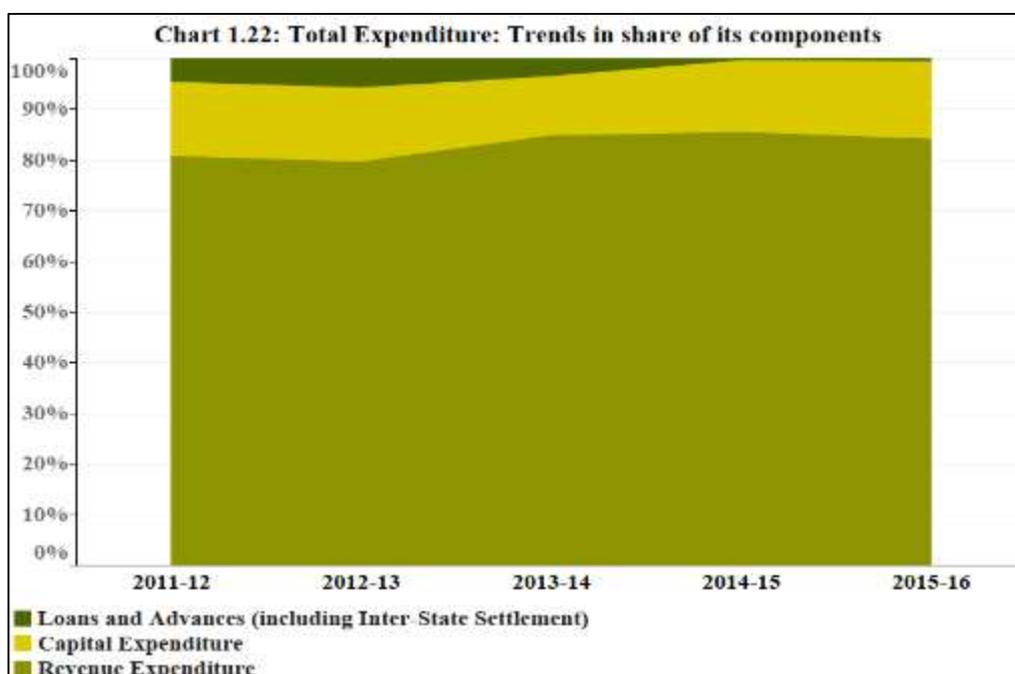
(Source: Finance Accounts) (A=Advanced Q= Quick and P=Provisional figures),

*Includes Inter State Settlement

⁸ Total expenditure does not include Public Debt repayment



(Source: Finance Accounts of the respective years)



(Source: Finance Accounts of the respective years)

It may be seen from **Table 1.16** that:

- The Total Expenditure (TE) comprising Revenue Expenditure, Capital Expenditure and Loans and Advances including Inter-State Settlement steadily increased (₹ 23,854 crore; 85 per cent) from ₹ 27,957 crore in 2011-12 to ₹ 51,811 crore in 2015-16.
- The increase of ₹ 5,616 crore in TE in 2015-16 over the previous year was mainly due to increase of ₹ 4,140 crore (10.46 per cent) in Revenue Expenditure, ₹ 1,401 crore (21.42 per cent) in Capital Expenditure and ₹ 75 crore (83.76 per cent) in Loans and Advances including Inter-State Settlement.
- The growth rate of TE showed an oscillating trend and ranged between 12.16 and 22.21 per cent during 2011-16. The growth rate of Total

Expenditure decreased from 19.19 *per cent* in 2014-15 to 12.16 *per cent* in 2015-16.

- The total expenditure was 20.61 *per cent* of GSDP during 2015-16. Of the TE during 2015-16, Revenue Expenditure constituted 84.35 *per cent* while Capital Expenditure constituted 15.33 *per cent*. Loans and Advances disbursed constituted only 0.32 *per cent* of the TE.
- Non-Plan Revenue Expenditure constituted 45 *per cent* of the TE in the year 2015-16 as compared to 40 *per cent* in 2014-15 while Plan Revenue Expenditure constituted 40 *per cent* of the TE in the year 2015-16 as compared to 45 *per cent* in 2014-15.

1.6.2 Revenue Expenditure

The Revenue Expenditure is incurred to maintain the current level of services and make payment for past obligations and as such, does not result in any addition to the State's infrastructure and services network. The Revenue Expenditure as a percentage of total expenditure fluctuated between 80 to 86 *per cent* during 2011-16. The Revenue Expenditure constituted 17.38 *per cent* of GSDP during 2015-16. The revenue expenditure was ₹ 43,701 crore during 2015-16 of which ₹ 23,172 crore (53 *per cent*) was on Non-Plan components and ₹ 20,529 crore (47 *per cent*) was on Plan components.

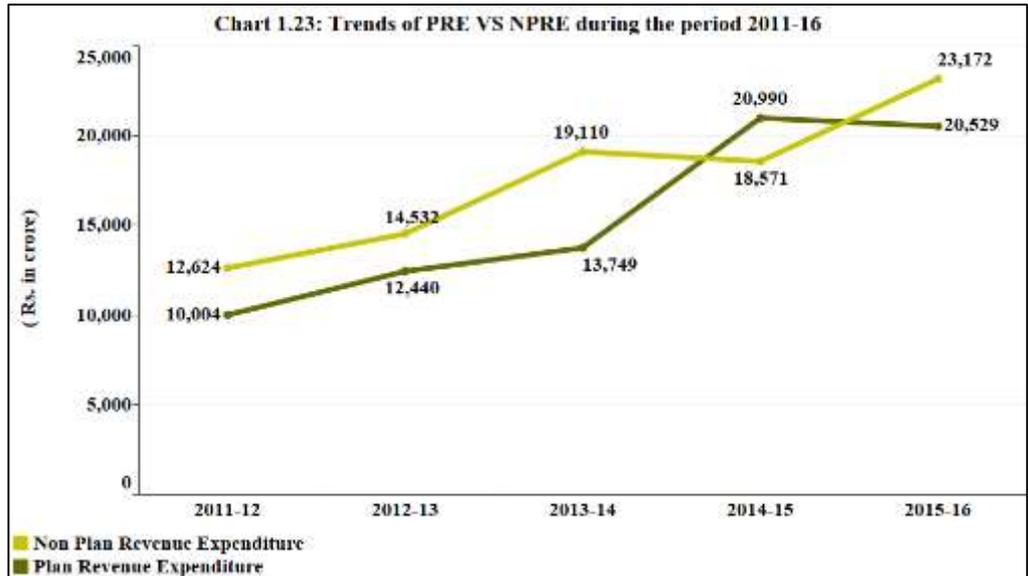
1.6.2.1 Plan Revenue Expenditure

During 2015-16, Plan Revenue Expenditure (PRE) was ₹ 20,529 crore in comparison to the budget estimate of ₹ 28,230 crore. The share of PRE as a percentage of the total revenue expenditure was 47 *per cent* during 2015-16 as compared to 53 *per cent* in 2014-15. The PRE during 2015-16 decreased by 2.20 *per cent* (₹ 461 crore) as compared to 2014-15.

1.6.2.2 Non-Plan Revenue Expenditure

During 2015-16, the Non-Plan Revenue Expenditure (NPRE) was ₹ 23,172 crore as against the budget estimate of ₹ 25,500 crore. The share of NPRE as a percentage of the total revenue expenditure was 53 *per cent* during 2015-16 as compared to 47 *per cent* in 2014-15. During 2015-16, the NPRE increased by ₹ 4,601 crore (24.78 *per cent*) over the previous year.

The trend of PRE vs. NPRE during the period 2011-16 is depicted in **Chart 1.23**.



(Source: Finance Accounts of the respective years)

1.6.3 Expenditure on salaries, interest payments, pension payments and subsidies

The expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. Table 1.17 and Chart 1.24 present the trends of expenditure on these components during 2011-16.

Table 1.17: Components of expenditure on Salary and wages, Salary paid through Grants-in-Aid, Interest Payments, Pension and Subsidies

(₹ in crore)

Components	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actuals
Salaries & Wages	7,382.61 (28.54)	7,686.52 (25.99)	9,137.19 (28.51)	10,003.33 (26.33)	11,646.80	10,864.52 (23.58)
Non-Plan Head	4,893.18	5,018.01	6,267.88	6,973.60	NA*	7,609.13
Plan Head**	2,489.43	2,668.51	2,869.31	3,029.73	NA	3,255.39
Salary paid through Grants-in-Aid	897.27 (3.47)	1,280.34 (4.33)	1,749.32 (5.46)	2,009.90 (5.29)	NA***	2,305.36 (5.00)
Interest Payments	1,193.20 (4.61)	1,153.49 (3.90)	1,350.53 (4.21)	1,726.62 (4.55)	2,081.30	2,148.91 (4.66)
Expenditure on Pensions	1,877.87 (7.26)	2,412.14 (8.16)	2,751.87 (8.59)	3,249.52 (8.55)	3,780.64	3,518.73 (7.64)
Subsidies	1,870.93 (7.23)	1,790.83 (6.05)	3,155.53 (9.85)	3,746.58 (9.86)	9,425.85	7,397.12 (16.06)
Total	13,221.88 (51.11)	14,323.32 (48.46)	18,144.44 (56.61)	20,735.95 (54.59)		26,234.64 (56.95)

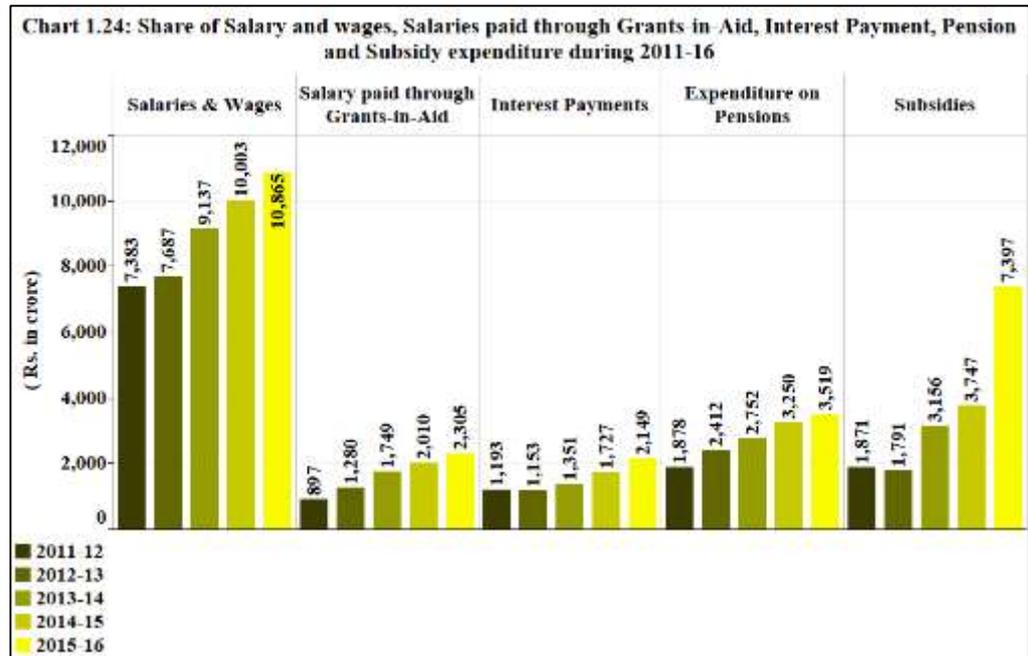
(Source: Finance Accounts of the respective years)

Figures in the brackets indicate percentage to Revenue Receipts

* Bifurcation is not available in Budget estimates.

** Head also includes the salaries and wages paid under Centrally Sponsored Schemes.

*** Figure is not available in Budget Estimate for the year.



(Source: Finance Accounts of the respective years)

The total expenditure on Salary and Wages, Salary paid through GIA, Interest Payment, Pension and Subsidy increased by ₹ 5,499 crore from ₹ 20,736 crore in 2014-15 to ₹ 26,235 crore in 2015-16 and constituted 60 per cent of Revenue Expenditure (₹ 43,701 crore) and 57 per cent of Revenue Receipts (₹ 46,068 crore). The component-wise analysis is given in subsequent paragraphs:

Expenditure on Salary and Wages

- The expenditure on Salaries and Wages during current year increased by ₹ 862 crore from ₹ 10,003 crore in 2014-15 to ₹ 10,865 crore in 2015-16. The salary paid out of GIA⁹ increased by ₹ 295 crore from ₹ 2,010 crore in 2014-15 to ₹ 2,305 crore in 2015-16.
- The expenditure on Salary and Wages during the year was less by 6.71 per cent (₹ 782 crore) than the assessment made by the State Government in its budget estimate (₹ 11,647 crore).
- The expenditure on Salary and Wages was more by 33.61 per cent (₹ 2,733 crore) than the provisions made in the FRBM disclosure (₹ 8,132 crore) during the year 2015-16.

Expenditure on pension

- The expenditure on pension increased by 8.28 per cent (₹ 269 crore) from ₹ 3,250 crore in 2014-15 to ₹ 3,519 crore in 2015-16.
- The expenditure on pension (₹ 3,519 crore) was 8.05 per cent of the total Revenue Expenditure (₹ 43,701 crore) and 15.19 per cent of Non-Plan Revenue Expenditure (₹ 23,172) and consumed 7.64 per cent of the total Revenue Receipts (₹ 46,068 crore).

⁹ Salaries paid to various institutions under Education, Sports, Art and Culture, Agriculture and allied activities and Rural Development through Grants- in-Aid.

- The expenditure on pension payment was less by ₹ 262 crore (6.93 per cent) against the projections made by the State Government in its Budget Estimate and FRBM disclosure (₹ 3,780.64 crore) for 2015-16.
- As per the projection made by the 14thFC the expenditure on pension payments was to be ₹ 2,756 crore at the end of 2015-16. However, the actual payment on pension during 2015-16 was ₹ 3,519 crore which exceeded the 14thFC norms by ₹ 763 crore.

Interest payment

- Interest payment comprising interest charges on internal debts, small savings, provident funds, loans raised from GOI and other obligations increased by 24.46 per cent (₹ 422.29 crore) from ₹ 1,726.62 crore in 2014-15 to ₹ 2,148.91 crore in 2015-16.
- The interest payments (₹ 2,149 crore) were more than the projection made by the 14thFC (₹ 2,030 crore), the assessment made by the State Government in its budget estimates and FRBM disclosures (₹ 2,081 crore) for the year 2015-16. The interest payments were 4.92 per cent of total Revenue Expenditure and 4.66 per cent of Revenue Receipts during the year.

Expenditure on subsidies

- During 2015-16, Government of Chhattisgarh paid ₹ 7,397.12 crore as subsidy.
- The details of subsidies provided by the State Government during 2011-16 are shown in **Table 1.18**:

Table 1.18: Details of Subsidies provided by Government during 2011-16

(₹ in crore)

Head	2011-12	2012-13	2013-14	2014-15	2015-16
Social Welfare and Nutrition	950.51	722.30	1,754.23	9.34	10.21*
Crop Husbandry	46.36	75.45	300.45	322.40	243.92
Fisheries	0.60	1.30	1.36	1.44	1.75
Forestry and Wild Life	8.10	15.05	15.03	19.60	16.28
Food and Civil Supplies	383.67	395.24	463.71	2,328.16	5,319.71
Co-operation	95.32	103.14	111.85	87.23	9.34
Minor Irrigation	10.88	0.00	0.00	0.00	0.00
Power	321.10	426.13	443.76	915.00	1,708.35
Village and Small Industries	52.52	44.27	41.61	33.55	37.52
Industries	1.87	7.95	20.41	29.20	49.30
Administrative Services	0.00	0.00	0.39	0.66	0.74
Rural Development	0.00	0.00	2.73	0.00	0.00
Total	1,870.93	1,790.83	3,155.53	3,746.58	7,397.12

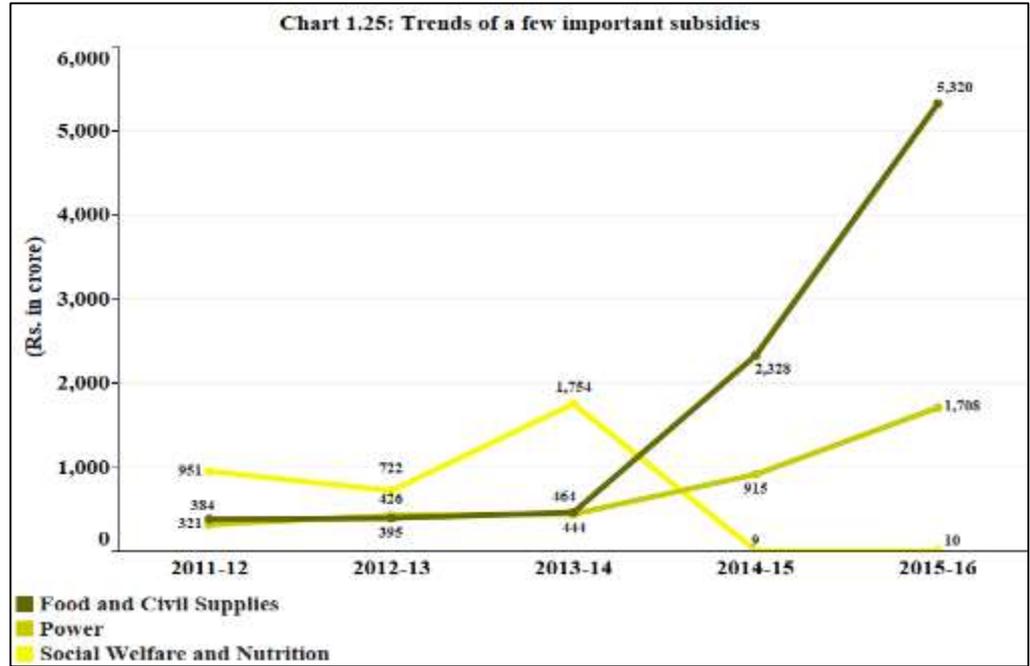
(Source: Finance Accounts of the respective years)

* including 0.37 crore for Labour and labour welfare.

- It is evident from the **Table 1.18** that the expenditure on subsidies sharply increased by ₹ 3,650 crore (97.41 per cent) from ₹ 3,747 crore in 2014-15 to ₹ 7,397 crore in 2015-16. Expenditure on subsidies during 2015-16 constituted 16.06 per cent of the total Revenue Receipts as well as 16.93 per cent of total Revenue Expenditure. The main components of subsidy payments during the year were food and civil supplies (₹ 5,319.71 crore: 71.92 per cent), power (₹ 1,708.35 crore: 23.09 per cent) and crop husbandry (₹ 243.92 crore, 3.30 per cent). The sharp increase of subsidy for food and civil supplies was mainly due to subsidy given to State co-operative marketing

federation for meeting losses on food procurement (₹ 1,750 crore) 775.00 per cent over previous year (₹ 200 crore) and for the Chief Minister Food assistance scheme (₹ 3,464 crore) 48.04 per cent over previous year (₹ 1,800 crore).

The trend of a few important subsidies during the period 2011-16 is depicted in **Chart 1.25**.



(Source: Finance Accounts of the respective years)

- Some of the subsidies on cost of freebies as Grants-in-Aid (in kind), extended during 2015-16 are given in **Table 1.19**:

Table 1.19: Details of freebies provided by the State Government during 2015-16

		(₹ in crore)
Name of the Department	Scheme Name	Total
School Education	Free Cycle Distribution to High School Girls.	53.73
School Education	Free supply of text books.	57.31
School Education	Free Distribution of Book and Stationary to Tribal Students	0.64
Agriculture	Free Supply of Electricity to Agriculture Pumps of 5 H.P.	1,032.10
Communication	Free supply for Laptop/Tablet	56.28
Total		1,200.06

(Source: Finance Accounts 2015-16)

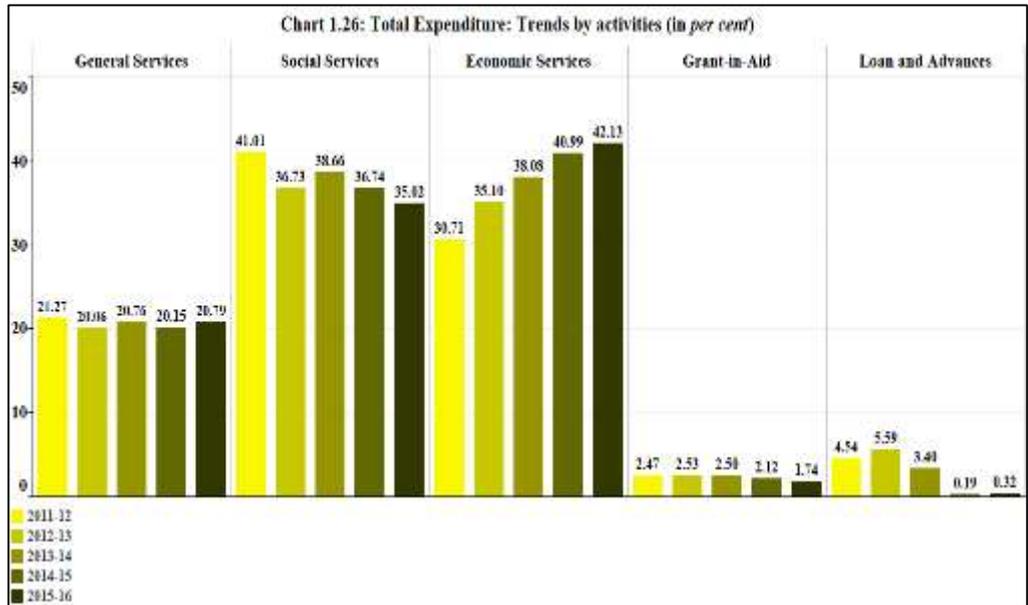
From the **Table 1.19** it can be seen that during 2015-16 the Government incurred expenditure of ₹ 1,200.06 crore as against ₹ 406.59 crore in 2014-15 for providing free books & stationary, cycle, laptops and tablets, electricity to agricultural pumps to the targeted beneficiaries.

1.6.4 Capital Expenditure

- Capital expenditure increased by 21.40 *per cent* (₹ 1,401 crore) during 2015-16 over the previous year mainly due to increase in expenditure under Capital outlay on Transport by ₹ 478 crore, Rural Development Programmes by ₹ 264 crore, Education, Sports, Art and Culture by ₹ 236 crore and Irrigation and Flood Control by ₹ 198 crore.
- The Capital Outlay, Loans and advances including Inter-State Settlement stood at 15.33 *per cent* and 0.32 *per cent* of the total expenditure respectively.

1.6.5 Trends in expenditure by activities

In terms of activities, total expenditure could be considered as being composed of expenditure on general services (including interest payments), social and economic services, GIA and Loans and advances. Relative share of these components in total expenditure showed inter-variations in its components as detailed in **Chart 1.26**.



(Source: Finance Accounts of the respective years)

- The percentage of expenditure on General services increased marginally from 20.15 *per cent* in 2014-15 to 20.79 *per cent* in 2015-16.
- The percentage of expenditure on Social services decreased from 36.74 *per cent* in 2014-15 to 35.02 *per cent* in 2015-16 while in the case of Economic services it increased from 40.99 *per cent* to 42.13 *per cent* during the same period.
- The percentage of expenditure on Grants-in-Aid decreased from 2.12 *per cent* in 2014-15 to 1.74 *per cent* in 2015-16 while that of Loans and Advances increased from 0.19 *per cent* to 0.32 *per cent* during the same period.

1.6.6 Financial Assistance by State Government to Local Bodies and other institutions

The quantum of assistance provided by way of grants and loans to Local Bodies and others during the last five years are presented in **Table 1.20**.

Table 1.20: Financial assistance to Local Bodies etc

(₹ in crore)

Financial assistance to institutions	2011-12	2012-13	2013-14	2014-15	2015-16
Educational Institutions (Aided schools, aided colleges, Universities etc.)	163.07	223.27	242.42	261.87	273.80
Power/energy	149.56	672.81	254.67	458.00	1,213.06
Agriculture	56.50	71.00	77.39	82.50	89.04
Urban Local Bodies	1,268.53	2,055.21	2,002.56	1,919.54	1,785.97
<i>Panchayat Raj Institutions</i>	2,811.71	3,897.95	4,954.99	7,797.54	6,246.71
Other Institutions	158.21	123.61	118.70	53.86	69.60
Total	4,607.58	7,043.85	7,650.73	10,573.31	9,678.18
Revenue Expenditure	22,628	26,972	32,859	39,561	43,701
Assistance as percentage of RE	20.36	26.12	23.28	26.73	22.15

(Source: Finance Accounts of the respective years)

It is evident from the **Table 1.20** that the financial assistance to Local bodies and other institutions¹⁰ increased steadily from ₹ 4,608 crore in 2011-12 to ₹ 9,678 crore in 2015-16. However, financial assistance to Local bodies and other institutions decreased by ₹ 895 crore (8.46 per cent) from ₹ 10,573 crore in 2014-15 to ₹ 9,678 crore in 2015-16. The financial assistance to Power/energy increased by ₹ 755 crore (165 per cent) in 2015-16 as compared to previous year. During 2015-16, the financial assistance was given by the Government mainly to *Panchayat Raj Institutions* (64.54 per cent), Urban Local Bodies (18.45 per cent) and Power/energy (12.53 per cent).

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure involves three aspects *viz.* adequacy of the expenditure (i.e. adequate provisions for providing public services), efficiency of expenditure and its effectiveness (assessment of outlay-outcome relationships for selected services).

1.7.1 Adequacy of public expenditure

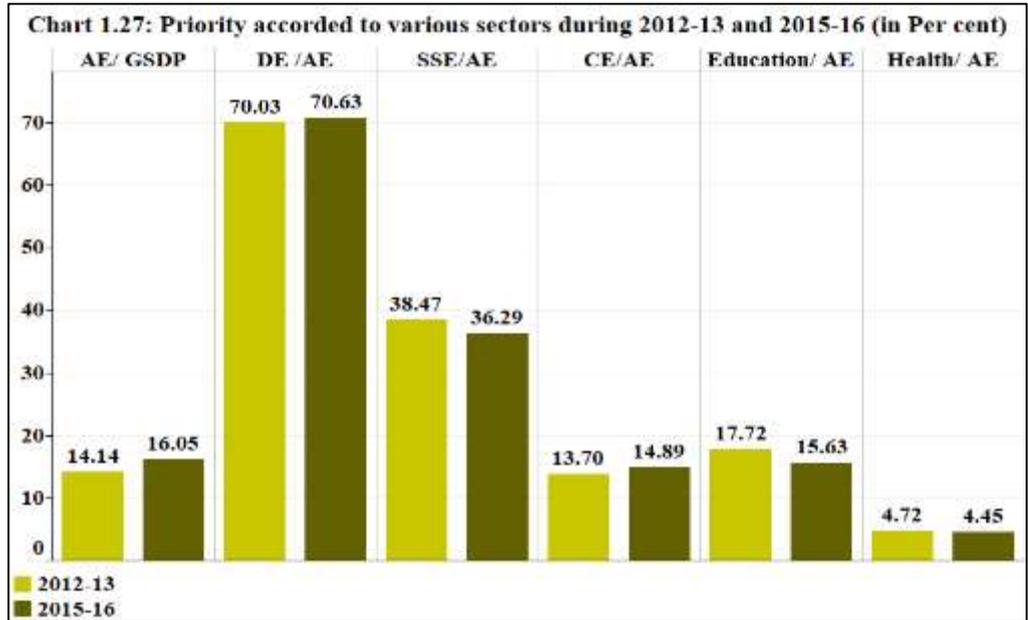
The responsibilities relating to the social and the economic sector assigned to the State Governments are largely State subjects. To enhance human development levels it requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if it is below the respective average of GCS.

Table 1.21 analyses the fiscal priority of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during 2015-16, taking 2012-13 as base year. The priority accorded to various sectors by the State over the two periods is depicted in the **Chart 1.27**.

¹⁰ Educational institutions, power/energy, agriculture, co-operatives, other scientific research.

Table 1.21: Fiscal Priority of the State in 2012-13 and 2015-16

(in per cent)						
Fiscal Priority by the State	AE/ GSDP	DE# /AE	SSE/ AE	CE/AE	Education / AE	Health/ AE
Average (Ratio) 2012-13 of						
General Category States	14.14	70.03	38.47	13.70	17.72	4.72
Chhattisgarh	19.03	77.40	37.69	20.15	16.76	3.83
Average (Ratio) 2015-16 of						
General Category States	16.05	70.63	36.29	14.89	15.63	4.45
Chhattisgarh	20.61	77.47	35.11	15.65	18.96	5.23
AE : Aggregate Expenditure, DE : Development Expenditure, SSE : Social Sector Expenditure, CE : Capital Expenditure (Capital Account only) # Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure, Development Loans and Advance disbursed.						



It may be seen from **Table 1.21** that:

- The State of Chhattisgarh spent a higher proportion of its GSDP as Aggregate Expenditure (AE) in 2012-13 and 2015-16 in comparison to the average of GCS.
- Development Expenditure as well as Capital Expenditure as a proportion of Aggregate Expenditure in Chhattisgarh was more than the GCS average during 2012-13 and 2015-16.
- During 2012-13 and 2015-16, the ratio of Social Sector Expenditure to Aggregate expenditure was less in comparison to GCS average. The proportion of the Aggregate expenditure to Social Sector Expenditure of the State has also been decrease in 2015-16 in comparison to 2012-13.
- The State has accorded less priority to the education sector as well as health sector as compared to the GCS average in the 2012-13 but accorded higher priority in the year 2015-16. The proportion of the Aggregate expenditure to these sectors of the State has increased in 2015-16 in comparison to 2012-13.

1.7.2 Efficiency of expenditure use

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 State Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods¹¹. Apart from improving the allocation towards Development Expenditure¹² particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to Total Expenditure and proportion of Revenue Expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure the better would be the quality of expenditure.

Table 1.22 presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year and the previous years.

Table 1.22: Development expenditure

(₹ in crore)					
Components of Development Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16
Development Revenue Expenditure	16,037 (57)	19,468 (58)	24,038 (62)	29,541 (64)	32,392 (63)
Development Capital Expenditure	4,014 (15)	4,794 (14)	4,392 (11)	6,287 (14)	7,582 (15)
Development Loans and Advances	1,259 (05)	1,882 (06)	1,309 (03)	78 (0.17)	164 (03)
Total Development Expenditure	21,310 (76)	26,144 (77)	29,739 (77)	35,906 (78)	40,138 (77)
Aggregate Expenditure (RE+CE+L&A)	27,957	33,779	38,757	46,195	51,811

Figures in brackets indicate percentage to aggregate expenditure
(Source: Finance Accounts of the respective years)

- It can be seen from **Table 1.22** that the Development Expenditure comprising of Revenue and Capital Expenditure and Loans and Advances for socio-economic services increased by ₹ 18,828 crore (88.35 per cent) from ₹ 21,310 crore in 2011-12 to ₹ 40,138 crore in 2015-16.
- Development Expenditure as a percentage of Aggregate Expenditure showed more or less a constant trend ranged between 76 and 78 per cent

¹¹ 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, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. 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 ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water, sanitation etc.

¹² The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are categorised into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

during the period 2011-12 to 2015-16. The development expenditure constituted 77 per cent of total expenditure, while non-development expenditure constituted 23 per cent during 2015-16.

- The Total Development Expenditure increased by ₹ 4,232 crore (11.79 per cent) during 2015-16 over the previous year due to increase in Development Revenue Expenditure by ₹ 2,851 crore (9.65 per cent) and Development Capital Expenditure by ₹ 1,295 crore (20.60 per cent) and Development loans and advances by ₹ 86 crore (110.26 per cent).

1.7.3 Expenditure on selected Social and Economic Services

Table 1.23 provides the details of Capital expenditure and the components of Revenue Expenditure incurred on the maintenance of the selected Social and Economic Services.

Table 1.23: Efficiency of expenditure use in selected Social and Economic Services

Social/Economic Infrastructure	(in per cent)					
	2014-15			2015-16		
	Ratio of CE to TE	In RE the share of		Ratio of CE to TE	In RE the share of	
		ME	S & W		ME	S&W
Social Services (SS)						
Total Social Services Of which	3.38	0.79	34.06	3.40	0.48	40.82
General Education	0.57	0.85	36.99	0.96	0.12	39.21
Public Health and Family Welfare	0.51	0.63	50.83	0.56	0.70	50.09
Water Supply Sanitation and Housing Urban Development	1.52	2.12	8.50	1.27	2.52	9.53
Economic Services (ES)						
Total Economic Services of which	10.23	4.06	13.95	11.15	2.38	12.73
Agriculture and Allied Activities	0.13	0.55	15.64	0.12	0.53	15.55
Irrigation and Flood Control	3.33	9.18	52.77	3.35	10.12	51.00

(Source: Finance Accounts)

TE: Total Expenditure in the concerned sector; CE: Capital Expenditure in the concerned sector; ME: Maintenance Expenditure; RE: Revenue Expenditure in the concerned sector; S&W: Salaries and Wages

It is evident from **Table 1.23** that:

- The share of Capital Expenditure on social services to total expenditure marginally increased from 3.38 per cent in 2014-15 to 3.40 per cent in 2015-16 due to increase of the Capital Expenditure on social services from ₹ 1,559.87 crore in 2014-15 to ₹ 1,807.01 crore in 2015-16.
- While the share of expenditure on salary and wages in Revenue Expenditure under social services increased from 34.06 to 40.82 per cent, the maintenance expenditure decreased from 0.79 to 0.48 per cent during the year 2015-16.
- The share of Capital Expenditure on economic services to total expenditure increased from 10.23 per cent in 2014-15 to 11.15 per cent in 2015-16 due to increase of the Capital Expenditure on economic services from ₹ 4,726.64 crore in 2014-15 to ₹ 5,775.67 crore in 2015-16.
- The share of salary and wages under Revenue Expenditure on economic services decreased from 13.95 per cent to 12.73 per cent while that of maintenance expenditure decreased from 4.06 per cent to 2.38 per cent respectively during the year.

1.8 Financial analysis of Government expenditure and investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also to meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market-based resources, the State 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 subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other Capital Expenditure undertaken by the Government during the current year vis-à-vis previous years.

1.8.1 Incomplete projects

The department-wise information of projects (costing ₹ 10 crore and above), which were not completed by their scheduled time and also not up to 31 March 2016, is given in **Table 1.24**.

Table 1.24: Department-wise profile of Incomplete Projects

(₹ in crore)

Department	Incomplete Projects			
	Number of Incomplete projects	Estimated cost	Total cost of incomplete projects after revision of estimated cost	Cumulative expenditure as on 31 March 2016
Public Works	37	963.06	1,526.38	939.99
Water Resources	157	6,329.39	8,080.29	4,971.54
Total	194	7,292.45	9,606.67	5,911.53

(Source: Finance Account 2015-16)

The blocking of funds on incomplete works impinges negatively on the quality of expenditure. All the 194 projects (estimated cost ₹ 9,606.67 crore) were due for completion up to 31 March 2016, but remained incomplete resulting in blockade of ₹ 5,911.53 crore incurred on these works. Delay in completion of project works increases the risk of cost escalation. Besides, due to delay in completion of these projects the intended benefits from the projects could not be achieved.

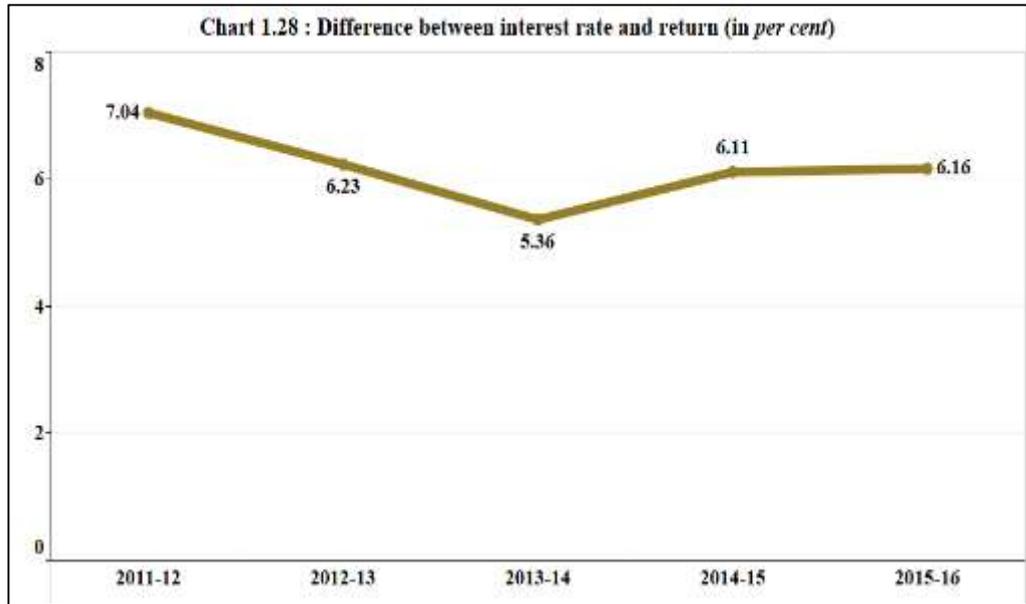
1.8.2 Investment and Returns

As of 31 March 2016, Government had invested ₹ 6,192.22 crore in 16 Government Companies (₹ 5,969.44 crore), 1462 Co-operative Institutions and Local Bodies (₹ 162.37 crore), six Statutory Corporations (₹ 33.50 crore), one Rural Bank (₹ 24.31 crore) and one Joint Stock Company (₹ 2.60 crore) (**Table 1.25**). The Difference between average rate of interest on Government borrowings and return on investment (per cent) during the period 2011-16 is depicted in **Chart 1.28**.

Table 1.25: 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)	1,194.38	1,916.18	1,866.44	1,872.53	6,192.22
Return on investment (₹ in crore)	0.46	2.19	14.21	0.86	5.73
Return on investment (per cent)	0.04	0.11	0.76	0.05	0.09
Average rate of interest on Govt. borrowing (per cent)	7.08	6.34	6.12	6.16	6.25
Difference between interest rate and return (per cent)	7.04	6.23	5.36	6.11	6.16

(*The investment at the end of the year does not include un-apportioned investment between Madhya Pradesh and Chhattisgarh)



(Source: Finance Accounts of the respective years)

The average return on investment was ₹ 5.73 crore (0.09 per cent) in 2015-16 against ₹ 0.86 crore (0.05 per cent) in 2014-15. The Government paid interest at an average rate of 6.25 per cent on its borrowings during 2015-16, whereas return on State's investment is just 0.09 per cent. Continued use of borrowed funds to fund investments, which do not have sufficient financial returns will lead to an unsustainable financial position. The Government may ensure proper justification for investment of high cost funds.

The figures in respect of equity, loans and guarantees outstanding as per records of the State PSUs should agree with that of the figure appearing in the Finance Accounts of the State. In case the figures do not agree the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as at 31 March 2016 is stated in the **Table 1.26**.

Table 1.26: Position of outstanding equity, loans and guarantees.

Outstanding in respect of	(₹ in crore)		
	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	5,969.83	8,225.08	2,255.25
Loans	257.25	531.71	274.46
Guarantee	857.76	1,353.46	495.70

We observed that the differences occurred in respect of ten PSUs and these differences were pending reconciliation since 2004-05. Though the differences between the amounts reflected in the Finance Accounts and as per the records of the PSUs were reported in the Audit Reports of earlier years, no corrective action was taken by the State Government. The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

1.8.3 Loans and Advances given by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing Loans and advances to many of these institutions/organisations. **Table 1.27** 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 1.27: Average interest received on loans advanced by the State Government

	(₹ in crore)				
Quantum of Loans/Interest Receipts/Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Opening balance	1,535.64	1,517.88	1,864.72	1,545.99	1,395.41 ¹³
Amount advanced during the year	1,268.74	1,888.79	1,318.53	88.32	164.73
Amount repaid during the year	1,282.53	1,542.01	1,637.27	194.86	296.39
Closing Balance	1,521.85	1,864.66	1,545.99	1,439.45	1,263.75
Of which Outstanding balance for which terms and conditions have been settled	1,094.48	1,864.66	1,544.99	1,438.45	1,263.75
Net addition	(-)13.79	342.78	(-)318.74	(-)106.54	(-)131.66
Interest receipts	62.79	8.27	274.43	47.30	47.02
Interest Receipts as a percentage to outstanding Loans and Advances	4.11	0.44	17.75	3.17	3.54
Interest payments as a percentage to outstanding fiscal liabilities of the State Government.	7.08	6.34	6.12	6.16	6.25
Difference between Interest Receipts and Interest Payments (<i>per cent</i>)	(-)2.97	(-)5.90	11.63	(-)2.99	(-)2.71

(Source : Finance Accounts)

At the end of March 2016, the Government had outstanding loans and advances of ₹ 1,263.75 crore of which loans for general services, social services and economic services were ₹ 1.71 crore, ₹ 774.35 crore and ₹ 497.96 crore respectively. The outstanding loans and advances were offset by recovery of ₹ 10.27 crore of loans advanced to Government servants. The interest received against these loans and advances during 2015-16 was 3.54 *per cent* (₹ 47.02 crore) as against 3.17 *per cent* (₹ 47.30 crore) in the previous year.

1.8.4 Cash balances and investment of cash balances

Details of the cash balances and investments made by the State Government during the year are shown in **Table 1.28**.

¹³ Proforma reduced by ₹ 44.04 crore

Table 1.28: Cash balances and investment of cash balances

(₹ in crore)

	Opening balance as on 01 April 2015	Closing balance as on 31 March 2016
(a) General Cash Balances		
(1) Cash in treasuries	0.00	0.00
(2) Deposits with Reserve Bank	(-134.31)	(-577.94)
(3) Remittances in transit	0.00	0.00
Total (1+2+3)	(-134.31)	(-577.94)
(4) Investment held in 'Cash Balance Investment Account'	(-) 1.26	1,856.17
Total (a)- General Cash Balances (1+2+3+4)	(-) 135.57	1,278.23
(b) Other Cash Balances and Investments		
(1) Cash with the Departmental Officers viz. Forest, Public Works Departments, Military Secretary to the Governor	9.98	11.54
(2) Permanent advances for contingent expenditure with Departmental Officers	0.33	0.32
(3) Investment of Earmarked Funds	1,343.64	1,543.63
Total (b) Other Cash Balances and Investments (1+2+3)	1,353.95	1,555.49
Total (a) and (b)	1,218.38	2,833.72

(Source: Finance Account 2015-16)

- The cash balance of the State at the end of 2015-16 increased by ₹ 1,615.34 crore (132.58 per cent) from ₹ 1,218.38 crore in 2014-15 to ₹ 2,833.72 crore in 2015-16.
- Under an agreement with the Reserve Bank of India (RBI), the Government of Chhattisgarh has to maintain the required minimum cash balance of ₹ 0.72 crore with the Reserve Bank of India (RBI). If the balance falls below the agreed minimum balance on any day, the shortfall is made good by taking Ordinary and Special Ways and Means Advances/overdrafts from time to time. During 2015-16 the State Government did not avail any Special Ways and Means Advance or Ordinary Ways and Means Advance.
- Intermittently surplus cash balance was invested by the State Government in short term deposits of Government Treasury bills and securities and earned an interest of ₹ 50.35 crore during the year 2015-16, which was less by ₹ 14.15 crore as compared to the previous year (₹ 64.50 crore).
- The credit balances under the Major Head 8670-Cheques and Bills indicate value of cheques that remained un-encashed as on 31 March 2016. As per Finance Accounts 2015-16, outstanding balance increased by ₹ 5.18 crore from ₹ 45.33 crore in 2014-15 to ₹ 50.51 crore in 2015-16.

1.9 Assets and Liabilities

1.9.1 Growth and Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. 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)** provides an abstract of such liabilities and the assets as on 31 March 2016 compared with the corresponding position as on 31 March 2015.

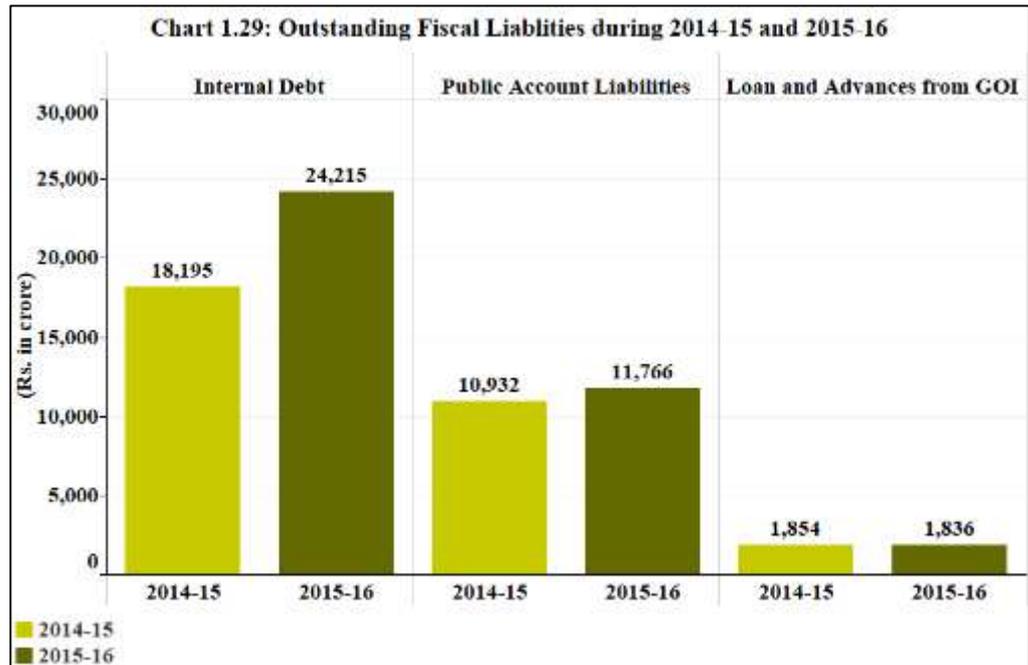
Total liabilities, as defined in the FRBM Act, 2005 are the liabilities under the consolidated fund of the State and the Public Account of the State. There are two sets of liabilities namely public debt and other liabilities. Public debt consists of the internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund- Capital Account.

Further, the internal debt includes market loans, special securities issued to NSSF of central Government, compensation and other Bonds, loans from financial institution and ways & means advances from RBI. The Constitution of India provides that the 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 an Act of the Legislature and give guarantees within such limits as may be fixed by the Legislature. The Public Accounts liability includes deposits under the small savings scheme, provident funds etc., reserve funds and other deposits.

Government Assets under consolidated fund consist of capital outlay, loans and advances given by the State Government and cash balances.

1.9.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4 (Part B)** and the comparison of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Chart 1.29**.



(Source: Finance Accounts 2014-15 and 2015-16)

While the public account liabilities of the Government increased in absolute terms, the growth rate of the liabilities decreased from 23.89 per cent in 2014-15 to 21.03 per cent in 2015-16 and the growth rate of assets increased from 13.96 per cent to 30.78 per cent during the same period.

While the composition of Internal debts as percentage of fiscal liabilities increased from 59 per cent to 64 per cent, the Public Account liabilities and outstanding loan & advances from GOI decreased from 35 to 31 per cent and six to five per cent respectively over the previous year.

The fiscal liabilities of the State, the ratio of these liabilities to GSDP and revenue receipts are brought out in **Table 1.29**.

Table 1.29: Fiscal Liabilities – Basic Parameters

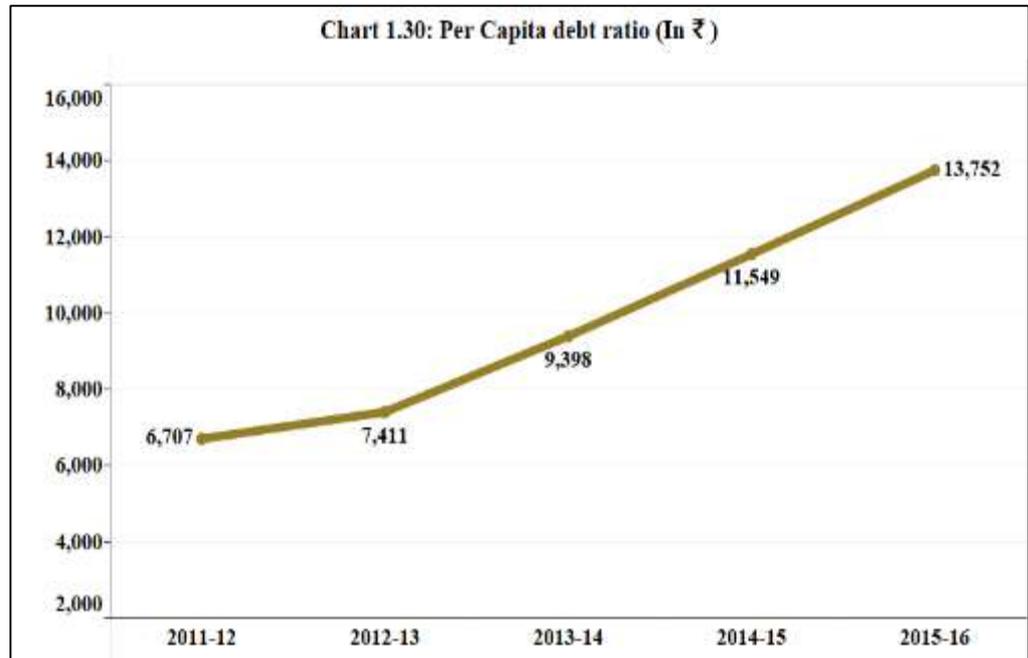
	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Internal Debt	8,396	9,567	12,943	18,195	24,215
Loan and Advance from GOI	2,290	2,137	2,003	1,854	1,836
Public Account Liabilities	6,417	7,564	9,958	10,932	11,766
Total Fiscal liabilities	17,103	19,268	24,904	30,981¹⁴	37,817
Rate of growth of Fiscal liabilities (in per cent)	3.15	12.66	29.25	24.40	22.07
Fiscal liabilities/GSDP (in per cent)	10.82	10.85	12.04	13.11	15.04
Fiscal liabilities/ Revenue receipts (in per cent)	66.11	65.14	77.70	81.55	82.09
State's GSDP (₹ in crore)	1,58,074	1,77,511	2,06,786^P	2,36,318^Q	2,51,447^A
Population (in crore)	2.55	2.60	2.65	2.70	2.75
Per Capita debt ratio (in ₹)	6,707	7,411	9,398	11,474	13,752

(Source: Finance Accounts & Projected Population in Economic Survey of Chhattisgarh 2015-16)
(A=Advanced, Q= Quick and P= Provisional)

- The overall fiscal liabilities of the State increased by ₹ 20,714 crore (121.11 per cent) from ₹ 17,103 crore in 2011-12 to ₹ 37,817 crore in 2015-16.
- The growth rate of fiscal liabilities was 22.07 per cent during 2015-16 as against 24.40 per cent in 2014-15.
- The fiscal liabilities at the end of 2015-16 represented 82.09 per cent of the revenue receipts during the year as against 81.55 per cent during 2014-15.
- During 2015-16, the outstanding debt to GSDP ratio stood at 15.04 per cent which was within the projection made (16.09 per cent) in FRBM disclosures.
- The per capita debt has significantly become double and increased by 105 per cent (₹ 7,045) from ₹ 6,707 in 2011-12 to ₹ 13,752 in 2015-16.

Chart 1.30 shows an increasing trend of per capita debt during the period 2011-16.

¹⁴ Figures of 2014-15 changed due to pro-forma adjustments made in Finance Accounts and change in GSDP figures.



(Source: Finance Accounts of the respective years)

1.9.3 Transactions under Reserve Fund

Reserves and Reserve Funds are created for specific and well defined purposes in the accounts of the State Government (Public Account) and are funded by contributions/grants from the Consolidated Fund of India/State. There were 16 Reserved Funds earmarked for specific purposes, out of which, 12 funds were active, and four funds have been inactive between 2000-01 and 2015-16. The total accumulated balance at the end of 31 March 2016 in these funds was ₹ 3,579.11 crore. Out of the gross accumulated balance of ₹ 3,579.11 crore as on 31 March 2016 lying in the Funds, the State Government had invested ₹ 1,543.63 crore (43.13 per cent). Funds, which have remained inoperative under the major head, 8229-Development and welfare funds and 8235-General and other reserve funds with balances are given in the **Table 1.30**:

Table 1.30: Details of inoperative Reserve Funds

Name of Reserve Fund	Balance as on 31 March 2016 (₹ in crore)	Year from which inoperative
8229-Development and Welfare Funds		
Development Fund for Agriculture Purposes-Investment Account	0.06 (credit)	2000-01
Compensatory Afforestation Fund	18.89 (Credit)	2008-09
Development Fund for Educational Purposes	0.03 (Credit)	2011-12
8235-General and Other Reserve Fund		
Other Funds	0.01 (Credit)	2000-01
Total	18.99 (Credit)	

Further, Reserve Fund, *Gramin Vikas Nidhi*, which was constituted in 2001-02 for providing employment in rural areas, had a cumulative balance of ₹ 159.68 crore as on 31 March 2016 but no expenditure has been made from this fund since its inception.

Action needs to be taken to verify and close these funds and remit the balance into the consolidated fund if continuation is not required.

State Disaster Response Fund

As per recommendation of ThFC, State Government constituted a State Disaster Response Fund (SDRF) in 2010-11. During 2015-16, the State Government received ₹ 249.73 crore from GOI contribution towards SDRF and transferred ₹ 212.47 crore (₹ 159.35 crore Central share and ₹ 53.12 crore State share) to the fund. ₹ 90.38 crore of Central Share along with corresponding State Share of ₹ 30.12 crore was not transferred to the fund resulting in overstatement of Revenue Surplus and understatement of Fiscal Deficit to the extent of ₹ 120.50 crore besides unauthorized retention of Central Fund with the State. In addition, the State Government also transferred ₹ 522.31 crore received from National Disaster Response Fund of Government of India to SDRF. The balance in the Fund on 31 March 2016 was ₹ 447.10 crore.

Sinking Fund

The Government constituted a Sinking Fund during 2006-07 for open-market loans. The fund was to be utilised as an amortisation fund for redemption of the outstanding internal debt and public account liabilities beginning from the year 2011-12. However, no amount has been utilised by the Government till 2015-16. The balance in the Sinking Fund (investment account) in 2015-16 was ₹ 1,546.94 crore. During 2015-16, the Government contributed ₹ 200 crore against the minimum contribution of ₹ 154.90 crore i.e.0.5 per cent of outstanding liabilities (₹ 30,980.93 crore) at the end of 2014-15.

1.9.4 Status of guarantees – contingent liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in cases of default by the borrower against whom the guarantee has been extended.

The State Legislature has not passed any law under Article 293 of the Constitution laying down the limits within which Government may give guarantee on security of Consolidated Fund of the State as of March 2016. However, The FRBM Act of the State includes a provision that the State Government shall not give new guarantees in excess of 1.5 per cent of Gross State Domestic Product in nominal terms or 0.5 per cent on risk-weighted basis in a year whichever is lower.

The maximum amount for which guarantee was given by the State and outstanding guarantees for the last five years are given in **Table 1.31**.

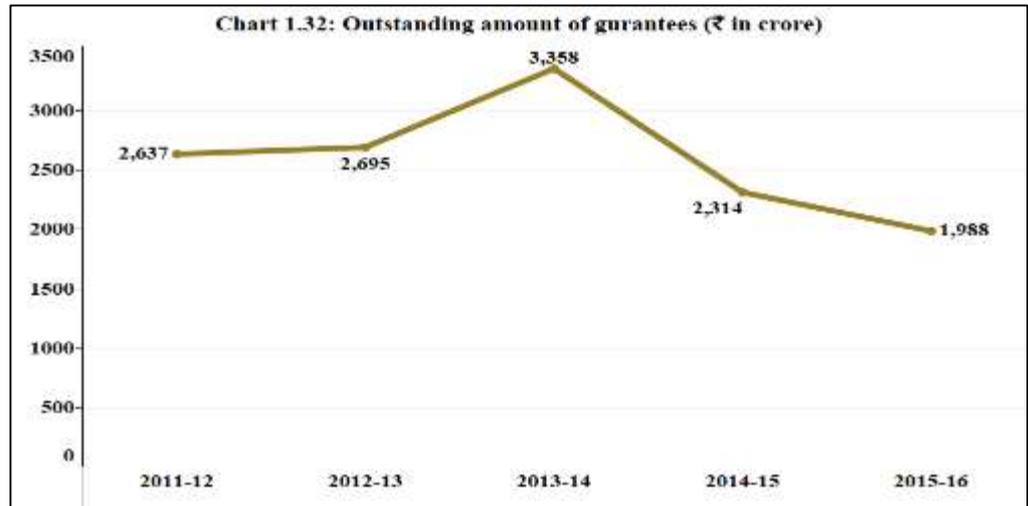
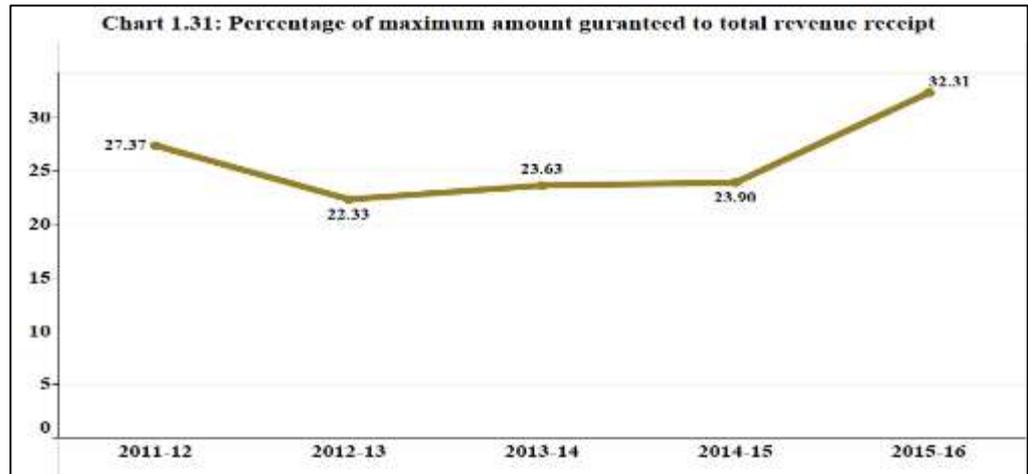
Table 1.31: Guarantees given by the Government of Chhattisgarh

(₹ in crore)					
Guarantees	2011-12	2012-13	2013-14	2014-15	2015-16
Maximum amount guaranteed	7,079.29	6,605.49	7,571.99	9,080.06	14,883.41
Outstanding amount of guarantees	2,637.40	2,694.90	3,358.27	2,314.47	1,988.24
Revenue Receipts	25,867.38	29,578.09	32,050.26	37,988.01	46,067.71
Percentage of maximum amount guaranteed to total revenue receipts	27.37	22.33	23.63	23.90	32.31

(Source: Finance Accounts of the respective years)

As recorded in Statement 9 and 20 of the Finance Accounts, guarantees of ₹ 1,988.24 crore were outstanding at the end of March 2016. Out of which, the guarantees given to Co-operatives (₹ 1,000.15 crore), Power (₹ 827.46 crore), State Financial Corporation (₹ 87.64 crore), Housing and Urban Development (₹ 69.23 crore) and others (₹ 3.76 crore) were outstanding as on 31 March 2016. The outstanding amount of guarantees in the nature of contingent liabilities was about 4.32 *per cent* of the total Revenue Receipts of the State. The new guarantees were within the prescribed limit of 1.5 *per cent* of GSDP provided in the FRBM Act.

While the outstanding guarantees have come down significantly over the period of five years, the amount of guarantees with respect to the total revenue has increased significantly as depicted in the **Chart 1.31** and **Chart 1.32**.



(Source: Finance Accounts of the respective years)

To provide for sudden discharge of State's obligations on guarantees, the Twelfth Finance Commission recommended that States should set up a Guarantee Redemption Fund through earmarked guarantee fees. However, the State Government had decided not to form Guarantee Redemption Fund in view of their grading the guarantees as "medium and low risk". No Guarantee was invoked during the year.

During the year 2015-16, a sum of ₹ 4.11 crore was recovered as guarantee fees whereas ₹ 0.20 crore was recovered during the year 2014-15.

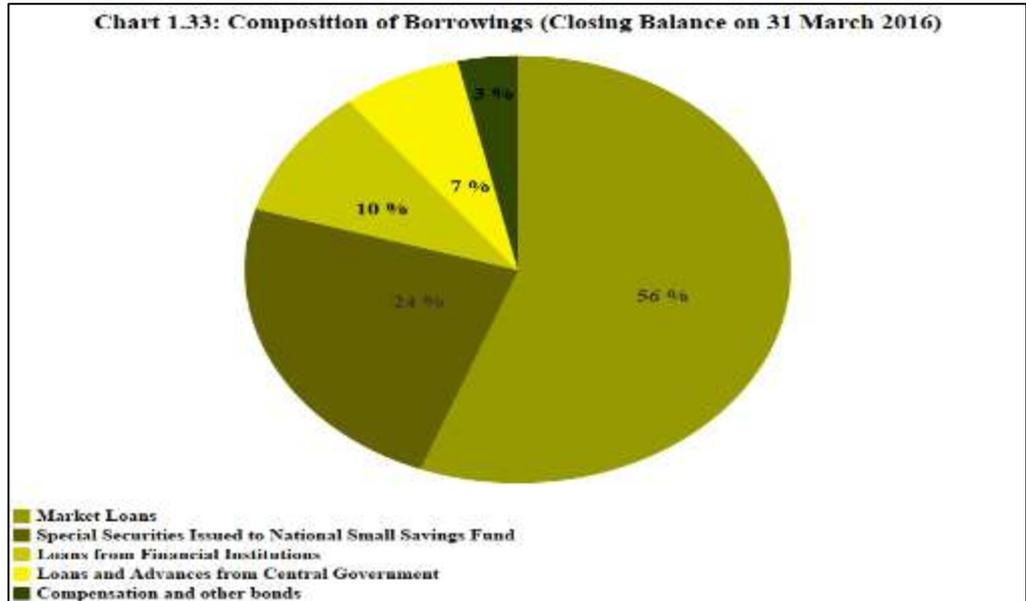
1.9.5 Analysis of Borrowings of Government

The details of public debt and its composition during 2015-16 are presented in **Table 1.32** and **Chart 1.33** respectively.

Table 1.32: Details of Public Debt during 2015-16

(₹ in crore)					
Nature of Borrowings	Opening Balance as on 1 st April 2015	Receipts	Repayment	Closing Balance as on 31 st March 2016	Net increase(+)/decrease(-)
Market Loans	9,887.69	4,850.00	183.25	14,554.44	4,666.75
Compensation and other bonds	96.73	870.12	48.32	918.53	821.80
Loans from Financial Institutions	2,033.41	673.52	147.60	2,559.33	525.92
Special Securities Issued to National Small Savings Fund	5,793.17	712.23	323.14	6,182.26	389.09
Ways and Means advance from Reserve Bank of India	383.80	0.00	383.80	0.00	(-)383.80
Loans and Advances from Central Government	1,854.38	145.28	164.07	1,835.59	(-)18.79
Total	20,049.18	7,251.15	1,250.18	26,050.15	6,000.97

(Source: Finance Account 2015-16)



(Source: Finance Accounts 2015-16)

During 2015-16, the State Government has raised borrowing of ₹ 7,251.15 crore and discharged ₹ 1,250.18 crore towards its repayment. Analysis of Market borrowings and other borrowings during 2015-16 is as detailed below:

Loans from Financial Institutions

The Government had borrowed an amount of ₹ 673.52 crore from the financial institutions viz. National Bank for Agriculture and Rural Development (₹ 673.42 crore), National Co-operative Development Corporation (₹ 0.10 crore) and made repayment of ₹ 147.60 crore during 2015-16. The Outstanding balance of loans from Financial Institutions increased by ₹ 525.92 crore (25.86 per cent) from ₹ 2,033.41 crore in 2014-15 to ₹ 2,559.33 crore in 2015-16.

Loans from Special Securities Issued to National Small Savings Fund

The Government has constituted National Small Savings Fund (NSSF) during 1999-2000 for the purpose of release of loans out of small savings collections. The State Government had received an amount of ₹ 712.23 crore and repaid ₹ 323.14 crore during 2015-16. The Outstanding balance of loans from NSSF increased by ₹ 389.09 crore (6.72 per cent) from ₹ 5,793.17 crore in 2014-15 to ₹ 6,182.26 crore in 2015-16. The State Government paid interest of ₹ 552.21 crore during 2015-16.

Market Loans

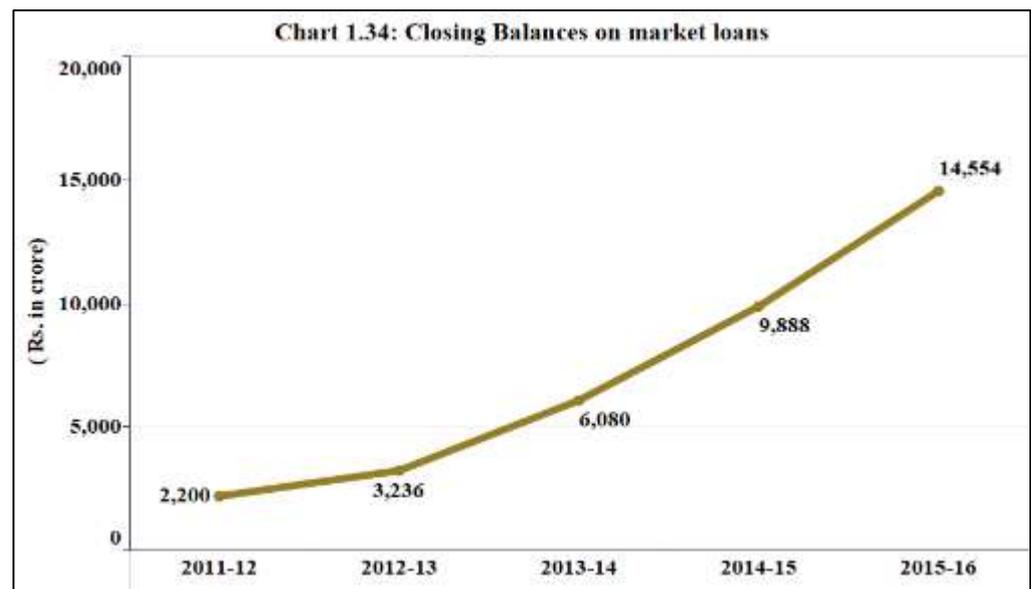
The year wise position of market loans for the period 2011-16 is given in **Table 1.33**.

Table 1.33: Overall position of market loans during 2011-16

(₹ in crore)						
Year	Opening Balance of Market loan	Market loans raised during the year	Market loans repaid during the year	Closing Balance	Net Increase (+) / Decrease(-)	Percentage of increase over the previous year
2011-12	2,512.72	0.00	313.14	2,199.58	(-) 313.14	(-) 12.46
2012-13	2,199.58	1,500.00	463.53	3,236.05	1,036.47	47.12
2013-14	3,236.05	3,000.00	156.01	6,080.04	2,843.99	87.88
2014-15	6,080.04	4,200.00	392.35	9,887.69	3,807.65	62.63
2015-16	9,887.69	4,850.00	183.00	14,554.44	4,666.75	47.20

(Source: Finance Accounts)

It is evident from **Table 1.33** that the outstanding market loan has drastically increased approximately seven times (₹ 12,354.86 crore: 561.69 per cent) from ₹ 2,199.58 crore at the end of March 2012 to ₹ 14,554.44 crore at the end of March 2016, which would lead to large payment obligation in future as depicted in the chart below. The State Government paid interest of ₹ 864.95 crore during 2015-16. The trend of closing balances on market loans during the period 2011-16 is depicted in **Chart 1.34**.



(Source: Finance Accounts of the respective years)

Compensation and other bonds

Ujwal Discom Assurance Yojana (UDAY), a scheme for the Financial Turnaround of Power Distribution Companies (DISCOMs), has been approved by the Government of India with an objective to improve the operational and financial efficiency of the State DISCOMs and shall apply only to State-owned DISCOMs. In the scheme GOI facilitate to State Government to take over 50 per cent (₹ 870.12 crore) of the outstanding debt of the CSPDCL as on 30 September 2015 in year 2015-16 and 25 per cent (₹ 435.06 crore) of the outstanding debt in year 2016-17 and would be utilised by the State solely for the purpose of discharging the debt of CSPDCL and shall be transferred as grants. For the above, State has released an amount of ₹ 870.12 crore for advance repayment of debt in the form of non SLR bond. The debt taken over by the State would not be counted against the fiscal deficit limit in the financial years 2015-16 and 2016-17.

1.10 Debt Management

1.10.1 Debt profile

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability¹⁵ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation¹⁶; sufficiency of non-debt receipts¹⁷; net availability of borrowed funds¹⁸; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities.

1.10.2 Debt Sustainability

Debt sustainability refers to the State's ability to maintain a constant debt-GSDP ratio over a period of time. Thus it implies State's ability to service the debt.

¹⁵ Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and 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 balance between costs of additional borrowings with returns from such borrowings. It means that a rise in fiscal deficit should match with the increase in capacity to service the debt.

¹⁶ A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

¹⁷ Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

¹⁸ 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.

Table 1.34 analyses the debt sustainability of the State according to these indicators for the last five years.

Table 1.34: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding Debt	17,103	19,268	24,904	30,981	37,817
Rate of Growth of Outstanding Debt (in per cent)	3.15	12.66	29.25	24.40	22.07
Rate of Growth of GSDP (in per cent)	--	12.30	16.49	14.28	6.40
Average Interest Rate of Outstanding Debt (in per cent)	7.08	6.34	6.12	6.16	6.25
Burden of Interest Payments (Interest Payment/Revenue Receipt)	0.05	0.04	0.04	0.05	0.05
Debt Repayment/Debt Receipt	0.89	0.69	0.45	0.47	0.47
Net debt Available to the State	(-)672	1,012	4,283	4,551	4,687
Outstanding Debt /GSDP (in per cent)	10.82	10.85	12.04	13.11	15.04

(Source: Finance Accounts of the respective years)

It may be seen from **Table 1.34** that:

- Outstanding debt of the State sharply increased (₹ 20,714 crore: 121.11 per cent) from ₹ 17,103 crore in 2011-12 to ₹ 37,817 crore in 2015-16.
- The ratio of fiscal liabilities to GSDP unevenly increased during the period 2011-16 and reached to 15.04 per cent in 2015-16.
- Growth rate of outstanding debt sharply increase from 3.15 per cent in 2011-12 to 12.66 per cent in 2012-13 and 29.25 per cent in 2013-14 and thereafter gradually decreased to 22.07 per cent in 2015-16.
- The net availability of borrowed funds after repayment of principal and interest increased from (-) ₹ 672 crore in 2011-12 to ₹ 4,687 crore in 2015-16. During 2015-16, the Government repaid ₹ 6,067 crore (principal and interest on account of internal debt of ₹ 1,086 crore, GOI loans of ₹ 164 crore and also discharged other obligations of ₹ 4,817 crore) which were less than the total receipts of ₹ 12,902 crore (internal debt ₹ 7,106 crore, GOI loans of ₹ 145 crore and other obligation of ₹ 5,651 crore) resulting in net availability of funds of ₹ 4,687 crore (36.33 per cent of total borrowings) for productive/capital expenditure.

Maturity profile of the State Debt due for repayment in future by the State is shown in the **Table 1.35**.

Table 1.35: Maturity Profile of the State Debt

Years	₹ in crore)					Percentage to total debt (2015-16)
	2011-12	2012-13	2013-14	2014-15	2015-16	
0-5	4,252.03	3,914.35	4,207.57	5,828.95	5,934.05	23
6-10	3,115.08	3,204.48	7,937.95	11,849.84	17,028.20	65
11-15	1,958.45	3,312.46	1,674.14	1,553.25	1,846.17	07
16-20	1,012.50	802.49	658.63	528.11	448.46	02
20 and above	347.50	470.22	467.95	289.04	793.26	03
Total	10,685.56	11,704.00	14,946.24	20,049.19	26,050.14	

(Source: Finance Accounts of the respective years)

Maturity profile of the outstanding stock of public debt as on 31 March 2016 shows that 88 per cent of the total outstanding debt will be taking place in the next 10 years. It further indicates that the liability of the State to repay the debt would be ₹ 5,934 crore during 2016-21 and ₹ 17,028 crore during 2021-26

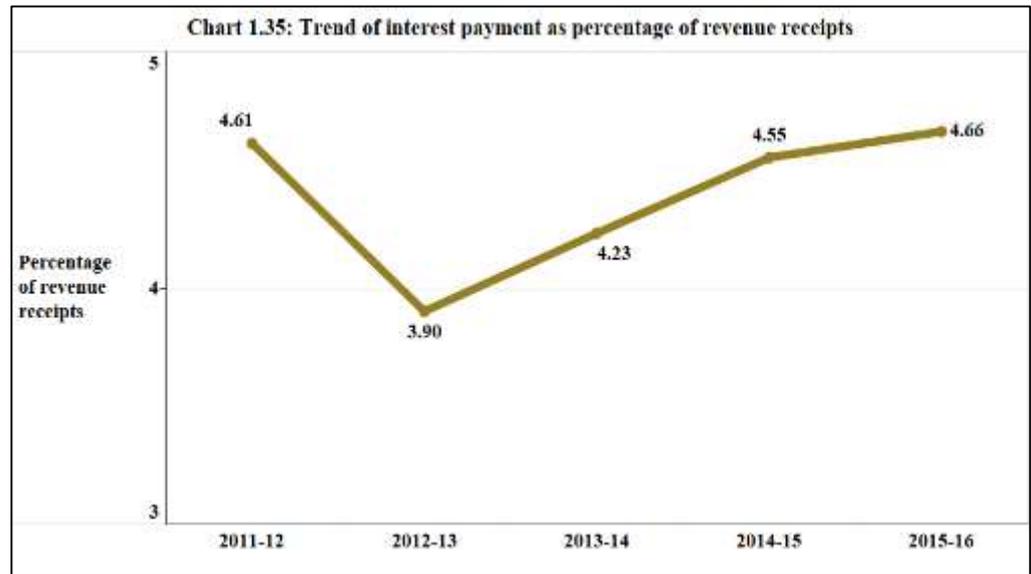
which would put a strain on the Government budgets during that period. Hence, with greater awareness of future debt payments, the Government will be in a position to ensure that fresh borrowings do not have to be paid back in those years where maximum repayment is due.

The Interest payments on loans as a percentage of revenue receipts have shown a decreasing trend from 4.61 in 2011-12 to 3.90 in 2012-13 and thereafter have shown increasing trend from 3.90 in 2012-13 to 4.66 in 2015-16, as can be seen from **Table 1.36**. The trend of interest payment as percentage of revenue receipts during the period 2011-16 is depicted in **Chart 1.35**.

Table 1.36: Total Interest payment as a percentage of revenue receipts

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Interest payment (₹ in crore)	1,193	1,153	1,351	1,727	2,149
Percentage of revenue receipts	4.61	3.90	4.23	4.55	4.66

(Source: Finance account of respective years)



(Source: Finance Accounts of the respective years)

1.11 Fiscal Imbalances

Three key fiscal parameters – Revenue, Fiscal and Primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State 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 raised are applied, are important pointers to its fiscal health strength. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act for the financial year 2015-16.

1.11.1 Trends in Deficits

Chart-1.36, Chart 1.37 and Table 1.37 present the trends in deficit indicators over the period 2011-16.

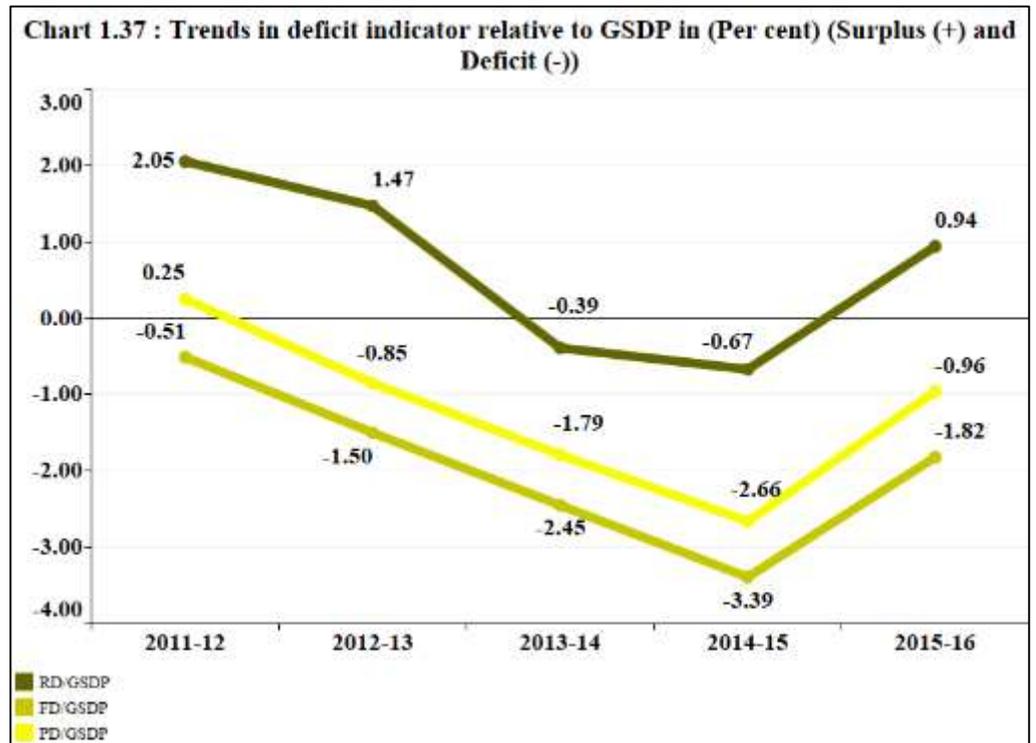
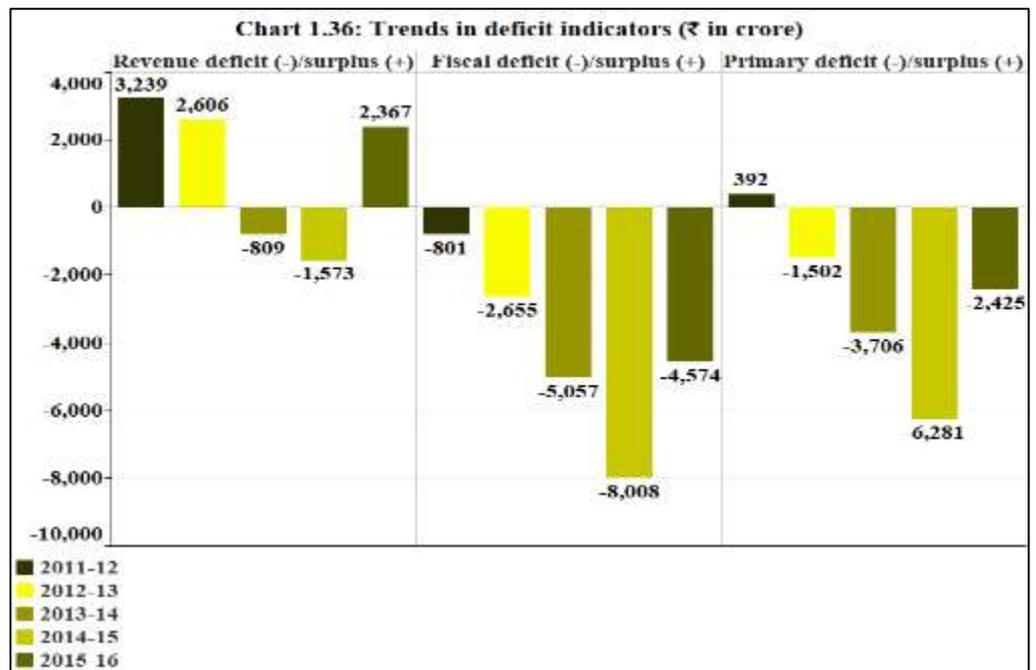


Table 1.37: Trends in deficit

(₹ in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue deficit (-)/surplus (+)	(+)3,239	(+)2,606	(-)809	(-)1,573	(+)2,367
Fiscal deficit (-)/surplus (+)	(-)801	(-)2,655	(-)5,057	(-)8,008	(-)4,574
Primary deficit (-)/surplus (+)	(+)392	(-)1,502	(-)3,706	(-)6,281	(-)2,425

(Source: Finance Accounts of the respective years)

Revenue deficit/surplus represents the difference between revenue expenditure and revenue receipts. Revenue deficit increases and Revenue surplus decreases the borrowings.

The state had revenue surplus reduced from ₹ 3,239 crore in 2011-12 to ₹ 2,606 crore in 2012-13. During 2013-14 the revenue surplus turned into revenue deficit of ₹ 809 crore which further increased by ₹ 764 crore and stood at ₹ 1,573 crore during 2014-15. During 2015-16, Revenue Deficit turned into Revenue Surplus of ₹ 2,367 crore and as a percentage of GSDP became (-)0.67 in 2014-15 to 0.94 in 2015-16.

The fiscal deficit which represents the total borrowings of the Government and its total resource gap had fiscal surplus of ₹ 410 crore during 2010-11, but it turned into fiscal deficit of ₹ 801 crore in 2011-12 and gradually increased to ₹ 8,008 crore in 2014-15. During 2015-16 Fiscal Deficit decreased by ₹ 3,434 (42.88 *per cent*) over the previous year. The ratio of fiscal deficit to GSDP was 1.82 *per cent* which was well within the limits of 3.50 *per cent* as prescribed in the 14thFC and FRBM Act.

Due to decrease in fiscal deficit by 42.88 *per cent* and increase in interest payment by 24.44 *per cent*, the primary deficit decreased from ₹ 6,281 crore in 2014-15 to ₹ 2,425 crore in 2015-16.

Impact of UDAY Scheme on Fiscal Indicators: As per the UDAY scheme, the debt taken over by the State Government would not be counted against the Fiscal Deficit limit of Financial Year 2015-16. The State has released an amount of ₹ 870.12 crore for advance repayment of debt in the form of non SLR bond. The above transaction, if counted, would result in Fiscal Deficit (₹ 5,443.83 crore) at 2.16 *per cent* of GSDP which is now at ₹ 4,573.71 crore or 1.82 *per cent* of GSDP. The transaction though have an impact on fiscal deficit has not been accounted for by the State Government, in view of the guidelines.

1.11.2 Components of fiscal deficit and its financing pattern

The fiscal deficit is the total borrowing requirement of the State and is the excess of Revenue Expenditure and Capital Expenditure including Loans and Advances over Revenue and non-debt Capital Receipts. Decomposition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirements of funds over and above the revenue and non-debt receipts. The financing pattern of the fiscal deficit is reflected in the **Table 1.38**.

Table 1.38: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)					
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	2	3	4	5	6
Decomposition of Fiscal Deficit					
Revenue Deficit(-)/Surplus(+)	3,239.33	2,606.25	(-)809.31	(-)1,573.28	2,366.65
Net Capital Expenditure	(-)4,052.47	(-)4,916.94	(-)4,566.55	(-)6,541.22	(-)7,942.17
Net Loans and Advances ¹⁹	11.97	(-)344.45	318.58	106.23	131.69
Excluded Expenditure under UDAY ²⁰	-	-	-	-	870.12
Total	(-)801.17	(-)2,655.14	(-)5,057.28	(-)8,008.27	(-)4,573.71
Financing Pattern of Fiscal Deficit*					
Market Borrowings	(-)313.14	1,036.47	2,843.99	3,807.65	4,666.75
Loans from GOI	(-)85.15	(-)152.37	(-)134.50	(-)148.49	(-)18.79
Special Securities Issued to NSSF	13.00	15.00	1.42	414.18	389.09
Loans from Financial Institutions	(-)45.86	119.34	531.33	645.80	525.92
Ways and Means Advances from RBI	0.00	0.00	0.00	383.80	(-)383.80
Small Savings PF etc.	307.76	293.47	265.40	443.83	514.30
Deposits and Advances	585.94	521.18	1,818.98	466.62	(-)69.54
Suspense and Miscellaneous	1,758.77	(-)1,107.52	(-) 1,243.93	1,449.74	(-)1,823.27
Remittances	96.10	(-)264.11	(-) 98.03	193.52	11.94
Others ²¹	58.90	332.15	305.16	264.02	389.93
Total	2,376.32	793.61	4,289.82	7,920.67	4,202.53
Overall Surplus(+)/Deficit(-)	1,575.15	(-) 1,861.53	(-) 767.46	(-) 87.60	(-)371.18
Total	801.17	2,655.14	5,057.28	8,008.27	4,573.71

*All these figures are net of disbursements/outflows during the year
(Source: Finance Accounts of the respective years)

It is evident from above table that during 2015-16, market borrowings raised by the State Government continued to finance a major portion of fiscal deficit and its share in financing fiscal deficit was 102 *per cent*.

1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit²² and Capital Expenditure (including loans and advances) indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption.

The bifurcation of the primary deficit (**Table 1.39**) indicates the extent to which the deficit has been on account of enhancement in Capital Expenditure which may be desirable to improve the productive capacity of the State's economy.

¹⁹ It includes inter-State settlement.

²⁰ As per guideline of UDAY Scheme, debt taken over by the State for the scheme would not be counted against the fiscal deficit limit in the financial years 2015-16 and 2016-17.

²¹ It includes Contingency Fund and Reserve Fund.

²² Primary revenue deficit defined as gap between non-interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

Table 1.39: Primary deficit/surplus – Bifurcation of factors

(₹ in crore)							
Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure ²³	Primary revenue deficit (-)/surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2011-12	27,156	21,435	4,056	1,273	26,764	5,721	392
2012-13	31,124	25,819	4,919	1,888	32,626	5,305	(-) 1,502
2013-14	33,699	31,508	4,574	1,318	37,408	2,191	(-) 3,709
2014-15	38,187	37,835	6,544	88	44,467	352	(-) 6,281
2015-16	46,367	41,552	7,075*	165	49,662	4,815	(-) 2,425

(Source: Finance Accounts of the respective years)

* Excluded Expenditure of ₹ 870 crore under revenue section under UDAY

- The non-debt receipts increased by ₹ 19,211 crore (70.74 per cent) from ₹ 27,156 crore in 2011-12 to ₹ 46,367 crore in 2015-16 against an increase of primary expenditure by ₹ 22,898 crore (85.56 per cent) from ₹ 26,764 crore to ₹ 49,662 crore during the same period.
- State had primary surplus of ₹ 392 crore during the years 2011-12 which turned into primary deficit ₹ 1,502 crore during 2012-13. The primary deficit decreased from ₹ 6,281 crore in 2014-15 to ₹ 2,425 crore during 2015-16. In other words, non-debt receipts of the State were not enough to meet the primary expenditure requirements in the revenue account during 2012-13 to 2015-16.

1.12 Follow up on Audit Report on State Finances

The State Finance Report is being presented to the State Legislature from 2008-09 onwards. A discussion in Public Accounts Committee on these reports is yet to commence.

1.13 Conclusion and Recommendation

Review of fiscal position

- The growth of Gross State Domestic Product during 2015-16 was 6.40 per cent which was less than the Fourteenth Finance Commission norms of 14.42 per cent for the year.
- The fiscal position of the State had shown improvement over last year in terms of the key parameters. As per the laid down targets of Fourteenth Finance Commission and Fiscal Responsibility and Budget Management Act, the State had to maintain revenue surplus during the year. The State had been able to maintain Revenue Surplus of ₹ 2,367 crore during the year which is an improvement over the revenue deficit of ₹ 1,573 crore during 2014-15.
- During 2015-16, Fiscal deficit decreased to ₹ 4,574 crore which was within the limits prescribed by 14thFC, FRBM Act and Budget estimates. Fiscal deficit relative to Gross State Domestic Product decreased from

²³ Primary revenue expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

3.81 *per cent* in 2014-15 to 1.82 *per cent* in the current year, was well within the targets laid down under Fourteenth Finance Commission and Fiscal Responsibility and Budget Management Act (3.50 *per cent*).

The Government should continue to make efforts to maintain revenue surplus and fiscal deficit within the targets prescribed by Fourteenth Finance Commission and Fiscal Responsibility and Budget Management Act.

Resource mobilisation

- While the Revenue Receipts (₹ 46,067.71 crore) of the State grew at 21.27 *per cent* during 2015-16 over the previous year, these were less than the Budget Estimate by ₹ 11,889 crore.
- State's Own Tax Revenue during the current year (₹ 17,075 crore) was less than the Budget Estimate (₹ 20,086 crore). The Non-tax Revenue was also less than the Budget Estimate by ₹ 3,448 crore.
- Though the total tax revenue of the state showed healthy buoyancy vis a vis GSDP, the buoyancy of own tax revenue vis a vis GSDP decreased till 2013-14 and thereafter shown an increasing trend during 2014-15 and 2015-16.

The Government should make efforts to achieve its own target of receipts especially own tax revenue set out in the Budget document.

Expenditure management and fiscal priorities

- The Revenue Expenditure continued to be a dominant (84.35 *per cent*) component of the total expenditure during 2015-16. Capital Expenditure during the year constituted 15.33 *per cent* of the total expenditure which is an improvement over previous year.

The State may consider enhancing capital expenditure as a proportion of total expenditure in order to create assets to stimulate growth.

- The State Government had invested ₹ 6,192.22 crore upto the end of March 2016 and the outstanding loans and advances due for recovery was ₹ 1,263.75 crore. The average return on Governments investments and outstanding loans was only 0.09 *per cent* and 3.72 *per cent* respectively while the Government paid an average interest rate of 6.25 *per cent* on its borrowings during 2015-16. This may lead to an unsustainable financial position.

Government should take steps to recover the outstanding loans from the institutions/organizations not repaying the principal and interest thereof.

Incomplete projects

- Expenditure of ₹ 5,911.53 crore incurred on 194 incomplete projects in Departments of Public Works and Water Resources remained unfruitful as of 31 March 2016.

Government should take initiative to complete the projects to avoid further time and cost overrun.

Management of liability

- The Fiscal liabilities at the end of the current year worked out to ₹ 37,817 crore was 15.04 *per cent* of Gross State Domestic Product as against ₹ 30,981 crore (13.11 *per cent* of GSDP) during previous year. The ratio of Fiscal liabilities to GSDP has increased during 2015-16 over previous year and was more than the prescribed limit of 13.73 *per cent* provided in FRBM Act and 14thFC.

The Government should maintain the ratio of fiscal liabilities to GSDP at prescribed level in future.