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**Chapter-1**

**FINANCES OF  
THE STATE GOVERNMENT**

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## CHAPTER 1

### FINANCES OF THE STATE GOVERNMENT

This chapter provides an audit perspective on the finances of the State Government during 2018-19 and analyses changes in major fiscal aggregates relative to 2017-18 keeping in view the overall trends during the preceding five years.

The analysis is based on details contained in the Finance Accounts of the Government of Jharkhand (GoJ). The profile of the State is given in **Appendix 1.1-Part A**.

#### 1.1 Gross State Domestic Product (GSDP)<sup>1</sup>

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

**Table 1.1: GDP of India and GSDP of the State**

Year	2014-15	2015-16	2016-17	2017-18	2018-19
India's GDP at current prices (₹ in crore)	1,24,67,959	1,37,71,874	1,53,62,386	1,70,95,005	1,90,10,164
Growth rate of India's GDP at current prices (percentage)	10.79	10.66	11.55	11.28	11.20
State's GSDP at current prices (₹ in crore)	2,18,525	2,06,613	2,36,250	2,76,243	3,07,581
Growth rate of GSDP at current prices (percentage)	15.89	(-) 5.45	14.34	16.93	11.34
State's GSDP at constant prices (₹ in crore)	1,86,534	1,74,881	1,93,174	2,17,618	2,32,821
Growth rate of GSDP at constant prices (percentage)	12.49	(-) 6.25	10.46	12.65	6.99
Per Capita GDP of India at current prices (in ₹)	99,728	1,14,424	1,19,375	1,29,800	1,42,719
Per Capita GSDP of the State at current prices (in ₹)	62,496	58,139	65,405	75,246	82,430

Source: GDP/GSDP figures issued by MoSPI, GoI dated 01.08.2019.

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

##### 1.1.1 Summary of fiscal transactions in 2018-19

**Table 1.2** and **1.3** presents a comparative summary of the State Government's fiscal transactions during 2014-15 to 2018-19. **Appendix 1.2** provides an abstract of receipts and disbursements as well as the overall fiscal position during 2017-18 and 2018-19.

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

**Table 1.2: Summary of receipts during 2014-19**

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage increase/decrease in 2018-19 over 2017-18
<b>Section-A: Revenue</b>						
<b>Revenue Receipts (RR)</b>	<b>31,564.56</b>	<b>40,638.35</b>	<b>47,053.93</b>	<b>52,756.03</b>	<b>56,151.70</b>	<b>6.44</b>
Own Tax revenue (OTR)	10,349.81	11,478.95	13,299.25	12,353.44	14,752.04	19.42
OTR/RR (per cent)	32.79	28.25	28.26	23.42	26.27	-
Non-Tax revenue (NTR)	4,335.06	5,853.01	5,351.42	7,846.67	8,257.98	5.24
NTR/RR (per cent)	13.73	14.40	11.37	14.87	14.71	-
Share of Union Taxes and Duties	9,487.01	15,968.75	19,141.92	21,143.63	23,906.16	13.07
Grants from Government of India	7,392.68	7,337.64	9,261.35	11,412.29	9,235.52	-19.07
<b>Section –B: Capital and Others</b>						
Misc. Capital Receipts under capital section	0.00	0.00	0.00	25.09	0.00	-100.00
Recoveries of Loans and Advances	33.06	31.06	38.46	42.41	47.57	12.17
Public Debt Receipts <sup>2</sup>	6,690.12	13,244.65	7,081.42	8,136.85	7,803.43	-4.10
Inter State Settlement (Net)	0.00	0.00	0.00	0.00	0.00	
Transfers to Contingency Fund	0.00	0.00	0.00	0.00	0.00	
Public Account Receipts <sup>3</sup>	20,189.17	29,036.72	22,051.8	27,833.30	25,409.79	-8.71
Opening Cash Balance	1,285.48	444.21	1,904.72	1,947.85	550.44 <sup>4</sup>	-71.74
<b>Total</b>	<b>59,762.39</b>	<b>83,394.99</b>	<b>78,130.33</b>	<b>90,741.53</b>	<b>89,962.93</b>	<b>-0.86</b>

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

**Table 1.3: Summary of disbursements during 2014-19**

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage increase/decrease in 2018-19 over 2017-18
<b>Section A: Revenue</b>						
<b>Revenue Expenditure</b>	<b>31,794.90</b>	<b>36,552.83</b>	<b>45,089.04</b>	<b>50,952.07</b>	<b>50,630.73</b>	<b>-0.63</b>
General Services	10,623.45	12,002.43	13,023.76	16,558.33	17,655.66	6.63
Social Services	11,915.34	14,843.81	18,557.37	19,574.97	18,786.03	-4.03
Economic Services	9,256.11	9,706.59	13,507.91	14,818.77	14,189.04	-4.25
Grants-in-aid and Contributions	0.00	0.00	0.00	0.00	0.00	
<b>Section –B: Capital and Others</b>						
Capital Outlay	5,542.94	8,158.51	10,860.68	11,952.71	10,711.71	-10.38
Loans and Advances disbursed	823.78	7,480.00	1,335.06	1,851.67	1,485.59	-19.77
Repayment of Public Debt	1,879.88	2,245.93	2,077.88	2,949.50	3,060.1	3.75
Inter State Settlement (Net)	0.00	0.00	0.00	0.00	0.00	-
Expenditure from Contingency Fund	0.00	0.00	0.00	0.00	0.00	-
Public Account Disbursements <sup>3</sup>	19,276.68	27,053.00	16,819.82	22,885.14	23,279.41	1.72
Closing Cash Balance	444.21	1,904.72	1,947.85	150.44	795.39 <sup>4</sup>	428.71
<b>Total</b>	<b>59,762.39</b>	<b>83,394.99</b>	<b>78,130.33</b>	<b>90,741.53</b>	<b>89,962.93</b>	<b>-0.86</b>

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

<sup>2</sup> Excluding net transactions under Ways and Means advances and overdraft<sup>3</sup> Figures do not include transactions under 'Other Accounts' i.e., Departmental Cash Balance, Permanent Imprest and Cash Balance Investment in Public Accounts Receipts and Public Accounts Disbursements<sup>4</sup> Opening and closing balance includes ₹ 400 crore invested from State Disaster Response Fund during 2012-13 reported by the Finance Department, vide letter no. 554 dated 23.07.2019

Increase/ decrease in fiscal operations during 2018-19 over the previous year is given below:

- Revenue receipts increased by ₹ 3,395.67 crore (6.44 *per cent*) mainly due to increase in receipts under SGST, State Excise and Land Revenue and increase in Central Tax Transfers although grants-in-aid from GoI decreased by ₹ 2,176.77 crore (19.01 *per cent*) as analysed in **Para 1.3**.
- Revenue expenditure decreased marginally by ₹ 321.34 crore (0.63 *per cent*) while capital expenditure decreased by ₹ 1,241 crore (10.38 *per cent*) mainly due to less expenditure on Transport, Irrigation and Flood Control and Agriculture and Allied Activities. This is further discussed in **Para 1.6.1**.
- Public debt receipts declined by ₹ 333.42 crore (4.10 *per cent*) while repayment of public debt increased by ₹ 110.60 crore (3.75 *per cent*) respectively.
- Public Account receipts decreased by ₹ 2,423.51 crore (8.71 *per cent*) mainly due to decrease in deposits and advances while disbursements increased by ₹ 394.27 crore (1.72 *per cent*).
- Cash balance increased by ₹ 644.95 crore (428.71 *per cent*) as discussed in **Para 1.8.5**.

The trends in revenue receipts (RR), revenue expenditure (RE) and capital expenditure (CE) relative to GSDP at current as well as constant prices are presented in **Table 1.4** below.

**Table 1.4: Trends in RR/ RE/ CE relative to GSDP**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Revenue receipts relative to GSDP</b>					
RR at current prices (₹ in crore)	31,565	40,638	47,054	52,756	56,152
Rate of growth of RR at current prices ( <i>per cent</i> )	20.77	28.74	15.79	12.12	6.44
RR at constant prices (₹ in crore)	26,944	34,397	38,475	41,560	42,504
Rate of growth of RR at constant prices ( <i>per cent</i> )	17.23	27.66	12.61	8.02	2.27
RR/ GSDP ( <i>per cent</i> )	14.44	19.67	19.92	19.10	18.26
<b>Revenue expenditure relative to GSDP</b>					
RE at current prices (₹ in crore)	31,795	36,553	45,089	50,952	50,631
Rate of growth of RE at current prices ( <i>per cent</i> )	35.46	14.96	23.35	13.00	(-) 0.63
RE at constant prices (₹ in crore)	27,140	30,939	36,868	40,139	38,325
Rate of growth of RE at constant prices ( <i>per cent</i> )	31.49	14.00	19.96	8.87	(-) 4.52
RE/ GSDP ( <i>per cent</i> )	14.55	17.69	19.09	18.44	16.46
<b>Capital expenditure relative to GSDP</b>					
CE at current prices (₹ in crore)	5,543	8,159	10,861	11,952	10,712
Rate of growth of CE at current prices ( <i>per cent</i> )	17.39	47.19	33.12	10.05	(-) 10.38
CE at constant prices (₹ in crore)	4,732	6,906	8,881	9,416	8,108
Rate of growth of CE at constant prices ( <i>per cent</i> )	13.95	45.96	29.46	6.03	(-) 13.89
CE/ GSDP ( <i>per cent</i> )	2.54	3.95	4.60	4.33	3.48

As evident from the table above, revenue receipts have increased whereas revenue expenditure and capital expenditure have decreased during 2018-19. The ratio of RR, RE and CE as a percentage of GSDP, also decreased

significantly during the current year. Further, there has been a steep and consistent decrease in the rate of growth of capital formation since 2015-16.

### 1.1.2 Review of the fiscal situation

The performance of the State during 2018-19 under major variables provided in the budget based on recommendations of the Fourteenth Finance Commission (FFC) and targeted in the Medium Term Fiscal Policy (MTFP) Statement placed in the legislature under Fiscal Responsibility and Budget Management (FRBM) Act, is given in **Table 1.5**.

**Table 1.5: Major fiscal variables for 2018-19**

(in per cent)

Fiscal variables	2018-19			
	FFC projection for the State	Target as prescribed in MTFP Statement	Targets as per Budget estimates	Actuals
Revenue deficit (-)/surplus (+) w.r.t GSDP	Nil	(+)2.23	(+) 2.62	(+)1.79
Fiscal deficit w.r.t. GSDP	3.25	2.61	2.11	2.16
Ratio of total outstanding debt of the Government to GSDP	26.31	29.74	-	27.20

The State achieved the targets provided in the FRBM Act by eliminating the revenue deficit in 2006-07 and turning the deficit into revenue surplus except during 2014-15<sup>5</sup>. The revenue surplus of ₹ 5,521 crore in 2018-19 was significantly higher than the previous two fiscals. However, as a percentage of GSDP (1.79 per cent) it was lower than the MTFP estimate (2.23 per cent) and the budget estimates (2.62 per cent).

During 2018-19, the fiscal deficit (₹ 6,629 crore) was 2.16 per cent of GSDP at current prices which was well within the recommended ceiling of 3.25 per cent by the FFC. Further, fiscal deficit-GSDP ratio was lower than the target set under MTFP and slightly higher than the target set in the budget estimates.

The debt-GSDP ratio of the State at 27.20 per cent during 2018-19 though lower than the MTFP estimate (29.74 per cent), was higher than the FFC projection (26.31 per cent).

Though the State has achieved revenue surplus of ₹ 5520.97 crore, the same is overstated by ₹ 953.92 crore. Similarly, the fiscal deficit is understated by ₹ 953.92 crore as detailed in **Paragraph 3.9**.

#### 1.1.2.1 Composition of Fiscal Deficit and its financing pattern

Fiscal deficit represents the total financing the State requires (predominantly by drawing on its cash and investment balances with the RBI and by borrowing) to meet the excess of the revenue and capital expenditure (including loans and advances) over revenue and non-debt receipts.

The financing pattern of the fiscal deficit has been shown in **Table 1.6**.

<sup>5</sup> Revenue deficit of ₹ 230 crore

**Table 1.6: Components of Fiscal Deficit and its financing pattern**

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19		
	<b>Composition of Fiscal Deficit</b> (figures in brackets indicate <i>per cent</i> to GSDP)	<b>6,564</b> <b>(3.00)</b>	<b>11,523<sup>6</sup></b> <b>(5.58)</b>	<b>10,192</b> <b>(4.31)</b>	<b>11,933</b> <b>(4.32)</b>	<b>6,629</b> <b>(2.16)</b>		
1	Revenue Deficit (-)/Surplus (+)	(-)230	4,085	1,965	1,804	5,521		
2	Net Capital expenditure <sup>7</sup>	5,543	8,159	10,861	11,928	10,712		
3	Net Loans and Advances <sup>8</sup>	791	7,449	1,296	1,809	1,438		
	<b>Financing pattern of Fiscal Deficit*</b>					<b>Receipt</b>	<b>Disbursement</b>	<b>Net</b>
1	Market Borrowings	4,488	4,755	4,725	4,807	5,509	1,486	4,023
2	Loans from GoI	(-)5	(-)2	77	71	273	167	106
3	Special Securities issued to NSSF	335	573	(-)733	(-)746	0	757	(-)757
4	Loans from Financial Institutions	(-)8	5,673	934	1,054	2,021	650	1,371
5	Small Savings, PF, etc.	(-)202	(-)159	(-)121	66	1,120	1,051	69
6	Reserve Fund	275	10	383	292	421	42	379
7	Deposits and Advances	1,093	2,111	5,031	4,722	12,879	11,383	1,496
8	Suspense and Miscellaneous	(-)13	17	(-)30	(-)224	39	(-) 88	127
9	Remittances	(-)238	1	(-)30	93	10,648	10,588	60
10	Inter-State Settlement	-	-	-	-	-	-	-
11	Cash balance increase (+)/ Decrease(-)	841	(-)1,461	(-)43	1,798	550 <sup>9</sup>	795 <sup>9</sup>	(-) 245

\*All these figures are net of disbursements/outflows during the year except for 2018-19

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

During 2018-19, the fiscal deficit of ₹ 6,629 crore was mainly financed by Market Borrowings (₹ 4,023 crore), Deposits and Advances (₹ 1,496 crore) and Loans from Financial Institutions (₹ 1,371 crore).

### 1.1.2.2 Quality of Deficit/Surplus

Ideally, revenue receipts should cover the revenue expenditure (including interest payments) of the State. While revenue deficit is made up from borrowings and drawings on balances with the Reserve Bank of India, revenue surplus can be used for capital expenditure thereby reducing the need for borrowings and drawings from Reserve Bank Deposits (RBD). Further, if the non-debt receipts can meet the primary expenditure<sup>10</sup>, there will be no primary deficit, to be financed by borrowings. Thus, a necessary condition for stability in finances of the State is that non-debt receipts should be adequate to cover the incremental primary expenditure and incremental interest payments.

<sup>6</sup> Includes borrowing on UDAY bonds (₹ 5,553.37 crore). The fiscal deficit during 2015-16 excluding borrowing on UDAY bonds is ₹ 5,970 crore.

<sup>7</sup> Non-debt capital expenditure *minus* non-debt capital receipts.

<sup>8</sup> Loans and advances *minus* recoveries.

<sup>9</sup> Revised and included ₹ 400 crore invested from State Disaster Response Fund during 2012-13 reported by the Finance Department, vide letter no. 554 dated 23.07.2019

<sup>10</sup> Expenditure on Revenue, Capital and Loans and Advances, but not interest payments

**Table 1.7: Components of Primary Deficit/Surplus in the State**

(₹ in crore)

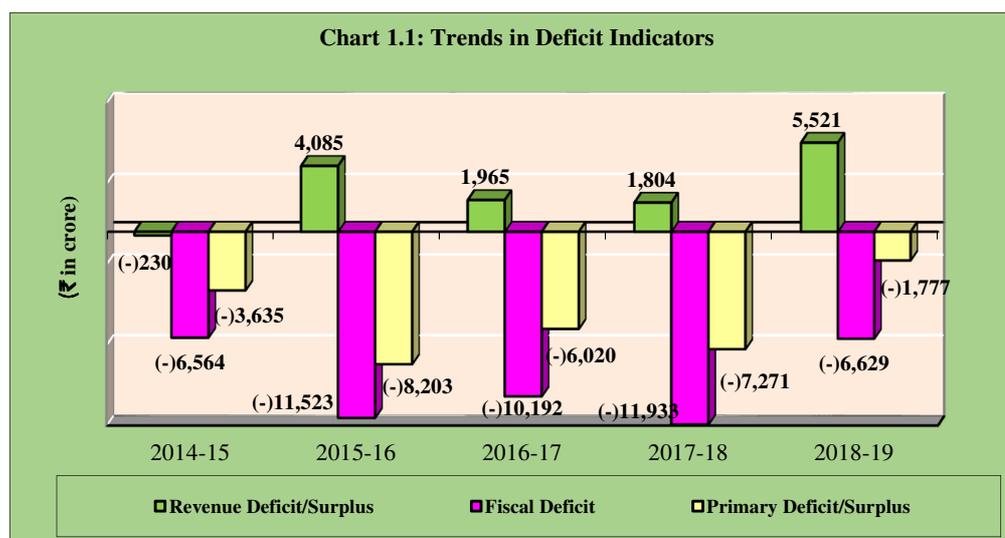
Year	Non-Debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Deficit <sup>11</sup> (-) / Surplus (+)	Primary Deficit (-) / Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2014-15	31,598	28,866	5,543	824	35,233	(+)2,732	(-)3,635
2015-16	40,669	33,233	8,159 <sup>12</sup>	7,480	48,872	(+)7,436	(-)8,203
2016-17	47,093	40,917	10,861	1,335	53,113	(+)6,176	(-)6,020
2017-18	52,824	46,290	11,953	1,852	60,095	(+)6,534	(-)7,271
2018-19	56,199	45,779	10,712	1,485	57,976	(+)10,420	(-)1,777

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

As evident from Table 1.7, the primary deficit decreased significantly during 2018-19 due to increase in non-debt receipts of the State by ₹ 3,375 crore (6.4 per cent) and decrease in both primary revenue expenditure and capital expenditure by ₹ 511 crore (1.10 per cent) and ₹ 1,241 crore (10.38 per cent) respectively. Due to lower primary revenue expenditure and increase in non-debt receipts, the State had a primary revenue surplus of ₹ 10,420 crore during the year 2018-19.

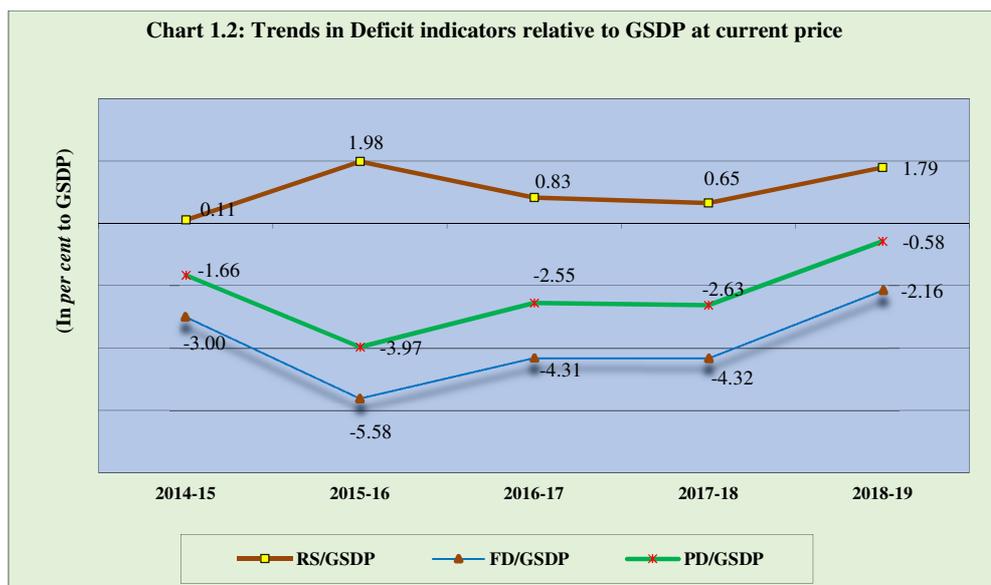
### 1.1.2.3 Trends in deficits

Chart 1.1 and Chart 1.2 present the trends of deficit indicators over the period 2014-19.



<sup>11</sup> Primary revenue deficit is the gap between non-interest revenue expenditure and non-debt receipts and indicates the extent to which the non-debt receipts are sufficient to meet the primary expenditure incurred under revenue account.

<sup>12</sup> Includes borrowings on UDAY bonds (₹ 5,553.37 crore)



The revenue surplus of ₹ 5,521 crore in 2018-19 was mainly due to lower revenue expenditure than the budget estimates (by ₹ 6,066 crore under Social Services and by ₹ 4,909 crore under Economic Services).

During 2018-19, the growth rate of revenue receipts decreased from 12.12 *per cent* in 2017-18 to 6.44 *per cent* mainly on account of decline in grants-in-aid received from GoI. This was despite the fact that the State's own revenue grew at a rate of 13.90 *per cent* in the current year against the growth rate of 8.30 *per cent* during 2017-18.

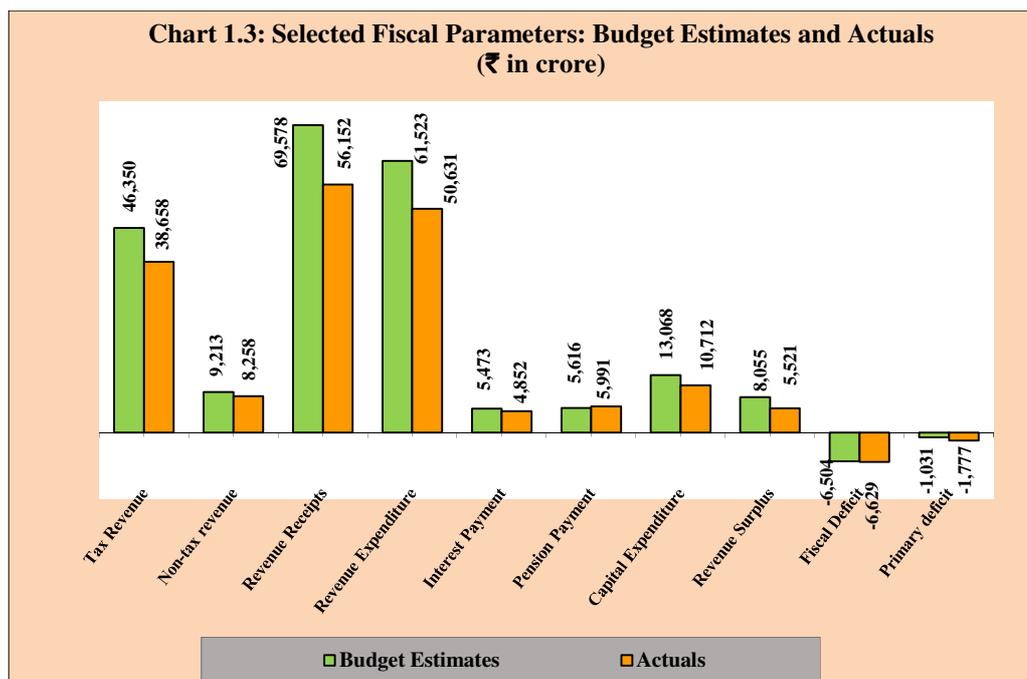
Growth rate of revenue expenditure of 13 *per cent* in 2017-18 turned negative to 0.6 *per cent* in 2018-19 resulting in increase of revenue surplus during these years. The lower growth rate of revenue expenditure was mainly due to less expenditure on services like Water Supply, Sanitation, Housing and Urban Development, Agriculture and Allied Activities, Energy etc.

**Recommendation:** *The Government should ensure optimum utilisation of budgetary provisions earmarked for developmental services like education, water supply sanitation, social welfare and agriculture.*

### 1.1.3 Budget estimates and actuals

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

**Chart 1.3** presents a comparative analysis of the budget estimates and actuals for some important fiscal parameters for 2018-19.



Source: Annual Financial Statement and Finance Accounts of the Government of Jharkhand for the year 2018-19  
Note: Tax revenue includes State's share of Union Taxes

The above chart shows that both actual revenue receipts and revenue expenditure were much less than the budget estimates prepared by the State Government for 2018-19. Revenue receipts was less than the budget estimates by ₹ 13,426 crore during the year mainly due to less collections under own tax revenue by ₹ 4,598 crore and less receipts of GIA and CTT from Government of India by ₹ 4,614 crore and ₹ 3,094 crore respectively against the budget estimate.

Less revenue expenditure (by ₹ 10,892 crore) during 2018-19, as compared to the budget estimates, was mainly due to less expenditure on Social Services (by ₹ 6,066 crore) and Economic Services (by ₹ 4,909 crore).

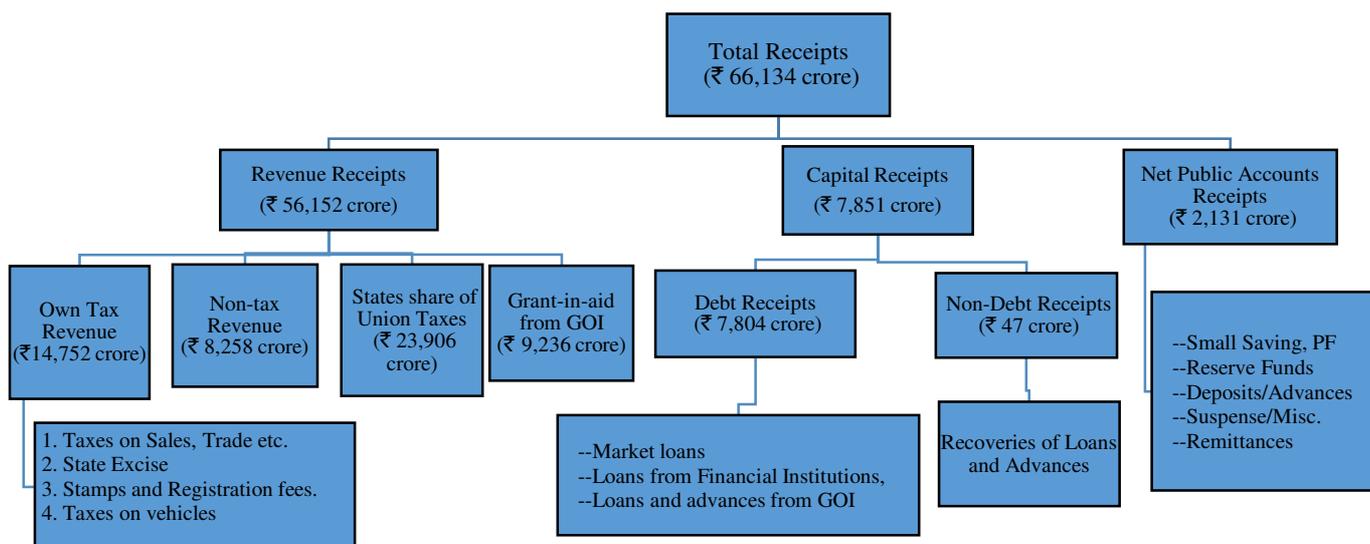
During the year, the capital expenditure of the State was less than the budget estimates by ₹ 2,356 crore mainly due to less expenditure on Economic and Social Services against the provision.

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

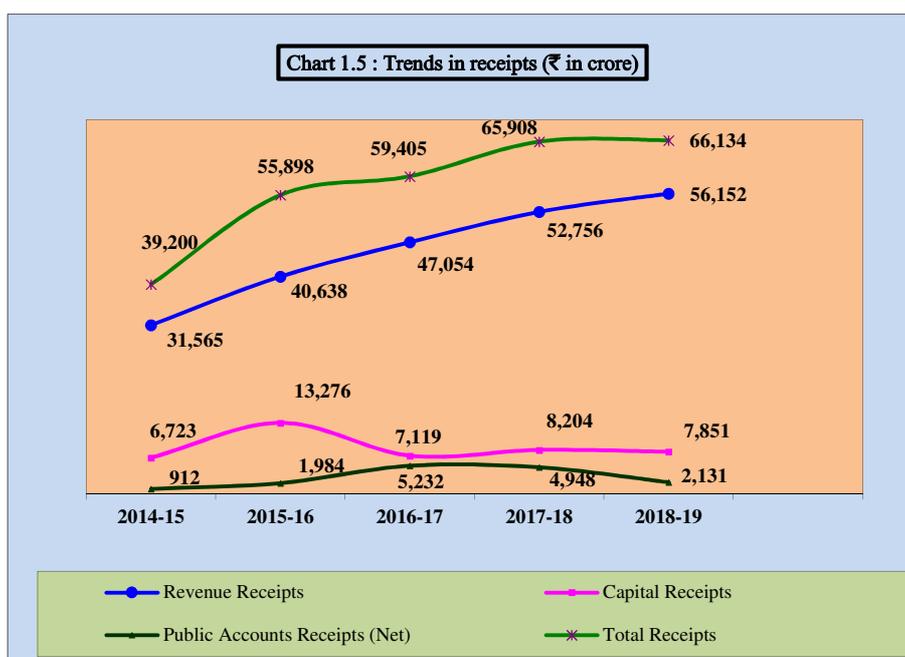
## 1.2 Resources of the State

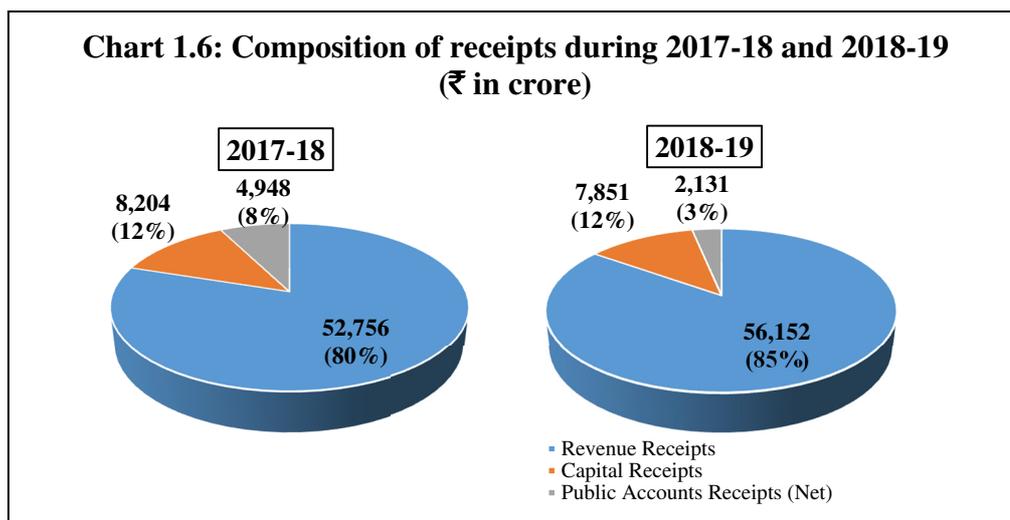
**Table 1.2** at page 2 and **Charts 1.4 to 1.6** present different perspectives of the financial resources of the State as depicted in the Finance Accounts.

**Chart 1.4: Components and sub-components of resources**



Source: Finance Accounts of the Government of Jharkhand 2018-19



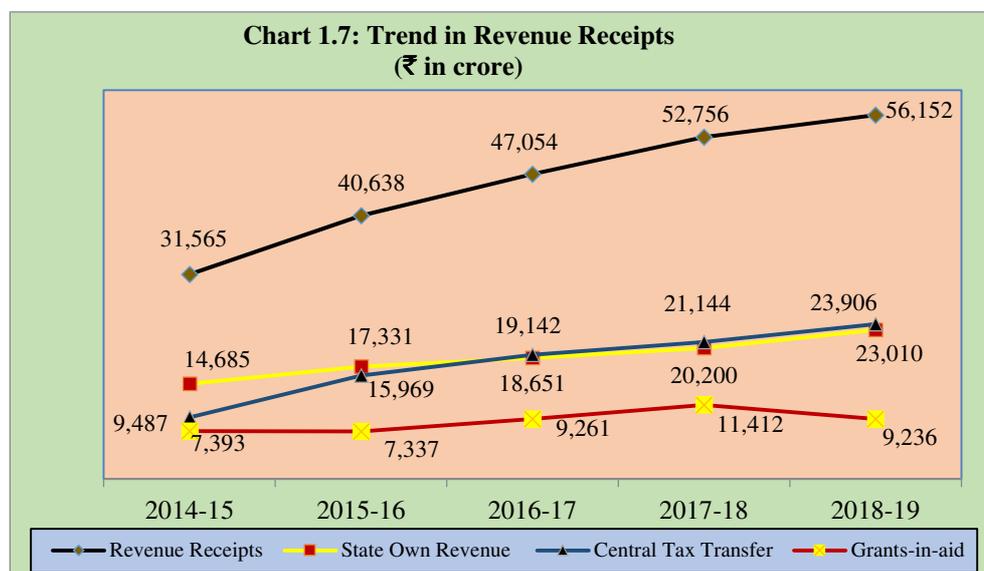


Source: Finance Accounts of the Government of Jharkhand for the years 2017-18 and 2018-19

The share of revenue receipts to total receipts (RR/TR) increased by five *per cent* whereas the share of Public Accounts receipts to total receipts decreased by five *per cent* over the previous year. Share of capital receipts to total receipts remained at the same level during 2017-19.

### 1.3 Revenue Receipts

The trends and composition of revenue receipts over the period 2014-19 are presented in **Appendix 1.3** and **Chart 1.7**.



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

Though the State's own revenues grew by 14 *per cent* over the previous year, it was less than the revenue received from GoI (CTT & GIA). Further, the substantial decrease in GIA (₹ 2,176 crore) was offset by the significant increase in CTT (₹ 2,762 crore).

The trend of revenue receipts relative to GSDP is presented in **Table 1.8**.

**Table 1.8: Trends in Revenue Receipts relative to GSDP**

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Receipts (RR) (₹ in crore)	31,565	40,638	47,054	52,756	56,152
Rate of growth of RR (per cent)	20.77	28.74	15.79	12.12	6.44
RR/GSDP (per cent)	14.44	19.67	19.92	19.10	18.26
State's Own Tax / GSDP	4.74	5.56	5.65	4.84	4.80
Growth rate of GSDP at current price	15.89	-5.45	14.34	16.93	11.34
Growth rate of GSDP at constant price	12.49	-6.25	11.46	12.65	6.99

As shown in the above table, growth rate of revenue receipts decreased consistently from the year 2015-16 onwards. However, in comparison to the GSDP, its ratio did not show any significant variation due to fluctuation in the growth of GSDP during 2015-19.

### 1.3.1 State's Own Resources

The State's actual Own Tax and Non-Tax Revenue during 2018-19 in comparison to the FFC assessment and budget estimates is given in **Table 1.9**.

**Table 1.9: Tax and Non-Tax receipts**

(₹ in crore)

	FFC projections	Budget estimates	Actual
Own Tax Revenue	22,187	19,350	14,752
Non-Tax Revenue	5,717	9,213	8,258
OTR to GSDP	7.37	6.29	4.80

Source: FFC report, Budget document and Finance Accounts for the year 2018-19

The shortfall in achievement of own tax revenue against FFC projections and budget estimates was mainly due to shortfall in collection of GST (by ₹ 2,535 crore) and Value Added Tax (by ₹ 1,475 crore). The shortfall in non-tax revenue, as compared to budget estimates, was due to shortfall in collection of revenue from Non-ferrous mining and metallurgical industries (by ₹ 1,227 crore). However, shortfall in collection of GST was partially compensated (₹ 1,029 crore) by the GoI in the form of Grants-in-aid as detailed in **Paragraph 1.3.3**.

#### 1.3.1.1 Tax Revenue

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

**Table 1.10: Components of Tax Revenue**

(₹ in crore)

Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR* (2014-19)	Cost of collection (2018-19) per cent	Cost of collection (2017-18) per cent	All India average of cost of collection 2017-18
Taxes on Sales, Trade, SGST**etc.	8,070	8,999	10,549	9,839	11,676	9.67	0.71	0.64	0.69
State Excise	740	912	962	841	1,083	9.99	2.03	2.35	1.83
Taxes on Vehicles	660	633	682	778	864	6.97	0.78	0.82	2.61
Stamps and Registration Fees	531	532	607	469	451	(-) 4.00	3.54	3.63	2.96
Land Revenue	84	164	240	156	389	46.70	5.56	-	-
Taxes and Duties on electricity	175	126	152	184	209	4.49	-	-	-
Other taxes on Income & Expenditure	57	83	68	74	79	8.32	-	-	-
Other taxes and duties on Commodities and Services	33	30	40	13	1	(-) 54.63	-	-	-
Taxes on Goods & Passengers	1	0	0	0	0	-	-	-	-
<b>Total Tax Revenue</b>	<b>10,351</b>	<b>11,479</b>	<b>13,300</b>	<b>12,354</b>	<b>14,752</b>	-	-	-	-

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

\* CAGR: Compound Annual Growth Rate

\*\*SGST: State Goods and Services Tax

The tax receipts of the State had increased by 19.42 *per cent* during 2018-19 in comparison to the negative growth of 7.11 *per cent* in the previous year. Moreover, Government of India provided Grants-in-Aid of ₹ 1,029 crore to the State as compensation for loss of revenue on account of implementation of GST as detailed in **Paragraph 1.3.3**. State Excise receipts increased by ₹ 242 crore during the year 2018-19 due to increase in transportation duty of liquor from godowns to retail stores. Receipts under Taxes on Vehicles increased by ₹ 86 crore during 2018-19 mainly due to introduction of new tax structure wherein Tractors, Trailers, Machinery equipped vehicles, Three wheeler (Passenger) and Three wheeler (Goods) vehicles were brought under the purview of one-time tax. Land revenue of the State increased significantly by ₹ 233 crore<sup>13</sup> during 2018-19 due to transfer of Government land to various companies, institutions, authorities etc.

### Cost of collection of own taxes

As depicted in **Table 1.10**, cost of collection of taxes in the State during 2018-19 decreased over the previous year in respect of all taxes except Sales tax including GST. During 2018-19, the cost of collection of taxes in the State was significantly high for Stamps and registration fees, State Excise and Taxes on Sales & Trade including GST in comparison to the all-India average, whereas it was lower in respect of Taxes on vehicles.

#### 1.3.1.2 Non-Tax Revenue (NTR)

Non-Tax revenue collected during 2018-19 was ₹ 8,258 crore against the normative projection of ₹ 5,717 crore by the FFC for the year but lower than the budget estimates of ₹ 9,213 crore as shown in **Table 1.9**.

Component-wise non-tax revenue collected during 2014-19 is as shown in **Table 1.11**.

**Table 1.11: Component-wise Non-Tax Revenue**

Revenue Head	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Non-Ferrous Mining and Metallurgical Industries	3,473.00	4,384.43	4,094.25	5,941.36	5,934.64
Education, Sports and Culture	42.25	19.99	21.10	19.46	589.92
Major Irrigation	194.97	19.27	21.02	131.46	320.51
Interest receipts	143.04	122.44	121.34	168.88	47.20
Other non-tax receipts <sup>14</sup>	481.80	1,306.89	1,093.70	1,585.51	1,365.71
<b>Total</b>	<b>4,335.06</b>	<b>5,853.02</b>	<b>5,351.41</b>	<b>7,846.67</b>	<b>8,257.98</b>

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

The share of NTR in revenue receipts marginally decreased from 14.87 *per cent* in 2017-18 to 14.71 *per cent* in 2018-19. The growth rate of NTR in 2018-19 was 5.24 *per cent* in comparison to the growth rate of 46.64 *per cent* in 2017-18 over the previous year. This was mainly due to less growth in Non-ferrous Mining and Metallurgical Industries and less collection of interest receipts over the previous year. Interest receipts which had gone up during 2017-18 due to deposit of unutilised balances of scheme funds lying in bank accounts decreased significantly during 2018-19. However receipts under the head 'Education, Sports and Culture' increased by 2931.40 *per cent* mainly due to increase from receipts from Secondary Education and recoveries of unspent balance

<sup>13</sup> Some major depositors are Nazarath section, Deoghar (₹ 51.87 crore), CEO, Maithan Power Limited (₹ 13.24 crore), Rahul Ji Anand Ji (₹ 6.49 crore), AC, Dumka (₹ 9.31 crore) etc.

<sup>14</sup> Urban Development, Roads & Bridges, Labour and Employment, Other Administrative Services, Other Rural Development Programmes, Medium Irrigation etc.

of grants-in-aid. Similarly, receipts from 'Major irrigation' increased by 143.08 *per cent* due to more receipts under recoveries of unspent balance of grants-in-aid.

The issue of irregular deposit of recoveries of unspent balance of grants-in-aid under receipt head has been discussed in **Paragraph 1.3.5**.

### 1.3.2 Grants-in-aid from Government of India

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

**Table 1.12: Component-wise grants released by GoI**

Particulars	₹ in crore)				
	2014-15	2015-16	2016-17	2017-18 <sup>15</sup>	2018-19 <sup>10</sup>
Non-Plan Grants	1,780.26	1,685.82	1,875.29	-	-
Grants for State Plan Schemes	4,914.69	4,950.18	6,792.89	-	-
Grants for Central Plan Schemes	83.56	50.90	78.01	-	-
Grants for Centrally Sponsored Plan Schemes	614.17	650.74	515.16	-	-
Grants for Centrally Sponsored Schemes	-	-	-	7,985.24	6,996.85
Finance Commission Grants	-	-	-	1,583.03	1,059.89
Other Grants	-	-	-	1,844.02	1,178.78
<b>Total</b>	<b>7,392.68</b>	<b>7,337.64</b>	<b>9,261.35</b>	<b>11,412.29</b>	<b>9,235.52</b>
Percentage of increase over previous year	82.00	(-0.74)	26.21	23.22	(-19.07)
Total grants as a percentage of revenue receipts	23.42	18.06	19.68	21.63	16.45

Source: Finance Accounts of the Government of Jharkhand 2018-19

Grants from GoI decreased from ₹ 11,412.29 crore in 2017-18 to ₹ 9,235.52 crore in 2018-19 mainly due to less grants received from Central Government for Centrally sponsored schemes viz., Pradhan Mantri Gram Sadak Yojana (₹ 528 crore), Swachh Bharat Abhiyan (Gramin) (₹ 249 crore) and Basic Grants to Local Bodies (₹ 538 crore).

### 1.3.3 Central Tax Transfers

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

**Table 1.13: Central Tax Transfers**

	₹ in crore)					
	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR
Central Tax Transfer (CTT)	9,487	15,969	19,142	21,144	23,906	25.99
CTT as share of RR	30.06	39.30	40.68	40.08	42.57	-

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

The increase of CTT in 2018-19 over the previous year was mainly due to transfer of Central Goods and Services Tax (₹ 5,601 crore) and Corporation Tax (₹ 1,838 crore). CTT constituted 42.57 *per cent* of the revenue receipts of the State during 2018-19 as against 40.08 *per cent* in 2017-18.

### Goods and Services Tax

State Government implemented the Goods and Services Tax (GST) Act which became effective from 1 July 2017. According to GST (Compensation to the States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG

<sup>15</sup> Sub-major Head and nomenclature of GoI grants have been changed from 2017-18 onwards. Hence, it is shown separately in the table.

of India. A base year (2015-16) revenue figure of taxes subsumed under GST was finalised under GST Act. In the case of Jharkhand, the revenue was ₹ 6,410.51 crore during the base year (2015-16). The projected revenue for any year in a State shall be calculated by applying the projected growth rate (14 *per cent* per annum) over the base year revenue of that State.

The projected revenue for the year 2018-19 in accordance with the base year figure was ₹ 9,497.46 crore against which the revenue receipt of the State Government under GST during 2018-19 was ₹ 8,157.62 crore<sup>16</sup>. The GoI provided ₹ 1,029 crore as compensation during the year to protect the revenue collection of the State. However, compensation amount pertaining to the months of February and March 2019 was not provided during 2018-19. Hence, against the projected revenue of ₹ 9,497.46 crore, the SGST/IGST collection and compensation received was ₹ 9,186.62 crore leading to short receipt of ₹ 310.84 crore

### **Advance apportionment of IGST and its adjustment against GST compensation**

The GOI is to apportion IGST to State Governments under section 17 of the IGST Act, 2017. The State Tax Division, Ministry of Finance, Department of Revenue (GoI) sanctioned (March 2019) provisional/advance settlement of apportionment of ₹ 985.90 crore with the condition that the amount will be settled from future payments of IGST.

With automation of the collection of GST having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfil the CAG's Constitutional mandate of certifying the Accounts. The required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2018-19 are, therefore, certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

### **1.3.4 Revenue arrears**

As on 31 March 2019, arrears in collection of revenue was ₹ 6,522.67 crore (Commercial Tax Department and Land Revenue Department), of which ₹ 1,469.97 crore was outstanding for more than five years. Further, ₹ 1,802.90 crore was held up by the Courts and other appellate authorities. Information regarding revenue arrears from other departments was not furnished (February 2020). The total revenue arrears as on 31 March 2019 constituted 28.35 *per cent* of own resources of the State as against 31.47 *per cent* during 2017-18.

### **1.3.5 Irregular deposit under Minor Head-913**

A total amount of ₹ 1,403.12 crore (unspent balances of Grants-in-aid and unutilised scheme funds) has been deposited by the State Government under Minor head '913-recovery of unspent balance of Grants-in-aid' below 37 revenue receipt Major heads during the year 2018-19. Bifurcation of the deposited amount into those pertaining to Centrally Sponsored Schemes and State Schemes is not available. The deposited amount, not being actual

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<sup>16</sup> Includes SGST: ₹ 7171.72 crore and Provisional apportionment of IGST: ₹ 985.90 crore

revenue, is included in the revenue receipts resulting in overstatement of revenue surplus of the State Government to that extent.

## 1.4 Capital Receipts

Apart from revenue receipts, the State also received capital receipts, which comprises of recovery of loans and advances given by the Government, internal borrowings of the Government from financial institutions and loans and advances from Government of India (GoI). Details of capital receipts during 2014-19 are given in **Table 1.14**.

**Table 1.14: Trends in growth and composition of receipts**

(₹ in crore)					
Source of State's Receipts	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Capital Receipts (CR)</b>	<b>6,723</b>	<b>13,276</b>	<b>7,120</b>	<b>8,204</b>	<b>7,851</b>
Miscellaneous Capital Receipts	0	0	0	25.09 <sup>17</sup>	0
Recovery of Loans and Advances	33.06	31.06	38.46	42.41	47.57
Public Debt Receipts	6,690	13,245	7,081	8,137	7,804
Rate of growth of debt capital receipts ( <i>per cent</i> )	42.30	98	(-) 47	15	(-) 4.10
Rate of growth of non-debt capital receipts ( <i>per cent</i> )	43.48	(-) 6.06	22.58	76.32	(-) 29

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

During 2018-19, capital receipts of the State decreased by four *per cent* over the previous year mainly due to lower borrowings under Market loans. The debt capital receipts was significantly high in 2015-16 due to one-time borrowings of ₹ 5,553.37 crore under Ujjwal DISCOM Assurance Yojana (UDAY) bonds. No borrowing was made on UDAY bonds after 2015-16.

### 1.4.1 Recoveries from loans and advances

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

**Table 1.15: Loans and Advances**

(₹ in crore)					
Years	2014-15	2015-16	2016-17	2017-18	2018-19
Opening balance of Loans	7,947	8,738	16,187	17,482 <sup>18</sup>	19,292
Loans given	824	7,480	1,335	1,852	1,485
Recovery made	33	31	39	42	47
Closing balance of loans	8,738	16,187	17,483	19,292	20,730

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

The power companies in the State were the major recipients of the loans and advances given every year but no repayment was made by these companies, leading to an outstanding balance of ₹ 19,857.29 crore at the end of 31 March 2019. An amount of ₹ 7,222.18 crore which was outstanding loan to Jharkhand State Electricity Board before its unbundling in January 2014 and kept in Government Account for final settlement, was also included in the total outstanding loans to the power companies. During 2018-19, fresh loan of ₹ 1,413.09 crore was given to two power companies<sup>19</sup>. Recoveries of

<sup>17</sup> There was a Miscellaneous Capital Receipts of ₹ 25 crore due to disinvestment of assets during 2017-18.

<sup>18</sup> Adjusted due to rounding off.

<sup>19</sup> Jharkhand Bijli Vitran Nigam Ltd.: ₹ 659.41 crore and Jharkhand Urja Sancharan Nigam Ltd.: ₹ 753.68 crore.

₹ 47 crore shown in the above table were mainly from the loans and advances given to Government servants.

#### 1.4.2 Debt receipts from internal sources

The State Government's internal debt fluctuated between ₹ 6,537 crore and ₹ 7,531 crore during 2014-19. During 2015-16, it was ₹ 13,080 crore mainly due to borrowings on UDAY bonds. No borrowing was made by the State on UDAY bonds after 2015-16.

**Table 1.16: Trends of debt receipts from internal sources**

	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Internal debt of Government	6,537	13,080	6,847	7,905	7,531 <sup>20</sup>
Total public debt and other liabilities	19,809	33,843	19,193	25,205	22,224
Internal debt as percentage to total public debt and other liabilities	33.00	38.65	35.67	31.36	33.88

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

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

### 1.5 Public Accounts receipts

Transactions in Public Accounts are not subject to vote by the State Legislature. The Public Accounts receipts of the State as at the end of the concerned financial year are given in **Table 1.17**.

**Table 1.17: Public Accounts Receipts**

	(₹ in crore)				
Resources under various heads	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Public Accounts Receipts</b>	<b>20,189</b>	<b>29,037</b>	<b>22,052</b>	<b>27,833</b>	<b>25,410</b>
Small Savings, Provident Fund etc.	843	830	873	1,016	1,120
Reserve Fund	308	522	453	401	421
Deposits and Advances	12,182	19,499	11,145	16,020	13,182
Suspense and Miscellaneous	18	161	300	-163	39
Remittances	6,838	8,025	9,281	10,559	10,648

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

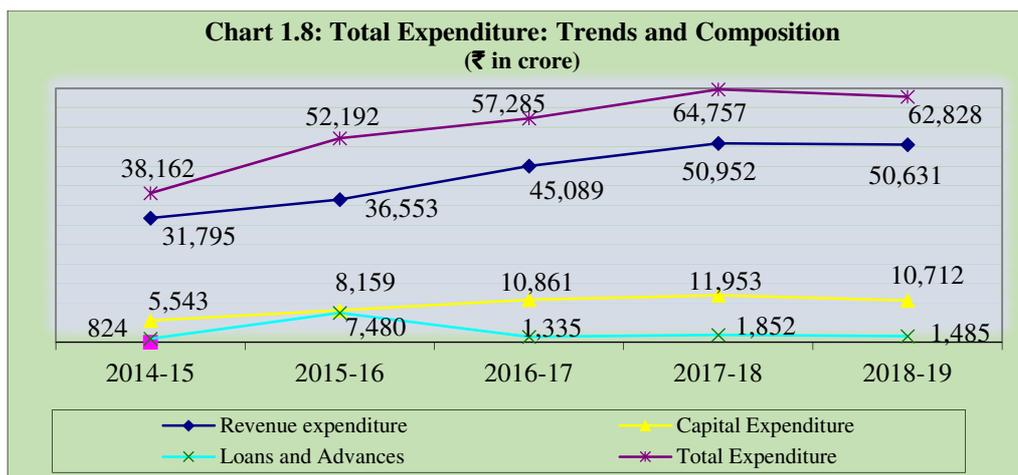
Decrease in Deposits and Advances during 2018-19 was mainly due to significant decrease in credit in the Personal Ledger Account of the power companies booked as 'State Electricity Board Working Funds' (by ₹ 2,145 crore) in comparison to the previous year.

### 1.6 Application of resources

#### Growth and Composition of Expenditure

**Chart 1.8** presents the trends in Total Expenditure and its composition over the last five years (2014-19).

<sup>20</sup> Market loans- ₹ 5,509 crore, Loans from financial institutions- ₹ 2,022 crore booked under major head - 6003



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

### 1.6.1 Capital Expenditure (CE)

There was consistent increase in capital expenditure during 2014-18 which however decreased in 2018-19 by ₹ 1,241 crore from ₹ 11,953 crore to ₹ 10,712 crore.

The major share of capital expenditure was on economic services (₹ 8,305 crore). Priority was given to expenditure on transport (₹ 3,871 crore), rural development (₹ 2,461 crore) and irrigation and flood control (₹ 1,476 crore). However, in comparison to the previous year, capital expenditure on transport and irrigation & flood control during 2018-19 decreased by ₹1,271 crore and ₹ 213 crore respectively. Capital expenditure on agriculture & allied activities also decreased by ₹ 217 crore over the previous year.

It was observed that the allocation under capital section during 2018-19 (₹ 12,306 crore) was less than the allocation during 2017-18 (₹ 12,738 crore) by ₹ 432 crore. Out of the total allocation under capital section, ₹ 1,594 crore remained unutilised during 2018-19. A major portion of the savings were under Swarnarekha project (₹ 440 crore), Chotanagpur and Santhal Pargana irrigation project (₹ 137 crore), minor irrigation projects (₹ 153 crore) and construction and expansion of runway and development of airport at Deoghar (₹ 75 crore).

### 1.6.2 Revenue Expenditure (RE)

Revenue expenditure (RE) as a percentage of total expenditure, which had remained at nearly the same level during 2016-17 and 2017-18 (79 per cent), increased to 81 per cent during 2018-19. However, revenue expenditure as a percentage of GSDP decreased from 18.44 per cent in 2017-18 to 16.46 per cent during 2018-19.

Out of total revenue expenditure of ₹ 50,631 crore during 2018-19, ₹ 26,648 crore was spent on establishment and ₹ 23,983 crore was spent on State and Central schemes.

### 1.6.3 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of expenditure on salaries and wages, subsidies, pension and

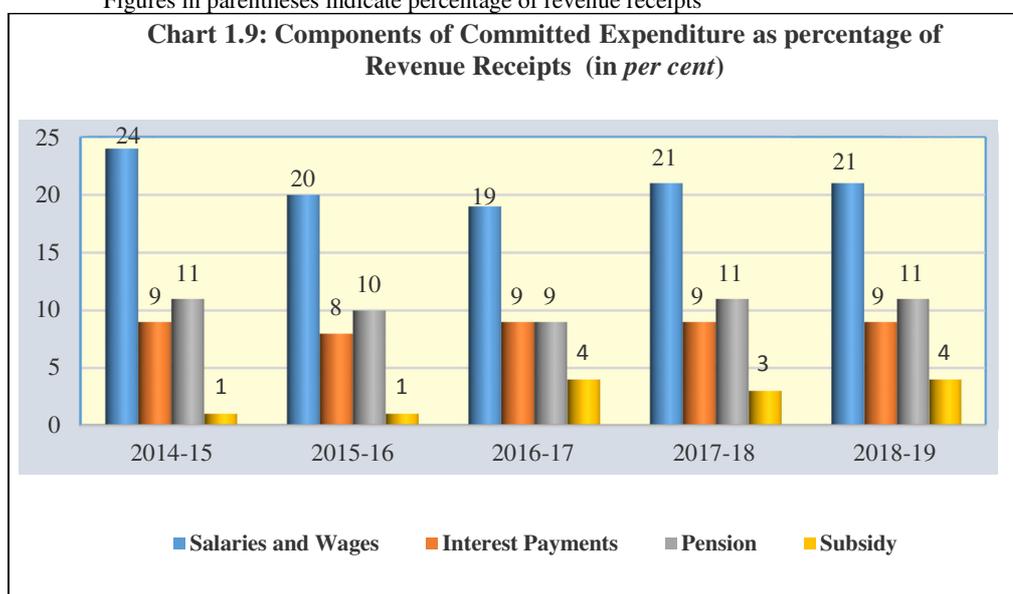
interest payments. **Table 1.18** and **Chart 1.9** present the trend in the expenditure on these components during 2014-19.

**Table 1.18: Components of Expenditure on Salaries and Wages, Subsidies, Pension and Interest Payments**

(₹ in crore)

Components of Committed Expenditure	2014-15	2015-16	2016-17	2017-18	2018-19
Salaries <sup>21</sup> and Wages, of which	7,417(24)	8,218(20)	8,927 (19)	11,221(21)	12,138(21)
<i>Establishment</i>	7,193(23)	7,943(19)	8,649 (18)	10,790(20)	11,682(20)
<i>State &amp; Central Schemes</i>	224(1)	275(1)	278(1)	431(1)	456(1)
Interest Payments	2,929(9)	3,320(8)	4,172(9)	4,662(9)	4,852(9)
Pension	3,463(11)	3,990(10)	4,135(9)	5,913(11)	5,991(11)
Subsidies	246(1)	522(1)	1,859(4)	1,440(3)	2,092(4)
<b>Total</b>	<b>14,055(45)</b>	<b>16,050(39)</b>	<b>19,093(41)</b>	<b>23,236 (44)</b>	<b>25,073(45)</b>

Source: Finance Accounts of the Government of Jharkhand for the respective years  
Figures in parentheses indicate percentage of revenue receipts



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

### Salaries

During 2018-19, Salaries & Wages (₹ 12,138 crore), Interest Payments (₹ 4,852 crore) and Pension (₹ 5,991 crore) together accounted for 45.39 per cent of the revenue expenditure and consumed 40.93 per cent of the revenue receipts.

### Pension

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

<sup>21</sup> \* Also includes salaries paid out of Grants-in-aid.

fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank.

During 2018-19, employer's contribution of ₹ 427.31 crore was transferred to NSDL. The State Government transferred ₹ 426.55 crore against receipt of ₹ 425.66 crore as employees' contribution to the designated fund manager through NSDL during 2018-19. A balance of ₹ 12.64 crore remained in the Public Account (Major Head 8342-117-Defined Contribution Pension Scheme) at the end of 2018-19.

### Interest Payments

The growth rate of interest payments in 2018-19 over the previous year was 4.10 *per cent* against 11.70 *per cent* in 2017-18. Percentage of interest payments to revenue receipts remained at nearly the same levels during 2017-18 (8.84 *per cent*) and 2018-19 (8.64 *per cent*) which was marginally higher than the FFC recommendation of 8.32 *per cent*. Major components of interest payments during 2017-18 and 2018-19 are given in **Table 1.19** below:

**Table 1.19: Components of Interest Payments**

(₹ in crore)

Component of debt	Outstanding Liabilities as on 31 March 2017	2017-18		Outstanding Liabilities as on 31 March 2018	2018-19	
		Interest paid	Interest paid as percentage of outstanding balance		Interest paid	Interest paid as percentage of outstanding balance
Internal debt	48,682.31	4,330.05	8.89	53,799.09	4,494.03	8.35
Loans & Advances from GoI	2,162.28	116.18	5.37	2,232.86	123.20	5.52
Small Savings, Provident fund etc.	1,075.67	213.68	19.86	1,142.18	224.82	19.68
Others	14,906.70	1.77	0.01	19,920.91	9.92	0.05
<b>Total</b>	<b>66,826.96</b>	<b>4,661.68</b>	<b>6.98</b>	<b>77,095.04</b>	<b>4,851.97</b>	<b>6.29</b>

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

### Subsidy

During 2018-19, Government of Jharkhand paid ₹ 2,092 crore<sup>22</sup> as subsidy mainly under Major Heads 3456- Civil Supplies (₹ 926 crore), 2801-Power (₹ 595 crore) and 2401-Crop Husbandry (₹ 354 crore). The increase in subsidy during 2018-19 by ₹ 652 crore over the previous year was mainly due to tariff subsidy (₹ 595 crore) for consumers through Jharkhand Bijli Vitran Nigam Limited. No subsidy was given for irrigation.

#### 1.6.4 Major programmes

During 2018-19, ₹ 11,631.10 crore was budgeted for 35 major flagship programmes under the State Plan (SP) against which ₹ 11,202.06 crore was utilised. Under the Central Plan (CP), ₹ 9,084 crore was utilised against ₹ 9,329 crore budgeted for the year.

The budget provisions and actual expenditure on some major programmes during 2018-19 under SP and CP are shown in **Table 1.20**.

<sup>22</sup> Appendix II of Finance Accounts 2018-19

**Table 1.20: Expenditure on major programmes**

(₹ in crore)

Sl. No.	Name of programme	Budget Provision	Expenditure
<b>State Plan</b>			
1	Major Roads	2,742.80	2,733.15
2	Minimum Needs Programmes-Construction of Rural Roads	1,417.64	1,404.86
3	Loan to Jharkhand Urja Sancharan Nigam Ltd. for transmission	753.68	753.18
4	Grants to Jharkhand State Rural Road Development Authority under Pradhan Mantri Gram Sadak Yojana	694.00	694.00
5	Priority Household Schemes	473.64	473.64
6	Rural Sanitation	469.72	331.47
7	Indira Gandhi National Old Age Pension Scheme	425.38	425.38
8	Rural Piped Water Supply Scheme	371.64	371.64
<b>Central Plan</b>			
1	GIA for Pradhan Mantri Awas Yojana	248.15	248.15
2	Urban Renewal Mission AMRUT	94.59	94.59
3	Rashtriya Uchhatar Shiksha Abhiyan	85.60	85.60
4	Swachh Bharat Mission (Urban)	43.89	43.89

Source: Appendix-V of Finance Accounts of the Government of Jharkhand 2018-19

**1.6.5 Financial assistance**

Details of grants and loans given by the State Government during 2014-19 are presented in **Table 1.21**.

**Table 1.21: Financial assistance to Local Bodies and other Institutions**

(₹ in crore)

Financial Assistance to Institutions	2014-15	2015-16	2016-17	2017-18	2018-19
Panchayati Raj Institutions (PRIs)	3,378.42	3,407.48	2,533.77	1,270.13	2,937.69
Urban Local Bodies (ULBs)	1,619.77	1,830.77	2,961.14	1,155.11	1,748.50
Public Sector Undertakings	3,643.86	3,987.54	0.00	0.00	0.00
Autonomous Bodies	2,512.95	5,480.60	7,942.59	11,431.05	8,853.25
Non-Governmental Organisations	684.99	0.00	0.00	0.00	0.00
Others	564.03	184.53	6,894.52	6,857.70	4,436.37
<b>Total</b>	<b>12,404.02</b>	<b>14,890.92</b>	<b>20,332.02</b>	<b>20,713.99</b>	<b>17,975.81</b>
As percentage of Revenue Expenditure	39.01	40.74	45.09	40.65	35.50

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

During 2018-19, financial assistance to PRIs increased by ₹ 1,667.56 crore mainly due to fresh GIA of ₹ 604.12 crore for general basic grant on recommendation of FFC and increase in GIA under MNP for strengthening and upgradation of PMGSY under Jharkhand State Rural Road Development Authority (by ₹ 999 crore). Financial assistance to ULBs increased during the year mainly due to increase in GIA for water supply, construction of sewerage and solid waste management (by ₹ 535 crore).

**1.6.5.1 Urban Local Bodies (ULBs)**

There are 50 ULBs (Nagar Nigam-9, Nagar Parishad-21, Nagar Panchayat-19, and Notified Area Committee-1) in the State.

Details of funds provided to ULBs are given in **Table 1.22** below:

**Table 1.22: Funds made available to Urban Local Bodies**

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Revenue Receipt (RR) of the State	31,565	40,638	47,054	52,756	56,152	2,28,165
Revenue Expenditure (RE) of the State	31,795	36,553	45,089	50,952	50,631	2,15,020
Financial Assistance given to ULBs	1,620	1,831	2,961	1,155	1,749	9,316
Financial Assistance as percentage to RR	5.13	4.51	6.29	2.19	3.11	4.08
Financial Assistance as percentage to RE	5.10	5.01	6.57	2.27	3.45	4.33
Own collection <sup>23</sup>	8.96	14.99	60.09	184.55	240.46 <sup>24</sup>	509.05

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

\*As per Annual Financial Statements

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

The State Government entrusted (October 2011) the C&AG with Technical Guidance and Supervision (TGS) over audit of Local Bodies (Urban Local Bodies and Panchayati Raj Institutions). Accordingly, the Bihar and Orissa Local Fund Audit Act, 1925 read with Jharkhand Local Fund Audit (Amendment) Act 2012 (JLFA Act) provided for audit by Director of Local Fund Audit (DLFA) to whom the C&AG was required to provide TGS.

The State Government created 22 posts (March 2013) to make DLFA functional and appointed DLFA in November 2014. The DLFA informed (August 2016) that 3 Deputy Controllers of Accounts and 14 Audit Officers have been appointed. The DLFA is conducting audit of accounts of ULBs as per JLFA Act. The Principal Accountant General (Audit), Jharkhand is conducting audit of local bodies on a test-check basis.

Test check audit of 11 ULBs were conducted during 2018-19. Further, under the TGS arrangements Inspection Report of DLFA was verified and suggestions intimated (April 2019) to the Director, DLFA with a request to intimate the compliance. Reply is awaited as of 31 January 2020.

#### 1.6.5.2 Panchayati Raj Institutions

There are 4,689 PRIs<sup>25</sup> in the State. Details of fund releases to PRIs during 2014-19 are given in **Table 1.23**.

<sup>23</sup> Information has not been furnished by the Urban Development Department. However, information collected during audit of various ULBs have been included.

<sup>24</sup> Information regarding funds collected by the ULBs from own sources has not been furnished by the Urban Development Department. However, information has been obtained from CA's report of 42 ULB's. Information of 8 ULB's namely, Bachra Nagar Panchayat, Badakisarai Nagar Panchayat, Basukinath Nagar Panchayat, Chhatarpur Nagar Panchayat, Domchach Nagar Panchayat, Gomia Nagar Panchayat, Harihar Ganj Nagar Panchayat, Mahgama Nagar Panchayat were not available.

<sup>25</sup> 24 Zila Parishads, 263 Panchayat Samitis and 4,402 Gram Panchayats.

**Table 1.23: Funds released to Panchayati Raj Institutions**

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Revenue Receipt (RR) of the State	31,565	40,638	47,054	52,756	56,152	2,28,165
Revenue Expenditure (RE) of the State	31,795	36,553	45,089	50,952	50,631	2,15,020
Financial Assistance to PRIs	3,378	3,407	2,534	1,270	2,938	13,527
Financial Assistance as percentage to RR	10.70	8.38	5.39	2.41	5.23	5.93
Financial Assistance as percentage to RE	10.62	9.32	5.62	2.49	5.80	6.29

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

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

No Inspection Reports of DLFA on PRIs was provided by the Director, DLFA to PAG (Audit) under TGS arrangement.

## 1.7 Quality of expenditure

Developmental expenditure (expenditure on social and economic services) constituted 71 per cent of total expenditure in 2018-19 whereas it was 73 per cent in 2017-18.

### 1.7.1 Adequacy of public expenditure

**Table 1.24** analyses the fiscal priority of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during 2018-19, taking 2014-15 as the base year.

**Table 1.24: Fiscal priority of the State in 2014-15 and 2018-19**

Fiscal Priority by the State	AE/GSDP	DE <sup>26</sup> /AE	ESE/AE	SSE/AE	CE/AE	Education/AE	Health/AE
General Category States Average (Ratio) 2014-15	15.99	68.51	32.36	36.15	14.02	16.54	4.92
Jharkhand State's Average (Ratio) 2014-15	17.46	71.26	37.60	33.66	14.52	15.27	4.24
General Category States Average (Ratio) 2018-19	16.05	67.04	30.45	36.59	14.28	14.99	5.07
Jharkhand State's Average (Ratio) 2018-19	20.43	70.56	38.06	32.51	17.05	13.05	5.41

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

Source: GSDP as available on MoSPI website as on 01 August 2019.

As evident from the table, the ratio of development expenditure, economic service expenditure and capital expenditure to aggregate expenditure (AE) was significantly higher than the average for the General Category States (GCS) during 2018-19. However, social sector expenditure and education expenditure was less than the average of GCS during the year.

**Recommendation:** The State Government should give priority to social sector expenditure with emphasis on the education sector.

<sup>26</sup> Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

### 1.7.2 Efficiency of expenditure use

**Table 1.25** presents the trends in development expenditure relative to the aggregate expenditure of the State during 2018-19 *vis-à-vis* the budgeted amounts and the expenditure during the previous years. All three components of development expenditure decreased during 2018-19 over the previous year. Revenue expenditure decreased mainly due to less expenditure on Water supply, Sanitation, Housing and Urban development (by ₹ 1,385 crore) and Energy (by ₹ 1840 crore) which was offset by increase in some other services. Development capital expenditure decreased mainly due to less expenditure on Transport (by ₹ 1,271 crore).

**Table 1.25: Development Expenditure**

(₹ in crore)

Components of Development Expenditure	2014-15	2015-16	2016-17	2017-18	2018-19	
					BE <sup>27</sup>	Actuals
<b>Development Expenditure</b>						
Development Revenue Expenditure	21,171(55)	24,551(47)	32,065(56)	34,394(53)	43,950(58)	32,975(52)
Development Capital Expenditure	5,217(14)	7,588(15)	10,271(18)	11,146(17)	12,102(16)	9,920(16)
Development Loans and Advances	807(2)	7,431 <sup>28</sup> (14)	1,283(2)	1,796(3)	1,477(2)	1,439(2)
<b>Total</b>	<b>27,195</b>	<b>39,570</b>	<b>43,619</b>	<b>47,336</b>	<b>57,529(76)</b>	<b>44,334(71)</b>
<b>Growth of Development Expenditure</b>	<b>48.8</b>	<b>45.5</b>	<b>10.2</b>	<b>8.8</b>	<b>-</b>	<b>(-6.30)</b>

Source: Finance Accounts and budget publication of the Government of Jharkhand 2018-19  
 Figures in parentheses indicate percentage to aggregate expenditure (RE + CE + L&A)

### 1.7.3 Expenditure on selected Social and Economic Services

**Table 1.26** presents the efficiency of expenditure in selected social and economic services.

**Table 1.26: Efficiency of expenditure use in selected Social and Economic services**

(In per cent)

Social/Economic Infrastructure	2017-18			2018-19		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S & W	O & M		S & W	O & M
<b>Social Services (SS)</b>						
General Education	0.01	49.72	0.00	0.00	54.36	0.00
Health and Family Welfare	10.83	32.17	0.00	8.05	27.68	0.00
Water Supply, Sanitation and Housing and Urban Development	10.14	3.33	0.10	14.57	5.05	0.43
<b>Total (SS)</b>	<b>7.23</b>	<b>25.94</b>	<b>0.25</b>	<b>7.91</b>	<b>28.59</b>	<b>0.62</b>
<b>Economic Services (ES)</b>						
Agriculture & Allied Activities	23.15	18.50	0.05	17.91	29.95	0.09
Irrigation and Flood Control	80.92	95.85	1.5	78.71	97.12	0.00
Power & Energy	0.00	0.00	1.47	0.00	0.00	1.44
Transport	90.64	25.52	27.53	90.91	35.39	29.15
<b>Total (ES)</b>	<b>36.71</b>	<b>10.68</b>	<b>2.84</b>	<b>34.74</b>	<b>11.76</b>	<b>1.10</b>
<b>Total (SS+ES)</b>	<b>23.55</b>	<b>19.36</b>	<b>1.37</b>	<b>22.38</b>	<b>21.35</b>	<b>0.82</b>

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

Source: Finance Accounts of the Government of Jharkhand 2018-19

<sup>27</sup> Both budget estimates and actuals are gross figures.

<sup>28</sup> On account of loans of ₹5,553 crore to DISCOM under UDAY.

As depicted in the above table, ratio of salary to revenue expenditure in general education increased significantly from 49.72 per cent in 2017-18 to 54.36 per cent in 2018-19, whereas in Health and Family Welfare, salary to revenue expenditure decreased from 32.17 per cent in 2017-18 to 27.68 per cent in 2018-19.

In economic services, ratio of salary to revenue expenditure increased sharply under Agriculture & allied activities and Transport from 18.50 and 25.52 in 2017-18 to 29.95 and 35.39 in 2018-19 respectively.

## 1.8 Financial analysis of Government expenditure and investments

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

### 1.8.1 Financial results of irrigation projects

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

As per Appendix VIII (i) of the Finance Accounts, capital outlay of ₹ 1,759.45 crore was provided to 11 irrigation projects and ₹ 1,480.90 crore was spent on working expenses and maintenance charges on 23 projects during 2018-19. Further, a sum of ₹ 38.04 crore<sup>29</sup> was received as revenue from these projects during the current year.

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

### 1.8.2 Incomplete projects

Department-wise information pertaining to incomplete projects which were to be completed on or before 31 March 2019 is given in Table 1.27.

**Table 1.27: Department-wise profile of incomplete projects**

(₹ in crore)

Department	No. of incomplete projects	Estimated cost of projects	Cumulative expenditure as on 31.3.2019
Building Construction	30	864.53	549.25
Drinking Water and Sanitation	18	203.18	139.55
Road Construction	73	2,227.40	1,589.39
Rural Works	185	460.50	293.80
Water Resources	104	1639.19	1,269.14
<b>Total</b>	<b>410</b>	<b>5,394.80</b>	<b>3,841.13</b>

Source: Appendix IX of the Finance Accounts 2018-19-Government of Jharkhand

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

<sup>29</sup> Miscellaneous revenue.

Out of 410 projects shown in the above table, revised cost of only 11 projects<sup>30</sup> were provided which showed that estimated cost of ₹ 274.79 crore in those 11 projects escalated to ₹ 1095.40 crore due to non-completion of those projects in time. Since the details of the remaining projects were not furnished by the departments, their revised cost was not exhibited in the Finance Accounts and was thus not ascertainable.

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

### 1.8.3 Investment and returns

As per annual accounts of the State ending 31 March 2019, the Government had invested ₹ 432.87 crore in one Regional Rural Bank (₹ 45.73 crore), 17 Government companies (₹ 226.80 crore) and 21 co-operatives, banks and societies (₹ 160.34 crore) since inception of the State in November 2000 (Table 1.28). However, verification of PSUs accounts and sanction orders of the State during 2016-17 revealed that the Government accounts had understated investment by ₹ 124.54 crore during 2000-2016, due to erroneous budgetary categorisation, viz., not providing the investment under the appropriate minor head and depicting investment in share capital as GIA. After being pointed out by Audit, Finance Department of the State had reconciled and corrected investment figures in respect of four companies amounting to ₹ 65 crore<sup>31</sup> at the end of 2018-19 reducing the unsettled investments to ₹ 59.54 crore<sup>32</sup> against five entities at the end of the current financial year.

**Table 1.28: Returns on investments**

	(₹ in crore)				
Investment/Return/cost of borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Investment at the end of the year (₹ in crore)	241.25	261.70	320.83 <sup>33</sup>	376.87	432.87
Returns (₹ in crore)	Nil	0.47	Nil	Nil	Nil <sup>34</sup>
Returns (per cent)	Nil	0.18	Nil	Nil	Nil
Average rate of interest on Government borrowings (per cent) <sup>35</sup>	7.22	6.63	6.76	6.98	6.29
Difference between interest rate and return (per cent)	7.22	6.45	6.76	6.98	6.29
Notional loss due to difference between interest rate of market borrowing and interest received on the investments (₹ in crore)	17.42	16.88	21.69	26.31	27.23

Source: Statement 19 of Finance Accounts Government of Jharkhand 2018-19

Over the past five years, the State Government has incurred a notional loss of ₹ 109.53 crore on account of difference between the interest on Government's

<sup>30</sup> Punasi Dam, Chandil Dam, Bridge over Izari river, Bahadurpur Kasmar Khaira Chatar Road, Sonahatu Milan Chowk road, Triveni weir scheme, Construction of head regulator, Salbani Minor Irrigation, Kharkai Reservoir Main Canal (KRM), Agharma Rural Pipe Water Supply Scheme, Pratappur Rural Water Supply Scheme.

<sup>31</sup> Jharkhand Hill Area Lift Irrigation Corporation ₹ 5 crore; Jharkhand Urban Infrastructure Development Corporation ₹ 35 crore; Jharkhand Silk Textile and Handicraft Development Corporation ₹ 10 crore and Jharkhand Urban Transport Corporation Ltd.- ₹ 15 crore.

<sup>32</sup> Greater Ranchi Development Authority- ₹ 39.14 crore; Jharkhand State Agriculture Development Corporation Ltd.- ₹ 2 crore; Jharkhand Medical and health Infrastructure Development and Procurement Corporation Ltd.- ₹ 5 crore; Jharkhand Urja Vikash Nigam Ltd.- ₹ 8.40 crore and Jharkhand State Food and Civil Supplies Corporation Ltd.- ₹ 5 crore.

<sup>33</sup> Amount revised after reconciliation with records of PSUs.

<sup>34</sup> ₹15,000 only

<sup>35</sup> Category-wise (internal debt, GoI loans etc.) interest paid as percentage of opening balance of loans during the year

borrowings and the return on investment, of which the notional loss in 2018-19 was ₹ 27.23 crore. Despite no return from its investments, the State Government made investment of ₹ 41 crore in six<sup>36</sup> State PSUs in the form of equity during 2018-19.

Audit further observed that investments made by the erstwhile State of Bihar in Damodar Valley Corporation (₹ 1,781.55 crore) and Tenughat Vidyut Nigam Limited (₹ 100 crore) up to 14 November 2000 have not been apportioned between the successor States of Bihar and Jharkhand.

#### 1.8.4 Loans and advances by State Government

Apart from equity investments in the above entities, the State Government has also been providing loans and advances to many of these entities and its employees. **Table 1.29** presents the outstanding loans and advances as on 31 March 2019 and interest receipts *vis-à-vis* interest payments during the last five years.

**Table 1.29: Loans and advances given by the State Government**

(₹ in crore)

Loans/Interest Receipts/ cost of borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Opening Balance of Loans (₹ in crore)</b>	<b>7,947</b>	<b>8,738</b>	<b>16,187</b>	<b>17,482<sup>37</sup></b>	<b>19,292</b>
Amount advanced during the year (₹ in crore)	824	7,480	1,335	1,852	1,485
Amount recovered during the year (₹ in crore)	33	31	39	42	47
Recovery as percentage of outstanding L&A	0.4	0.4	0.2	0.2	0.2
<b>Closing Balance</b>	<b>8,738</b>	<b>16,187</b>	<b>17,483</b>	<b>19,292</b>	<b>20,730</b>
Net addition (₹ in crore)	791	7,449	1,297	1,809	1,438
Total interest receipts (₹ in crore)	15.72	4.33	3.88	87.66	14.72
Interest receipts as a percentage of outstanding L&A	0.20	0.05	0.02	0.50	0.08
Average rate of interest on Government borrowings ( <i>per cent</i> )	7.22	6.63	6.76	6.98	6.29
Interest in arrear	875.44	903.98	1,009.20	1,044.09	1,236.12
Interest in arrear as <i>per cent</i> of outstanding loans and advances	11.01	10.35	6.23	5.97	6.41

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

A significant portion of the total outstanding loans at the end of March 2019 (₹ 20,730 crore) was mainly outstanding with power companies (₹ 19,857 crore) and Water Supply, Sanitation, Housing and Urban Development (₹ 729 crore).

Outstanding arrears of loanee entities at the end of March 2019 amounted to ₹ 2,715 crore (principal: ₹ 1,479 crore and interest: ₹ 1,236 crore).

Loan to Jharkhand State Food and Civil Supplies Corporation Ltd. (₹ 44 crore) in 2011-12 was understated in the Government accounts due to incorrect budgetary categorisation under revenue expenditure instead of capital expenditure. Loans to Jharkhand State Electricity Board (JSEB) amounting to ₹ 7,222.18 crore continue to be depicted in the government accounts as receivable from the Board, even though the Board was unbundled in January 2014 into separate companies. Thus, the assets of the State were inflated to the extent of ₹ 7,222 crore.

<sup>36</sup> Minority Development and Finance Corporation (₹ 1 crore), Ranchi Smart City Corporation Limited (₹ 10 crore), Jharkhand Urban Infrastructure Development Corporation Limited (₹ 10 crore), Jharkhand Urban Transport Corporation Limited (₹ 10 crore), Jharkhand Rail Infrastructure Development Corporation Limited (₹ 5 crore) and Jharkhand Central Railway Project (₹ 5 crore).

<sup>37</sup> Adjusted due to rounding off

Audit further observed that loans made by the erstwhile State of Bihar to Tenughat Vidyut Nigam Limited (₹ 608 crore) before 14 November 2000 have not been apportioned between the successor States of Bihar and Jharkhand.

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

### 1.8.5 Cash Balances and investment of Cash Balances

Details of cash balances and investments made by the State Government during the year are shown in **Table 1.30**.

**Table 1.30: Cash balances and investment of cash balances**

(₹ in crore)

Particulars	Opening balance as on 01 April 2018	Closing balance as on 31 March 2019
<b>(a) General cash balances</b>		
Cash in Treasuries	00	00
Deposits with Reserve Bank	(-) 242.16	188.30
Remittances in Transit- local	00	00
<b>Total</b>	<b>(-) 242.16</b>	<b>188.30</b>
Investment held in Cash Balance Investment Account	354.56	167.90
<b>Total (a)</b>	<b>112.40</b>	<b>356.20</b>
<b>(b) Other cash balances and investments</b>		
Cash with Departmental Officers viz., Public Works Departmental Officers, Forest Departmental Officers, District Collectors	37.90	39.05
Permanent Advances for contingency expenditure with Departmental Officers	0.13	0.13
Investment of Earmarked Funds	0.00	400.00 <sup>38</sup>
<b>Total (b)</b>	<b>38.03</b>	<b>439.18</b>
<b>Grand Total (a) + (b)</b>	<b>150.43</b>	<b>795.38</b>

The balance in the Cash Balance Investment Account as on 31 March 2019 was ₹ 167.90 crore and the interest realised on investment during 2018-19 was ₹ 31.43 crore. Earmarked funds (SDRF) amounting to ₹ 400 crore was invested in Scheduled Commercial Banks.

There was a difference of ₹ 171.81 crore (net debit) between the figures reflected in the accounts {₹ 188.30 crore (debit)} and that intimated by the RBI {(₹ 16.49 crore (credit))}. This difference in the Reserve Bank Deposit Balance has been taken up by the Principal Accountant General (A&E), Jharkhand with RBI, Ranchi for reconciliation and necessary correction.

## 1.9 Assets and Liabilities

### 1.9.1 Growth and composition of Assets and Liabilities

The Government accounting system does not provide for comprehensive accounting of fixed assets like land and buildings owned by the Government. Nevertheless, these are depicted through the assets created out of the expenditure incurred and the financial liabilities of the Government. **Appendix 1.5** gives an abstract of such liabilities and assets as on 31 March

<sup>38</sup> Revised and included ₹ 400 crore invested from State Disaster Response Fund during 2012-13 reported by the Finance Department, vide letter no. 554 dated 23.07.2019

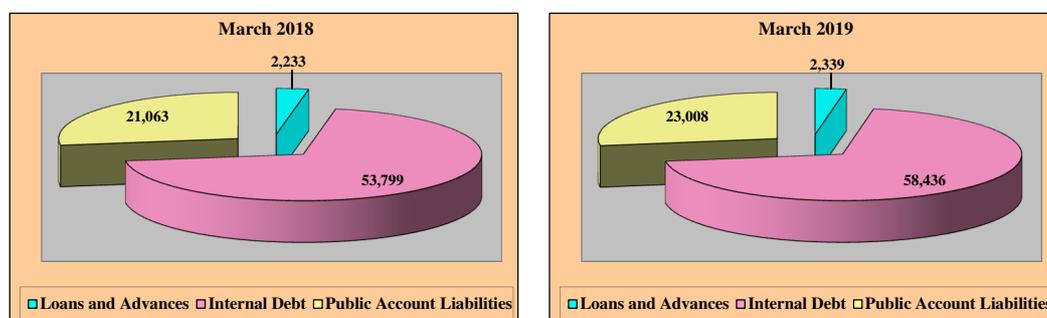
2019, compared with the corresponding position as on 31 March 2018. While the liabilities consist mainly of internal borrowings, Loans and Advances from the GoI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of Capital Outlay, Loans and Advances given by the State Government and the cash balances.

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

### 1.9.2 Fiscal Liabilities

The trends of outstanding fiscal liabilities of the State are presented in **Appendix 1.3**. The composition of fiscal liabilities during the years 2017-18 and 2018-19 is also shown in **Chart 1.10**

**Chart 1.10: Composition of Outstanding Fiscal Liabilities at the end of March 2018 and March 2019 (₹ in crore)**



Source: Finance Accounts of the Government of Jharkhand for the years 2017-18 and 2018-19

During scrutiny of accounts and related documents it was noticed that Ministry of Finance, Government of India allowed the State Government to raise open market borrowings of ₹ 5,509 crore during the year 2018-19. Accordingly, the State Government borrowed the amount through eight state development loans at interest rates ranging from 8.31 per cent to 8.84 per cent per annum.

**Table 1.31: Trends in Fiscal Liabilities: Basic parameters**

Components	₹ in crore)					
	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR
(A) Public Debt						
Internal Debt	32,755	43,756	48,682	53,799	58,436	15.57
Loans and Advances from GoI	2,087	2,085	2,162	2,233	2,339	2.89
<b>Total (A)</b>	<b>34,842</b>	<b>45,841</b>	<b>50,844</b>	<b>56,032</b>	<b>60,775</b>	<b>14.92</b>
(B) Other Public Account Liabilities						
Small Savings, Provident Fund etc.	1,356	1,197	1,076	1,142	1,211	(-)2.79
Reserve Funds	867	876	1,259	1,551	1,930	22.15
Deposits and Advances	6,504	8,616	13,647	18,370	19,866	32.20
<b>Total (B)</b>	<b>8,727</b>	<b>10,689</b>	<b>15,982</b>	<b>21,063</b>	<b>23,008</b>	<b>27.42</b>
<b>Total Fiscal Liabilities (A+B)</b>	<b>43,569</b>	<b>56,530</b>	<b>66,826</b>	<b>77,095</b>	<b>83,783</b>	<b>17.76</b>
Growth of Fiscal Liabilities (per cent)	15.90	29.70	18.20	15.40	8.70	NA
Fiscal Liability to GSDP at current price (per cent)	19.90	27.40	28.40	30.20	27.20	NA
Fiscal Liabilities as percentage to Revenue Receipts	138.03	139.10	142.00	146.10	149.20	NA

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

During the years 2014-15 to 2018-19, the total debt stock of the Government increased from ₹ 43,569 crore (1 April 2015) to ₹ 83,783 crore (31 March 2019). Maturity profile of public debt is detailed in **Table 1.32** under para 1.10.1.

The fiscal liabilities of undivided Bihar are yet to be apportioned between the successor States.

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

### **1.9.3 Sinking Fund**

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

GoJ had an outstanding debt of ₹ 77,095 crore at the beginning of 2018-19, for which a minimum amount of ₹ 385.48 crore was required to be transferred to the Fund. Though GoJ made budget provision of ₹ 255 crore during the year, the amount was not transferred to the Fund resulting in inflating the revenue surplus and understating the fiscal deficit of the State as discussed in **Paragraph 3.9**.

### **1.9.4 State Disaster Response Fund (SDRF)**

As per Para 7 of SDRF guidelines 2015, the State Government is required to transfer the contribution to the SDRF received from GoI along with its share to Public Account head within 15 days of its receipt. Any delay will require the State Government to release the amount with interest (bank rate of RBI) for the number of days of delay.

It was noticed that during 2018-19, the State Government transferred the contribution from GoI along with its share into Public Account with a delay of 11 days (₹ 210.50 crore) and 184 days (₹ 31.58 crore) after receipt of Central share, for which the State Government was liable to pay interest of ₹ 1.46 crore, which was not paid.

As per Para 19 and 20 of SDRF guidelines 2015, the balances under the funds should be invested by the State in (a) Central Government dated securities (b) auctioned treasury bills and (c) interest earning deposits and certificates of deposits with Scheduled Commercial Banks. The Finance Department of the Government of Jharkhand, had informed<sup>39</sup> (July 2019) that ₹ 400 crore was invested in Scheduled Commercial Banks during the year 2012-13.

Further, as per the guidelines, the Government was required to pay interest on the uninvested balances at the rate of interest (8.25 *per cent*) payable on overdrafts, which is to be added to the corpus of the fund itself. However, GoJ had not paid any interest to SDRF since its creation, which works out to ₹ 535.27 crore at the applicable rates of interest for the period 2011-19. Of this, unpaid interest for 2018-19 alone amounted to ₹ 94.96 crore, resulting in overstatement of revenue surplus and understatement of fiscal deficit for the

<sup>39</sup> vide letter no. 554 dated 23 July 2019

year as discussed in **Paragraph 3.9**. Consequently, the uninvested balances of ₹ 1,930.09 crore in the Fund as on 31 March 2019 are only book entries and do not represent actual cash balance. Such unpaid interest since the operation of the Fund represent the unaccounted liabilities of the State.

**Recommendation:** *The State should ensure timely transfer of contribution received from GoI along with its share into public account and also invest the balances lying under the fund as per the SDRF guidelines.*

### **1.9.5 Status of Guarantees – Contingent liabilities**

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

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

## **1.10 Debt Management**

### **1.10.1 Debt profile**

Apart from the magnitude of debt of the State Government, it is important to analyse the various indicators that determine the debt sustainability<sup>40</sup> of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation<sup>41</sup>; sufficiency of non-debt receipts<sup>42</sup>; net availability of borrowed funds<sup>43</sup>; burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of State Government securities.

Maturity profile of public debt is detailed in **Table 1.32**.

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<sup>40</sup> Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time. It also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings and returns from such borrowings. It means that a rise in fiscal deficit should match the increase in capacity to service the debt.

<sup>41</sup> A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or the cost of public borrowings, the debt-GSDP ratio is likely to be stable provided the primary balances are either zero or positive or are moderately negative.

<sup>42</sup> Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

<sup>43</sup> Defined as the ratio of debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which debt receipts are used in debt redemption indicating the net availability of borrowed funds.

**Table 1.32: Maturity Profile of Public Debt**

(₹ in crore)

Maturity Year	Internal Debt	Loans and Advances from GoI	Total	Per cent
2019-20	2,614	194	2,808	4.62
2020-21	1,269	206	1,475	2.43
2021-22	2,579	217	2,796	4.60
2022-23	4,925	217	5,142	8.46
2023-24	4,275	222	4,497	7.40
2024-25	6,275	224	6,499	10.69
2025-26	6,579	194	6,773	11.14
2026-27	6,247	89	6,336	10.43
2027-28	2,062	88	2,150	3.54
2028-29	6,519	87	6,606	10.87
2029-30 onwards	7,647	598	8,245	13.56
Details of maturity year not available	7,446	3	7,449	12.26
<b>Total</b>	<b>58,437</b>	<b>2,339</b>	<b>60,776</b>	<b>100.00</b>

Source: Finance Accounts 2018-19

The maturity profile of public debt revealed that the redemption pressure is likely to rise from the year 2022-23 and reach a peak in the year 2025-26 due to maturity of Jharkhand Government stock.

### 1.10.2 Debt Sustainability

Fiscal liabilities are considered sustainable if the Government is able to service the stock of these liabilities over the foreseeable future and the debt-GSDP ratio does not grow to unmanageable proportions. The Domar model is one of the models for analysis of public debts, which lays down that the debt-GDP ratio is likely to be stable if the rate of growth of the economy exceeds the rate of interest on the debt. **Table 1.33** provides the Domar sustainability condition:

**Table 1.33: Debt sustainability criteria under Domar model**

<b>g-r (g: real economic growth rate; r: real interest rate), called Domar gap</b>	<b>s&lt;0 (primary deficit)</b>	<b>s&gt;0 (primary surplus)</b>
$g-r > 0$ (strong economic growth)	Public debt as a percentage of GSDP tends towards a stable value and is therefore sustainable. Depending on the stock of debt, it will either increase or decrease in time to reach a stable level greater than zero.	Public debt as a percentage of GSDP should converge to a stable level less than zero leading to public savings.
$g-r < 0$ (slow economic growth)	Public debt as a percentage of GSDP will increase indefinitely, without converging to a stable level	Undefined situation

Applying the DOMAR analysis to Jharkhand showed that fiscal liabilities should converge to a stable level, as shown in the following **Table 1.34**.

**Table 1.34: Sustainability of debt stock of the State during 2014-19**

Year	Real economic growth (g)	Real interest rate (r)	Domar gap (g-r)	Primary deficit (-) / Surplus (+)
	(in per cent)			(₹ in crore)
2014-15	12.49	0.52	11.97	(-) 3,635
2015-16	(-) 6.25	0.73	(-) 6.98	(-) 8,203
2016-17	10.46	1.46	9.00	(-) 6,020
2017-18	12.65	3.08	9.57	(-) 7,271
2018-19	6.99	2.39	4.60	(-) 1,777

■ Real economic growth rate has been calculated for real GSDP (i.e. at constant prices).  
 ■ Real interest rate is calculated as average interest rate on fiscal liabilities minus inflation. Average inflation has been obtained from Jharkhand Economic Survey 2016-17 and 2018-19.

During 2014-19, the primary deficit of the State ranged between ₹ 1,777 crore and ₹ 8,203 crore. The Domar gap (g-r) was positive during the period from 2014-15 to 2018-19, except in 2015-16. Therefore, in view of the debt sustainability conditions under Domar model as detailed in **Table 1.34**, the fiscal liabilities of the State Government satisfied the condition of debt sustainability ( $g-r > 0$ ), except during 2015-16. It is, however, noteworthy that the Domar gap (g-r) had reduced by more than 50 per cent during 2018-19 as compared to 2017-18. The Domar gap should further be viewed with the fact that 70.60 per cent of internal debt<sup>44</sup> was borrowed at interest rates of more than eight per cent against average real interest rate of 2.39 per cent during 2018-19. Moreover, other factors such as public account liabilities, *force majeure* events<sup>45</sup> and/or any other un-inventoried losses of revenue also have to be reckoned in assessing the debt sustainability/stability of the State<sup>46</sup>.

#### ***Fiscal Deficit and Debt Sustainability***

In the above context of fiscal sustainability, the Thirteenth Finance Commission defined debt sustainability in terms of debt-GSDP ratio and also in terms of interest payments relative to revenue receipts. The Fourteenth Finance Commission (FFC) recommended for fiscal consolidation for the Central and State Government and provided limits for fiscal deficit and debt stock as a percentage of GSDP. Government of Jharkhand in its FRBM Act, 2007 decided to maintain its fiscal deficit at not more than three per cent of the estimated GSDP. In view of FRBM Act, target of debt stock to GSDP percentage were given every year in the MTFP statement submitted with the budget.

The status of debt stock vis-à-vis the FFC targets and FRBM targets were as provided in **Table 1.35**.

**Table 1.35: Debt sustainability – FRBM indicator based analysis**

Year	Fiscal Deficit to GSDP (in per cent)		Debt stock to GSDP (in per cent)		Interest Payment to Revenue Receipts (in per cent)	
	Target as per MTFP prepared under FRBM Act	Achievement	Target as per MTFP prepared under FRBM Act	Achievement	FFC targets	Achievement
2015-16	2.80	5.58	21.55	27.40	10.00	8.17
2016-17	2.16	4.31	25.16	28.30	10.00	8.87
2017-18	2.49	4.32	26.65	27.90	10.00	8.84
2018-19	2.61	2.16	29.74	27.20	10.00	8.64

Source: Finance Accounts of the respective years, MTFP and FFC Report

<sup>44</sup> Internal debt constitutes 69.75 per cent of fiscal liabilities.

<sup>45</sup> Like the current Coronavirus pandemic and its effect on GSDP.

<sup>46</sup> As these cannot be determined statistically, they have not been factored in the analysis.

The State Government was able to contain the fiscal deficit below the FRBM targets during 2018-19. Targets for ratio of interest payment to revenue receipts (burden of interest payment) were also achieved and it remained nearly constant during 2015-16 to 2018-19. The debt to GSDP ratio was not within the FRBM targets during 2015-16 to 2017-18. However, it was within the target during 2018-19.

### 1.10.3 Net availability of borrowed funds

Details of net availability of funds on account of receipts and repayments under public debt and public account liabilities during 2014-19 are given in **Table 1.36**.

**Table 1.36: Net availability of borrowed funds**

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Receipts under public debt and other liabilities	19,808	28,482	19,193	25,206	22,224 <sup>47</sup>
Repayment (principal and interest) under public debt and other liabilities	16,762	18,841	12,969	19,599	20,388
Net fund available	3,046	9,641	6,224	5,607	1,836
Percentage of net fund available to receipts under public debt and other liabilities	15.38	33.85	32.43	22.24	8.26

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

Net availability of borrowed funds decreased gradually from ₹ 9,641 crore in 2015-16 to ₹ 1,836 crore in 2018-19. During 2018-19, the main contributors in borrowed funds was deposit not bearing interest (₹ 1,497 crore).

During 2018-19, the receipts of the State under public debt and other liabilities decreased by 12 *per cent* whereas, repayment of public debt and other liabilities including interest increased by four *per cent* over the previous year resulting in less availability of borrowed funds to the State.

As evident from **Table 1.36**, 91.74 *per cent* of borrowed funds were used for discharging existing liabilities during 2018-19. Further, the net availability of borrowed funds as percentage to receipts under borrowings decreased sharply from 22.24 *per cent* in 2017-18 to 8.26 *per cent* in 2018-19 which was indicative of less availability of borrowed funds for capital works in the State during the year.

<sup>47</sup> Small Savings, Provident Funds etc (₹ 1,120 crore); Reserve funds bearing interest (₹ 421 crore); Deposits bearing interest (₹ 426 crore) and Deposits not bearing interest (₹ 12,454 crore)

