

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

Profile of Chhattisgarh

This chapter provides an audit perspective on finances of the State Government during 2016-17 and analyses changes in major fiscal aggregates relative to 2015-16 keeping in view overall trends during the preceding five years.

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

1.1 Gross State Domestic Product (GSDP)¹

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

Table 1.1: GDP of India and GSDP of the State

Year	2012-13	2013-14	2014-15	2015-16	2016-17
India's GDP at current prices (₹ in crore)	99,44,013	1,12,33,522	1,24,45,128	1,36,82,035	1,51,83,709
Growth rate of India's GDP at current prices (<i>in per cent</i>)	13.82	12.97	10.79	9.94	10.98
State's GSDP at current prices (₹ in crore)	1,77,511	2,06,690	2,34,982	2,60,776	2,90,140
Growth rate of GSDP at current prices (<i>in per cent</i>)	12.30	16.44	13.69	10.98	11.26
State's GSDP at constant prices (₹ in crore)	1,65,937	1,82,229	1,96,023	2,09,012	2,23,932
Growth rate of GSDP at constant prices (<i>in per cent</i>)	4.97	9.82	7.57	6.63	7.13

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

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

1.1.1 Summary of fiscal transaction in 2016-17

The methodology adopted for assessment of the fiscal position of the State is given in *Appendix 1.2*.

Table 1.2 presents a comparative summary of State Government's fiscal transactions during 2016-17 *vis-à-vis* 2015-16. *Appendix 1.3 (Part A and B)* provides an abstract of receipts and disbursements as well as the overall fiscal position during 2016-17.

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

Table 1.2: Summary of fiscal operations in 2016-17

(₹ in crore)

Section-A-Revenue	Receipts		Disbursement				
	2015-16	2016-17	Section-A- Revenue	2015-16	2016-17		
					Non-Plan	Plan	Total
Revenue Receipts	46,067.71	53,685.25	Revenue Expenditure	43,701.06	23,911.70	24,252.90	48,164.60
Own Tax Revenue	17,074.86	18,945.21	General Services	10,408.76	11,416.51	79.72	11,496.23
Non-Tax Revenue	5,214.79	5,669.25	Social Services	16,339.35	6,404.92	14,936.69	21,341.61
Share of Union Taxes/Duties	15,716.47	18,809.16	Economic Services	16,052.54	4,939.72	9,236.49	14,176.21
Grants from GoI	8,061.59	10,261.63	GIA contributions	900.41	1,150.55	00.00	1,150.55
Section-B- Capital and Others							
Miscellaneous Capital Receipts	2.84	2.37	Capital Outlay	7,945.01	38.71	9,431.80	9,470.51
Recoveries of Loans and Advances	296.39	172.99	Loans and Advances Disbursed	164.73	0.00	272.71	272.71
Inter-State Settlement	0.52	0.38	Inter-State Settlement	0.49	--	--	0.44
Public Debt Receipts	7,251.15	5,479.93	Repayment of Public Debt	1,250.18	--	--	1,152.63
Contingency Fund	0.00	60.00	Appropriation to Contingency Fund	0.00	--	--	60.00
Public Account Receipts	55,059.09	62,693.95	Public Account Disbursements	54,000.89	--	--	61,148.85
Opening Cash Balance	1,218.38	2,833.72	Closing Cash Balance	2,833.72	--	--	4,658.85
Total	1,09,896.08	1,24,928.59	Total	1,09,896.08			1,24,928.59

(Source: Finance Accounts of the State Government 2016-17)

The trends in revenue receipts (RR)/revenue expenditure (RE) capital expenditure (CE) relative to GSDP are presented in **Table 1.3:**

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

	2012-13	2013-14	2014-15	2015-16	2016-17	Average
Revenue receipts relative to GSDP						
RR at current prices (₹ in crore)	29,578	32,050	37,988	46,068	53,685	
Rate of growth of RR at current prices (<i>per cent</i>)	14.35	8.36	18.53	21.27	16.53	15.81
RR at constant prices (₹ in crore)	27,649	28,257	31,690	36,924	41,434	
Rate of growth of RR at constant prices (<i>per cent</i>)	6.89	2.20	12.15	16.52	12.21	9.99
RR/GSDP (<i>per cent</i>)	16.66	15.51	16.17	17.67	18.50	16.90
Revenue expenditure relative to GSDP						
RE at current prices (₹ in crore)	26,972	32,859	39,561	43,701	48,165	
Rate of growth of RE at current prices (<i>per cent</i>)	19.20	21.83	20.40	10.46	10.21	16.42
RE at constant prices (₹ in crore)	25,213	28,970	33,002	35,026	37,174	
Rate of growth of RE at constant prices (<i>per cent</i>)	11.43	14.90	13.92	6.13	6.13	10.50
RE/GSDP (<i>per cent</i>)	15.19	15.90	16.84	16.76	16.60	16.26
Capital expenditure relative to GSDP						
CE at current prices (₹ in crore)	4,919	4,574	6,544	7,945	9,471	
Rate of growth of CE at current prices (<i>per cent</i>)	21.28	-7.01	43.07	21.41	19.21	19.59
CE at constant prices (₹ in crore)	4,598	4,033	5,459	6,368	7,310	
Rate of growth of CE at constant prices (<i>per cent</i>)	13.37	-12.30	35.37	16.65	14.79	13.58
CE/GSDP (<i>per cent</i>)	2.77	2.21	2.78	3.05	3.26	2.82

As evident from the table above, RR, RE and CE have increased from 2012-13 to 2016-17 even after adjusting for inflation. However, adjusted RE as a

percentage of GSDP decreased during 2015-16. Similarly, adjusted RR and CE as a percentage of GSDP decreased during 2013-14.

However, the capital expenditure in proportion to GSDP of the State (3.26 per cent) is less than the neighbouring States of Uttar Pradesh (5.47 per cent), Madhya Pradesh (4.26 per cent) and Jharkhand (4.28 per cent).

1.1.2. Review of fiscal position

Table 1.4 depicts the performance of the State during 2016-17 under major variables provided in the budget, based on recommendations of the Fourteenth Finance Commission (14th FC) and targeted in the medium term fiscal policy (MTFP) statement placed in legislature under fiscal responsibility and budget management (FRBM) Act. The additional burden on the Government due to taking over of the debt during 2015-16 of Power distribution companies (DISCOM) on the implementation of the *Ujjwal* DISCOM Assurance *Yojana* (UDAY) scheme is discussed in Para 1.4.2.1. Against the total outstanding liabilities² of ₹ 1,740.24 crore pertaining to Chhattisgarh State Power Distribution Company (CSPDCL), the State Government borrowed ₹ 870.12 crore from market through issue of UDAY bonds in 2015-16. During 2016-17, GoI issued directions not to include under UDAY loans taken under Restructured Accelerated Power Development and Reforms Programme (R-APDRP) and the total debt was reduced from ₹ 1,740.24 crore to ₹ 1,153.60 crore. Thus, this reduced the State Government's responsibility under UDAY to ₹ 865.20 crore, and consequently, no UDAY bonds were issued in 2016-17.

Major fiscal variables for the year 2016-17, as set in FRBM Act, 14th FC and in the budget documents of the State are presented in **Table 1.4**.

Table 1.4: Major fiscal variables for 2016-17

Fiscal variables	2016-17			
	14 th FC Targets	Targets prescribed in FRBM Act	Targets as per Budget	Actuals
Revenue Deficit (-)/ Surplus	Revenue Surplus	Surplus of ₹ 5,037.14 crore	Surplus of ₹ 5,037.14 crore	Surplus of ₹ 5,520.65 crore
Fiscal Deficit	To maintain Fiscal Deficit of maximum 3.50 per cent of GSDP	To maintain Fiscal Deficit of maximum 3.50 per cent of GSDP ₹ 8,111.32 crore	₹ 8,111.32 crore	₹ 4,047.27 crore (1.39 per cent of GSDP)
Ratio of total outstanding debt to GSDP (in per cent)	15.50	15.45	16.31	14.97

The fiscal deficit (₹ 4,047.27 crore) was less than the BE (₹ 8,111.32) mainly due to increase in revenue surplus (₹ 484 crore) and decrease in capital expenditure (₹ 3,533 crore) against budget estimates.

² Total liabilities ₹ 1,740.24 crore (- less) ₹ 586.64 crore loans taken under R-APDRP= ₹ 1,153.60 crore.

1.1.2.1 Composition of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficit is reflected in the **Table 1.5**.

Table 1.5: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1	2	3	4	5	6
Composition of Fiscal Deficit					
Revenue Deficit (-)/Surplus (+)	2,606.25	(-)809.31	(-)1,573.28	2,366.65	5,520.65
Net Capital Expenditure	(-)4,916.94	(-)4,566.55	(-)6,541.22	(-)7,942.17	(-)9,468.14
Net Loans and Advances ³	(-)344.45	318.58	106.23	131.69	(-)99.78
Excluded expenditure under UDAY ⁴	-	-	-	870.12	-
Total	(-)2,655.14	(-)5,057.28	(-)8,008.27	(-)4,573.71	(-)4,047.27
Financing pattern of Fiscal Deficit*					
Market borrowings	1,036.47	2,843.99	3,807.65	4,666.75	3,897.68
Loans from GOI	(-)152.37	(-)134.50	(-)148.49	(-)18.79	211.57
Special securities issued to NSSF	15.00	1.42	414.18	389.09	(-) 420.53
Loans from financial institutions (NABARD)	119.34	531.33	645.80	525.92	638.58
Ways and Means advances from RBI	0.00	0.00	383.80	(-)383.80	0.00
Small Savings, PF etc.	293.47	265.40	443.83	514.30	426.96
Deposits and Advances	521.18	1,818.98	466.62	(-)69.54	550.68
Suspense and Miscellaneous	(-)1,107.52	(-)1,243.93	1,449.74	(-)1,823.27	(-) 629.98
Remittances	(-)264.11	(-) 98.03	193.52	11.94	49.14
Others ⁵	332.15	305.16	264.02	389.93	639.80
Total	793.61	4,289.82	7,920.67	4,202.53	5,363.90
Overall Surplus (+)/Deficit (-)	(-)1,861.53	(-) 767.46	(-) 87.60	(-)371.18	(-) 1,316.63
Total	2,655.14	5,057.28	8,008.27	4,573.71	4,047.27

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

1.1.2.2 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit⁶ and capital expenditure (including loans and advances) indicate the quality of deficit in the State's finances. The bifurcation of the primary deficit (**Table 1.6**) 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 Government.

³ Includes inter-state settlements.

⁴ As per guidelines of UDAY, debt taken over by the State under the scheme would not be counted against fiscal deficit limits in the financial years 2015-16 and 2016-17.

⁵ Includes Contingency Fund and Reserve Funds.

⁶ Primary revenue deficit is defined as the gap between non-interest revenue expenditure of the State and its non-debt receipts. This indicates the extent to which the non-debt receipts of the State are sufficient to meet the primary expenditure incurred under revenue account.

Table 1.6: Components of Primary deficit/surplus in the State

(*₹ in crore*)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure ⁷	Primary revenue deficit (-)/ surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
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
2016-17	53,861	45,478	9,471	273	55,222	8,383	(-)1,361

(Source: Finance Accounts of the respective years)

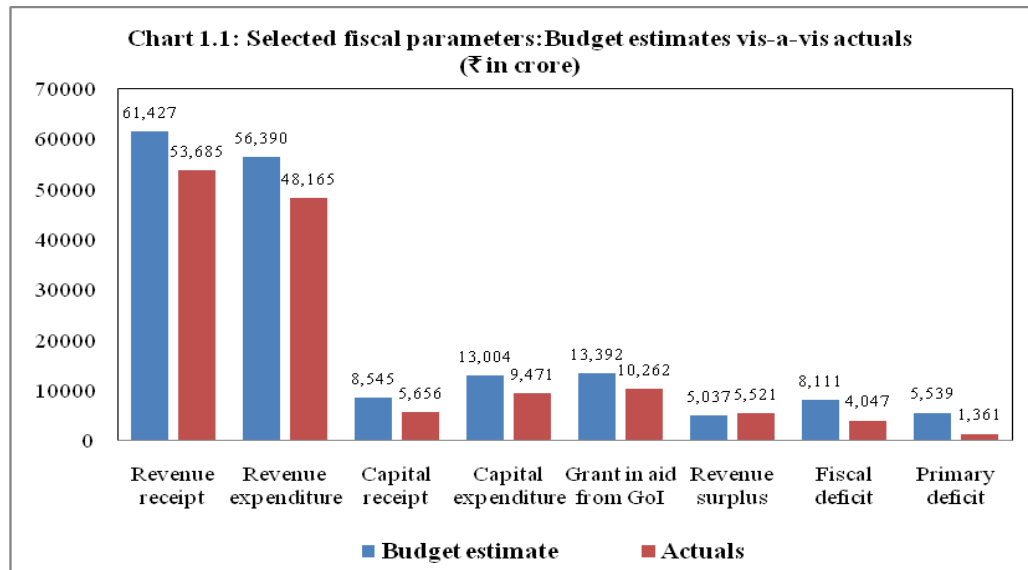
* Excluded expenditure of ₹ 870.12 crore under UDAY.

As evident from the above, the non-debt receipts of the State were not sufficient to meet the primary expenditure of the State.

1.1.3 Budget estimates and actuals

Shortfalls of actual receipts and expenditure against budget estimates, either due to unanticipated and unforeseen events or under/over estimation of expenditure or revenue at the stage of budget preparation, adversely impact the desired fiscal objectives.

Actual *vis-à-vis* Budget estimates of selected fiscal parameters for 2016-17 are shown in **chart 1.1** and **Appendix 1.4**.



(Source: Finance Accounts of the State Government 2016-17 and Budget Estimate 2016-17 of the State)

As may be seen, the State Government was able to achieve significant revenue surplus only by significant reduction in actual revenue expenditure (₹ 8,225 crore) in comparison to budget estimates, were mainly due to decrease in education, sports, art and culture (₹ 2,230 crore), agriculture and allied services (₹ 2,129 crore) and pension and miscellaneous general services (₹ 1,697 crore). Similarly, decrease in capital expenditure (₹ 3,533 crore) were mainly due to decrease in transport ₹ 2,301 crore and rural development ₹ 477 crore.

⁷ Primary expenditure includes revenue, capital and loans and advances but not interest payment.

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

1.1.4 Gender Budgeting

The Gender Budget of the State is part of the overall budget and is designed to benefit women. As per the gender budget document, schemes relating to women were bifurcated into two categories- (1) Schemes in which 100 per cent budget provisions related to women, and (2) Schemes in which at least 30 per cent of budget provision related to women.

It was observed that budget provisions of ₹ 1,455.87 crore (₹ 1,250.08 crore; original budget and ₹ 205.79 crore; supplementary budget) were made for the 25 schemes which are 100 per cent women centric works (*Appendix 1.5*) during 2016-17, of which expenditure of ₹ 883.38 crore (60.68 per cent) only was incurred and ₹ 595.26 crore (40.88 per cent) was either surrendered or re-appropriated and expenditure of ₹ 22.77 crore (1.56 per cent) was incurred in excess on available budget after surrender.

Further, the budget provisions of ₹ 645.65 crore for 110 schemes in which a part of budget (minimum 30 per cent) was to be spent on women centric works, was made without distinct sub-heads or object heads. Thus, the actual amount spent on women under these schemes could not be verified in audit.

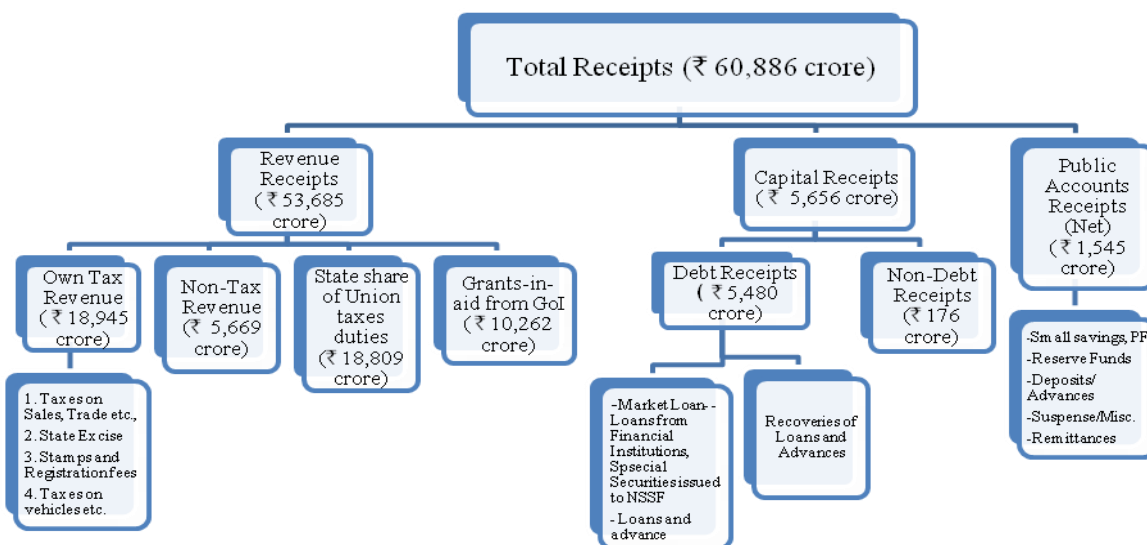
Recommendation: The Finance Department should review all gender budget schemes periodically by coordinating between various departments, so that, provisions for women centric works are fully utilised.

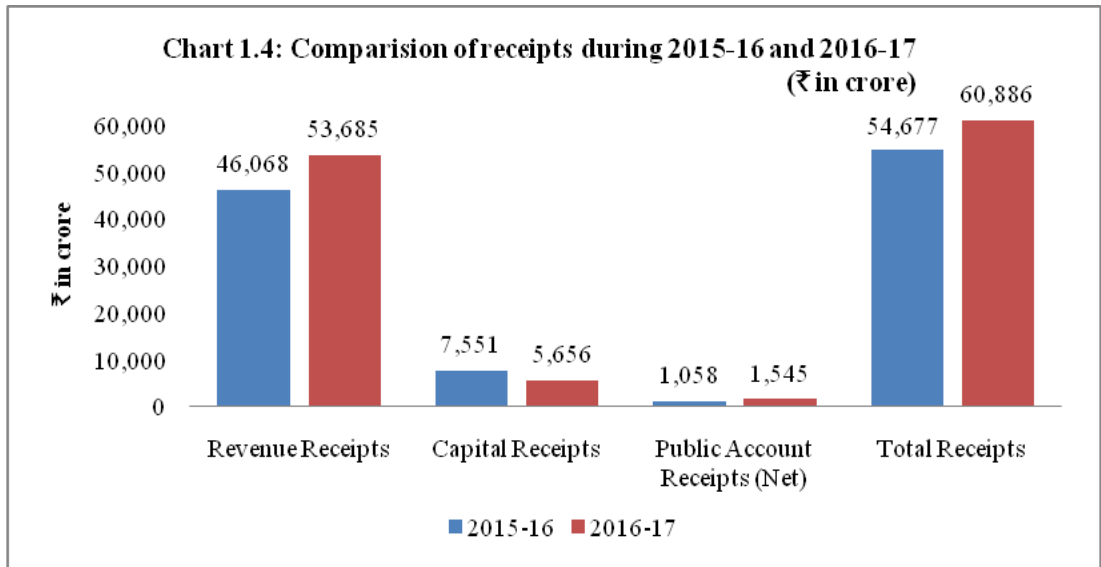
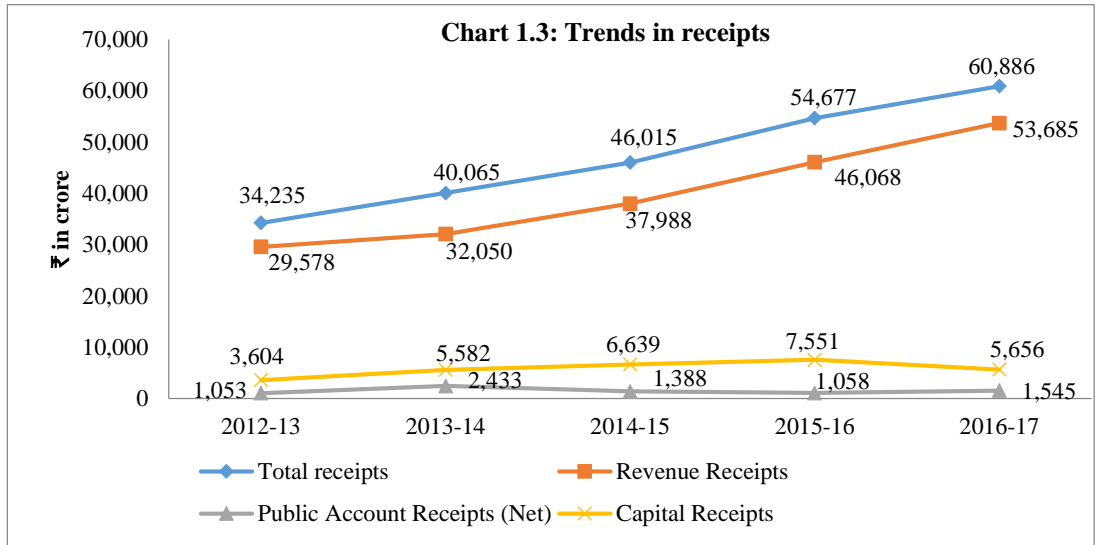
1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Chart 1.2, 1.3 and 1.4 present different perspective of the financial resources of the State as depicted in the Financial Accounts.

Chart 1.2: Components and sub-components of resources



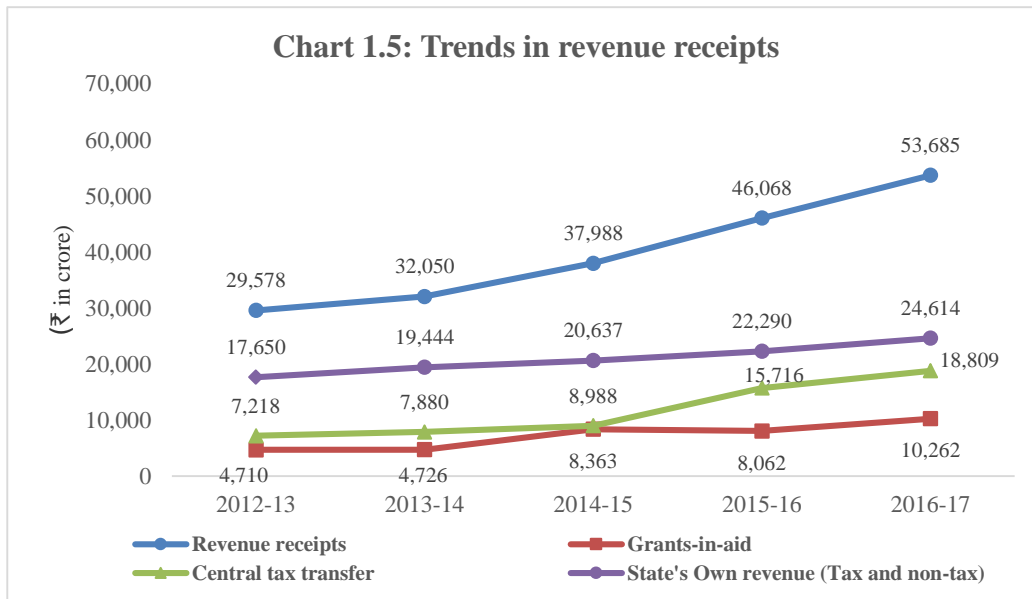


1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

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 recognized as critical. Since these funds were not routed through the State Budget/State treasury system, expenditure thereon was not mentioned in the Finance Accounts of the State. With effect from 1 April 2014, GOI decided to release all assistance pertaining to Centrally Sponsored Schemes/Additional Central Assistance through the State Government. However, during 2016-17, central funds of ₹ 1,112.05 crore were transferred directly to the State implementing agencies as against ₹ 466.30 crore in 2015-16, an increase in direct transfer of funds of ₹ 645.74 crore (138.48 per cent) over the previous year.

1.3 Revenue receipts

The trends and composition of revenue receipts during 2012-17 are presented in *Appendix 1.6* and in **Chart 1.5**.



(Source: Finance Accounts of the respective years)

Revenue receipts grew by ₹ 7,617 crore (16.53 per cent) in 2016-17 compared to growth of ₹ 8,080 crore (21.27 per cent) in previous year mainly due to increase in own tax revenue (₹ 1,870 crore), non-tax revenue (₹ 454 crore), share of Union taxes (₹ 3,093 crore) and Grants-in-aid from GoI (₹ 2,200 crore).

The trend of State's own tax revenue receipts relative to GSDP is presented in **Table 1.7**.

Table 1.7: Trends in State's own tax revenue receipts relative to GSDP

(₹ in crore)

	2012-13	2013-14	2014-15	2015-16	2016-17
State's own tax (₹ in crore)	13,034	14,343	15,707	17,075	18,945
State's own tax / GSDP (in per cent)	7.34	6.94	6.68	6.55	6.53

While the State's own tax revenue receipts increased from ₹ 13,034 crore in 2012-13 to ₹ 18,945 crore in 2016-17, it declined in proportion to GSDP which is worrisome.

1.3.1 State's own resources

Details of State's actual own tax and non-tax revenues for 2016-17 in comparison to the 14th Finance Commission assessment and budget estimates are given in the **Table 1.8**.

Table 1.8: Tax revenues and non-tax revenues

(₹ in crore)

	14 th FC projections	Budget estimates	FRBM projections	Actuals
Own Tax Revenues	24,033	21,964	21,964	18,945
Non-Tax Revenues	5,569	7,420	7,420	5,669

(Source: Finance Accounts 2016-17, FRBM documents, Budget books and 14thFC report).

The short achievement of own tax revenue against budget estimates was mainly due to less collection of stamps and registration fees (₹ 274 crore), taxes on sales, trade etc. (₹ 2,001 crore), taxes on goods and passengers (₹ 223 crore), land revenue (₹ 46 crore) and taxes and duties on electricity (₹ 80 crore) (Appendix 1.6).

1.3.1.1 Tax revenues

Details of tax revenue during 2012-17 are given in Table 1.9 below.

Table 1.9: Components of tax revenue

(₹ in crore)

Revenue Head	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage increase during 2016-17 over previous year
Taxes on sales, trades etc.	6,929	7,930	8,429	8,908	9,927	11.44
State Excise	2,486	2,549	2,892	3,338	3,444	3.18
Taxes on vehicles	592	651	703	829	985	18.82
Stamps and Registration fees	952	990	1,023	1,185	1,211	2.19
Land Revenue	234	226	332	364	504	38.46
Taxes on Goods and Passengers	954	945	982	1,040	1,340	28.85
Other taxes ⁸	887	1,052	1,346	1,411	1,534	8.72
Total	13,034	14,343	15,707	17,075	18,945	10.95
Growth Rate (in per cent)	21.68	10.04	9.51	8.71	10.95	

(Source: Finance Accounts of the respective years)

1.3.1.2 Non-tax revenues

Non-Tax Revenue (NTR) in 2016-17 was ₹ 5,669 crore against the normative projection of ₹ 5,569 crore by the 14th FC for the year.

Details of receipts from non-tax revenues during 2012-17 are given in Table 1.10 below:

Table 1.10: Components of Non-Tax Revenue

(₹ in crore)

Revenue head	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage variation over previous year
Interest receipts	243.13	380.90	171.89	108.23	157.24	(+) 45.28
Dividends and Profits	2.19	14.21	0.86	5.73	0.55	(-) 90.40
Other non-tax receipts ⁹	4,370.63	4,706.06	4,757.16	5,100.83	5,511.46	8.05
Total	4,615.95	5,101.17	4,929.91	5,214.79	5,669.25	8.71

(Source: Finance Accounts of the respective years)

The share of NTR in Revenue Receipts marginally decreased to 10.56 per cent as compared to 11 per cent during 2015-16. NTR increased by 8.71 per cent (₹ 454 crore) during 2016-17 over the previous year mainly due to increase in receipts under non-ferrous mining and metallurgical industries by ₹ 432 crore (11.64 per cent) and minor irrigation by ₹ 59 crore (48.34 per cent).

⁸ Other taxes- hotel receipts, taxes on income and expenditure, taxes and duties on electricity and taxes and duties on services and commodities.

⁹ Non-ferrous mining and metallurgical industries, forestry and wild life, medical and public health, food storage and ware-housing etc.

1.3.2 Cost of collection of taxes

Details of collection and cost thereof in respect of major revenue receipts during 2016-17 are given in **Table 1.11**.

Table 1.11: Cost of collection of taxes and duties

Heads of revenue	Year	Gross collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All-India average percentage of previous year
		(₹ in crore)		(in per cent)	
VAT/Taxes on sales, trade etc.	2016-17	9,927.21	56.72	0.57	0.66
Taxes on vehicles	2016-17	985.27	14.96	1.52	4.99
State Excise	2016-17	3,443.51	131.46	3.82	3.21
Stamps and Registration fees	2016-17	1,211.35	24.78	2.05	2.87

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

1.3.3 Grants-in-aid from Government of India

The State Government receives Grants-in-aid and share of Union taxes and duties, based on the recommendations of the Finance commissions. Details of GoI grants are given below in **Table 1.12**.

Table 1.12: Grants-in-aid released by Government of India

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Non-Plan Grants	1,227.29	1,415.78	1,568.28	2,328.79	2,013.42
Grants for State Plan Schemes	2,112.69	2,121.47	6,435.44	4,775.83	7,785.03
Grants for Central Plan Schemes	107.28	43.34	131.73	91.37	64.59
Grants for Centrally Sponsored Schemes	1,263.07	1,145.57	852.35	865.60	398.59
Total	4,710.33	4,726.16	8,987.80	8,061.59	10,261.63
Percentage increase/decrease over previous year	(-)1.38	0.34	90.17	(-)10.31	27.29
Revenue Receipts	29,578	32,050	37,988	46,068	53,685
Total grants as a percentage of Revenue Receipts	15.93	14.75	23.66	17.50	19.11

(Source: Finance Accounts of the respective years)

The decrease in non-plan grants from GoI in 2016-17 was mainly due to decrease in contribution to the State Disaster Response Fund from ₹ 249.73 crore in 2015-16 to ₹ 94.87 crore in 2016-17.

The increase in State Plan grants in 2016-17 was mainly due to grants for *Pradhan Mantri Gram Sadak Yojana* (₹ 449.81 crore), *Mahatma Gandhi National Rural Employment Guarantee scheme* (₹ 1,967.72 crore) and *Integrated Child Development Services - Supplementary Nutrition* (₹ 224.62 crore).

The decrease in grants for Central plan schemes was mainly due to nil receipts in *Development of Tribal Tourism Circuit in Chhattisgarh under Swadesh darshan scheme*, *Van bandhan kalyan yojana* and *National programme for youth and adolescent development*.

The decrease in grants for Centrally sponsored schemes was mainly due to nil receipts in Housing for all- *Sardar Patel* Urban Housing scheme, *Rastriya Swasthya Bima Yojana* - General and Social security and welfare schemes.

1.3.4 Central Tax Transfers

Details of GoI tax transfers to the State Government during 2012-17 are given in **table 1.13** below:

Table 1.13: Trends in Central tax transfers

Particulars	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Central tax transfer (CTT)	7,217.60	7,880.22	8,363.03	15,716.47	18,809.16
CTT as share of RR	24.40	24.59	22.01	34.12	35.04

(Source: Finance Accounts of the respective years)

The increase of CTT in 2016-17 over the previous year was mainly under Corporation tax (₹ 1,070 crore), Union excise duties (₹ 887 crore), Taxes on income other than Corporation tax (₹ 729 crore) and Service tax (₹ 319 crore).

1.3.5 Forgone revenue

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

During 2016-17, test check of the records of 85 units¹⁰ out of 464 units, pertaining to commercial taxes, state excise, stamps and registration fees, land revenue, mining receipts, taxes on vehicles, forestry and wild life and electricity duty revealed short levy/ non levy of taxes, duties and fees/loss of revenue, etc., aggregating ₹ 502.05 crore in 38,061 cases. The Departments concerned accepted under-assessment and other deficiencies of ₹ 159.00 crore in 13,616 cases pointed out by Audit.

1.3.5.2 Arrears of revenue

Details of arrears of revenue are detailed in **table 1.14** below.

Table 1.14: Arrears of revenue

Sl. No.	Head of revenue	(₹ in crore)	
		Total amount outstanding as on 31 March 2017	Amount outstanding for more than five years as on 31 March 2017
1.	Taxes on sales, trade, etc.	1,887.09	831.28
2.	State excise	49.91	19.91
3.	Taxes and duties on electricity	708.53	108.35
4.	Taxes on vehicles	26.65	9.80
5.	Stamp and registration fees	17.23	2.35
6.	Non-ferrous mining and metallurgical industries	0.85	0.85
7.	Forestry & Wildlife	8.67	3.30
Total		2,698.93	975.84

The Revenue and Disaster Management Department did not furnish the requisite information on arrears of revenue.

¹⁰ Commercial tax department (13 units), Stamp duty and registration department (nine units) State excise department (17 units), Land revenue department (four units), Electricity and safety department (four units), Transport department (10 units), Geology and mining department (nine units), Forest department (19 units).

Recommendation: The Finance Department should evolve a mechanism to ensure that arrears of revenue are expeditiously collected.

1.4 Capital receipts

Trends of receipts under the capital section during 2012-17 are given in **Table 1.15** and **Appendix 1.6**.

Table 1.15: Trends in growth and composition of Capital Receipts

Sources of State's Receipts	2012-13	2013-14	2014-15	2015-16	2016-17
Miscellaneous Capital Receipts (₹ in crore)	2.39	7.64	3.03	2.84	2.37
Recovery of Loans and Advances (₹ in crore)	1,542.01	1,637.27	194.86	296.39	172.99
Inter-State Settlement (₹ in crore)	1.53	5.14	0.91	0.52	0.38
(A) Total – Non-Debt Capital Receipts (₹ in crore)	1,545.93	1,650.05	198.80	299.75	175.74
Rate of growth of non-debt Capital Receipts (per cent)	19.96	6.74	(-87.95)	50.78	(-41.37)
Internal Debt (₹ in crore)	2,041.03	3,917.30	6,430.98	7,105.87	5,098.40
Loans and advances from the Central Government (₹ in crore)	16.70	14.59	8.69	145.28	381.53
(B) Public Debt Receipts (₹ in crore)	2,057.73	3,931.89	6,439.67	7,251.15	5,479.93
Capital Receipts (CR) (A+B) (₹ in crore)	3,603.66	5,581.94	6,638.47	7,550.90	5,655.67
Rate of growth of Public Debt Capital Receipts (per cent)	388.38	91.08	63.78	12.60	(-24.43)
Rate of Growth of GSDP at current price (per cent)	12.30	16.44	13.69	10.98	11.26
Rate of growth of CR (per cent)	110.74	54.90	18.93	13.74	(-25.10)

(Source: Finance Accounts of the respective years)

Capital receipts increased in 2015-16 due to one-time receipts under *Ujjwal DISCOM Assurance Yojana* (UDAY) bonds of ₹ 870.12 crore. There was no disinvestment during 2016-17.

1.4.1 Recoveries of Loans and Advances

During 2016-17, recovery of loans was mainly from New Urban Water Supply Scheme (₹ 64.15 crore), Loans for Infrastructure Development to Urban bodies (₹ 43.15 crore), *Mahamaya Co-operative Sugar Mill Ambikapur* (₹ 30.95 crore) and construction of warehouses by Chhattisgarh State Warehousing Corporation (₹ 9.31 crore).

1.4.2 Debt receipts from internal sources

Details of debt receipts from internal sources during 2012-13 to 2016-17 are given in **Table 1.16**.

Table 1.16: Composition of internal debt of State Government

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Market loans	1,500.00	3,000.00	4,200.00	4,850.00	4,200.00
Compensation and other Bonds	0.00	0.00	0.00	870.12	0.00
Loans from financial institutions	288.80	674.62	796.13	673.52	898.40
Special securities issued to National Small Savings Fund	252.23	242.68	658.81	712.23	0.00
Ways and means advances, from Reserve Bank of India	0.00	0.00	776.04	0.00	0.00
Total	2,041.03	3,917.30	6,430.98	7,105.87	5,098.40

(Source: Finance Accounts of the respective years)

The impact of borrowing at a higher rate of interest than received on investment and loan and advances by the State Government is discussed in *paras 1.8.3 and 1.8.4*.

1.4.2.1 Borrowing on UDAY Bonds for DISCOMs

Government of India approved the *Ujwal Discom Assurance Yojana* (UDAY), a scheme for the financial turnaround of State Power Distribution Companies (DISCOMs), and to improve their operational and financial efficiency under the scheme. The Government of Chhattisgarh was required to take over debt of ₹ 1,305.18 crore¹¹ of the Chhattisgarh State Power Distribution Company Limited (CSPDCL) of which, ₹ 870.12 crore¹² was to be taken over in 2015-16 and the remaining ₹ 435.06 crore in 2016-17. Accordingly, the State Government took over ₹ 870.12 crore in 2015-16 by issuing bonds. In April 2016, Ministry of Power, GoI, directed that loans under Restructured Accelerated Development and Reforms Programme (RAPDRP)¹³ should not be taken over by the State Government. Accordingly, the total debt to be taken over by the State Government stood reduced by ₹ 586.64 crore and fixed at ₹ 1,153.60 crore (₹ 1,740.24 crore - ₹ 586.64 crore) of which 75 per cent, i.e., ₹ 865.20 crore only was to be taken over by the State Government in 2015-16. Thus, the excess debt of ₹ 4.92 crore (₹ 870.12 crore - ₹ 865.20 crore) taken over by the State Government, requires adjustment from CSPDCL. However, no debt was raised over during 2016-17.

1.4.3 Loans and advances from Government of India

Loans and advances of ₹ 382 crore from GoI were received for State plan schemes during 2016-17 mainly in Chhattisgarh road sector development project phase II (₹ 361.07 crore) and Sustainable urban transport project (₹ 20.22 crore).

1.5 Public accounts balances

Receipts and disbursements under 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 or trustee. The status of receipts and disbursement under Public accounts are shown in statement 21 of the Finance Accounts and the details of Public Account (net) are given in **Table 1.17**.

¹¹ Seventy-five per cent of CSPDCL's of outstanding debt (₹ 1,740.24 crore) as on 30 September 2015.

¹² Through grants in year 2015-16.

¹³ RAPDRP are the scheme based loans given by the Government under an ongoing scheme.

Table 1.17: Net Public Account Receipts and its composition during 2016-17
(₹ in crore)

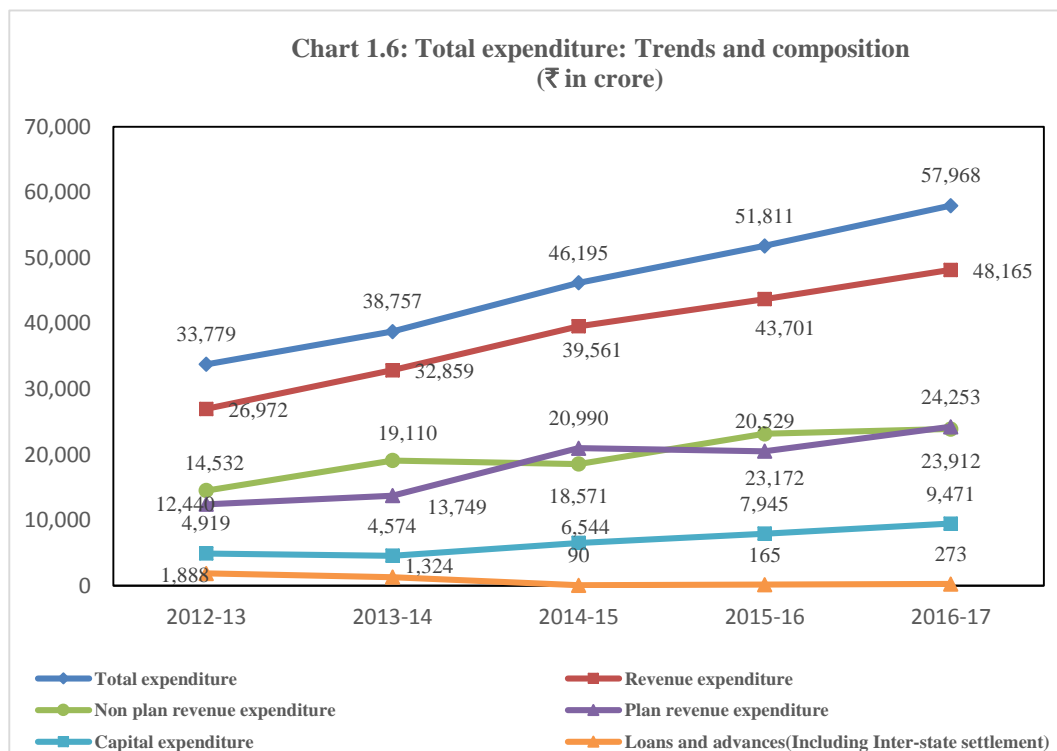
S. N.	Public Account Receipts	Receipts	Disbursement	Net Public Receipts
1	Small Savings, Provident Funds, etc.	1,126.89	699.93	426.96
2	Reserve Funds	1,617.38	977.58	639.80
3	Deposits and Advances	4,023.64	3,472.96	550.68
4	Suspense and Miscellaneous	1,05,088.32	1,05,862.82	(-774.50)
	Less-- Departmental Balances	8.92	6.09	2.83
	Less- Permanent Cash Imprest	0.00	0.01	(-)0.01
	Less-Cash Balance Investment Account	58,377.52	59,033.36	(-)655.84
	Total- Suspense and Miscellaneous	46,701.88	46,823.36	(-)121.48
5	Remittances	9,224.16	9,175.02	49.14
Total- 1 to 5		62,693.95	61,148.85	1,545.10

The net availability of funds under Small Savings, PF, Reserve Funds and Deposits and Advances had a predominant share in financing the deficit.

1.6 Application of resources

Growth and composition of expenditure

Chart 1.6 present the trends and composition of total expenditure during 2012-17 respectively.



(Source: Finance Accounts of the respective years)

1.6.1 Capital expenditure

Capital expenditure increased by ₹ 1,526 crore (19.21 per cent) during 2016-17 over the previous year mainly due to increase in expenditure under capital

outlays on energy (₹ 777 crore), transport (₹ 354 crore) and irrigation and flood control (₹ 151 crore).

1.6.2 Revenue expenditure

Revenue expenditure constituted 83 per cent of total expenditure during 2016-17 against 84 per cent on 2015-16. During 2016-17, the revenue expenditure was 17 per cent of the GSDP. As compared to previous year Revenue Expenditure increased from ₹ 43,701 crore in 2015-16 to ₹ 48,165 crore in 2016-17 (10.21 per cent) mainly due to increase in General Services and Social Services by ₹ 1,087 crore, and ₹ 5,002 crore, respectively.

1.6.2.1 Plan revenue expenditure

During 2016-17, Plan revenue expenditure (PRE) was ₹ 24,253 crore in comparison to the budget estimate of ₹ 28,456 crore. The PRE during 2016-17 increased by 18.14 per cent (₹ 3,724 crore) as compared to 2015-16 mainly due to increase in expenditure under on Education (₹ 1,429.06 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 2,447.30 crore), Rural Development (₹ 1,221.39 crore).

1.6.2.2 Non-Plan revenue expenditure

During 2016-17, the Non-plan revenue expenditure (NPRE) was ₹ 23,912 crore as against the budget estimate of ₹ 27,934 crore. During 2016-17, the NPRE increased by ₹ 740 crore (3.19 per cent) over the previous year mainly due to increase in expenditure under Education (₹ 324.75 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 243.51 crore).

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** presents the trend in the expenditure on these components during 2012-17.

Table 1.18: Components of committed expenditure

(₹ in crore)

Components	2012-13	2013-14	2014-15	2015-16	2016-17	
					BE	Actual
Salaries & Wages	7,687(26)	9,137 (29)	10,003 (26)	10,865(24)	14,460	11,424(21)
Non-Plan Head	5,018	6,268	6,973	7,609	N.A	7,972
Plan Head*	2,669	2,869	3,030	3,256	N.A	3,452
Salaries paid through Grants-in-aid	1,280 (4)	1,749 (5)	2,010 (5)	2,305(5)	N.A	2,868 (5)
Interest Payments	1,153 (4)	1,351(4)	1,727 (5)	2,149 (5)	2,590	2,687 (5)
Pensions	2,412 (8)	2,752 (9)	3,249 (9)	3,519 (8)	5,184	3,487 (6)
Subsidies	1,791 (6)	3,156 (10)	3,747 (10)	7,397 (16)	5,184	4,189(8)
Total	14,323 (48)	18,145 (57)	20,736 (55)	26,235 (57)		24,655(46)

(Source: Finance Accounts of the respective years)

Brackets indicate percentage to Revenue Receipts

N.A - Not Available in the Budget Estimates.

*Includes salaries and wages paid under Centrally Sponsored Schemes.

Salaries & wages (₹ 11,424 crore), Interest payments (₹ 2,687 crore) and Pension (₹ 3,487 crore) together accounted for 37 per cent of the revenue expenditure and consumed 33 per cent of the revenue receipts during the year.

Salary and Wages

The expenditure on salaries and wages during 2016-17 year increased (₹ 559 crore) from ₹ 10,865 crore in 2015-16 to ₹ 11,424 crore in 2016-17. The expenditure on salaries and wages was more by ₹ 1,275 crore (12.56 per cent) than the provisions made in the FRBM disclosure (₹ 10,149 crore) during the year 2016-17. The salary paid out of GIA¹⁴ increased (₹ 563 crore) from ₹ 2,305 crore in 2015-16 to ₹ 2,868 crore in 2016-17.

Interest payment

The growth rate of interest payments was 25 per cent over the previous year mainly due to sharp increase of interest on market loans by ₹ 438.28 crore (51 per cent). Interest payments were five per cent of revenue receipts during 2016-17. Major components of Interest payments during 2015-16 and 2016-17 are given in **Table 1.19** below:

Table 1.19: Components of interest payments

(₹ in crore)

Components	Outstanding liabilities	2015-16		Outstanding liabilities	2016-17	
		Interest paid	Interest paid as percentage of outstanding balance		Interest paid	Interest paid as percentage of outstanding balance
Internal debt	24,214.56	1,575.58	6.51	28,330.29	2,107.16	7.44
Loans & Advances from GoI	1,835.59	145.83	7.94	2,047.15	137.49	6.72
Small Savings, Provident fund etc.	4,165.51	355.82	8.54	4,592.47	370.95	8.08
Others	7,525.48	71.67	0.95	8,460.95	71.23	0.84
Total	37,741.14	2,148.90	5.69	43,430.86	2,686.83	6.19

Pension payments

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

Deductions of New Pension Scheme contributions from the employees commenced from March 2006 along with arrears of contribution for the period December 2004 to February 2006. During 2006-17 against employee's contribution of ₹ 1,318.68 crore, the State Government contributed ₹ 1,294.70 crore resulting in short contribution of ₹ 23.98 crore. State Government did not compute the liability towards interest payable to subscribers on delayed transfer of fund to NSDL/Trustee bank.

¹⁴ Salaries paid to various institutions under Education, Sports, Art and Culture, Agriculture and allied activities and Rural Development through Grants- in-aid.

During 2016-17, the State Government transferred ₹ 305.91 crore as employee's contribution and ₹ 301.27 crore as employer's contribution to the NSDL/Trustee Bank resulting in short contribution of ₹ 4.64 crore, therefore overstating revenue surplus and understating fiscal deficit to this extent.

As on 31 March 2017, ₹ 29.27 crore remained in the Public Account, pending transfer to NSDL/Trustee Bank. Short contribution of ₹ 23.98 crore and non-transfer of ₹ 29.27 crore resulted in unnecessary creation of liability of ₹ 53.25 crore to the State Government. However, short contribution/non-transfer of funds to NSDL/Trustee bank in Chhattisgarh (₹ 53.25 crore) was better than neighbouring States of Madhya Pradesh (₹ 97.98 crore) and Uttar Pradesh (₹ 1,128.68 crore).

Further, out of ₹ 29.27 crore lying payable in Public Account, pending transfer to NSDL as of 31 March 2017, only ₹ 3.47 crore was pending as of 30 June 2017.

Recommendation: The State Government should ensure that employees' contributions along with the matching employer's share are transferred to NSDL immediately. Appropriate action may be initiated against departmental officers/officials who fail to transfer contribution under the NPS on time.

Subsidies

Subsidies amounted to ₹ 4,189 crore in 2016-17 consuming 7.80 per cent of the revenue receipts. Such subsidies were mainly to major activities were under Chief Minister's food assistance scheme (₹ 2,103 crore), relief to consumers against electricity fees (₹ 700 crore) and *Rashtriya Krishi Vikas Yojana* (₹ 122 crore).

Some of the subsidies given as Grants-in-aid (in kind) during 2016-17 are given in **Table 1.20**.

Table 1.20: Grants-in-Aid (in kind) provided by the State Government

(₹ in crore)

Name of the Department	Scheme Name	2015-16	2016-17
School Education	Free cycle distribution to High School girls.	53.73	106.17
School Education	Free supply of text books to students.	57.31	93.57
School Education	Free distribution of books and stationary to tribal students	0.64	0.70
Agriculture	Free supply of electricity to agriculture pumps of 5 H.P.	1,032.10	259.48
Communication	Free supply of laptops/tablets to students of technical education, medical education and higher education.	56.28	5.54
Total		1,200.06	465.46

(Source: Finance Accounts of respective years)

1.7 Quality of Expenditure

Developmental expenditure (expenditure on social and economic services) constituted 78 per cent of total expenditure.

1.7.1 Adequacy of public expenditure

The fiscal priorities of the State Government with regard to development expenditure, social services expenditure and capital expenditure during 2016-17 are analysed, taking 2012-13 as base year, are shown in **Table 1.21**.

Table 1.21: Fiscal priority of the State in 2012-13 and 2016-17

(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	14.80	70.00	38.20	13.70	17.70	4.60
Chhattisgarh	19.03	77.40	37.69	20.15	16.76	3.83
Average (Ratio) 2016-17 of						
General Category States	16.70	70.90	32.20	19.70	15.20	4.80
Chhattisgarh	19.98	77.76	41.36	16.91	20.00	5.68

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 Advances disbursed.

1.7.2 Efficiency of expenditure use

Table 1.22 presents the trends in development expenditure relative to the aggregate expenditure of the State during 2016-17 *vis-à-vis* the budget amount and expenditure in the previous years.

Table 1.22: Development expenditure

(₹ in crore)

Components	2012-13	2013-14	2014-15	2015-16	2016-17	
					B.E.	Actuals
Development Revenue Expenditure	19,468 (58)	24,038 (62)	29,541 (64)	32,392 (63)	41,578	35,518 (61)
Development Capital Expenditure	4,794 (14)	4,392 (11)	6,287 (14)	7,582 (15)	12,677	9,283 (16)
Development Loans and Advances	1,882 (06)	1,309 (03)	78 (0.17)	164 (0.32)	660	273 (0.47)
Total Development Expenditure	26,144 (77)	29,739 (77)	35,906 (78)	40,138 (77)	54,915	45,074 (78)
Aggregate Expenditure (RE+CE+L&A)	33,779	38,757	46,195	51,811		57,968

Figures in brackets indicate percentage to aggregate expenditure.

(Source: Finance Accounts of the respective years)

1.7.3 Expenditure on selected social and economic services

Table 1.23 provides details of capital expenditure and the components of revenue expenditure on the maintenance of selected social and economic services.

Table 1.23: Efficiency of expenditure use in selected social and economic services

(in per cent)

Social/Economic Infrastructure	2015-16			2016-17		
	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	3.40	0.48	40.82	4.24	0.48	27.68
General Education	0.96	0.12	39.21	0.89	0.11	34.44
Public Health and Family Welfare	0.56	0.70	50.09	0.56	0.63	44.23
Water Supply Sanitation and Housing and Urban Development	1.27	2.52	9.53	1.89	0.98	3.29
Economic Services (ES)						
Total Economic Services of which	11.15	2.38	12.73	11.77	2.52	14.27
Agriculture and Allied Activities	0.12	0.53	15.55	0.16	0.64	18.72
Irrigation and Flood Control	3.35	10.12	51.00	3.26	4.95	47.42

(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

1.8 Financial analysis of Government expenditure and investments

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

1.8.1 Financial result of irrigation projects

The 13th and 14th Finance Commission had prescribed cost recovery rate on irrigation projects (revenue receipts as compared to revenue expenditure) for assessing commercial viability of these projects. The position of irrigation projects in the State for the period 2012-17 is depicted in **Table 1.24**.

Table 1.24: Cost recovery position of irrigation projects

Year	Revenue expenditure	Revenue receipts	Cost recovery assessment of 13 th and 14 th FC	Revenue receipts to revenue expenditure	Gap in cost recovery
	₹ in crore		In per cent		
2012-13	372.74	604.00	45	162	(-)117
2013-14	411.19	756.44	60	184	(-)124
2014-15	448.12	544.85	75	122	(-)47
2015-16	486.45	630.18	35	130	(-)95
2016-17	508.63	624.47	35	123	(-)88

The favorable cost recovery portion is despite the fact that the State Government had not declared any irrigation scheme as commercial under the FC guidelines. The gap in cost recovery of irrigation projects of Chhattisgarh (-88 per cent) was better than the neighbouring states of Madhya Pradesh (-49 per cent), Jharkhand (eight per cent) and Uttar Pradesh (20 per cent).

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

1.8.2 Incomplete projects

The details of incomplete project which were to be completed on or before 31 March 2017 is given in **Table 1.25**.

Table 1.25: Department-wise profile of incomplete projects

Department	Number of incomplete projects	Estimated cost	Incomplete Projects			Cumulative expenditure of all 145 incomplete projects as on 31 March 2017	
			Initial estimated cost of 48 incomplete projects whose cost was revised.	Revised cost of 48 incomplete projects	Cost overrun of 48 incomplete projects which were revised		
			No.	Amount			
Public Works	30	827.50	8	292.29	750.52	458.23	876.09
Water Resources	115	5,019.67	40	2,330.92	4,308.51	1,977.59	5,060.59
Total	145	5,847.17	48	2,623.21	5,059.03	2,435.82	5,936.68

(Source: Finance Accounts 2016-17)

Blocking of funds on incomplete works impinge negatively on the quality of expenditure. 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. Since the State Government has not evaluated the cost of 97 incomplete projects, the actual amount of expenditure to be incurred by the State could not be ascertained.

Further, in 48 out of 145 projects, (shown in the above table) the estimated cost of ₹ 2,623.21 crore increased to ₹ 5,059.03 crore due to non-completion of projects in time.

Recommendation: The Public Works Department and Water Resource Department may re-evaluate the cost of all incomplete projects and evolve a mechanism for timely completion of projects.

1.8.3 Investment and returns

As on 31 March 2017, Government had invested ₹ 6,778.60 crore in 13 Government Companies (₹ 6,459.45 crore), 1,523 Co-operative Institutions and Local Bodies (₹ 201.34 crore), two Statutory Corporations (₹ 35.90 crore), one Rural Bank (₹ 24.31 crore) and four Joint Stock Companies (₹ 57.60 crore). However, during verification of PSUs accounts and sanction orders of the State, Audit observed that in four PSUs there is a differences of ₹ 188.85¹⁵ crore between the accounts of the PSUs and Finance Accounts. Thus, the Government accounts had understated investment.

The position of dividend/interest received on investment during 2012-17 is given in **Table 1.26**.

Table 1.26: Dividend/interest received on investment

Investment/Return/Cost of borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Investment at the end of the year* (₹ in crore)	1,916.18	1,866.44	1,872.53	6,192.22	6,778.60
Return on investment (₹ in crore)	2.19	14.21	0.86	5.73	0.55
Return on investment (per cent)	0.11	0.76	0.05	0.09	0.01
Average rate of interest on Govt. borrowing (per cent)	6.34	6.12	6.16	6.25	6.62
Difference between interest rate and return (per cent)	6.23	5.36	6.11	6.16	6.61
loss due to difference between interest rate of market borrowing and interest received on the returns (₹ in crore)	119.38	100.04	114.41	381.44	448.07

(*The investment at the end of the year does not include un-apportioned investment between Madhya Pradesh and Chhattisgarh as on 31 March 2017)

Over the past five years the State Government has incurred a loss of ₹ 1,163.34 crore on account of difference between the interest on Government's borrowing cost and the return on investment. It was of specific interest to observe that in spite of the poor return on investment, the Finance Department has regularly provided budgetary support by way of infusion of equity, loan, grants in aid/subsidies to these PSUs including those that had not even finalized their accounts as mandated under the Companies Act as discussed in Para 3.2.

Recommendation: The Finance departments and the PSUs may take immediate steps to reconcile the differences in the accounts.

¹⁵ Chhattisgarh State industrial development corporation ₹ 9.50 crore; Chhattisgarh Rajya Van Vikas Nigam Limited (-) ₹19.19 crore; Chhattisgarh State Power Holding Company (-) ₹ 177.64 crore; Chhattisgarh State Warehousing Corporation. (-) ₹ 1.52 crore.

1.8.4 Loans and advances 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. Details are given in **Table 1.27**.

Table 1.27: Average interest received on loans advanced by the State Government
(₹ in crore)

Quantum of loans/interest receipts/cost of borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Opening balance	1,517.88	1,864.72	1,545.99	1,395.41	1,273.96 ¹⁶
Amount advanced during the year	1,888.79	1,318.53	88.32	164.73	272.71
Amount repaid during the year	1,542.01	1,637.27	194.86	296.39	172.99
Closing Balance	1,864.66	1,545.99	1,439.45	1,263.75	1,373.69
Net addition	342.78	(-)318.74	(-)106.54	(-)131.66	99.72
Interest receipts	8.27	274.43	47.30	47.02	30.19
Interest receipts as a percentage to outstanding loans and advances	0.44	17.75	3.17	3.54	2.28
Interest payments as a percentage to outstanding fiscal liabilities of the State Government.	6.34	6.12	6.16	6.25	6.62
Difference between interest receipts and interest payments (<i>per cent</i>)	(-) 5.90	11.63	(-) 2.99	(-)2.71	(-)4.34
Loss due to the difference between interest rate of market borrowing and interest received on loans	111.44	0.00	2.64	4.46	11.89

Over the past five years (except in year 2013-14) the State Government has incurred a loss of ₹ 130.43 crore towards interest on account of difference in the interest received on the loans advanced and that paid by the Government on its borrowings.

Details of loans and advances by the Government are given in section 1 of Statement 18 of Finance Accounts details of entities that were in arrears of repayment of loans are given in section 2 of Statement 18 of finance accounts.

1.8.4.1 Loans provided by Government to *Danteshwari Maiya Co-operative Sugar Mill (DMCSM)*.

Government of Chhattisgarh (GoCG) sanctioned interest¹⁷ bearing loans amounting to of ₹ 21.83 crore to *Danteshwari Maiya Co-operative Sugar Mill, Balod (DMCSM)* during 2005-06 to 2008-09 for construction of factory. As per conditions of the sanction, DMCSM was to refund the loan amount along with interest in eight equal yearly instalments, with recovery of instalments commencing one year after disbursement of loan.

Similarly, GoCG sanctioned interest¹⁸ bearing loan of ₹ 78.61 crore for working capital to DMCSM during 2010-11 to 2016-17. As per conditions of the sanction, the loan amount was to be refunded by DMCSM by 30 November of the concerned financial year along with interest prescribed by the Government, failing which penal interest at the rate of three *per cent* was to be levied.

¹⁶ Increased by ₹ 10.21 crore due to receipt of balances from Principal Accountant General, Madhya Pradesh.

¹⁷ Rate of Interest- 2005-06 (@ 8 per cent), 2007-08 and 2008-09 (@ 10.25 per cent).

¹⁸ Rate of Interest – 2010-11 to 2013-14 (@ 10.50 per cent) and 2013-14 to 2016-17- (@ 9.50 per cent).

Audit observed that even after GoCG rescheduled (November 2009 and November 2012) loan repayments on account of loss in operation of DMCSM, the repayments in instalments had not commenced (March 2017). Out of ₹ 100.44 crore loan as on 31 March 2017, ₹ 84.74 crore (principal ₹ 74.07 crore and interest ₹ 10.67 crore) was due for recovery. However, only ₹ 55.16 crore was recovered and ₹ 29.58 crore (principal ₹ 21.46 crore and interest ₹ 8.12 crore) was outstanding. Details are given in **Appendix 1.7**.

The Registrar, Co-operative societies, Chhattisgarh Raipur accepted (February 2018) the audit observation.

Recommendation: The State Government should review investment in companies/corporations/banks whose financial performance do not even meet the borrowing cost of capital. Similarly, the State Government should ensure that loans are advanced to various entities at interest rates equal to or greater than the interest rates which Government pays on borrowed funds.

1.8.5 Cash balances and investment of cash balances

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

Table 1.28: Cash balances and investment of cash balances

(₹ in crore)

	Opening balance as on 01 April 2016	Closing balance as on 31 March 2017
(a) General Cash Balances		
(1) Cash in treasuries	0.00	0.00
(2) Deposits with Reserve Bank	(-)577.94	339.18
(3) Remittances in transit	0.00	0.00
Total (1+2+3)	(-)577.94	339.18
(4) Investment held in 'Cash Balance Investment Account'	1,856.17	2,512.00
Total (a)- General Cash Balances (1+2+3+4)	1,278.23	2,851.18
(b) Other Cash Balances and Investments		
(1) Cash with the Departmental Officers viz. Forest, Public Works Departments, Military Secretary to the Governor	11.54	8.70
(2) Permanent advances for contingent expenditure with Departmental Officers	0.32	0.34
(3) Investment of Earmarked Funds	1,543.63	1,798.63
Total (b) Other Cash Balances and Investments (1+2+3)	1,555.49	1,807.67
Total (a) and (b)	2,833.72	4,658.85

(Source: Finance Account 2016-17)

The cash balance was invested in GoI treasuries bills by the RBI.

1.8.5.1 Discrepancies of Reserve Bank Deposit figures

The general banking business of the Government of Chhattisgarh is operated by the Reserve Bank of India (RBI), through such accredited banks acting as agents of the RBI. All these transactions are accounted by the Central Accounts Section, RBI, Nagpur. On the other hand, the accounts of the Chhattisgarh Government are maintained by the Accountant General (A&E), Chhattisgarh

after receiving initial accounts from the Drawing and Disbursing Officers and Treasuries of the State Government.

As of 31 March 2017, there are 157 discrepancies during November 2011 to March 2017 (details are shown in **Appendix – 1.8**) in which there is a net difference of ₹ 57.25 crore (Cr.) between the Cash balance of the State Government, as reported by the RBI and Cash balance shown in the Finance Accounts 2016-17. Out of ₹ 57.25 crore in March 2017, ₹ 0.98 crore (Dr.) in 27 number of cases pertains to November 2011 to March 2017 are not resolved (December 2017) (**Appendix – 1.8**).

1.8.5.2 Variation in Cash Balance investment figures between Finance Accounts and Reserve Bank of India

During the scrutiny of the records of AG (A&E) and information received from the Central Accounts Section (CAS), Reserve Bank of India, it was noticed that difference of ₹ 2.24 crore under cash balance investment exists between the information provided by Central account section and figures worked out by Accountant General (A&E) as of March 2017.

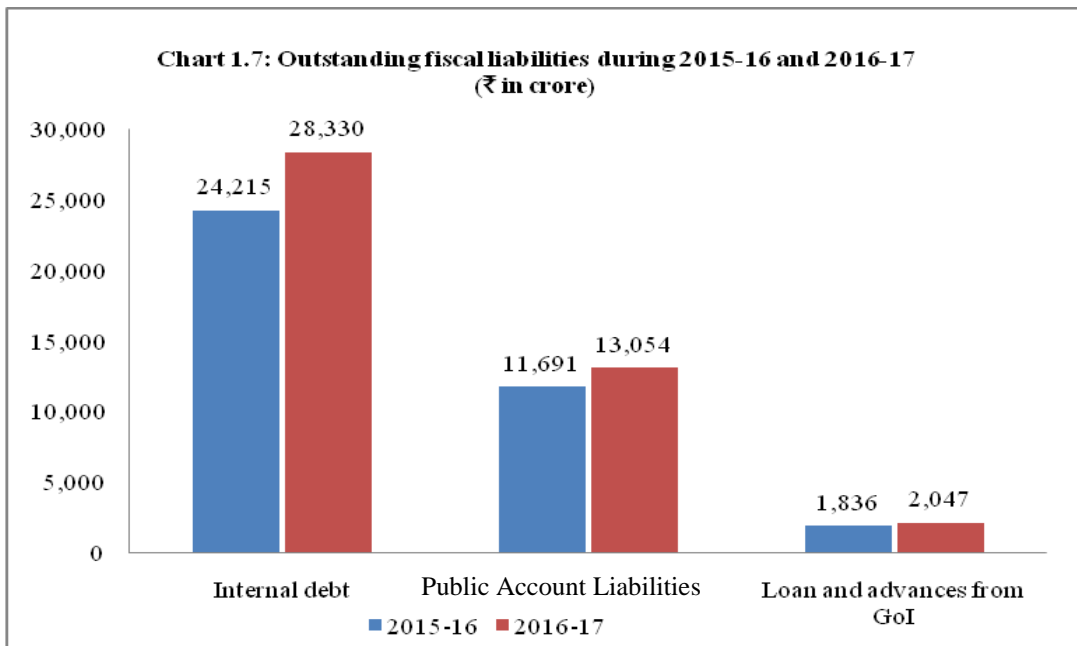
1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

While the Government accounting system does not provide for comprehensive accounting of fixed assets like land and buildings owned by the Government, these details can be derived from the accounting of financial liabilities and assets created out of expenditure incurred. **Appendix 1.3 (Part B)** gives an abstract of such liabilities and assets, as on 31 March 2017, compared with the corresponding position on 31 March 2016. While the liabilities consist mainly of internal borrowings, loans and advances from GoI, and receipts from public accounts and reserve funds, the assets comprise mainly of capital outlay and loans and advances given by the State Government and the cash balances.

1.9.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.3 (Part B)** and the comparison of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Chart 1.7**.



(Source: Finance Accounts 2015-16 and 2016-17)

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)

	2012-13	2013-14	2014-15	2015-16	2016-17
Internal debt	9,567	12,943	18,195	24,214	28,330
Loans and advances from GOI	2,137	2,003	1,854	1,836	2,047
	7,564	9,958	10,932	11,691	13,054
Total Fiscal liabilities	19,268	24,904	30,981	37,741¹⁹	43,431
Rate of growth of fiscal liabilities (in per cent)	12.66	29.25	24.40	21.82	15.08
Fiscal liabilities/GSDP (in per cent)	10.85	12.05	13.18	14.47	14.97
Fiscal liabilities/ Revenue receipts (in per cent)	65.14	77.70	81.55	81.93	80.90

(Source: Finance Accounts & Projected Population in Economic Survey of Chhattisgarh 2016-17)

During 2016-17, the outstanding debt to GSDP ratio stood at 14.97 per cent which was within the normative projection made by the FRBM/14th FC for the State.

1.9.3 Transactions under Reserve Fund

There are 16 Reserve Funds in the Public Accounts of the State Government which have been created for specific purposes. Details are given in **table 1.30**.

¹⁹ Figures of 2015-16 changed due to pro-forma adjustments made in Finance Accounts.

Table 1.30: Position of reserve funds during 2016-17

(*₹ in crore*)

Head of Account	Opening balance as on 1 April 2016	Receipts during 2016-17	Disbursement during 2016-17	Closing balance as on 31 March 2017
(a) Reserve Funds bearing Interest				
8121- General and Other Reserve Funds	Cr. 369.80	566.51	243.11	Cr. 693.20
Total -Reserve Funds bearing Interest	Cr. 369.80	566.51	243.11	Cr. 693.20
(b) Reserve Funds not bearing Interest				
8222- Sinking funds	Cr.1,546.94	200	0	Cr.1,746.94
8223-Famine Relief Fund	Cr.3.61	0.08	0	Cr.3.69
8228- Revenue Reserve Funds	Cr.4.63	0	0	Cr. 4.63
8229-Development and Welfare Funds	Cr.1,576.82	850.79	734.47	Cr.1,693.14
8235- General and Other Reserve Funds	Cr. 0.01	0	0	Cr. 0.01
Total -(b)- Reserve Funds not bearing Interest	Cr.3,132.01	1,050.87	734.47	Cr.3,448.41
Total Reserve Funds (a) and (b)	Cr.3,501.81	1,617.38	977.58	Cr.4,141.61
Reserve Funds Investment Account	Dr 1,543.63	0	255.00	Dr 1,798.63

(Source: Finance Accounts 2016-17)

Out of 16 reserve funds (with a closing balance of ₹ 4,141.61 crore), the State Government had invested ₹ 1,798.63 crore (43.43 per cent), 12 were operative and four reserve funds (with a closing balance of ₹ 18.99 crore) were not operated between the period 2000-2001 and 2016-17. Details of inoperative funds are given in the Table 1.31:

Table 1.31: Details of inoperative Reserve Funds

Name of Reserve Fund	Balance as on 31 March 2017 (₹ in crore)	Year from which inoperative
8229-Development and Welfare Funds		
Development Fund for Agriculture Purposes	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 ₹ 185.68 crore as on 31 March 2017 but no expenditure has been made from this fund since its inception.

Transfers into reserve funds and disbursement therefrom are effected through debit and credit entries under the appropriate revenue and expenditure heads under the Consolidated Fund. These represent actual cash transfers only if they impact the Reserve Bank Deposits either directly or by way of investment. Since there was no actual cash outflow, these transactions depicted by GoCG against reserve fund are only book entries which violate the spirit underlying the creation and operation of reserve funds. Their only impact is to depict an unduly favourable revenue surplus and fiscal deficit position for the relevant years.

Recommendation: The Finance Department should review the practice of treating transaction and balances under reserve funds and adhere to the principles of cash accounting by actual investment of balances with the Reserve Bank of India. The State Government is also requiring to initiate action to close inoperative funds and remit the balances into the Consolidated Fund if continuation.

1.9.4 State Disaster Response Fund

The SDRF had a closing balance of ₹ 693.20 crore as of March 2017. In terms of the SDRF guidelines 2010, balances under funds are to be invested by the State Executive Committee in (a) Central Government dated securities (b) auctioned treasury bills and (c) interest earning deposits and certificates of deposits with Scheduled Commercial Banks.

As per SDRF guidelines, the Government was required to pay interest on the uninvested balances at the rate of interest to be paid on overdrafts. However, GoCG had not paid any interest to SDRF since the creation of the fund. This works out to ₹ 225.87 crore as estimated at the applicable rates of interest for the period 2010-17. Of this, unpaid interest for 2016-17 alone amounted to ₹ 31.43 crore, resulting in overstatement of revenue surplus and understatement of fiscal deficit for the year. Such unpaid interest also increased the liability of the State Government to that extent.

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

1.9.5 Consolidated Sinking Fund

Following the recommendations of the 12th 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. Further, as per recommendation of the 12th Finance Commission, a minimum annual contribution of 0.50 *per cent* of outstanding liabilities at the beginning of the year was required to be transferred in the fund.

During 2016-17 GoCG was required to transfer a minimum of ₹ 188.71 crore (0.50 *per cent* of outstanding debt of ₹ 37,741.14 crore at the beginning of the year) to fund, against which ₹ 200 crore was transferred. The balance in the CSF (investment account) from the year 2005-06 to 2016-17 was ₹ 1,746.94 crore.

1.9.6 Infrastructure Development Fund (IDF)

Chhattisgarh (*Adhosanrachna Vikas Evam Paryavaran*) *Upkar Adhiniyam*, 2005 provides that cess on land shall be levied for raising funds to implement infrastructure development projects and environment improvement projects. The Act is extended to the whole of State of Chhattisgarh and is in force since 27 May 2005.

As per the Act, Infrastructure Development Cess (IDC) shall be levied and collected on all lands on which land revenue or rent is levied. The IDC so collected should be transferred to the Infrastructure Development Fund (IDF), from which expenditure on infrastructure development projects i.e., electricity, drinking water supply, construction and maintenance of community halls,

approach roads, buildings, etc., in the State under various departments would be met.

Audit scrutiny, revealed that, the State Government collected IDC of ₹ 727.63 crore during 2005-17 of which, ₹ 423.39 crore (58 per cent) was transferred to IDF. The untransferred balance of ₹ 304.24 crore contributes an undischarged liability of the State Government. Such untransferred balances also overstated the Revenue Surplus and understated the Revenue Deficit in the relevant years. The details of funds of IDF are as given in **Appendix 1.9 and 1.10**. However, in 2016-17 the State Government transferred more than the IDC collected along with previous year balances hence there is no impact on Revenue Surplus during the year.

It is also observed that the department has made budget provision of ₹ 210.40 crore during 2013-17. However, only ₹ 2.00 crore was utilised from the budget provision for construction of road/buildings in the year 2014-15 and the remained provision was unutilised. Further, scrutiny revealed that the expenditure of ₹ 2.00 crore incurred by various departments also not met from the IDF as there were no guidelines issued by the Finance Department to the concerned department. Thus, the entire IDF of ₹ 423.39 crore was not utilised as of 31 March 2017.

Recommendation: State Government should ensure that the Infrastructure Development Cess is regularly transferred to the Fund and utilised as provided in the Act.

1.9.7 Status of guarantees – contingent liabilities

The maximum amount for which guarantee was given by the State and outstanding guarantees for the last five years are given in **Table 1.32**.

Table 1.32: Guarantees given by the Government of Chhattisgarh

Guarantees	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Maximum amount guaranteed	6,605.49	7,571.99	9,080.06	14,883.41	12,641.13
Outstanding amount of guarantees	2,694.90	3,358.27	2,314.47	1,988.24	3,982.97

(Source: Finance Accounts of the respective years)

Guarantees of ₹ 3,982.97 crore was outstanding at the end of March 2017. The outstanding amount of guarantees in the nature of contingent liabilities was about 7.42 per cent of the total Revenue Receipts of the State. 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 GSDP. The new guarantees (₹ 4091.34 crore) were within the prescribed limit of 1.5 per cent (1.41 per cent) of GSDP provided in the FRBM Act.

As per the recommendation of the 12th Finance commission, the Government of Chhattisgarh was required to constitute a Guarantee Redemption Fund (GRF) with minimum annual contribution of 0.50 per cent of outstanding guarantee at the beginning of the year. Accordingly, the State Government was required to create a GRF and transfer ₹ 112.60 crore to the fund from 2005-06 to 2016-17 out of which, ₹ 9.94 crore pertains to 2016-17 alone. In contrary to the Finance Commission recommendations, the State Government has decided not to form

Guarantee Redemption Fund as maximum guarantees sanctioned by the State Government were of the “medium and low risk”. However, the Government should constitute GRF after weighting the risk of guarantees and decide the quantum of contribution towards the fund.

During the year 2016-17, a sum of ₹ 4.40 crore was recovered as guarantee fees against receivable of ₹ 9.41 crore mainly due to short receipt from Chhattisgarh Marketing Federation, Raipur (₹ 5.00 crore).

Recommendation: The State Government should create and operate the Guarantee Redemption Fund as per recommendation of the 12th FC.

1.9.7.1 Firm Liability of the Government shown as guarantee given

Chhattisgarh State Power Distribution Company Limited (CSPDCL) availed of loan amounting to ₹ 1,955 crore²⁰ from financial institutions to implement *Krishak Jeevan Jyoti* Scheme for providing free electricity to BPL consumers and for agriculture pump sets during 2016-17. The term loans were secured by guarantee from GoCG.

GoCG undertook to repay the principal and interest on these loans. Thus, in effect the liability on the loan entirely vested with GoCG and not with CSPDCL, which fact, however, was not reflected in the accounts of GoCG. Consequently, the liability of the State Government was understated by ₹ 1,955 crore.

Recommendation: The State Government should issue necessary orders treating the transaction as loans availed of by the State Government and further transfer to CSPDCL as loans or Grants-in-aid.

1.10 Debt Management

1.10.1 Debt profile

This section assesses the sustainability of debt²¹ of the State Government in terms of debt stabilisation²²; sufficiency of non-debt receipts²³; net availability of borrowed funds²⁴; burden of interest payments (measured by interest

²⁰ Union Bank of India (₹ 765 crore), Rural Electrification Corporation (REC) (₹ 595 crore) and Power Finance Corporation (PFC) (₹ 595 crore).

²¹ 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.

²² 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 the primary balances are either zero or positive or are moderately negative.

²³ 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.

²⁴ 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.

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

1.10.2 Debt Sustainability

Table 1.33 analyses the debt sustainability of the State according to these indicators for a period of five years beginning from 2012-13.

Table 1.33: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Outstanding Debt /GSDP (in per cent)	10.85	12.05	13.18	14.47	14.97
Sufficiency of incremental non-debt receipts (Resource Gap)	(-1,854)	(-2,405)	(-2,196.41)	2,563.71	1,396.51
Net debt available to the State	1,012	4,283	4,551	4,687	3,003
Burden of interest payments (interest payment/revenue receipt)	0.04	0.04	0.05	0.05	0.05
Maturity Profile of State Debt (In Years)					
0-5	3,914.35	4,207.57	5,828.95	5,934.05	6,686.65(60)
6-10	3,204.48	7,937.95	11,849.84	17,028.20	2,137.55(19)
11-15	3,312.46	1,674.14	1,553.25	1,846.17	1,638.31(15)
16-20	802.49	658.63	528.11	448.46	456.85(4)
20 and above	470.22	467.95	289.04	793.26	220.13(2)
Total	11,704.00	14,946.24	20,049.19	26,050.14	11,139.49

(Source: Finance Accounts of the respective years)

Table 1.34: Net availability of borrowed funds

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Receipts under public debt and other liabilities ²⁵	6,898	10,310	11,914	12,902	11,804
Repayment (principal and interest) under public debt and other liabilities ²⁶	5,886	6,027	7,363	8,215	8,801
Net fund available	1,012	4,283	4,551	4,687	3,003
Percentage of net fund available to receipts under public debt and other liabilities	14.67	41.54	38.20	36.33	25.44

As evident from the above table, 75 per cent of borrowed funds were used for discharging existing liabilities and could not be used for capital formation/development activities of the State. As compared to the neighbouring States of Jharkhand (32.43 per cent), Uttar Pradesh (25.75 per cent) and Madhya Pradesh (30.51 per cent), the net availability of funds was low which indicates that the State of Chhattisgarh (25.44 per cent) utilised maximum borrowed fund for discharging the liabilities.

²⁵ Total Receipts of ₹ 11,804 crore = internal debt ₹ 5,098 crore, GOI loans of ₹ 382 crore and other obligation of ₹ 6,324 crore

²⁶ Total Repayment of ₹ 8,801 crore = principal and interest on account of internal debt of ₹ 3,090 crore, GoI loans of ₹ 307 crore and also discharged other obligations of ₹ 5,404 crore