
Chapter-1

FINANCES OF THE STATE

GOVERNMENT

CHAPTER 1

FINANCES OF THE STATE GOVERNMENT

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 the overall trends during the preceding five years.

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

1.1 Gross State Domestic Product (GSDP)¹

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

Table 1.1: GDP of India and GSDP of the State

| Year | 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 (percentage) | 13.82 | 12.97 | 10.79 | 9.94 | 10.98 |
| State's GSDP at current prices (₹ in crore) | 1,74,724 | 1,88,567 | 2,18,525 | 2,31,294 | 2,53,536 |
| Growth rate of GSDP at current prices (percentage) | 15.77 | 7.92 | 15.89 | 5.84 | 9.62 |
| State's GSDP at constant prices (₹ in crore) | 1,63,250 | 1,65,816 | 1,86,534 | 1,97,536 | 2,12,721 |
| Growth rate of GSDP at constant prices (percentage) | 8.17 | 1.57 | 12.49 | 5.90 | 7.69 |

Source: GDP/GSDP figures issued by MoSPI dated 01.08.2017

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

1.1.1 Summary of fiscal transactions in 2016-17

Table 1.2 presents a comparative summary of the State Government's fiscal transactions during 2016-17 vis-a-vis 2015-16. **Appendix 1.4 Part A** 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 an important indicator of the Country and State's economy.

Table 1.2: Summary of fiscal operations in 2016-17

(₹ in crore)

| Receipts | 2015-16 | 2016-17 | Disbursements | 2015-16 | 2016-17 | | |
|----------------------------------|------------------|------------------|-----------------------------------|------------------|------------------|------------------|------------------|
| Section-A: Revenue | | | | | Non-plan | Plan | Total |
| Revenue Receipts | 40,638.35 | 47,053.93 | Revenue Expenditure | 36,552.83 | 22,895.38 | 22,193.66 | 45,089.04 |
| Own Tax revenue | 11,478.95 | 13,299.25 | General Services | 12,002.43 | 12,742.66 | 281.10 | 13,023.76 |
| Non-Tax revenue | 5,853.01 | 5,351.42 | Social Services | 14,843.81 | 6,042.46 | 12,514.91 | 18,557.37 |
| Union Taxes and Duties | 15,968.75 | 19,141.92 | Economic Services | 9,706.59 | 4,110.26 | 9,397.65 | 13,507.91 |
| Grants from GoI | 7,337.64 | 9,261.35 | GIA Contributions | 0.00 | 0.00 | 0.00 | 0.00 |
| Section -B: Capital | | | | | | | |
| Misc. Capital Receipts | 0.00 | 0.00 | Capital Outlay | 8,158.51 | 47.05 | 10,813.63 | 10,860.68 |
| Recoveries of Loans and Advances | 31.06 | 38.46 | Loans and Advances disbursed | 7,480.00 | 77.14 | 1,257.92 | 1,335.06 |
| Inter State Settlement | 0.00 | 0.00 | Inter State Settlement | 0.00 | 0.00 | 0.00 | 0.00 |
| Public Debt Receipts* | 13,244.65 | 7,081.42 | Repayment of Public Debt | 2,245.93 | 2,077.88 | 0.00 | 2,077.88 |
| Transfers to Contingency Fund | 0.00 | 0.00 | Expenditure from Contingency Fund | 0.00 | 0.00 | 0.00 | 0.00 |
| Public Account Receipts# | 29,036.72 | 22,051.80 | Public Account Disbursements # | 27,053.00 | 16,819.82 | 0.00 | 16,819.82 |
| Opening Cash Balance | 444.21 | 1,904.72 | Closing Cash Balance | 1,904.72 | 1,947.85 | 0.00 | 1,947.85 |
| Total | 83,394.99 | 78,130.33 | Total | 83,394.99 | 43,865.12 | 34,265.21 | 78,130.33 |

Source: Finance Accounts for the years 2015-16 and 2016-17

* Excluding net transactions under Ways and Means advances and overdraft

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

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

The significant changes during 2016-17 are as under:

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

| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Average |
|---|---------|---------|---------|---------|---------|---------|
| Revenue receipts relative to GSDP | | | | | | |
| RR at current prices (₹ in crore) | 24,770 | 26,137 | 31,565 | 40,638 | 47,054 | - |
| Rate of growth of RR at current prices (<i>per cent</i>) | 10.48 | 5.52 | 20.77 | 28.74 | 15.79 | 16.26 |
| RR at constant prices (₹ in crore) | 23,143 | 22,984 | 26,944 | 34,707 | 39,479 | - |
| Rate of growth of RR at constant prices (<i>per cent</i>) | 3.23 | (-0.69) | 17.23 | 28.81 | 13.75 | 12.47 |
| RR/ GSDP at current prices (<i>per cent</i>) | 14.17 | 13.86 | 14.44 | 17.57 | 18.56 | 15.72 |
| Revenue expenditure relative to GSDP | | | | | | |
| RE at current prices (₹ in crore) | 23,400 | 23,472 | 31,795 | 36,553 | 45,089 | - |
| Rate of growth of RE at current prices (<i>in per cent</i>) | 11.47 | 0.31 | 35.46 | 14.96 | 23.35 | 17.11 |
| RR at constant prices (₹ in crore) | 21,863 | 20,640 | 27,140 | 31,218 | 37,830 | - |
| Rate of growth of RE at constant prices (<i>per cent</i>) | 4.15 | (-5.60) | 31.49 | 15.02 | 21.18 | 13.25 |
| RE/ GSDP at current prices (<i>in per cent</i>) | 13.39 | 12.45 | 14.55 | 15.80 | 17.78 | 14.80 |
| Capital expenditure relative to GSDP | | | | | | |
| CE at current prices (₹ in crore) | 4,218 | 4,722 | 5,543 | 8,159 | 10,861 | - |
| Rate of growth of CE at current prices (<i>in per cent</i>) | 33.52 | 11.95 | 17.39 | 47.19 | 33.12 | 28.63 |
| CE at constant prices (₹ in crore) | 3,941 | 4,152 | 4,732 | 6,968 | 9,113 | - |
| Rate of growth of CE at constant prices (<i>per cent</i>) | 24.75 | 5.36 | 13.95 | 47.27 | 30.77 | 24.42 |
| CE/ GSDP at current prices (<i>in per cent</i>) | 2.41 | 2.50 | 2.54 | 3.53 | 4.28 | 3.05 |

As evident from the table above, revenue receipts, revenue expenditure and capital expenditure have increased from 2012-13 to 2016-17 as a percentage of GSDP even after accounting for inflation.

1.1.2 Review of the fiscal situation

The performance of the State during 2016-17 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 Legislature under Fiscal Responsibility and Budget Management (FRBM) Act, is given in **Table 1.4**. 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 detail in Para 1.4.2.1. Out of the total outstanding liabilities of ₹ 6,136 crore pertaining to Jharkhand Bijli Vitran Nigam Limited (JBVNL), Government of Jharkhand borrowed ₹ 5,553 crore from market on UDAY bonds and provided the balance of ₹ 583 crore from the Consolidated Fund in 2015-16. As a result there was no impact of UDAY on the fiscal deficit of the state during 2016-17.

Table 1.4: Major fiscal variables

(in per cent)

| Fiscal variables | 2016-17 | | | Actuals |
|---|--------------------------|--|----------------------|---------|
| | FFC target for the State | Target as prescribed in MTFP statement | Target as per Budget | |
| Revenue Deficit (-)/Surplus (+) w.r.t GSDP | Nil | (+)5.18 | (+)2.64 | (+)0.8 |
| Fiscal Deficit w.r.t. GSDP | 3.50 | 2.16 | 2.22 | 4.02 |
| Ratio of total outstanding debt of the Government to GSDP | 25.16 | 25.16 | 24.13 | 26.4 |

The State achieved the targets provided in the FRBM Act by eliminating the Revenue Deficit in 2006-07 and turning the deficit into a Revenue Surplus of ₹ 946 crore which after inter year fluctuations reached ₹ 4,085 crore in 2015-16. However, in 2016-17 revenue surplus of the State decreased to ₹ 1,965 crore.

During 2016-17, the Fiscal Deficit (₹ 10,192 crore) was 4.02 *per cent* of GSDP which was much beyond the recommended ceiling of 3.50 *per cent* by the 14th FC. State failed to achieve its own estimated target of revenue collection whereas expenditure of State was at par with the budget. Further, FD-GSDP ratio was nearly double its target under MTFP and its budget estimate for the year.

The Debt-GSDP ratio of the State was 26.4 *per cent* during 2016-17, which was beyond the MTFP estimate and 14th FC projection of 25.16 *per cent*.

1.1.2.1 Composition of Fiscal Deficit and its financing pattern

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

Table 1.5: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

| Sl. No. | Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | | |
|---|---|--------------|--------------|--------------|---------------|----------------|---------------------|------------|
| Composition of Fiscal Deficit | | 3,406 | 2,256 | 6,564 | 11,523 | 10,192 | | |
| 1 | Revenue Deficit (-)/Surplus (+) | 1,370 | 2,665 | (-)230 | 4,085 | 1,965 | | |
| 2 | Net Capital expenditure | 4,218 | 4,722 | 5,543 | 8,159 | 10,861 | | |
| 3 | Net Loans and Advances | 558 | 199 | 791 | 7,449 | 1,296 | | |
| Financing pattern of Fiscal Deficit* | | | | | | Receipt | Disbursement | Net |
| 1 | Market Borrowings | 3,145 | 2,535 | 4,488 | 4,755 | 5,154 | 429 | 4,725 |
| 2 | Loans from GoI | 100 | (-)33 | (-)5 | (-)2 | 234 | 157 | 77 |
| 3 | Special Securities issued to NSSF | (-)200 | 129 | 335 | 573 | - | 733 | (-)733 |
| 4 | Loans from Financial Institutions | (-)30 | 455 | (-)8 | 5,673 | 1,693 | 759 | 934 |
| 5 | Small Savings, PF, etc. | 22 | 9 | (-)202 | (-)159 | 873 | 994 | (-)121 |
| 6 | Reserve Fund | (-)123 | 271 | 275 | 10 | 453 | 70 | 383 |
| 7 | Deposits and Advances | 1,290 | (-)254 | 1,093 | 2,111 | 11,145 | 6,114 | 5,031 |
| 8 | Suspense and Miscellaneous | 31 | (-)1 | (-)13 | 17 | 301 | 331 | (-)30 |
| 9 | Remittances | (-)141 | 157 | (-)238 | 1 | 9,281 | 9,311 | (-)30 |
| 10 | Inter-State Settlement | (-)100 | (-)50 | - | - | - | - | - |
| 11 | Cash balance increase (+)/ Decrease(-) | 588 | 580 | 841 | (-)1,461 | 1,905 | 1,948 | (-)43 |

*All these figures are net of disbursements/outflows during the year except for 2016-17

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

During 2016-17, the Fiscal Deficit of ₹ 10,192 crore was mainly met from Market Borrowings (₹ 4,725 crore) and Deposits and Advances (₹ 5,031 crore).

1.1.2.2 Quality of Deficit/Surplus

Ideally, the revenue receipts should cover the revenue expenditure (including interest payments) of the State. While Revenue Deficit is made up from the borrowings and drawings on balances with the Reserve Bank of India, Revenue Surplus can be used for capital expenditure thereby reducing the need for borrowings and drawings from Reserve Bank Deposits (RBD). Further, if the non-debt receipts can meet the Primary Expenditure², there will be no Primary Deficit, to be financed by borrowings. Thus, a necessary condition for stability in finances of the State is that non-debt receipts should be adequate to cover the incremental primary expenditure and incremental interest payments.

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

(₹ in crore)

| Year | Non-Debt Receipts | Primary Revenue Expenditure | Capital Expenditure | Loans and Advances | Primary Expenditure | Primary Revenue Deficit (-) / Surplus (+) | Primary Deficit (-) / Surplus (+) |
|---------|-------------------|-----------------------------|---------------------|--------------------|---------------------|---|-----------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 (3+4+5) | 7 (2-3) | 8 (2-6) |
| 2012-13 | 24,813 | 21,009 | 4,218 | 601 | 25,828 | (+)3,804 | (-)1,015 |
| 2013-14 | 26,160 | 20,858 | 4,722 | 222 | 25,802 | (+)5,302 | (+)358 |
| 2014-15 | 31,598 | 28,866 | 5,543 | 824 | 35,233 | (+)2,732 | (-)3,635 |
| 2015-16 | 40,669 | 33,233 | 8,159 | 7,480 | 48,872 | (+)7,436 | (-)8,203 |
| 2016-17 | 47,093 | 40,917 | 10,861 | 1,335 | 53,113 | (+)6,176 | (-)6,020 |

Source: Finance Accounts of Government of Jharkhand

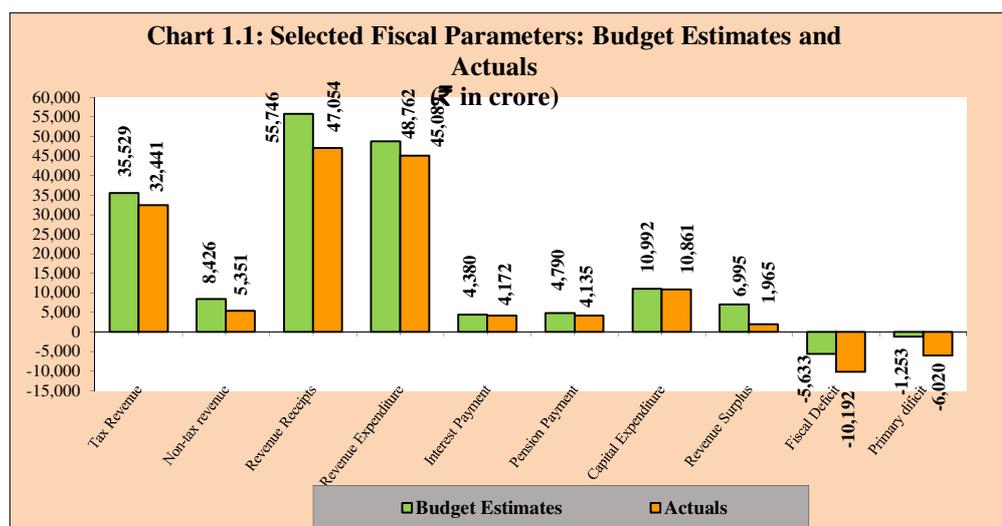
The composition of the Primary Deficit in **Table 1.6** indicates the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable for improving the productive capacity of the State's economy.

² Expenditure on Revenue, Capital and Loans and Advances, but not interest payments

1.1.3 Budget estimates and actuals

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

Chart 1.1 presents a comparative analysis of the budget estimates and actuals for some important fiscal parameters for 2016-17.



Source: Annual Financial Statement and Finance Accounts 2016-17

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 2016-17. Revenue receipts was less than its budget estimates by ₹ 8,692 crore during the year mainly due to less collection on Own Tax Revenue ₹ 3,751 crore and Grants-in-aid from GoI by ₹ 2,541 crore against the budget estimate.

Central Tax Revenue was more than the budget estimate by ₹ 662 crore during the year.

The decrease in revenue expenditure (by ₹ 3,673 crore) was mainly due to decrease in expenditure on General Services (by ₹ 1,389 crore) and Social Services (by ₹ 2,684 crore) during 2016-17. In General Services less expenditure was incurred under Interest Payments (₹ 208 Crore), Administrative Services (₹ 366 crore) and Pension and Miscellaneous (₹ 655 crore). In Social Services less expenditure was incurred under Education, Sports, Art and Culture (₹1,513 crore) and Social Welfare and Nutrition (₹ 924 crore).

The capital expenditure of the State was nearly at par with the Budget Estimates.

1.2 Resources of the State

Table 1.2 at page 2 above and Charts 1.2 to 1.5 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

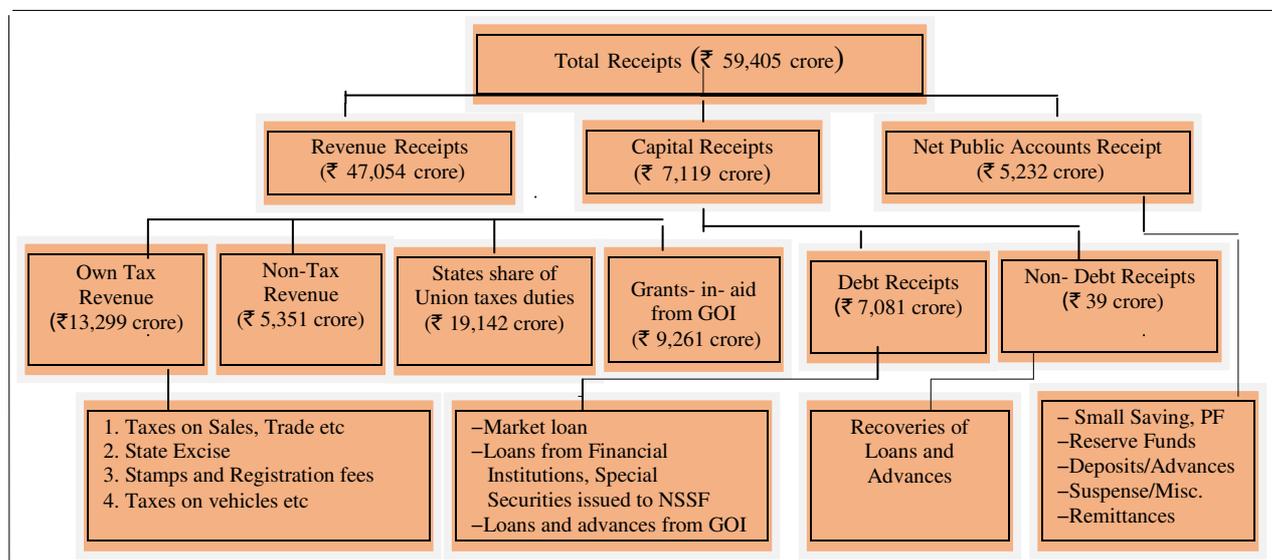


Chart 1.3: Trends in receipts (₹ in crore)

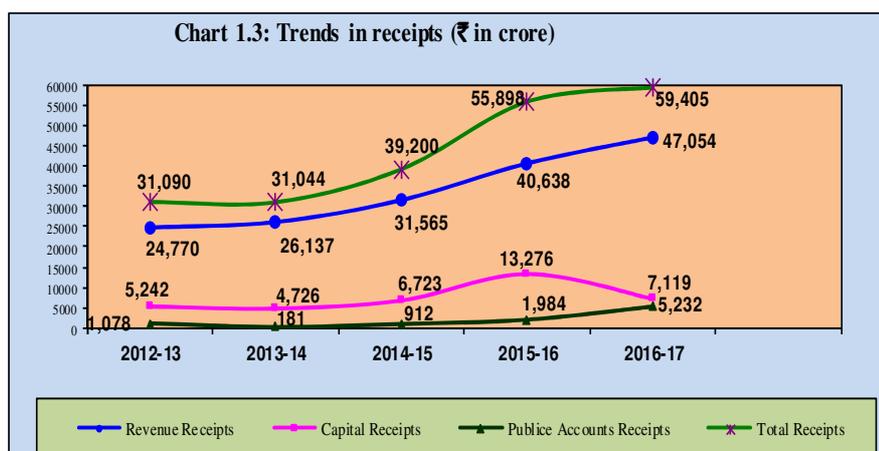
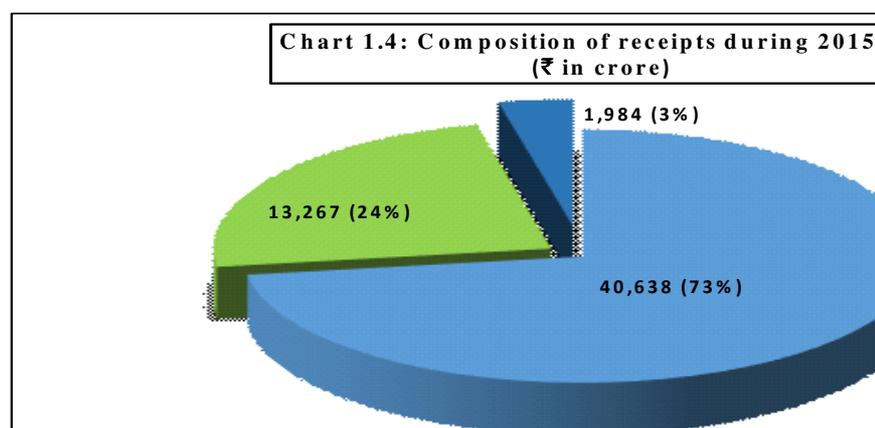
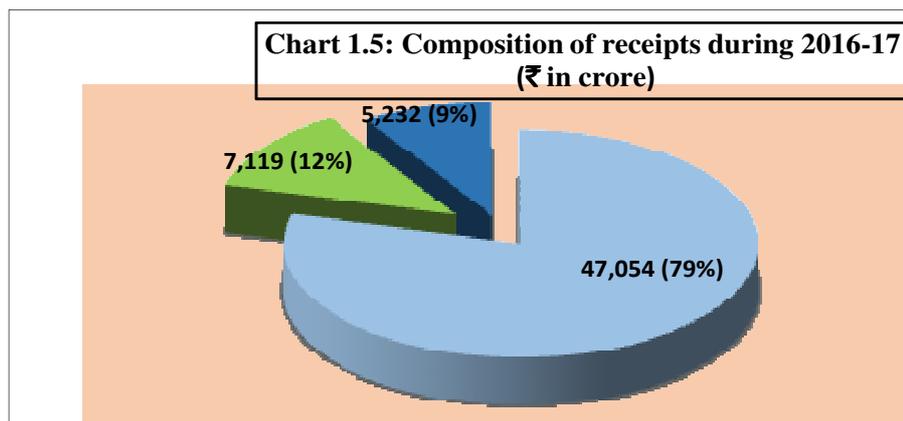


Chart 1.4: Composition of receipts during 2015-16 (₹ in crore)

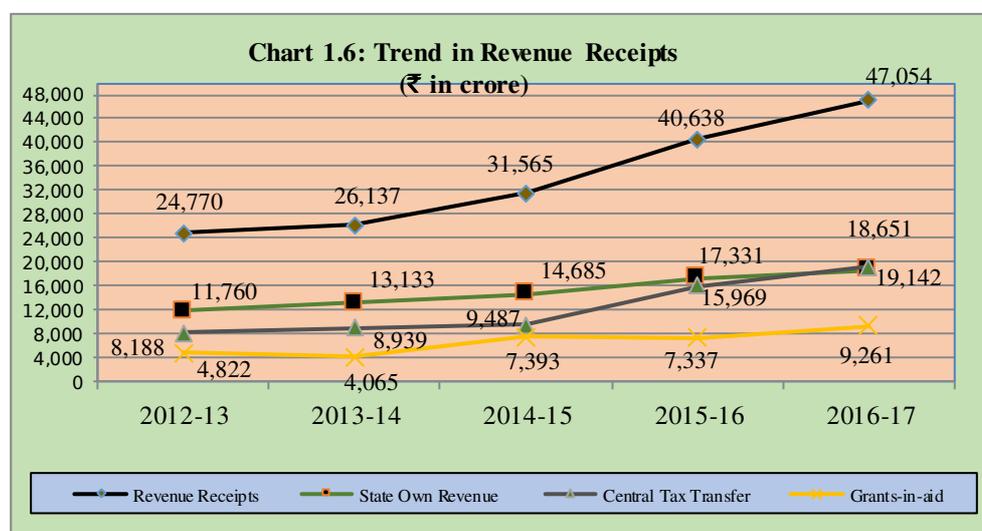




The share of revenue receipts to Total Receipts (RR/TR) increased from 73 per cent in 2015-16 to 79 per cent in 2016-17 mainly due to increase in the Share of Union taxes and decrease in Public Debt Receipts. The share of Capital Receipts to TR decreased to 12 per cent in 2016-17 mainly due to significant decrease in Public Debt receipts by ₹ 6,164 crore against previous year.

1.3 Revenue Receipts

The trends and composition of revenue receipts over the period 2012-17 are presented in **Appendix 1.3** and in **Chart 1.6**.



In comparison to the budget estimate, the revenue receipts were less by ₹ 8,692 crore during 2016-17 mainly due to less receipt of Own Tax Revenue (by ₹ 3,751 crore) and GIA from Government of India (by ₹ 2,541 crore).

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

Table 1.7: Trends in Revenue Receipts relative to GSDP

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---------------|---------------|---------------|---------------|---------------|
| Revenue Receipts (RR) (₹ in crore) | 24,770 | 26,137 | 31,565 | 40,638 | 47,054 |
| Rate of growth of RR (<i>per cent</i>) | 10.48 | 5.52 | 20.77 | 28.74 | 15.79 |
| R R/GSDP at current price (<i>per cent</i>) | 14.18 | 13.86 | 14.44 | 17.57 | 18.56 |
| R R/GSDP at constant price (<i>per cent</i>) | 15.17 | 15.76 | 16.92 | 20.57 | 22.12 |
| State's Own Tax / GSDP at current price | 4.71 | 4.97 | 4.74 | 4.96 | 5.25 |
| State's Own Tax / GSDP at constant price | 5.04 | 5.66 | 5.55 | 5.81 | 6.25 |
| Growth rate of GSDP at current price | 15.77 | 7.92 | 15.89 | 5.84 | 9.62 |
| Growth rate of GSDP at constant price | 8.17 | 1.57 | 12.49 | 5.90 | 7.69 |
| Buoyancy Ratios³ | | | | | |
| Revenue Buoyancy w.r.t GSDP at current price | 0.66 | 0.70 | 1.31 | 4.92 | 1.65 |
| Revenue Buoyancy w.r.t GSDP at constant price | 1.28 | 3.52 | 1.66 | 4.87 | 2.05 |
| State OTR Buoyancy w.r.t GSDP at current price | 1.16 | 1.78 | 0.65 | 1.88 | 1.67 |
| State OTR Buoyancy w.r.t GSDP at constant price | 2.24 | 8.98 | 0.82 | 1.85 | 2.07 |
| Revenue Buoyancy w.r.t. State's own taxes | 0.57 | 0.39 | 2.02 | 2.63 | 0.99 |

1.3.1 State's Own Resources

The State's actual Own Tax and Non-Tax Revenues for 2016-17 in comparison to the Fourteenth Finance Commission assessment and budget estimates is given in the **Table 1.8**.

Table 1.8: Tax and Non-Tax receipts

| | (₹ in crore) | | |
|-----------------|---------------------------------|------------------|--------|
| | 14 th FC projections | Budget estimates | Actual |
| Own Tax Revenue | 16,044 | 17,050 | 13,299 |
| Non-Tax Revenue | 5,039 | 8,426 | 5,351 |

Source: 14thFC report, Budget document and Finance Accounts of the State 2016-17

The short achievement of own tax revenue against projections and estimates was mainly due to lesser collection of Sales Tax (by ₹ 2,154 crore), State Excise (by ₹ 538 crore) and Taxes on Vehicles (by ₹ 418 crore) than estimated.

1.3.1.1 Tax Revenue

Gross collections of major taxes and duties are depicted in **Table 1.9**

Table 1.9: Components of Tax Revenue

| | (₹ in crore) | | | | | | | | |
|-----------------------------------|--------------|--------------|---------------|---------------|---------------|----------|--|--|---|
| Revenue Head | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | CAGR | Cost of collection (2016-17) <i>per cent</i> | Cost of collection (2015-16) <i>per cent</i> | All India Average of cost of collection |
| Taxes on Sales, Trade, etc. | 6,422 | 7,305 | 8,070 | 8,999 | 10,549 | 13.21 | 0.47 | 0.53 | 0.66 |
| State Excise | 578 | 628 | 740 | 912 | 962 | 13.58 | 1.74 | 2.08 | 3.21 |
| Taxes on Vehicles | 465 | 495 | 660 | 633 | 682 | 10.05 | 0.91 | 0.97 | 4.99 |
| Stamps Duty and Registration Fees | 492 | 502 | 531 | 532 | 607 | 5.39 | 2.85 | 2.43 | 2.87 |
| Land Revenue | 96 | 230 | 84 | 164 | 240 | 25.74 | - | - | - |
| Taxes on Goods & Passengers | 1 | 1 | 1 | 0 | 0 | - | - | - | - |
| Other Taxes | 170 | 219 | 264 | 239 | 259 | (-)-2.76 | 0.82 | - | - |
| Total Tax Revenue | 8,224 | 9,380 | 10,350 | 11,479 | 13,299 | - | - | - | - |

Source: Finance Accounts of the respective years

³ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points, if the GSDP increases by one *per cent*.

Cost of collection of own Taxes

As depicted in the **Table 1.9**, cost of collection of taxes in the State was significantly lower than the All India average in respect of all the taxes viz. VAT, State Excise, Taxes on Vehicles and Stamp Registration.

The cost of collection decreased in respect of all the taxes except on Stamp Duty and Registration Fees.

1.3.1.2 Non-Tax Revenue

Non-Tax Revenue (NTR) collected during 2016-17 was ₹ 5,351 crore against the normative projection of ₹ 5,039 crore by the 14th FC for the year.

Component-wise Non-Tax Revenue collected during 2012-17 is in **Table 1.10**.

Table 1.10: Component-wise Non-Tax Revenue

| (₹ in crore) | | | | | |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue Head | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Interest receipts | 72.23 | 69.48 | 143.04 | 122.44 | 121.34 |
| Dividends & Profits | 15.00 | 18.00 | 0.00 | 0.47 | 0.00 |
| Other non-tax receipts | 3,448.40 | 3,665.23 | 4,192.02 | 5,730.11 | 5,230.07 |
| Total | 3,535.63 | 3,752.71 | 4,335.06 | 5,853.02 | 5,351.41 |

Source: Finance Accounts of the respective years

The share of NTR in revenue receipts decreased from 14.40 *per cent* in 2015-16 to 11.3 *per cent* in 2016-17. In comparison to 35 *per cent* growth during 2015-16, the NTR decreased by 9 *per cent* in 2016-17 over the previous year mainly due to less collection in Mining and Metallurgical Industries (by ₹ 290 crore) and other Administrative Services (by ₹ 213 crore). Further the State failed to achieve its own revenue target fixed in the budget document in Mining and Metallurgical Industries (by ₹ 2,956 crore), Major Irrigation (by ₹ 229 crore) and Interest receipts (by ₹ 204 crore).

Recommendation:

The Government should make efforts to achieve its own target of receipts given in the Budget document as well as projected by the 14th FC to get the intended result.

1.3.2 Grants-in-aid from Government of India

The trend of release of Grants-in-aid by GoI under Non-Plan, State Plan, Centrally Sponsored Schemes and Central Plan Schemes is shown in the **Table 1.11**.

Table 1.11: Component-wise grants released by GoI

| (₹ in crore) | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Non-Plan Grants | 1,483.41 | 1,319.91 | 1,780.26 | 1,685.82 | 1,875.29 |
| Grants for State Plan Schemes | 2,393.94 | 1,565.83 | 4,914.69 | 4,950.18 | 6,792.89 |
| Grants for Central Plan Scheme | 30.81 | 28.28 | 83.56 | 50.90 | 78.01 |
| Grants for Centrally Sponsored Schemes | 914.05 | 1,150.96 | 614.17 | 650.74 | 515.16 |
| Total | 4,822.21 | 4,064.98 | 7,392.68 | 7,337.64 | 9,261.35 |
| Percentage of increase over previous year | (-)8.00 | (-)16.00 | 82.00 | (-)0.74 | 26.21 |
| Total grants as a percentage of revenue receipts | 19.47 | 15.55 | 23.42 | 18.06 | 19.68 |

Source: Finance Accounts of Government of Jharkhand

Non-Plan grants from GoI increased from ₹ 1,685.82 crore in 2015-16 to ₹ 1,875.29 crore in 2016-17 mainly due to increase in grants for basic grants to Local Bodies (Urban and Rural) whereas, State Plan grants increased from ₹ 4,950.18 crore to ₹ 6,792.89 crore mainly due to grants provided for Pradhan Mantri Awas Yojna, Integrated Child Development Services, Umbrella ICDS and Swachh Bharat Abhiyan etc.

1.3.3 Central Tax Transfer

Trends of Central Tax Transfers (CTT) over the past five years are depicted in **Table 1.12**

Table 1.12: Central Tax Transfer

| | (₹ in crore) | | | | | |
|----------------------------|--------------|---------|---------|---------|---------|-------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | CAGR |
| Central Tax Transfer (CTT) | 8,188 | 8,939 | 9,487 | 15,969 | 19,142 | 23.83 |
| CTT as share of RR | 30.06 | 34.20 | 30.06 | 39.30 | 40.68 | |

The increase of CTT in 2016-17 over the previous year was mainly under Corporation Tax (by ₹ 1,104 crore), Taxes on Income other than Corporation Tax (by ₹ 761 crore), Union Taxes and Duties (by ₹ 896 crore) and Service tax (by ₹ 322 crore). The CTT constituted 40.68 *per cent* of revenue receipts of the State during 2016-17.

1.3.4 Forgone Revenue

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

During 2016-17, test check of the records of 132 units relating to Taxes on Trade etc., State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Taxes and Duties on Electricity and Mines Receipts revealed under-assessment/ short levy/ loss of revenue aggregating ₹ 2,589.37 crore in 29,656 cases. During the year 2016-17, the departments concerned accepted under-assessment and other deficiencies of ₹ 1,934.20 crore in 26,645 cases pointed out by audit, but recovered only ₹ 5.63 crore in 394 cases.

1.3.4.2 Revenue arrears

As on 31 March 2017, revenue arrears amounted to ₹ 4,455.53 crore in three Departments (Commercial Taxes, Transport and State Excise) out of which ₹ 2,200.92 crore was outstanding for more than five years. These revenue arrears relates to Commercial Taxes Department (₹ 4,154.70 crore), Transport Department (₹ 270.27 crore) and State Excise (₹ 30.56 crore). Information regarding revenue arrears from other departments was not furnished (August 2017). The total revenue arrears as on 31 March 2017 were 23 *per cent* of own resources of the State against 19 *per cent* during 2015-16.

1.3.5 Labour Cess

The Contract Labour (Regulation and Abolition) Rules 1971, stipulate that amounts collected as labour cess from contractors was required to be transferred to the Labour Welfare Board for labour welfare schemes.

As per the Finance Accounts, ₹ 312.90 crore was collected as cess from contractors executing government projects between 2008-09 and 2016-17. The cess collected has not been transferred to the Labour Welfare Board (February

2018) inflating the Revenue Surplus and understating the Fiscal Deficit of the State during the relevant years.

Non-transfer of cess to Labour Welfare Board not only defeated the very purpose of the cess collection but also created a Government liability to this extent.

Recommendation:

The Finance Department should ensure transfer of Labour Cess to the Labour Welfare Board as early as possible.

1.4 Capital Receipts

Apart from revenue receipts, the State also received capital receipts, which comprise of proceeds from disinvestments, recovery of loans and advances given by the government, internal borrowings of the government from financial institutions and Loans and Advances from Government of India (GoI). Details of capital receipts during 2012-17 are given in **Table 1.13**.

Table 1.13: Trends in growth and composition of receipts

(₹ in crore)

| Source of State's Receipts | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---------|----------|---------|---------|---------|
| Capital Receipts (CR) | 5,242 | 4,726 | 6,723 | 13,276 | 7,120 |
| Miscellaneous Capital Receipts | 0 | 0 | 0 | 0 | 0 |
| Recovery of Loans and Advances | 43 | 23 | 33 | 31 | 38 |
| Public Debt Receipts | 5,199 | 4,703 | 6,690 | 13,245 | 7,081 |
| Rate of growth of debt capital receipts (per cent) | 94.6 | (-9.5) | 42.3 | 98.0 | (-47) |
| Rate of growth of non-debt capital receipts (per cent) | 79.2 | (-46.51) | 43.48 | (-6.06) | 26 |
| Rate of growth of GSDP at current price | 15.8 | 7.9 | 15.9 | 5.8 | 9.6 |
| Rate of growth of CR (per cent) | 94.5 | (-9.8) | 42.3 | 97.5 | (-46) |

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

Capital Receipts increased in 2015-16 due to one-time receipts under Ujwal DISCOM Assurance Yojana (UDAY) bonds of ₹ 5,553.37 crore. There was no disinvestment during 2016-17.

1.4.1 Recoveries from loans and advances

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

Table 1.14: Loans and Advances

(₹ in crore)

| Years | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--------------------------|---------|---------|---------|---------|---------|
| Opening balance of Loans | 7,190 | 7,748 | 7,947 | 8,738 | 16,187 |
| Loans given | 601 | 222 | 824 | 7,480 | 1,335 |
| Recovery made | 43 | 23 | 33 | 31 | 39 |
| Closing balance of loans | 7,748 | 7,947 | 8,738 | 16,187 | 17,483 |

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

Jharkhand State Electricity Board (JSEB), unbundled into four companies during 2014, was the major recipient of loans and advances given every year but no repayment was made against the same, leading to outstanding balance of ₹ 16,684 crore as loans to the power sector at the end of 31 March 2017. During 2016-17, a loan of ₹ 1,229 crore was given for power projects under Jharkhand Bijli Vitran Nigam Limited (JBVNL). Repayments received were mainly against the loans and advances given to the Government servants.

1.4.2 Debt receipts from internal sources

The State Government's internal debt ranged from ₹4,597 crore to ₹ 13,080 crore over the period 2012-17.

Table 1.15: Trends of Debt receipts from internal sources

| | (₹ in crore) | | | | |
|--|--------------|---------|---------|---------|---------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Internal Debt of Government | 4,960 | 4,597 | 6,537 | 13,080 | 6,847 |
| Total Public Debt and other Liabilities | 14,718 | 12,841 | 19,809 | 33,843 | 19,193 |
| As percentage to Total Public Debt and other Liabilities | 33.70 | 35.80 | 33.00 | 38.65 | 35.67 |

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

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

1.4.2.1 Borrowings on UDAY Bonds for DISCOMs

To improve the operational and financial efficiency of the state DISCOMs, a scheme of financial turnaround of power distribution companies was launched in 2015. As per provisions of the scheme, State of Jharkhand took over 100 *per cent* liabilities of outstanding dues of JBVNL with Central Public Sector Undertakings (CPSUs) and 75 *per cent* of the outstanding debt of JBVNL as existing on 30.09.2015. State issued a loan of ₹ 6,136 crore to JBVNL of which, ₹ 5,553 crore raised as borrowings on UDAY bonds and ₹ 583.00 crore was given from the consolidated fund of the State government. Borrowings on UDAY bond have been raised at an interest rate of 8 to 8.99 *per cent* per annum which was to be repaid between the year 2021-22 to 2030-31, whereas the loan given to the JBVNL at an interest rate of 13 *per cent* per annum.

Further, as per agreement the borrowings on UDAY bond would not be counted against the fiscal deficit limit of the state in the financial year 2015-16 and 2016-17. No borrowing was made on UDAY bond by the state during 2016-17.

1.4.3 Loans and advances from Government of India

Loans and advances from GoI were received for State Plan schemes and ranged between ₹ 106 crore and ₹ 239 crore during 2012-17.

1.5 Public accounts balances

Transactions in Public Accounts are not subject to vote by the State legislature. The Public Accounts Balances of the State as at the end of the concerned financial year are given in **Table 1.16**.

Table 1.16: Public Accounts Balances

| | (₹ in crore) | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Resources under various heads | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Public Accounts Receipts | 14,495 | 14,275 | 20,189 | 29,037 | 22,052 |
| Small Savings, Provident Fund etc. | 668 | 760 | 843 | 830 | 873 |
| Reserve Fund | 280 | 293 | 308 | 522 | 453 |
| Deposits and Advances | 8,706 | 7,204 | 12,182 | 19,499 | 11,145 |
| Suspense and Miscellaneous | 199 | -59 | 18 | 161 | 300 |
| Remittances | 4,642 | 6,077 | 6,838 | 8,025 | 9,281 |

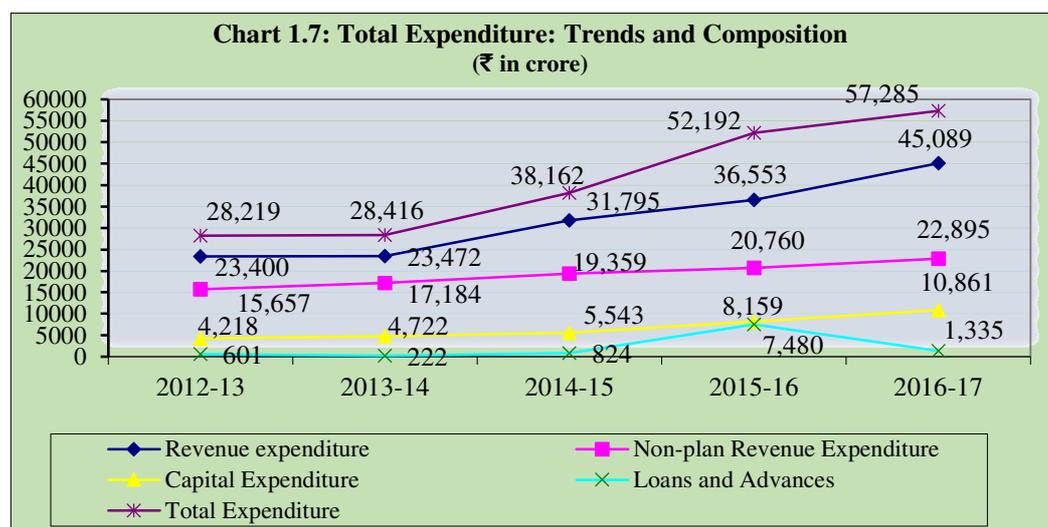
Source: Finance Accounts of Government of Jharkhand for the respective years

Deposits and Advances decreased mainly due to less credit in PL account of 'State Electricity Board Working Funds' by ₹ 6,534 crore during 2016-17 in comparison to the previous year.

1.6 Application of resources

Growth and Composition of Expenditure

Chart 1.7 presents the trends in Total Expenditure and its composition over the last five years (2012-17).



1.6.1 Capital Expenditure (CE)

During 2016-17, Capital Expenditure (CE) increased to ₹ 10,861 crore against ₹ 8,159 crore in 2015-16. The percentage of CE to GSDP was 4.3 per cent during 2016-17.

The State Government erroneously incurred ₹ 583.79 crore as capital expenditure on Salary, Maintenance, Office Expense, Travelling Allowance etc. and ₹ 105.00 crore given as Grants-in-aid from capital heads which were Revenue in nature leading to overstatement of Revenue Surplus of the State to that extent.

1.6.2 Revenue Expenditure (RE)

Revenue expenditure (RE) constituted 79 per cent of the Total Expenditure (₹ 57,285 crore) during 2016-17 against 91 per cent in 2015-16, which is a positive trend. During 2016-17, revenue expenditure was 17.8 per cent of GSDP.

1.6.2.1 Plan Revenue Expenditure (PRE)

Plan Revenue Expenditure (PRE) increased from ₹ 15,793 crore in 2015-16 to ₹ 22,194 crore in 2016-17. PRE was less than its budget estimate by ₹ 2,332 crore during the year mainly due to less expenditure under Education, Sports, Art and Culture by ₹ 744 crore, Social Welfare and Nutrition by ₹ 728 crore and Agriculture and Allied Activities by ₹ 350 crore. The share of PRE in total RE increased from 43 per cent in 2015-16 to 49 per cent in 2016-17. The increase in PRE was due to increase in expenditure of Social Services (by ₹ 3,146 crore) and Economic Services (by ₹ 3,510 crore).

1.6.2.2 Non-Plan Revenue Expenditure (NPRE)

During 2016-17, NPRE was ₹ 22,895 crore against budget estimate of ₹ 24,236 crore. Growth rate of NPRE increased from seven *per cent* in 2015-16 to 10 *per cent* in 2016-17 mainly due to increase in expenditure on General Services (by 11 *per cent*) over the previous year. During 2016-17, NPRE under Social Services was mainly incurred on Education (₹ 3,942 crore), Health and Family Welfare (₹ 898 crore) and Social Welfare and Nutrition (₹ 483 crore). NPRE under Economic Services, was incurred mainly on Rural Development (₹ 1,701 crore), Energy (₹ 1,200 crore) Agriculture & Allied Activities (₹ 489 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 1.17** and **Chart 1.8** present the trend in the expenditure on these components during 2012-17.

Table 1.17: Components of Expenditure on Salaries and Wages, Subsidies, Pension and Interest Payments

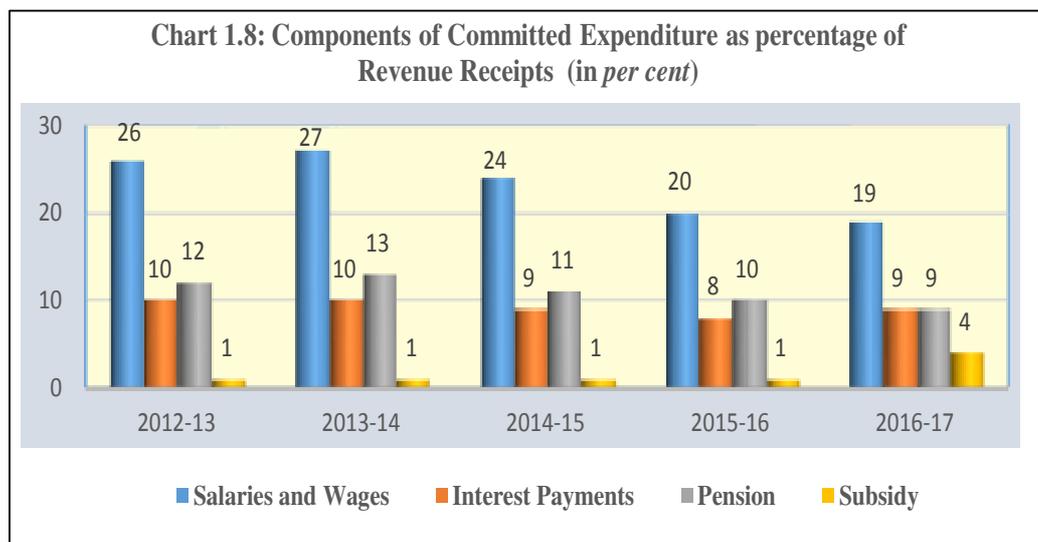
| Components of Committed Expenditure | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|
| | | | | | Budget Estimates [#] | Actual |
| Salaries* and Wages , of which | 6,446(26) | 6,934(27) | 7,417(24) | 8,218(20) | 11,142 | 8,927 (19) |
| Non-Plan heads | 6,270(25) | 6,766(26) | 7,193(23) | 7,943(19) | 10,226 | 8,649 (18) |
| Plan heads | 176(1) | 168(1) | 224(1) | 275(1) | 916 | 278(1) |
| Interest Payments | 2,391(10) | 2,614(10) | 2,929(9) | 3,320(8) | 4,393 | 4,172(9) |
| Pension | 2,931(12) | 3,484(13) | 3,463(11) | 3,990(10) | 4,790 | 4,135(9) |
| Subsidies | 270(1) | 187(1) | 246(1) | 522(1) | 2,330 | 1,859(4) |
| Total | 12,038(49) | 13,219(51) | 14,055(45) | 16,050(39) | 22,655 | 19,093(41) |

Source: Finance Accounts of Government of Jharkhand

Figures in parentheses indicate percentage of revenue receipts

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

Budget Estimates are gross figures while the actuals are net figures.



Salaries

Salaries & Wages (₹ 8,927 crore), Interest Payments (₹ 4,172 crore) and Pension (₹ 4,135 crore) together accounted for 38 *per cent* of the revenue expenditure and consumed 37 *per cent* of the revenue receipts during the year.

Pension

State Government employees recruited on or after 1 December 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.

During 2016-17 the State Government transferred ₹ 289.26 crore as employees contribution and ₹ 289.44 crore as employer's contribution to the NSDL.

It was noticed in the Finance Accounts of the State that proper head of accounts of posting of deductions from employees and contribution by the employer was opened in 2008-09.

Deductions from the employees along with contribution of the Government between December 2004 and November 2009 were transferred to NSDL in March 2010. At the end of March 2017, total deductions from the employees stood up to ₹ 1,091.98 crore against which government contributed ₹ 1,106.02 crore. Out of total deduction from employees under public account head 8342 a sum of ₹ 1,082.28 crore was transferred to NSDL leaving a balance of ₹ 9.70 crore at the end of March 2017.

Interest Payments

The growth rate of Interest Payments was 26 *per cent* over the previous year mainly due to sharp increase of interest on Market Loans by ₹ 830.86 crore (51 *per cent*). Interest Payments were nine *per cent* of revenue receipts during 2016-17. Major components of Interest Payments during 2015-16 and 2016-17 are given in **Table 1.18** below:

Table 1.18: Components of Interest Payments

(₹ in crore)

| Component of debt | 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 | 43,755.57 | 2,968.19 | 7.76 | 43,755.57 | 3,817.29 | 8.72 |
| Loans & Advances from GoI | 2,085.49 | 122.93 | 5.89 | 2,085.49 | 118.50 | 5.68 |
| Small Savings, Provident fund etc. | 1,197.17 | 221.79 | 17.37 | 1,197.17 | 229.21 | 19.15 |
| Others | 9,492.00 | 7.18 | 0.09 | 9,492.00 | 7.25 | 0.08 |
| Total | 56,530.23 | 3,320.09 | 6.63 | 56,530.23 | 4,172.25 | 7.38 |

Subsidy

During 2016-17, Government of Jharkhand paid ₹ 1,859 crore⁴ as subsidy mainly under MH 3456- Civil Supplies (₹ 1,045 crore), 2401-Crop Husbandry (₹ 556 crore), 2404-Dairy Development (₹ 84 crore) and 2852-Industries (₹ 90 crore). Subsidy increased from ₹ 522 crore in 2015-16 to ₹ 1,859 crore in 2016-17 due to provisions under Priority Household Scheme, Antyoday Anna Yojna, Distribution of Sugar/salt and Pradhan Mantri Ujjawala Yojana under Head 3456-Civil Supplies. No subsidy was given for power and irrigation.

1.6.4 Major programmes

During 2016-17, ₹ 16,048 crore was budgeted for 35 major flagship programmes under the State Plan (SP) against which ₹ 16,085 crore was utilized. Under the Central Plan (CP), ₹ 6,424.51 crore was utilised against ₹ 9,807.46 crore budgeted for the year.

The budget provisions and actual expenditure on some major programmes during 2016-17, under SP and CP are shown in **Table 1.19**.

Table 1.19: Expenditure on major programmes

(₹ in crore)

| Sl. No. | Name of programmes | Budget Provision | Expenditure |
|---------------------|---|------------------|-------------|
| State Plan | | | |
| 1 | Major Roads | 3,377.60 | 3,374.58 |
| 2 | Minimum Need Programmes-Construction of Rural Roads | 1,121.79 | 1,112.47 |
| 3 | Major Urban Transport Project and Civic Infrastructure | 734.10 | 734.91 |
| 4 | Swarn Rekha Project | 585.74 | 592.95 |
| 5 | Sarva Siksha Abhiyan | 579.36 | 579.36 |
| 6 | Loan to Jharkhand Bijli Vitaran Nigam Ltd. for Annual Development Programme | 569.92 | 569.92 |
| 7 | Loan to Jharkhand Urja Sancharan Nigam Ltd. For Transmission | 558.59 | 558.59 |
| Central Plan | | | |
| 1 | GIA for Pradhan Mantri Awas Yojna | 302.08 | 319.20 |
| 2 | Swachchh Bharat Mission | 234.73 | 234.73 |
| 3 | Smart City | 184.00 | 184.00 |
| 4 | Rashtriya Uchchatar Siksha abhiyan | 130.07 | 130.07 |
| 5 | Urban Rejuvenation Mission | 128.40 | 128.40 |

1.6.5 Financial assistance

Details of grants and loans given by the State Government during 2012-17 are presented in **Table 1.20**.

Table 1.20: Financial assistance to Local Bodies and other Institutions

(₹ in crore)

| Financial Assistance to Institutions | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--------------------------------------|-----------------|-----------------|------------------|------------------|------------------|
| Panchayati Raj Institutions (PRIs) | 3,078.86 | 910.68 | 3,378.42 | 3,407.48 | 2,533.77 |
| Urban Local Bodies (ULBs) | 330.54 | 88.38 | 1,619.77 | 1,830.77 | 2,961.14 |
| Public Sector Undertakings | 450.02 | 1,528.89 | 3,643.86 | 3,987.54 | 0.00 |
| Autonomous Bodies | 1,837.02 | 2,451.34 | 2,512.95 | 5,480.60 | 7,942.59 |
| Non-Government Organisation | 199.40 | 106.65 | 684.99 | 0.00 | 0.00 |
| Others | 1,054.48 | 1,335.91 | 564.03 | 184.53 | 6,894.52 |
| Total | 6,950.32 | 6,421.85 | 12,404.02 | 14,890.92 | 20,332.02 |
| As percentage of Revenue Expenditure | 29.70 | 27.36 | 39.01 | 40.74 | 45.09 |

Source: Statement 10 of Finance Accounts

⁴ Appendix II of Finance Accounts

Financial assistance to ULBs and PRIs was provided through regular service heads of the Urban Development Department and Rural Development Department instead of under head 3604-Financial assistance to ULBs and PRIs specified for the purpose. The amounts of assistance to PRIs and ULBs shown in the above table do not include amounts provided (₹ 1,177 crore) to Panchayati Raj Institutions and Urban Local Bodies under the minor heads 191, 192, 193, 196, 197 and 198 under respective departmental expenditure heads of accounts.

1.6.5.1 Urban Local Bodies (ULBs)

There are 44 ULBs (Nagar Nigam-6, Nagar Parishad-19, Nagar Panchayat-16, Nagar Palika-1 and Notified Area Committee-2) in the State.

Details of funds provided to ULBs are given in **Table 1.21** below:

Table 1.21: Funds made available to Urban Local Bodies

| (₹ in crore) | | | | | | |
|--|---------|---------|---------|---------|--------------------|----------|
| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Total |
| Revenue Receipt (RR) of the State | 24,770 | 26,137 | 31,565 | 36,553 | 47,054 | 1,70,164 |
| Revenue Expenditure (RE) of the State | 23,400 | 23,472 | 31,795 | 40,638 | 45,089 | 1,60,309 |
| Financial Assistance given to ULBs | 331 | 88 | 1,620 | 1,831 | 2,961 | 6,831 |
| Financial Assistance as percentage to RR | 1.34 | 0.34 | 5.13 | 4.51 | 6.29 | 4.01 |
| Financial Assistance as percentage to RE | 1.41 | 0.37 | 5.10 | 5.01 | 6.57 | 4.26 |
| Own collection ⁵ | 88.03 | 45.54 | 8.96 | 14.99 | 60.09 ⁶ | |

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 not made any interim recommendations in this regard. The Urban Development Department has not responded to several audit queries on the devolution of the 18 functions and powers stipulated under the 'Jharkhand Municipal Act, 2011 (**Appendix 1.5 Part-A**).

The State Government entrusted (October 2011) the C&AG with the 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 was amended in March 2012 providing 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 in August 2016 that 3 Deputy Controllers of Accounts and 14 Audit Officers have been appointed. The DLFA also informed in September 2016 that they are conducting audit of accounts of ULBs. However, Accountant General (Audit) is conducting the audit of local bodies on test check basis.

⁵ Information regarding funds collected by the ULBs from own sources has not been furnished by the Urban Development Department. However, information obtained during audit of various ULBs.

⁶ Own collection noticed during audit of accounts of ULBs naming Godda, Chaibasa, Sahebganj, Jugsalai, Chas, Jhumritilaiya, Adityapur, Simdega, Chakradharpur, Ramgarh, Bishrampur and RMC Ranchi.

1.6.5.2 Panchayati Raj Institutions

There are 4689 PRIs⁷ in the State. Details of fund releases to PRI during 2012-17 are given below:

Table 1.22: Funds released to Panchayati Raj Institutions

| (₹ in crore) | | | | | | |
|--|---------|---------|---------|---------|---------|----------|
| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Total |
| Revenue Receipt (RR) of the State | 24,770 | 26,137 | 31,565 | 40,638 | 47,054 | 1,70,164 |
| Revenue Expenditure (RE) of the State | 23,400 | 23,472 | 31,795 | 36,553 | 45,089 | 1,60,309 |
| Financial Assistance to PRIs | 3,079 | 911 | 3,378 | 3,407 | 2,534 | 13,309 |
| Financial Assistance as percentage to RR | 1.96 | 3.49 | 10.70 | 8.38 | 5.39 | 7.82 |
| Financial Assistance as percentage to RE | 2.08 | 3.88 | 10.62 | 9.32 | 5.62 | 8.30 |

The State Government issued orders of transfer of funds to Panchayats in October 2012. As depicted in **Appendix 1.5 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.

The DLFA informed in August 2016 that 3 Deputy Controller of Accounts and 14 Audit Officers have been appointed and efforts are being made for practical operationalisation. DLFA informed in May 2017 that audit of accounts of PRIs has been started. However, Accountant General (Audit) is conducting audit of local bodies on test check basis as per TGS arrangements since April 2012.

1.7 Quality of expenditure

Developmental expenditure (expenditure on social and economic services) constituted 76 per cent of Total Expenditure.

1.7.1 Adequacy of public expenditure

Table 1.23 analyses the fiscal priority of the State Government with regard to Development Expenditure, Social Sector Expenditure and Capital Expenditure during 2016-17, taking 2012-13 as the base year.

Table 1.23: Fiscal priority of the State in 2012-13 and 2016-17

| Fiscal Priority by the State* | AE/GSDP | DE [#] /AE | ESE/AE | SSE/AE | CE/AE | Education/AE | Health/AE |
|---|---------|---------------------|--------|--------|-------|--------------|-----------|
| General Category States Average (Ratio) 2012-13 | 14.8 | 70.0 | 29.8 | 38.2 | 13.7 | 17.7 | 4.6 |
| Jharkhand State's Average (Ratio) 2012-13 | 16.2 | 68.5 | 35.3 | 33.2 | 14.9 | 15.9 | 3.1 |
| General Category States Average (Ratio) 2016-17 | 16.7 | 70.9 | 35.1 | 32.2 | 19.7 | 15.2 | 4.8 |
| Jharkhand State's Average (Ratio) 2016-17 | 22.6 | 76.1 | 41.0 | 35.1 | 19.0 | 14.4 | 4.3 |

*As per cent to GSDP at current prices

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

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

Source: GSDP as available on CSO website as on 1 August 2017.

As evident from table the ratio of development expenditure and economic service expenditure to aggregate expenditure was more than average for the

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

General Category States (GCS). However, Education Sector Expenditure and Health Sector Expenditure were less than that of GCS.

Recommendation:

Government should give priority to Development Expenditure with emphasis on Education and Health Sectors.

1.7.2 Efficiency of expenditure use

Table 1.24 presents the trends in Development Expenditure relative to the Aggregate Expenditure of the State during 2016-17 *vis-à-vis* the budgeted amounts and the expenditure during the previous years.

Table 1.24: Development Expenditure

(₹ in crore)

| Components of Development Expenditure | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | |
|---|---------------|----------------|---------------|-------------------------|---------------|---------------|
| | | | | | BE* | Actuals |
| Development Expenditure | | | | | | |
| Development Revenue Expenditure | 14,704(52) | 13,512(48) | 21,171(55) | 24,551(47) | 34,350 | 32,065(56) |
| Development Capital Expenditure | 4,042(14) | 4,554(16) | 5,217(14) | 7,588(15) | 10,329 | 10,271(18) |
| Development Loans and Advances | 582(2) | 209(1) | 807(2) | 7,431 ⁸ (14) | 1,682 | 1,283(2) |
| Total | 19,328 | 18,275 | 27,195 | 39,570 | 46,361 | 43,619 |
| Growth of Development Expenditure | 18.2 | (-)-5.4 | 48.8 | 45.5 | | 10.2 |
| Figures in parentheses indicate percentage to aggregate expenditure (RE + CE + L&A) | | | | | | |
| * Budget estimates are gross figures while actuals are net figures. | | | | | | |

Source: Finance Accounts of Government of Jharkhand and budget publication

1.7.3 Expenditure on selected Social and Economic Services

Table 1.25 presents the efficiency of expenditure in selected Social and Economic services.

Table 1.25: 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 S & W O&M* | | Ratio of CE to TE | In RE, the share of S&W O &M | |
| Social Services (SS) | | | | | | |
| General Education | 0.10 | 33.53 | 0.01 | 0.39 | 37.51 | 0.00 |
| Health and Family Welfare | 15.65 | 32.19 | 0.01 | 21.42 | 38.13 | 0.00 |
| WS, Sanitation and HUD | 9.37 | 5.61 | 0.59 | 7.96 | 3.29 | 0.27 |
| Total (SS) | 6.44 | 21.01 | 0.22 | 7.61 | 21.72 | 0.11 |
| Economic Services (ES) | | | | | | |
| Agriculture & Allied Activities | 7.23 | 24.34 | 0.00 | 20.47 | 18.13 | 0.09 |
| Irrigation and Flood Control | 78.33 | 98.44 | 0.18 | 82.39 | 95.98 | 2.17 |
| Power & Energy | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.37 |
| Transport | 90.90 | 36.21 | 75.84 | 90.99 | 24.22 | 26.01 |
| Total (ES) | 27.74 | 13.05 | 1.34 | 37.21 | 9.84 | 3.21 |
| Total (SS+ES) | 19.18 | 17.86 | 0.66 | 23.55 | 16.72 | 1.42 |
| 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 Government of Jharkhand

⁸ On account of loans of ₹ 5,553 crore to DISCOMs under UDAY

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 13th and 14th Finance Commissions had prescribed cost recovery rate on irrigation projects for assessing commercial viability of these projects. However, as disclosed from the Finance Accounts of the State no irrigation scheme was declared as commercial by the Government of Jharkhand.

As per Appendix VIII (i) of the Finance Accounts, there are 42 Irrigation projects in Jharkhand with total capital outlay of ₹ 1,707.49 crore at the end of 2016-17, of which, ₹ 1,543.47 crore was spent on the working expenses and maintenance charges on these project. During 2016-17, ₹ 62.19 crore received as revenue from these projects.

Recommendation:

The State Government may initiate measures to declare irrigation projects as commercial for cost recovery as per Finance Commissions recommendations.

1.8.2 Incomplete projects

Department wise information pertaining to incomplete projects which were to be completed on or before 31 March 2017 is given in **Table 1.26**.

Table 1.26: Department-wise profile of incomplete projects

(₹ in crore)

| Department | No. of incomplete projects | Estimated cost of projects | Cumulative expenditure as on 31.3.2017 |
|-------------------------------|----------------------------|----------------------------|--|
| Building construction | 08 | 49.32 | 35.58 |
| Drinking Water and Sanitation | 23 | 546.74 | 534.50 |
| Road construction | 134 | 3,811.45 | 2,397.16 |
| Rural Works | 39 | 196.16 | 133.72 |
| Water Resources | 76 | 2,456.72 | 1,676.56 |
| Total | 280 | 7,060.39 | 4,777.52 |

Source: Appendix IX of Finance Accounts 2016-17

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 intended benefits.

Further, it was observed that in eight out of 280 projects, shown in the above table, the estimated cost of ₹ 341.87 crore increased to ₹ 460.23 crore in the revised estimate due to non-completion of projects in time. Revised cost of the remaining projects was not exhibited in Finance Accounts of the State due to departmental officers not furnishing details of these projects.

However, physical progress of eight⁹ works of Road Construction Department, included in the above table, costing ₹ 300.22 crore was completed during 2017-18.

⁹ 1) Continuation Of Dumka Airport to Chaklata Rd, 2) Strengthening of Bero-Lohardagga Rd. 0 to 39.10 km, 3) W/S Simdega Sewai-Kinkel-Kurdeg-Kutamakachaar Rd, 4) W/S Manoharpur-Anandpur-Bano-Kolebira Rd, 5) W/S Palkot Nathpur Konbir Rd. 0 to 16.84 Km, 6) W/s Kamdara-Bero Rd 0 to 23.60 Km, 7) W/S Jori-Pratappur Rd 0 to 18 km and 8) W/S Jadugora Sunder Nagar Rd.

Work of Ajay Barrage Project which was shown as physically completed in the accounts of the State was completed in six out of seven Divisions executing the project, and only a small part of earth work is incomplete in one division.

Recommendation:

The Public Works Departments of the State may evolve a mechanism to ensure timely completion of projects.

1.8.3 Investment and returns

As per annual accounts of the State ending 31 March 2017, the Government had invested ₹ 273.83 crore in one Regional Rural Bank (₹ 45.73 crore), 12 Government companies (₹ 100.30 crore) and 18 co-operatives, corporations, and societies (₹ 127.80 crore) since inception of the State in November 2000 (Table 1.27). However, during verification of PSUs accounts and sanction orders of the State, Audit observed that the Government accounts had understated investment of ₹ 124.54¹⁰ crore during 2000-2016, due to erroneous budgetary categorisation, viz., not providing for the investment under the appropriate minor head and depicting investment in share capital as GIA.

It was noticed that inspite of profit of ₹ 22.98 crore by the five¹¹ companies of the State, the return on investment of State was 'nil' during 2016-17. However, the Government paid interest at average rate ranging from 6.63 to 8.76 per cent on its borrowings during the period 2012-17.

Table 1.27: Returns on investments

| Investment/Return/cost of borrowings | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---------|---------|---------|---------|---------|
| Investment at the end of the year (₹ in crore) | 182.08 | 226.22 | 241.25 | 261.70 | 273.83 |
| Returns (₹ in crore) | 15.00 | 18.00 | Nil | 0.47 | Nil |
| Returns (per cent) | 7.99 | 7.76 | Nil | 0.18 | Nil |
| Average rate of interest on Govt. borrowing (per cent) | 8.76 | 7.22 | 7.22 | 6.63 | 6.76 |
| Difference between interest rate and return (per cent) | 0.77 | 0.54 | 7.22 | 6.45 | 6.76 |
| Notional loss due to difference between interest rate of market borrowing and interest received on the returns (₹ in crore) | 1.40 | 1.22 | 17.42 | 16.88 | 18.51 |

Source: Finance Accounts of Government of Jharkhand-Statement 19

Over the past five years the State Government has incurred a notional loss of ₹ 55.43 crore as difference between the interest on Government's borrowings and the return on investment, of which, there was a notional loss of ₹ 18.51 crore in 2016-17 alone. The return on investment of the State Government is therefore negative.

Audit further observed that investments made by the erstwhile State of Bihar in Government Companies, Co-operative Institutions and Local Bodies, Statutory Corporations and Joint Stock Companies up to 14 November 2000 (₹ 2,389.55

¹⁰ Greater Ranchi Development Authority- ₹ 39.14 crore; Jharkhand Hill Area Lift Irrigation Corporation-₹ 5 crore; Jharkhand Urban Transport Corporation Ltd.- ₹ 15 crore; Jharkhand State Agriculture Development Corporation Ltd.- ₹ 2 crore; Jharkhand Medical and health Infrastructure Development and Procurement Corporation Ltd.-₹ 5 crore; Jharkhand Urban Infrastructure Development Corporation-₹ 35 crore; Jharkhand Silk Textile and handicraft Development Corporation Ltd.- ₹ 10 crore; Jharkhand Urja Vikash Nigam Ltd.- ₹ 8.40 crore and Jharkhand State Food and Civil Supplies Corporation Ltd.- ₹ 5 crore.

¹¹ 1) Jharkhand State Beverages Corporation Ltd., 2) Jharkhand Industrial Infrastructure Development Corporation Ltd., 3) Greater Ranchi Development Agency Ltd., 4) Jharkhand Silk, Textile and Handicraft Development Corporation Ltd., 5) Jharkhand Police Housing Corporation Ltd.

crore) have not been apportioned between the successor States of Bihar and Jharkhand.

Recommendation:

Government of Jharkhand may liaise with the Government of Bihar for apportionment of investment in various entities by the erstwhile State of Bihar

1.8.4 Loans and advances by State Government

Apart from equity investments in the above entities, the State Government has also been providing Loans and Advances (L&A) to many of these entities and its employees. **Table 1.28** presents the outstanding Loans and Advances as on 31 March 2017 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 1.28: Loans and advances given by the State Government

| (₹ in crore) | | | | | |
|--|--------------|--------------|--------------|---------------|---------------|
| Loans/Interest Receipts/ cost of borrowings | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Opening Balance of Loans (₹ in crore) | 7,190 | 7,748 | 7,947 | 8,738 | 16,187 |
| Amount advanced during the year (₹ in crore) | 601 | 222 | 824 | 7,480 | 1,335 |
| Amount recovered during the year (₹ in crore) | 43 | 23 | 33 | 31 | 39 |
| Recovery as percentage of outstanding L&A | 0.6 | 0.3 | 0.4 | 0.4 | 0.2 |
| Closing Balance | 7,748 | 7,947 | 8,738 | 16,187 | 17,483 |
| Net addition (₹ in crore) | 558 | 199 | 791 | 7,449 | 1,297 |
| Total interest receipts (₹ in crore) | 0.95 | 2.74 | 15.72 | 4.33 | 3.88 |
| Interest receipts as a percentage of outstanding L&A | 0.01 | 0.03 | 0.20 | 0.05 | 0.02 |
| Average rate of interest on Govt. borrowing (<i>per cent</i>) | 8.76 | 7.22 | 7.22 | 6.63 | 6.76 |
| Difference between interest rate on market borrowings and interest received on loans (<i>per cent</i>) | 8.75 | 7.19 | 7.02 | 6.58 | 6.74 |
| Loss due to difference between interest rate of market borrowing and interest received on the loans (₹ in crore) | 53 | 16 | 58 | 492 | 90 |

Source: Finance Accounts of Government of Jharkhand

Over the past five years the State Government has incurred a loss of ₹ 709 crore on account of difference in interest received on loans and that the Government's incurred on its borrowings. Of this, the loss amounted to ₹ 90 crore in 2016-17 alone.

A significant portion of the total outstanding loans at the end of March 2017 (₹ 17,483 crore), pertains to loans to DISCOMs (₹ 16,684 crore) and Urban Local Bodies (₹ 674 crore), with loans to DISCOMs under UDAY (₹5,553 crore) contributing to the significant increase in 2015-16.

Outstanding arrears of loanee entities at the end of March 2017 amounted to ₹ 1,527.44 crore (principal: ₹ 518.24 crore and interest: ₹ 1,009.20 crore).

Loans provided to Jharkhand Hill Area Lift Irrigation Corporation (₹ 5 crore) in 2001-02 and Jharkhand State Food and Civil Supplies Corporation Ltd. (₹ 44 crore) in 2011-12 were understated in the government accounts due to incorrect budgetary categorisation under the revenue sector instead of the capital sector. Loans to Jharkhand State Electricity Board (JSEB) amounting to ₹ 7,208 crore continue to be depicted in the government accounts as receivable from Board, even though the Board was unbundled in January 2014 into separate companies.

Recommendation:

Government should take steps to recover the outstanding loans from the institutions/organisations not repaying the principal and interest on the loans,

failing which these loans should be written off since the chances of recovery are remote, if not non-existent.

Government should ensure correct categorisation of budget for investment in share capital of PSUs. Further, the State Government is required to review investment in companies whose financial performance does not even meet the borrowing cost of capital.

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 1.29**.

Table-1.29: Cash balances and Investment of Cash balances

(₹ in crore)

| Particulars | As on 31 st March 2016 | As on 31 st March 2017 |
|---|-----------------------------------|-----------------------------------|
| Cash Balances | 1,904.72 | 1,947.85 |
| Investments from Cash Balances (a to c) | 2,102.24 | 1,439.09 |
| a. GoI Treasury Bills | 2,102.24 | 1,439.09 |
| b. GoI Securities | Nil | Nil |
| c. Other Investments | Nil | Nil |
| Interest realized on investment | 117.27 | 117.01 |
| Deposit with Reserve Bank | (-)203.93 | 502.26 |
| Departmental Cash Balance | 6.41 | 6.50 |

Source: Finance Accounts of Government of Jharkhand

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

1.9 Assets and Liabilities

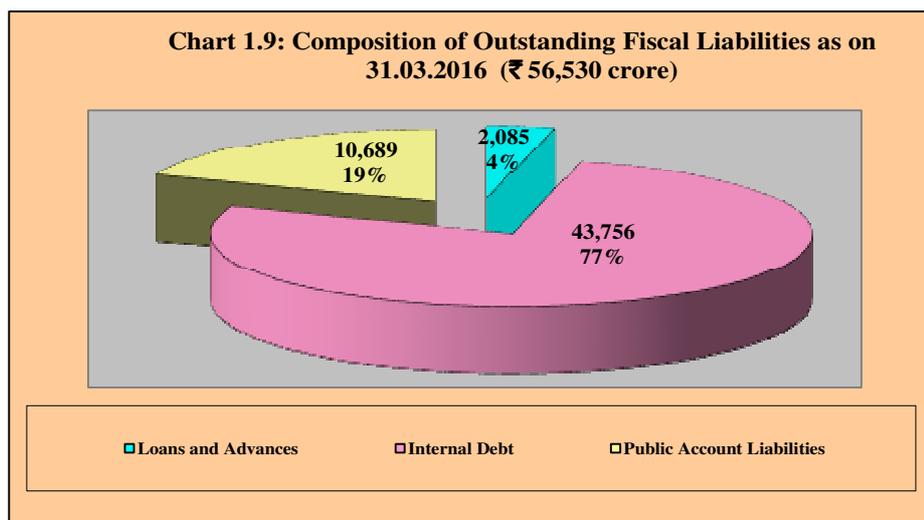
1.9.1 Growth and composition of Assets and Liabilities

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 financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4 Part B** gives an abstract of such liabilities and assets as on 31 March 2017, compared with the corresponding position on 31 March 2016. 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.

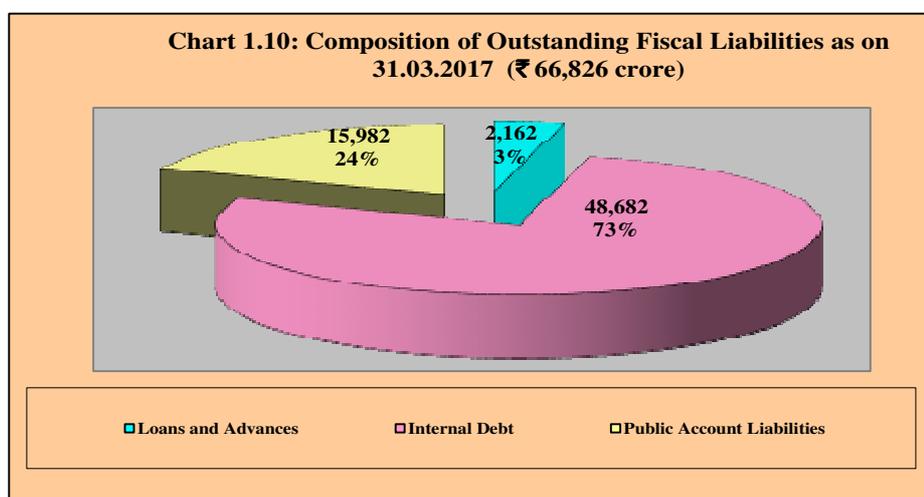
The Jharkhand FRBM Act, 2007 defines the total liabilities of the State as the liabilities under the Consolidated Fund of the State and the Public Account of the State, which includes Loans and Advances from the Central Government, open market borrowings, loans from financial institutions, Public Account 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**. However, the composition of fiscal liabilities during the years 2015-16 and 2016-17 is presented in **Chart 1.9** and **Chart 1.10** respectively.



Source: Finance Accounts of Government of Jharkhand



Source: Finance Accounts of Government of Jharkhand

Table 1.30: Trends in Fiscal Liabilities: basic parameters

(₹ in crore)

| Components | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | CAGR |
|--|---------------|---------------|---------------|---------------|---------------|--------------|
| Internal Debt | 25,202 | 27,940 | 32,755 | 43,756 | 48,682 | 17.89 |
| Loans and Advances from GoI | 2,124 | 2,092 | 2,087 | 2,085 | 2,162 | 0.44 |
| Public Account Liabilities | 7,543 | 7,562 | 8,727 | 10,689 | 15,982 | 20.65 |
| Total Fiscal Liabilities | 34,869 | 37,594 | 43,569 | 56,530 | 66,826 | 17.66 |
| Growth of Fiscal Liabilities (<i>per cent</i>) | 13.7 | 7.8 | 15.9 | 29.7 | 18.2 | NA |
| Fiscal Liability to GSDP at current price (<i>per cent</i>) | 20.0 | 19.9 | 19.9 | 24.4 | 26.4 | NA |
| Fiscal Liability to GSDP at constant price (<i>per cent</i>) | 21.4 | 22.7 | 26.3 | 30.3 | 31.4 | NA |
| Fiscal Liabilities as percentage to Revenue Receipts | 140.77 | 143.83 | 138.03 | 139.1 | 142.0 | NA |
| Buoyancy w.r.t. Revenue Receipts | 1.30 | 1.42 | 0.76 | 1.03 | 1.15 | NA |

NA- Not applicable

The ratio of Fiscal Liabilities to GSDP was 26.4 *per cent* in 2016-17 compared to the normative projection (25.16 *per cent*) made by the 14th FC for the State.

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

Recommendation:

The State should ensure to achieve the projection of 14th FC regarding the Fiscal Liabilities of the State.

1.9.3 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.

GoJ has an outstanding debt of ₹ 56,530.48 crore at the beginning of the year, for which, a minimum amount of ₹ 282.65 crore was required to be transferred to the fund, against which, GoJ made provision of ₹ 200 crore in Budget during 2016-17. However, no amount was transferred to the fund in 2016-17 despite budget provision.

Recommendation:

GoJ should follow the recommendation of the 12th Finance Commission and transfer the required amount in the Sinking Fund for amortisation of debt.

1.9.4 State Disaster Response Fund (SDRF)

The SDRF had a closing balance of ₹ 1,259.21 crore at March 2017. As per Para 19 and 20 of SDRF guidelines 2010, the balances under funds should 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. However, the Government did not act as per guidelines. 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, GoJ had not paid any interest to SDRF since the creation of the fund. This works out to ₹ 403.63 crore as estimated at the applicable rates of interest for the period 2010-17. Of this, unpaid interest for 2016-17 alone amounted to ₹ 74.50 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 this extent.

Recommendation:

The State should invest the huge balance lying under this fund as per the 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 12th 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. Accordingly, GoJ was required to create a GRF and transfer ₹ 6.32¹² crore to the fund from 2005-06 (start of 12th FC period) to 2016-17,

¹² Against outstanding guarantees of ₹ 157.15 crore to Damodar Valley Corporation for payment of monthly bills against the electricity purchased by Jharkhand State Electricity Board.

which it failed to do. Of this untransferred amount, ₹ 0.79 crore pertains to 2016-17 alone.

However, the State Government has not created the Guarantee Redemption Fund.

Recommendation:

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

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 sustainability¹³ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation¹⁴; sufficiency of non-debt receipts¹⁵; net availability of borrowed funds¹⁶; burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of State Government securities.

1.10.2 Debt Sustainability

Table 1.31 analyses the debt sustainability of the State according to these indicators for a period of five years beginning from 2012-13.

Table 1.31: Debt Sustainability: Indicators and Trends

| (₹ in crore) | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Indicators of Debt Sustainability | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Debt-GSDP ratio | 20.0 | 19.9 | 19.9 | 24.4 | 26.4 |
| Sufficiency of Incremental Non-debt Receipts (Resource Gap)* | (-)39 | 1,275 | (-)2,885 | 4,313 | (-)2,113 |
| Net Availability of Borrowed Funds | 1,814 | 110 | 3,046 | 9,641 | 6,224 |
| Burden of Interest Payments (IP/RR Ratio) | 10 | 10 | 9.28 | 8.17 | 8.87 |
| Maturity Profile of State Debt (In Years) | | | | | |
| 0 – 1 | 1,381(5) | 1,453(5) | 1,590(4) | 1,338(3) | 2,123(4) |
| 1 – 3 | 3,031(11) | 2,916(10) | 3,368(10) | 4,535(10) | 5,226(10) |
| 3 – 5 | 3,358(12) | 4,373(14) | 5,032(14) | 4,236(9) | 4,224(8) |
| 5 – 7 | 5,009(19) | 4,160(14) | 3,723(11) | 7,857(17) | 9,579(19) |
| 7 and above | 14,547(53) | 17,131(57) | 21,129(61) | 27,875(61) | 29,693(58) |
| Total | 27,326 | 30,033 | 34,842 | 45,841 | 50,845 |

Percentage to total is shown in brackets.

*Formula in **Appendix 1.2**

During 2016-17, the Debt-GSDP ratio at 26.4 *per cent* was higher than 25.16 *per cent* fixed as normative projection by 14th FC, and significantly higher than the target fixed in the budget document (24.13 *per cent*). Significant inter year

¹³ 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.

¹⁴ 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.

¹⁵ 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.

¹⁶ 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.

fluctuations in Resource Gap indicates inconsistent collection of non-debt receipts by the State during the period 2012-17.

Table 1.32: Net availability of borrowed funds

| Particulars | ₹ in crore) | | | | |
|--|-------------|---------|---------|---------|---------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Receipts under public debt and other liabilities | 14,718 | 12,840 | 19,808 | 28,482 | 19,193 |
| Repayment (principal and interest) under public debt and other liabilities | 12,904 | 12,730 | 16,762 | 18,841 | 12,969 |
| Net fund available | 1,814 | 110 | 3,046 | 9,641 | 6,224 |
| Percentage of net fund available to receipts under public debt and other liabilities | 12.32 | 0.86 | 15.38 | 33.85 | 32.43 |

During 2016-17, net availability of borrowed funds decreased by 35 per cent over the previous year against 191 per cent increase in 2015-16. The increase during 2015-16 was due to borrowing of fund on UDAY Bond (by ₹ 5,553 crore) for power sector.

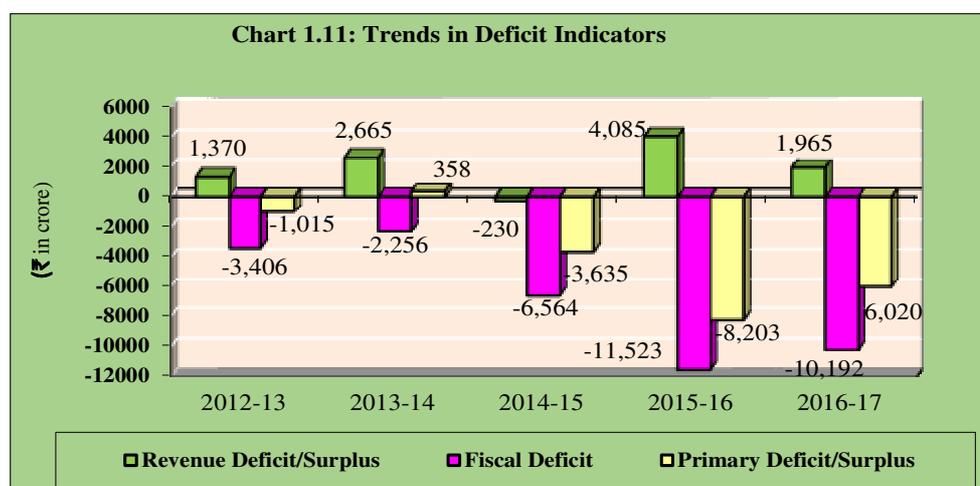
Net availability of borrowed fund was low during 2013-14 due to less receipt of deposit not bearing interest (by ₹ 1,519 crore), less internal borrowings (by ₹ 364 crore) and less receipts of Government of India loans (by ₹ 133 crore) w.r.t. previous year.

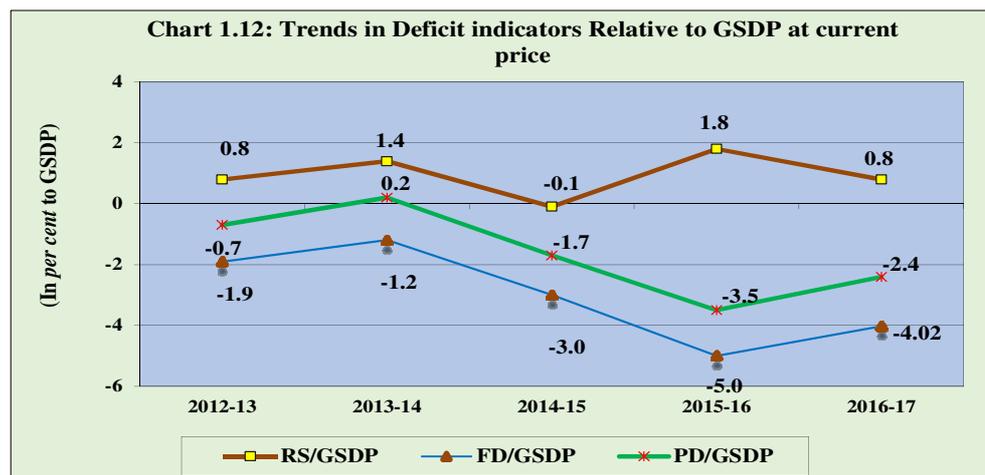
It was observed that net availability of borrowed funds as percentage to receipts under borrowings was higher in case of Jharkhand (32.43 per cent) in comparison to the other neighboring States like Uttar Pradesh (25.75 per cent), Madhya Pradesh (30.51 per cent), Bihar (19.15 per cent) and Chattisgarh (25.44 per cent) which was indicative of availability of borrowed funds for capital works in the State.

1.11 Fiscal Imbalances

1.11.1 Trends in deficits

Chart 1.11 and Chart 1.12 present the trends of deficit indicators over the period 2012-17.





The State managed to show a Revenue Surplus of ₹ 1,965 crore in 2016-17 mainly by incurring less revenue expenditure than the original budget estimates (by ₹ 1,389 crore under General Services, and by ₹ 2,684 crore under Social Services, despite excess expenditure of ₹ 399 crore under Economic Services).

Though the State achieved the target (as per the State FRBM Act and recommendations of the State Finance Commissions) of reducing the Revenue Deficit to 'zero' during 2012-17, except 2014-15, it could only achieve a Revenue Surplus to GSDP ratio of 0.8 per cent in 2016-17 against the target of 2.76 per cent. The Fiscal Deficit to GSDP ratio was 4.02 per cent at the end of March 2017, against the target of 2.22 per cent fixed in the budget document and the 14th FC norms of 3.50 per cent.

After inter year fluctuation Primary Deficit was (-)2.4 per cent of GSDP in 2016-17.

Recommendation:

The Government should ensure achievement of target fixed by 14th FC as well as estimated in the budget.