

**CHAPTER-I**  
**FINANCES OF THE STATE GOVERNMENT**



## CHAPTER -I

### FINANCES OF THE STATE GOVERNMENT

#### 1.1 Introduction

This chapter provides a broad overview of the finances of the State Government during the current year (2017-18) and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. **Himachal Pradesh is a Special Category State (SCS)**. The special privileges given to Himachal Pradesh include financial assistance from GoI in the ratio of 90 *per cent* grant and 10 *per cent* loan unlike Non-Special Category States which get central aid in the ratio of 30 *per cent* grant and 70 *per cent* loan.

#### Profile of State

The State of Himachal Pradesh is the 17<sup>th</sup> largest State in terms of geographical area (55,673 sq. km.) and the 20<sup>th</sup> largest by population. As indicated in **Appendix 1**, the State's population increased from 0.61 crore in 2001 to 0.73 crore in 2018 (projected) recording a growth of 20 *per cent*. The percentage of population (as per census 2011) below the poverty line was eight *per cent* which was less than the all-India average (22 *per cent*).

#### Gross State Domestic Product (GSDP)

The trends in the annual growth of State's and India's GDP at current and constant prices are indicated in **Table 1.1**.

**Table 1.1: Trends in Annual growth of India's GDP and GSDP of Himachal Pradesh (Current and Constant Prices)**

Year	2013-14	2014-15	2015-16*	2016-17*	2017-18*
<b>Current Prices (Base year – 2011-12)</b>					
India's GDP (₹ in crore)	112,33,522	124,67,959	137,64,037	152,53,714	167,73,145
Growth rate of GDP ( <i>per cent</i> )	12.97	10.99	10.40	10.82	<b>9.96</b>
State's GDP (₹ in crore)	94,764	103,772	113,355	124,235	135,914
Growth rate of GSDP ( <i>per cent</i> )	14.42	9.51	9.23	9.60	<b>9.40</b>
<b>Growth Rate of Neighbouring States</b>					
<b>Uttarakhand</b>	13.27	8.29	8.88	11.28	<b>11.25</b>
<b>Jammu &amp; Kashmir</b>	9.73	2.88	19.13	8.24	<b>11.07</b>
<b>Constant Prices (Base year – 2011-12)</b>					
India's GDP (₹ in crore)	98,01,370	105,27,674	113,86,145	121,96,006	130,10,843
Growth rate ( <i>per cent</i> )	6.39	7.41	8.15	7.11	6.68
State's GSDP (₹ in crore)	82,847	89,060	96,274	1,02,954	1,09,440
Growth rate ( <i>per cent</i> )	7.1	7.5	8.1	6.9	6.3

Source: Economics and Statistics Department, Himachal Pradesh and Central Statistics Office.

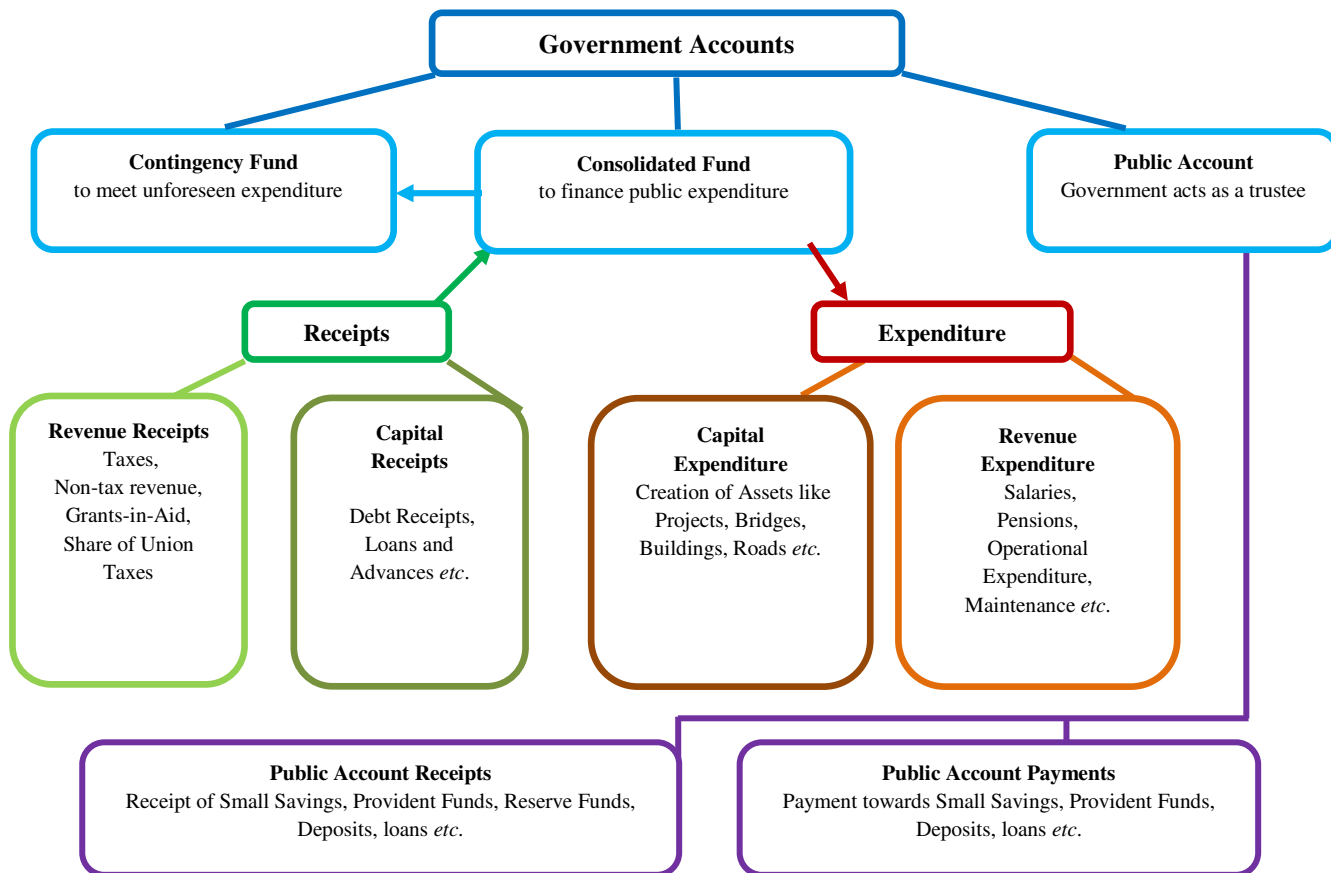
\* Provisional \* Quick \* Advance estimates.

The growth rate of GSDP of Himachal Pradesh for 2017-18 was lower than the growth rate of GSDP of the two neighbouring Special Category States Uttarakhand and Jammu & Kashmir. Also the annual growth rate of State's GSDP at both current and constant prices was marginally below the India's GDP.

### 1.1.1 Summary of Financial Transactions

Government finances generally comprise the following:

**Chart 1.1: Structure of Government Accounts**



Source: Budget provisions

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2017-18) vis-à-vis the previous year (2016-17).

**Table 1.2: Summary of Fiscal operations in 2017-18**

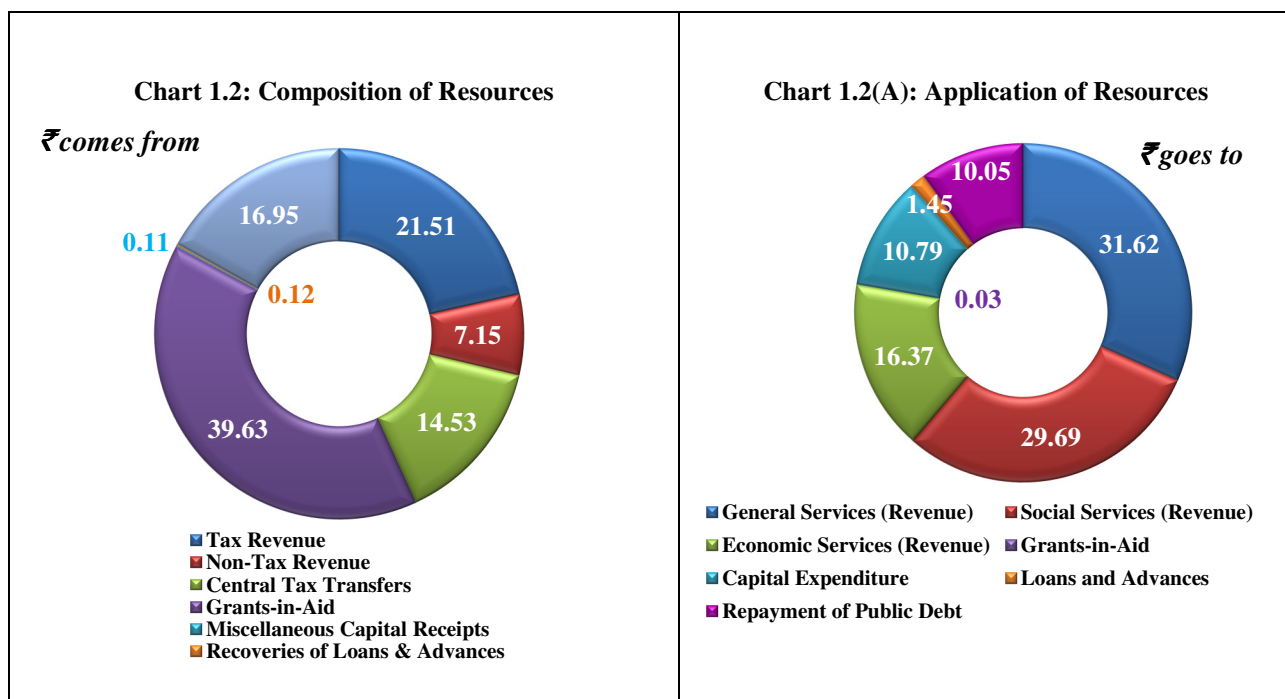
(₹ in crore)					
Receipts	2016-17	2017-18	Disbursements	2016-17	2017-18
<b>Section-A: Revenue</b>					
<b>Revenue receipts</b>	<b>26,264</b>	<b>27,367</b>	<b>Revenue expenditure</b>	<b>25,344</b>	<b>27,053</b>
Tax revenue	7,039	7,108	General Services	9,728	11,009
Non-tax revenue	1,717	2,364	Social Services	9,610	10,337
Share of union Taxes/Duties	4,344	4,801	Economic Services	5,996	5,697
Grants from Government of India	13,164	13,094	Grants-in-aid and Contributions	10	10
<b>Section-B: Capital and others</b>					
Misc. Capital Receipts	Nil	35	Capital outlay	3,499	3,756
Recoveries of Loans and Advances	30	40	Loans and advances disbursed	3,290*	503
Public Debt receipts	8,603*	5,600	Repayment of Public Debt	3,943	3,500
Contingency Fund	Nil	Nil	Contingency Fund	Nil	Nil
Public account receipts#	13,630	14,680	Public account disbursements	12,351	13,043
Opening Cash Balance	216	316	Closing cash balance	316	183
<b>Total</b>	<b>48,743</b>	<b>48,038</b>	<b>Total</b>	<b>48,743</b>	<b>48,038</b>

Source: Finance Accounts

\* Includes ₹2,890.50 crore to DISCOM under UDAY Scheme.

**Appendix 1.4** provides details of receipts and disbursements as well as the overall fiscal position during the current year as compared to previous year.

Composition of sources and application of funds in the Consolidated Fund of the State during 2017-18 is given in **Chart 1.2 and 1.2 (A)**.



### 1.1.2 Review of the fiscal situation

#### Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005

The Government of Himachal Pradesh enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 in April 2005 which was further amended by Act No. 25 of 2011 to ensure prudence in fiscal management and fiscal stability (**Appendix-1.2 Part B**). The FRBM Act was required to be amended as per recommendation of 14<sup>th</sup> Finance Commission (2015-20). **However, the State Government has not yet amended the FRBM Act.**

The outcome indicators of the State's own Fiscal Correction Path through the Medium Term Fiscal Plan Statement (MTFPS) prepared on 10 March 2017 are also given in **Appendix-1.2 (Part B)**.

Performance of the State Government on major fiscal variables against the recommendations of 14<sup>th</sup> Finance Commission (14<sup>th</sup>FC) and against the targets of the FRBM Act is depicted in **Table 1.3**.

**Table 1.3: Major Fiscal Variables**

Fiscal variables	2017-18				
	Targets/ Projections as prescribed in FRBM Act/ 14 <sup>th</sup> FC	Projections/ Targets proposed in the Budget/MTFPS#	Actual	Percentage variation of actual over	
				Targets/Projec- tions of FRBM Act/14 <sup>th</sup> FC	Projections/ Targets proposed in the Budget/MTFPS#
Revenue Surplus(+)/ Deficit(-) (₹ in crore)	Maintain revenue surplus	(-) 1,041.32	313.90	Target achieved	Target achieved
Fiscal Deficit/GSDP (in per cent)	(-) 3.00 or less	(-) 3.50	(-)2.85	Target achieved	Target achieved
Ratio of total outstanding debt* of the government to GSDP (in per cent)	32.99	32.92	37.55	(-) 4.56	(-) 4.63

Source: Finance Department and Finance Accounts

#Medium Term Fiscal Plan Statement

\*This includes public debt and other obligations of the State Government

- **The State achieved the targets of eliminating the revenue deficit and maintained surplus provided in the FRBM Act/14<sup>th</sup> FC during last three years (2015-18) due to increase in central devolutions on the recommendations of 14<sup>th</sup> Finance Commission.**
- **Fiscal Deficit was 2.85 per cent of the GSDP which was well within the target.**
- **The Debt/GSDP ratio of the State was 37.55 per cent during 2017-18 which exceeded the targets.**

### **1.1.3 Ujwal DISCOM Assurance Yojna (UDAY)**

With the objective of ensuring financial turnaround of Power Distribution Companies (DISCOM), the Ministry of Power, Government of India (GoI) introduced (November 2015) the Ujwal DISCOM Assurance Yojna (UDAY) to improve the operational and financial efficiency of the State DISCOM. States were to take over 75 per cent of DISCOM debt as on 30 September 2015 over two years i.e. 50 per cent of DISCOM debt shall be taken over in 2015-16 and 25 per cent in 2016-17.

The DISCOM shall be under obligation to discharge the liability of interest as well as repayment of principal amount to the Government of Himachal Pradesh (GoHP) (15 days before the date of payment of interest and principal by the GoHP to the bond holders under UDAY) as per repayment schedule. In case the DISCOM fails to make payment of interest/principal on due dates, then the DISCOM shall be liable to pay penal interest @ 2 per cent per annum on the defaulted amount for the period of delay.

The UDAY bonds carried an interest element of an average rate of 7.88 per cent per annum. These Bonds have a moratorium period of 5 years for repayment of Principal and repayment shall start from the year 2022-23. The Principal has to be redeemed in 10 equal installments of ₹ 289.05 crore per annum till 2031-32. Annual interest liability is ₹ 227.78 crore, payable on half yearly basis on 28<sup>th</sup> of August and February of every year beginning from year 2017-18.

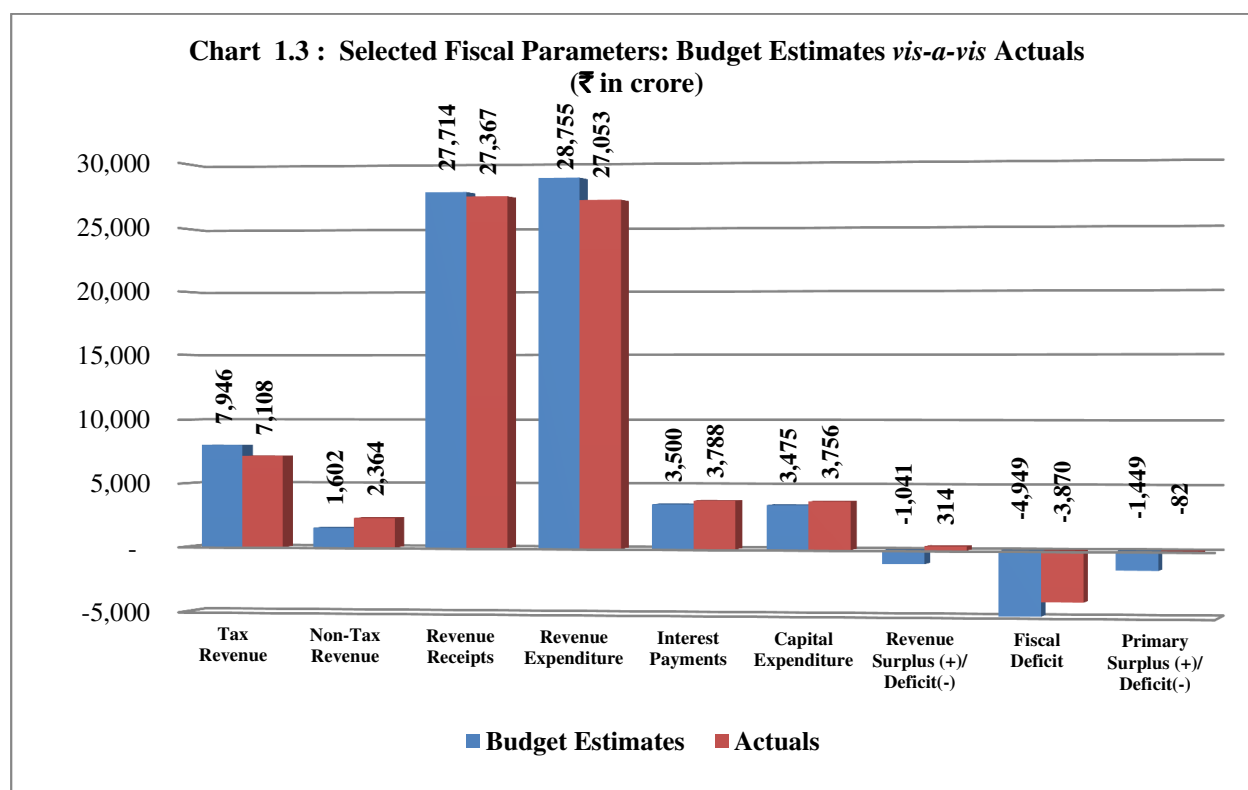
Himachal Pradesh entered into a tripartite Memorandum of Understanding (MoU) between GoI, GoHP and Himachal Pradesh State Electricity Board Limited (DISCOM) on 8<sup>th</sup> December 2016 to take over the entire 75 per cent (₹ 2,890.50

crore) of the outstanding debt of Himachal Pradesh DISCOM (₹ 3,854 crore) as on 30<sup>th</sup> September 2015 in the year 2016-17. After signing of the Tripartite Agreement, the GoHP raised funds amounting to ₹ 2,890.50 crore through issuing of UDAY Bonds (7.88 per cent) and transferred these funds to the DISCOM during 2016-17. This outstanding debt of ₹ 2,890.50 crore given to the DISCOM, is to be converted into Grants (₹ 2,167.50 crore) and Equity (₹ 723 crore) in the year 2020-21.

During 2017-18, the State Government paid ₹ 238.91 crore towards interest on bonds issued under UDAY Scheme whereas it received ₹ 227.78 crore as interest on the loan extended to the DISCOM.

#### 1.1.4 Budget estimates and actual

The budget estimates and actuals for some important fiscal parameters for 2017-18 are given in **Chart 1.3**.



Source: MTFPS (March 2017) and Finance Accounts 2017-18

- Revenue receipts (₹ 27,367 crore) fell short by ₹ 347 crore (one per cent) of the Budget estimates (₹ 27,714 crore). The collections of own tax revenue fell short by ₹ 838 crore (11 per cent) whereas non-tax revenue was above the budget estimate by ₹ 762 crore (48 per cent). Shortfall in revenue receipts was mainly under Taxes on Sales, Trades etc.
- Revenue expenditure (₹ 27,053 crore) fell short by ₹ 1,702 crore (six per cent) of the Budget Estimates (₹ 28,755 crore). The major shortfall in expenditure was noticed under Water Supply, Sanitation, Housing and Urban Development by ₹ 438.28 crore under Social Services. Within Economic Services, the shortfall was mainly under Energy sector by ₹ 449.69 crore. Interest payments increased by ₹ 288 crore of the budget estimates under General Services. Capital

expenditure exceeded budget estimates by ₹ 281 crore mainly due to higher expenditure under Economic services.

- Against the Revenue deficit estimate of ₹ 1,041 crore the State generated a revenue surplus of ₹ 314 crore, whereas Fiscal deficit estimate (₹ 4,949 crore) decreased by ₹ 1,079 crore and stood at ₹ 3,870 crore. The Primary deficit (₹ 82 crore) was less than the budget estimates (₹ 1,449 crore) by ₹ 1,367 crore during 2017-18.

### 1.1.5 Buoyancy Ratios

Buoyancy Ratios indicate the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. The Buoyancy Ratios of Revenue Receipts, State's Own Tax Receipts, Total Expenditure and Fiscal Liabilities w.r.t. the GSDP are given in Table 1.4.

**Table 1.4: Buoyancy Ratios of Receipts, Expenditure and Fiscal Liabilities in comparison to GSDP**

	2013-14	2014-15	2015-16	2016-17	2017-18
<b>GSDP (₹ in crore)</b>	94,764	1,03,772	1,13,355	1,24,235	1,35,914
Rate of Growth of GSDP (in per cent)	14.42	9.51	9.23	9.60	9.40
<b>Revenue Receipts (RR)</b>					
Revenue Receipts (RR) (₹ in crore)	15,711	17,843	23,440	26,264	27,367
Rate of growth of RR (in per cent)	0.72	13.57	31.36	12.05	4.20
Buoyancy of RR with respect to GSDP	0.05	1.43	3.40	1.26	0.45
<b>State's Own Tax Revenue (SOTR)</b>					
SOTR during the year (₹ in crore)	5,121	5,940	6,696	7,039	7,108
Rate of Growth of SOTR (in per cent)	10.70	15.99	12.73	5.12	0.98
Buoyancy of SOTR with GSDP	0.74	1.68	1.38	0.53	0.10
<b>Total Expenditure (TE)</b>					
TE during the year (₹ in crore)	19,739	22,734	25,630	32,133	31,312
Rate of Growth of TE (in per cent)	6.14	15.17	12.74	25.37	(-)2.56
Buoyancy of TE with GSDP	0.43	1.60	1.38	2.64	(-)0.27
<b>Fiscal Liabilities (FL)</b>					
FL at the end of the year (₹ in crore)	33,884	38,192	41,197	47,244	51,030
Rate of Growth of FL (in per cent)	11.31	12.71	7.87	14.68	8.01
Buoyancy of FL with GSDP	0.78	1.34	0.85	1.53	0.85

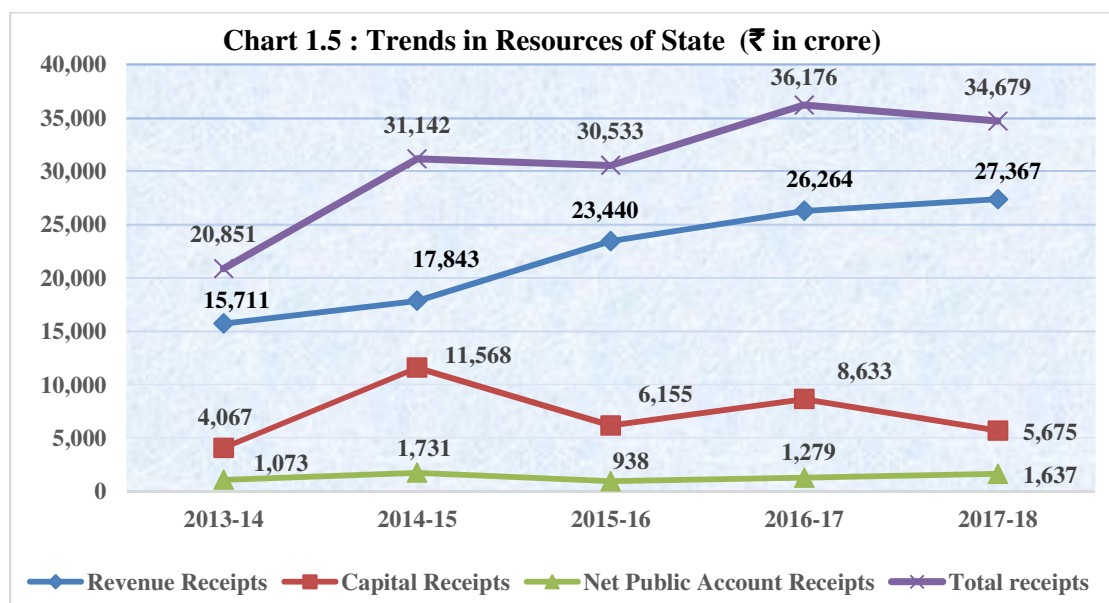
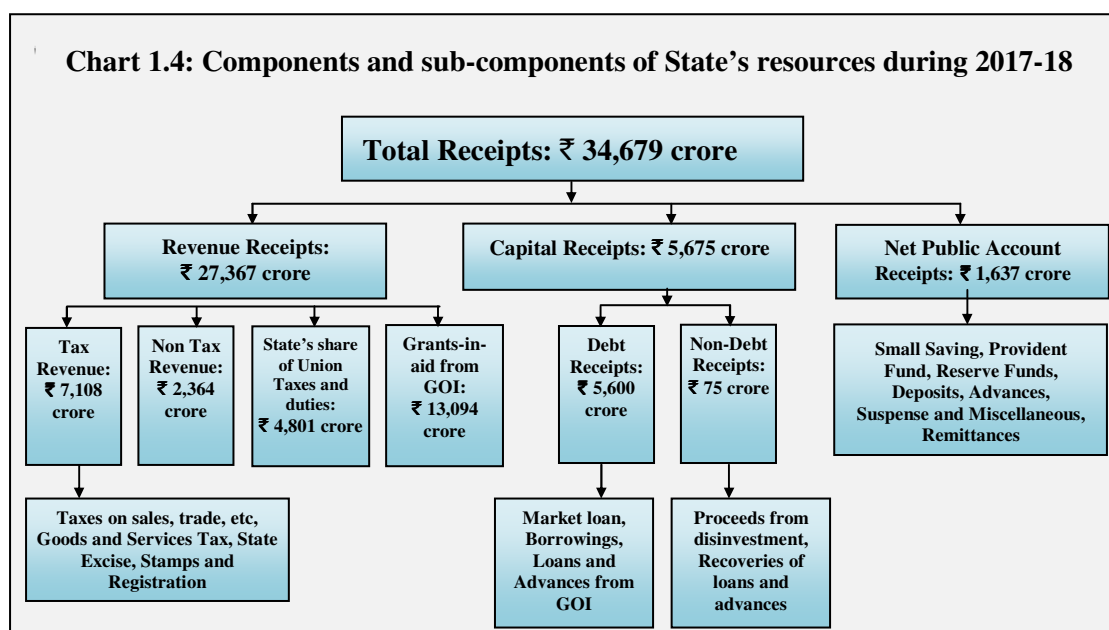
Source: Finance Accounts of respective years

The Buoyancy of RR and SOTR with reference to GSDP was lower during 2017-18 which indicates that during 2017-18 the growth rate of RR was lower than the growth rate of GSDP which is a matter of concern. Decline in growth rate of revenue receipts was primarily due to decline in growth rate of State own tax receipts. The growth rate of total expenditure and fiscal liabilities was less than the growth rate of GSDP during 2017-18.



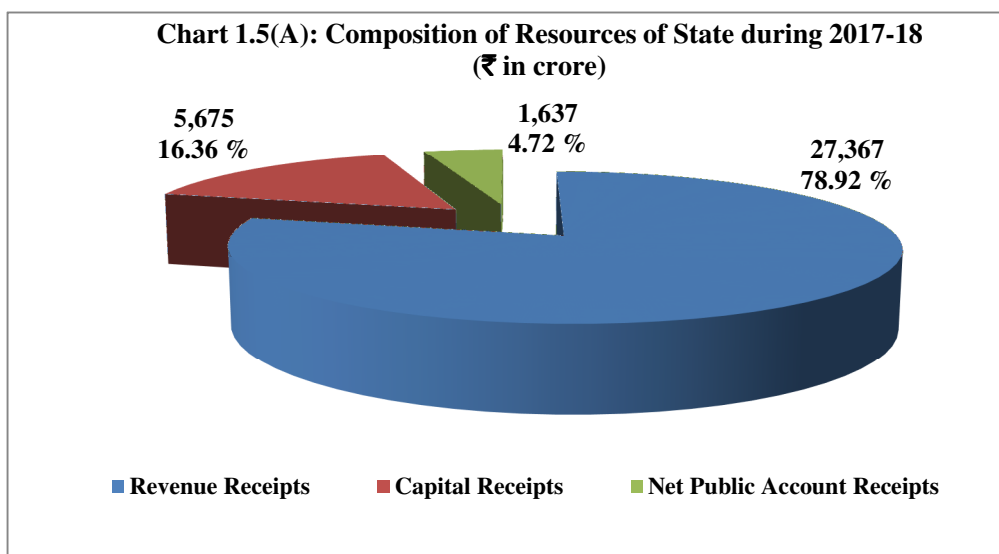
## 1.2 Resources of the State

Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the GoI. Capital receipts comprise of miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowing from financial institutions/commercial banks) and loans and advances from GoI as well as accruals from Public Account. **Table 1.2** presents the receipts and disbursements of the State during the year 2017-18 as recorded in its Annual Finance Accounts while **Chart 1.5** depicts the trends in various components of the receipts of the State during 2013-18. **Chart 1.4** and **1.5(A)** depict the composition of resources of the States during the current year.



The total receipts of the State increased by ₹ 13,828 crore (66.32 per cent) during 2013-18. Revenue receipts increased by ₹ 11,656 crore (74.19 per cent), Capital

receipts, which includes recovery of loans and advances and public debt, increased by ₹ 1,608 crore (39.54 per cent) and Net Public Account receipts increased by ₹ 564 crore (52.56 per cent) during the same period.



Total receipts decreased from ₹ 36,176 crore in 2016-17 to ₹ 34,679 crore in 2017-18. This was primarily due to receipt of ₹ 2,890.50 crore during 2016-17 as loan under capital receipts on account of UDAY scheme.

The share of revenue receipts in the total receipts increased from 75.35 per cent (2013-14) to 78.92 per cent (2017-18). The share of net Public Account receipts slightly decreased from 5.15 per cent to 4.72 per cent and share of capital receipts (including debt) also decreased from 19.51 per cent to 16.36 per cent during 2013-18.

### **1.2.1 Funds transferred by the GoI directly to State Implementing Agencies outside the State Budget**

The GoI has been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes/programs in the social and economic sectors without routing through the State budget/treasury.

In spite of Central Government decision to route these funds through budget from 2014-15, funds were still transferred directly to the State Implementing agencies during 2014-18. During 2017-18, these direct fund transfers increased to ₹ 901.83 crore from ₹ 457.18 crore compared to previous year. These funds were transferred mainly under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) (₹ 436.20 crore) to Himachal Pradesh Rural Development and Employment Guarantee Society, package for special category state (₹ 40.37 crore) and transport subsidy scheme (₹ 17.12 crore) to Himachal Pradesh State Industrial Development corporation and MPLAD (₹ 32.50 crore) (**Appendix 1.5**).

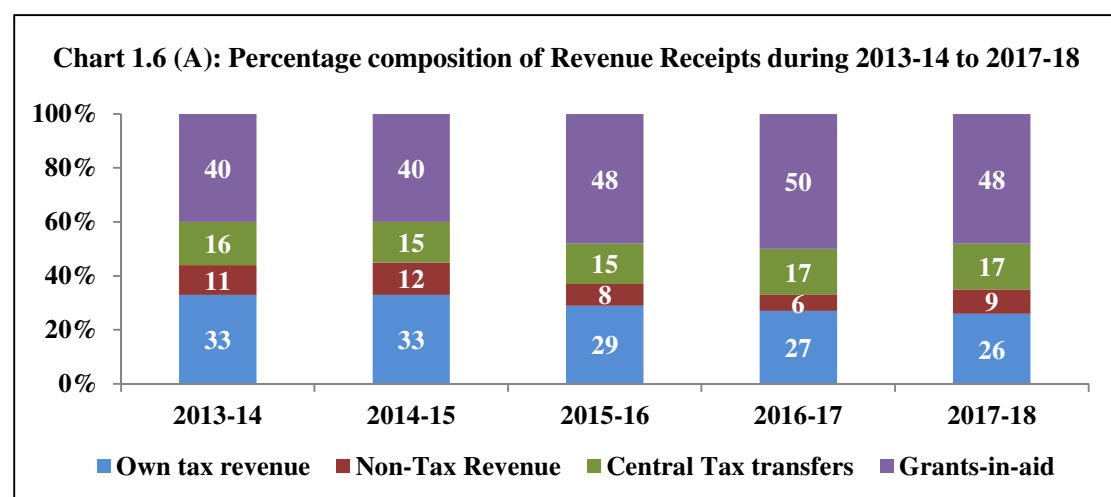
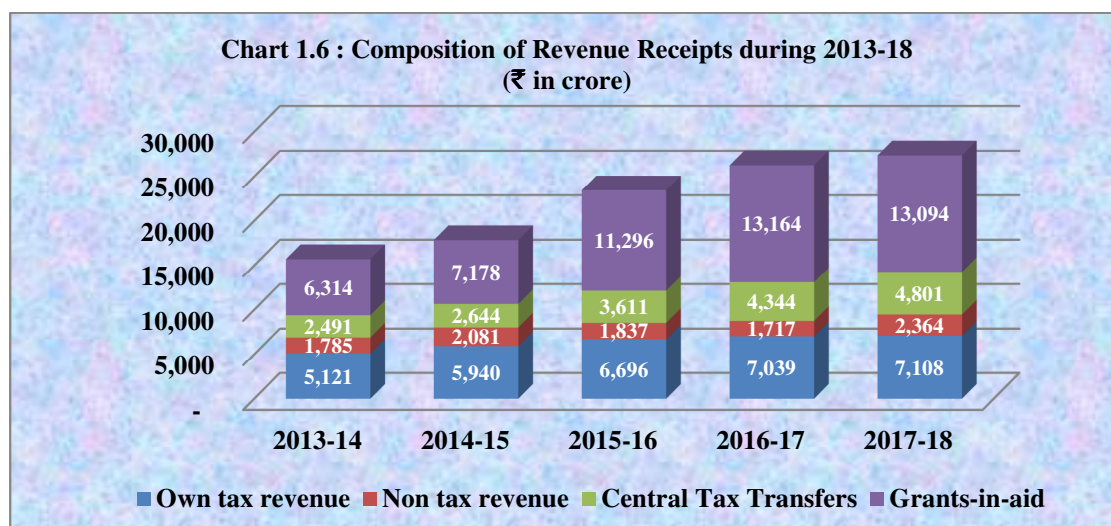
Thus, with the transfer of ₹ 901.83 crore funds during 2017-18 by GoI directly to the State implementing agencies, the total availability of the State resources was understated to that extent.

### 1.2.2 Building and Other Construction Workers' Welfare Cess

The State Government collects cess on the cost of construction incurred by employers under the Building and other Construction Workers Welfare's Cess Act, 1966. The collected cess is to be spent on welfare schemes for construction workers. For this purpose, Building and Other Construction Workers' Welfare Board has been constituted. As per accounts of the Board, the total funds available with the Board as on 31 March 2017 were ₹ 458.59 crore. The Board received ₹ 95.66 crore during 2017-18 as labour cess, interest, etc., and spent ₹ 38.49 crore including ₹ 30.29 crore on labour welfare schemes during the year. As on 31 March 2018, the Board had funds of ₹ 515.76 crore.

### 1.3 Revenue Receipts

The trends and composition of revenue receipts over the period 2013-18 are presented in **Appendix 1.3** and also depicted in **Chart 1.6** and **1.6 (A)**:



- Revenue receipts steadily increased from ₹ 15,711 crore in 2013-14 to ₹ 27,367 crore in 2017-18 at an annual average growth rate of 12.38 per cent. However, during 2017-18 it increased by only four per cent over the previous year as the share of tax revenue in revenue receipts decreased by one per cent and share of grants-in-aid from GoI decreased by two per cent.

- During 2017-18, only 35 per cent of the Revenue receipts came from the State's own resources comprising taxes and non-taxes, while the remaining 65 per cent were contributed by central transfers comprising the State's share in central taxes and duties (17 per cent) and grants-in-aid from GoI (48 per cent). The trends in revenue receipts relative to GSDP are presented in **Table 1.5**.

**Table 1.5: Trends in Revenue Receipts relative to GSDP**

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Receipts (RR) (₹ in crore)	15,711	17,843	23,440	26,264	27,367
Rate of growth of RR (per cent)	0.72	13.57	31.36	12.05	4.20
State's Own Taxes (₹ in crore)	5,121	5,940	6,696	7,039	7,108
Rate of growth of Own Taxes (per cent)	10.70	15.99	12.73	5.12	0.98
State's GDP (₹ in crore)	94,764	1,03,772	1,13,355	1,24,235	1,35,914
Growth rate of GSDP (per cent)	14.42	9.51	9.23	9.60	9.40
R R/GSDP (per cent)	16.58	17.19	20.68	21.14	20.14
<b>Buoyancy Ratios<sup>1</sup></b>					
Revenue Buoyancy w.r.t. GSDP	0.05	1.43	3.40	1.26	0.45
State's Own Taxes Buoyancy w.r.t. GSDP	0.74	1.68	1.38	0.53	0.10
Revenue buoyancy w.r.t. State's own taxes	0.07	0.85	2.46	2.35	4.29

- **The rate of growth of revenue receipts is falling since 2016-17 and has come down to 4.20 per cent in 2017-18 despite high devolution of central transfers. This was due to decline in growth rate of State's own taxes from 5.12 per cent to 0.98 per cent.**
- Similarly revenue buoyancy ratio w.r.t. GSDP has come down from 3.40 in 2015-16 to 0.45 in 2017-18 due to decrease in growth rate of State's own resources.
- **Continuous fall in the State's own tax buoyancy ratio with reference to GSDP has been observed since 2014-15 which is indicative of declining efficiency of revenue mobilization. The State Government may examine reasons thereby and take corrective action for augmenting its resources.**

### 1.3.1 State's Own Resources

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

The State's actual tax and non-tax receipts for the year 2017-18 *vis-à-vis* projection made by 14<sup>th</sup> FC and MTFPS are given in **Table 1.6**.

<sup>1</sup> Refer glossary in Appendix 4.

**Table 1.6: Percentage variation of actual over projections/estimates for the year 2017-18**  
(₹ in crore)

	14 <sup>th</sup> FC projections	Budget estimates/ MTFPS projection	Actuals	Percentage variation of actual over	
				14 <sup>th</sup> FC projections	Budget estimates/ MTFPS projection
Tax revenue	11,390	7,946	7,108	(-) 37.59	(-) 10.55
Non tax revenue	2,102	1,602	2,364	Target Achieved	Target Achieved

Source: Finance Department and Finance Accounts

The actual realisation of tax revenue was less by ₹ 4,282 crore (37.59 per cent) and ₹ 838 crore (10.55 per cent) from 14<sup>th</sup> Finance Commission's and MTFPS projections respectively. Targets set out for Non-tax Revenue in both the documents were achieved during 2017-18.

### 1.3.1.1 Tax revenue

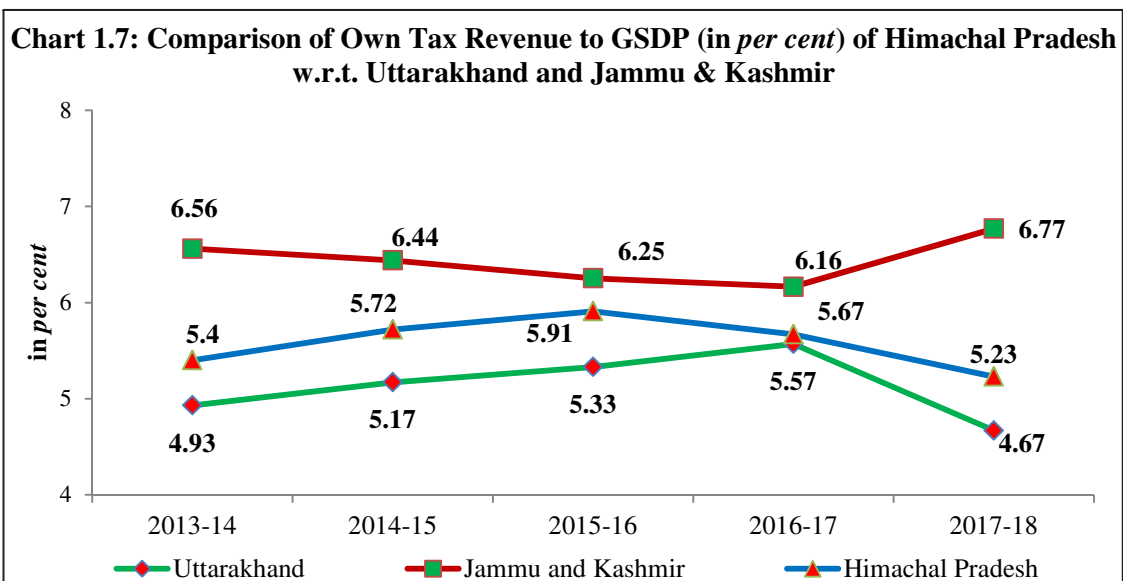
The gross collection in respect of major taxes and duties are given in **Table 1.7**.

**Table 1.7: Components of Tax Revenue**

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18
State Goods and Services Tax (SGST)	-	-	-	-	1,833
Taxes on sales, trades etc.	3,141(15)	3,661(17)	3,993(9)	4,382(10)	2,526(-42)
State excise	952 (18)	1,044(10)	1,131(8)	1,308(16)	1,311(-)
Taxes on vehicles	208 (6)	220 (6)	317(44)	280(-12)	367(31)
Stamp duty and registration fees	188 (9)	190(1)	206(8)	209(1)	229(10)
Taxes and duties on electricity	191(27)	333 (74)	551(65)	372 (-32)	361(-3)
Land revenue	10 (-58)	17(70)	7(-59)	8 (14)	17(112.5)
Taxes on goods and passengers	105 (4)	110(5)	115(5)	121(5)	112(-24)
Other taxes	326 (-2)	365(12)	376(3)	359 (-5)	352(-2)
<b>Total</b>	<b>5,121 (11)</b>	<b>5,940 (16)</b>	<b>6,696(13)</b>	<b>7,039(5)</b>	<b>7,108(1)</b>

Figures in the parenthesis indicate the percentage growth over the previous year

Tax revenue recorded lowest increase of ₹ 69 crore (one per cent) during 2017-18. All the major taxes and duties recorded increasing trend except taxes on sales, trades etc. (after roll out of GST from 1<sup>st</sup> July 2017), Taxes and duties on Electricity and Taxes on goods and passengers. During 2017-18, the Taxes on vehicles increased due to new initiatives such as Green Tax and Cess on taxes on vehicles. During 2015-16, receipts under Taxes on vehicles increased due to payment of arrears of road tax from HP Road Transport Corporation. In the same period, receipt under taxes and duties on electricity increased due to deposit of arrears of electricity duty of previous years by HPSEB.





During 2017-18, the ratio of tax revenue to GSDP of Himachal Pradesh was 5.23 per cent which was below the projection (7.31 per cent) made by the 14<sup>th</sup> FC. **The ratio of own tax to GSDP of Himachal Pradesh was lower than the ratio of Jammu & Kashmir and higher than the ratio of Uttarakhand.**

### Goods and Services Tax

State government implemented the Goods and Services Tax (GST) Act which became effective from 1<sup>st</sup> July 2017. According to GST (Compensation to the States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG of India. A base year (2015-16) revenue figure was finalised under GST Act. In case of Himachal Pradesh, the revenue was ₹ 3,634 crore during the base year (2015-16). The projected revenue for any year in a State shall be calculated by applying the projected growth rate (14 per cent per annum) cumulatively over the base year revenue of that State.

The projected revenue for the year 2017-18 (1<sup>st</sup> July 2017 to 31<sup>st</sup> March 2018) in accordance with the base year figure was ₹ 3,546 crore. Revenue figure under GST for the year 2017-18 has been depicted in Finance Accounts as per nature of receipts i.e. State Goods and Services Tax (SGST), Input Tax Credit, cross utilization of SGST and Integrated Goods & Services Tax (IGST), Apportionment of IGST-transfer-in of Tax component to SGST and Advance apportionment from IGST. Against the projected revenue of ₹ 3,546 crore, the revenue receipt of the State Government under GST during the year 2017-18 remained at ₹ 2,321 crore and compensation of ₹ 1,059 crore was received as given in **Table 1.8:**

**Table 1.8: Pre-GST and SGST collected, provisional apportionment of IGST and compensation received from GoI against the protected revenue of the State for the period July 2017 to March 2018**

(₹ in crore)

Month	Monthly revenue to be protected*	Pre-GST taxes collected**	SGST collected	Provisional apportionment of IGST	Total amount received	Compensation received	Deficit/ Surplus
	1	2	3	4	5=(2+3+4)	6	7={1-(5+6)}
Jul-17	394	484.97	0.08	00	485.05	00	-91.05
Aug-17	394	53.17	131.7	63.52	248.39	00	145.61
Sep-17	394	-26.02	135.31	68.6	177.89	00	216.11
Oct-17	394	60.44	134.73	75.95	271.12	00	122.88
Nov-17	394	-15.68	116.35	107.98	208.65	269.50	-84.15
Dec-17	394	54.45	110.39	91.65	256.49	269.50	-131.99
Jan-18	394	7.74	125.66	105.62	239.02	168 <sup>#</sup>	-13.02
Feb-18	394	12.47	106.62	89.39	208.48	168 <sup>#</sup>	17.52
Mar-18	394	15.29	120.74	89.88	225.91	184 <sup>#</sup>	-15.91
<b>Total</b>	<b>3,546</b>	<b>646.83</b>	<b>981.58</b>	<b>692.59</b>	<b>2,321.00</b>	<b>1,059</b>	<b>166.00</b>

\* Revenue is to be calculated considering the revenue figures of 2015-16 as base year by adding 14 per cent per annum

\*\* Includes VAT & CST (net of refund) and revenue from the taxes subsumed in GST by excluding VAT and CST on petroleum products and liquor.

# Received in the month of April-June during 2018-19.

### Advance apportionment from IGST

The GoI was to apportion IGST to State Governments under section 17 of the IGST Act, 2017. The State Tax Division, Ministry of Finance, Department of Revenue (GoI) sanctioned (February 2018) provisional/advance settlement of apportionment of ₹ 159 crore with the condition that amount will be adjusted in the year 2018-19 from the regular settlement of IGST on the basis of monthly returns in ten equal installments starting from April 2018. However, the GoI adjusted these ₹ 159 crore against the bi-monthly compensation due to State for November-December 2017. In addition to one-time adjustment of ₹ 159 crore, ₹ 31.80 crore (two instalments of ₹ 15.90 crore each) were also adjusted in the month of April 2018 and May 2018.

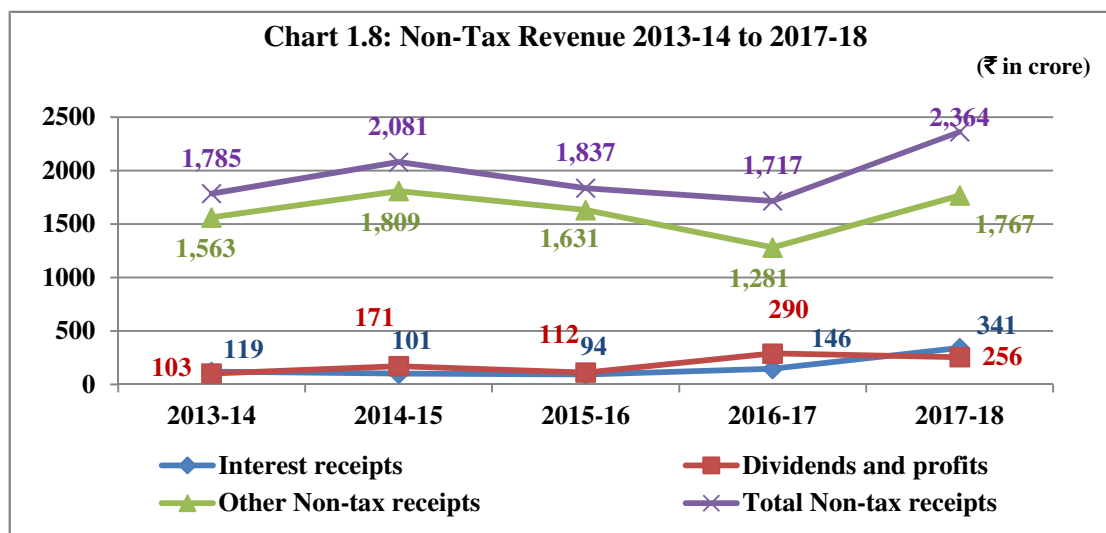
#### 1.3.1.2 Non-tax revenue

The position of non-tax revenue (NTR) is given in Table 1.9.

Table 1.9: Components of Non-Tax Revenue (NTR)

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18
Interest receipts	119 (70)	101(-15)	94(-7)	146(55)	341(134)
Dividends and profits	103 (3)	171(66)	112(-35)	290(159)	256(-12)
Other non-tax receipts, of which-	1,563 (29)	1,809(16)	1,631(-10)	1,281(-21)	1,767(38)
Misc. General Services	6(-33)	3(-50)	19(533)	2(-89)	5(-)
Education, Sports, Arts and Culture	157(40)	161(3)	206(28)	112(-46)	181(62)
Forestry and Wild life	358(459)	116(-68)	34(-71)	19(-44)	47(147)
Other Administrative Services	26(-43)	36(38)	33(-8)	43((30)	40(-7)
Non-ferrous mining and metallurgical Industries	111(-25)	162(46)	155(-4)	176(14)	441(151)
Power	696(9)	1,122(61)	924(-18)	651(-30)	688(6)
Others	209(9)	209 (-)	260(24)	278(7)	365(32)
<b>Total</b>	<b>1,785 (30)</b>	<b>2,081(17)</b>	<b>1,837(-12)</b>	<b>1,717(-7)</b>	<b>2,364(38)</b>

Figures in the parenthesis indicate percentage growth/deficit over the previous year



The receipts under non-tax revenue increased by ₹ 579 crore (32.44 per cent) during 2013-18. **Non-Tax Revenue (₹ 2,364 crore) constituted 8.64 per cent of the revenue receipt during 2017-18 registering increase of ₹ 647 crore (37.68 per cent) over the previous year mainly due to increase in interest receipts (₹ 231 crore) accrued on account of loan given to DISCOM under UDAY scheme.**

Receipts under Non-ferrous mining and metallurgical industries increased due to upfront payment of ₹ 194.20 crore on account of transfer of mining leases and interest of ₹ 14.72 crore on delayed payment of royalty from M/s Ultratech Limited.

### 1.3.2 Grants-in-aid from GoI

The GoI discontinued Plan and Non-Plan classification and operated new Sub-Major Heads under Major Head-1601-Grants-in-aid (GIA) for providing GIA to States during 2017-18. The position of grants-in-aid from GoI is given in **Table 1.10**.

**Table 1.10: Grants-in-aid from GoI**

Particulars	₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan Grants	2,025	1,199	8,524	8,877	--
Grants for State Plan Schemes	3,765	4,333	756	1,188	--
Grants for Central Plan Schemes	17	31	38	44	--
Grants for Centrally Sponsored Plan Schemes	507	1,615	1,978	3,055	--
Centrally Sponsored Schemes	--	--	--	--	3,590
Finance Commission Grants*	--	--	--	--	8,889
Other Transfer/Grants to State/ Union Territories with Legislatures	--	--	--	--	615
<b>Total</b>	<b>6,314</b>	<b>7,178</b>	<b>11,296</b>	<b>13,164</b>	<b>13,094</b>
Percentage of increase over previous year	(-) 13.66	13.68	57.37	16.54	(-) 0.53
Percentage of Revenue Receipts	40	40	48	50	48

\*Finance Commission Grants includes post devolution revenue deficit grant, grants for local bodies and SDRF which was earlier depicted as Non-plan grants in State Accounts.

The Grants-in-aid from GoI decreased by ₹ 70 crore from ₹ 13,164 crore (2016-17) to ₹ 13,094 crore (2017-18). The GIA included ₹ 539 crore received during 2017-18 as compensation in lieu of loss of revenue arising out of implementation of GST. Its share in State's revenue receipts ranged between 40 per cent and 50 per cent during 2013-18.

### 1.3.3 Central tax transfers

Central tax transfers (CTT) increased by ₹ 457.61 crore (10.54 per cent) from ₹ 4,343.70 crore in 2016-17 to ₹ 4,801.31 crore in 2017-18 and constituted 17 per cent of State's revenue as given in **Table 1.11**.

**Table 1.11: Central tax transfers during 2016-17 and 2017-18**

Name of Tax	Recommendation of 14 <sup>th</sup> FC	₹ in crore)		
		Actual for 2016-17	Actual for 2017-18	Variation
Integrated Goods and Services Tax (IGST)	42 per cent of the shareable amount of Central Taxes to States.	-	484.84	484.84
Central Goods and Services Tax (CGST)		-	68.36	68.36
Corporation Tax		1,393.48	1,470.67	77.19
Income Tax		968.47	1,241.88	273.41
Wealth Tax		3.19	(-)0.04	(-) 3.23
Customs		599.42	484.70	(-) 114.72
Union Excise Duty		684.49	506.50	(-) 177.99
Other Taxes and Duties on Commodities and Services		0.01	-	(-) 0.01
Service Tax		694.64	544.40	(-) 150.24
<b>Total</b>			<b>4,343.70</b>	<b>4,801.31</b>



The 14<sup>th</sup> FC recommended increasing the States' share of Central taxes from 32 per cent to 42 per cent. Accordingly, the State's share in the net proceeds of Central Taxes (excluding Service Tax) and net proceeds of Service Tax was fixed at 0.713 and 0.722 per cent, respectively.

Increase of CTT in 2017-18 over the previous year was mainly under IGST (₹ 484.84 crore), Income tax (₹ 273.41 crore), Corporation Tax (₹ 77.19 crore) and CGST (₹ 68.36 crore).

## 1.4 Capital Receipts

The trends in growth and composition of capital receipts are presented in **Table 1.12**.

**Table 1.12: Trends in growth and composition of capital receipts**

(₹ in crore)					
Sources of State's Receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Capital Receipts (CR)	4,067	11,568	6,155	8,633	5,675
Rate of growth of CR (in per cent)	19.89	184.44	(-) 46.79	40.26	(-)34.26
Miscellaneous Capital Receipts	Nil	650*	Nil	Nil	35
Recoveries of Loans and Advances	17	41	26	30	40
Rate of growth of non-debt capital receipts (in per cent)	(-) 19.05	3,964.71	(-) 96.23	15.38	150.00
Public Debt Receipts	4,050	10,877	6,129	8,603	5,600
Debt Receipts from internal sources	3,991	10,752	6,079	8,502	5,518
Loans and Advances from GoI	59	125	50	101	82
Rate of growth of debt capital receipts	20.14	168.57	(-) 43.65	40.37	(-)34.91

\* Proceeds from capital disinvestment of Himachal Pradesh Power Corporation.

Capital receipts shows fluctuating trends during 2013-18. It increased from ₹ 4,067 crore in 2013-14 to ₹ 11,568 crore in 2014-15 due to more ways and means advances and overdrafts (₹ 6,860 crore) taken during 2014-15 on 125 days to maintain minimum cash balances with the RBI. In 2015-16 it decreased substantially and stood at ₹ 6,155 crore while in 2016-17 it again increased due to inclusion of loan of ₹ 2,890.50 crore given to DISCOM on account of UDAY scheme. **During 2017-18, capital receipts decreased by ₹ 2,958 crore and stood at ₹ 5,675 crore from ₹ 8,633 crore in 2016-17.** Non-debt capital receipts increased by ₹ 45 crore (150 per cent) during 2017-18 over the previous year due to increase in recovery of loans and advances and miscellaneous capital receipts received as compensation from GoI on account of widening of National Highways.

The details of sources of capital receipts are discussed in following paragraphs:-

### 1.4.1 Recoveries of loans and advances

The State Government had provided loans and advances to various institutions/organizations such as Himachal Pradesh Private Institutional Regulatory Commission, Himachal Pradesh State Co-operative, Himachal Pradesh Marketing and Consumer Federation Corporation Ltd. (HIMFED), Himachal Pradesh Power Corporation Ltd., Himachal Pradesh Power Transmission, Municipal Corporation Dharamshala, Municipal Council Solan, etc. As on 31 March 2018, the total

outstanding loans and advances amounted to ₹ 6,507 crore. Against this, the State Government recovered only ₹ 40 crore during 2017-18. Besides, ₹ 256 crore was received as interest on loans and advances. The detailed position of loans and advances has been discussed in **Paragraph 1.8.3**.

#### 1.4.2 Debt receipts from internal sources

Debt receipts from internal sources i.e. market loans/borrowings from different financial institutions and banks over the period 2013-14 to 2017-18 continued to be a major source of receipts of the State Government.

**Table 1.13: Details of debt receipts from internal sources**

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
i) Market Loans	2,367 (59)	2,345 (22)	2,450 (40)	3,400 (40)	4,600(84)
ii) Special Securities issued to National Small Savings fund of the Central Government (NSSF)	617 (15)	1,102 (10)	1,307 (22)	Nil	Nil
iii) Ways and means advances (including overdrafts) (WMA including OD)	629(16)	6,860 (64)	1,785 (29)	1,671 (20)	400(7)
iv) Loans from National Bank for Agricultural and Rural Development (NABARD)	350 (9)	400 (4)	500 (8)	500 (6)	500(9)
v) Loans from Other Financial Institutions	28 (1)	45 (*)	37 (1)	2,931 <sup>#</sup> (34)	18(*)
<b>Internal Debt Receipts (Total (i to v))</b>	<b>3,991</b>	<b>10,752</b>	<b>6,079</b>	<b>8,502</b>	<b>5,518</b>
<b>Internal Debt Repayment</b>	<b>1,639 (41)</b>	<b>8,193 (76)</b>	<b>3,876 (64)</b>	<b>3,869 (46)</b>	<b>3,421 (62)</b>

Figures in brackets indicate the percentage of internal debt receipts \*Less than one per cent.

# Includes ₹2,890.50 crore on account of loans raised for disbursement to DISCOM under UDAY Scheme.

**Market loans were the major components of internal debt over the last five years. In 2017-18, market loans increased by ₹ 1,200 crore since the State Government continued to borrow directly from market as it had stopped borrowing from Special Securities issued to NSS Fund of the GOI from 2016-17 onwards.**

#### 1.4.3 Loans and advances from GoI

Total outstanding loans and advances from GoI increased by ₹ 27 crore during 2017-18 over the previous year. Loans of ₹ 82 crore were received from GoI and repayment of ₹ 79 crore was made during the year (2017-18). The position of loans and advances from GoI to State for the last five years is given in the **Table 1.14**.

**Table 1.14: Position of Loans and advances from GoI**

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Opening Balance	1,018	1,012	1,070	1,049	1,076
Addition during the year	59	125	50	101	82
Discharge during the year	65	67	71	74	79
Closing Balance	1,012	1,070	1,049	1,076	1,079

## 1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, etc. which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here the government acts as a banker. The balance after disbursements is the fund available with the government for use. The trends in public account receipts and disbursements during the year 2016-17 and 2017-18 are given in **Table 1.15**.

**Table 1.15: Trends in Public Accounts Receipts and Disbursements during 2016-17 and 2017-18**

(₹ in crore)

Resources under various heads	Public Account Receipts		Public Account Disbursements		Excess of Receipts over Disbursements	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
Small Savings, Provident Fund etc.	3,403	3,768	2,198	2,376	1,205	1,392
Reserve funds	249	420	249	315	--	105
Deposits and Advances	2,727	2,874	2,546	2,685	181	189
Suspense and Miscellaneous	800	763	872	882	(-72)	(-) 119
Remittances	6,451	6,854	6,486	6,785	(-35)	69
<b>Total</b>	<b>13,630</b>	<b>14,679</b>	<b>12,351</b>	<b>13,043</b>	<b>1,279</b>	<b>1,636</b>

*Net Public Account Receipts=Public Account Receipts-Public Account Disbursements*

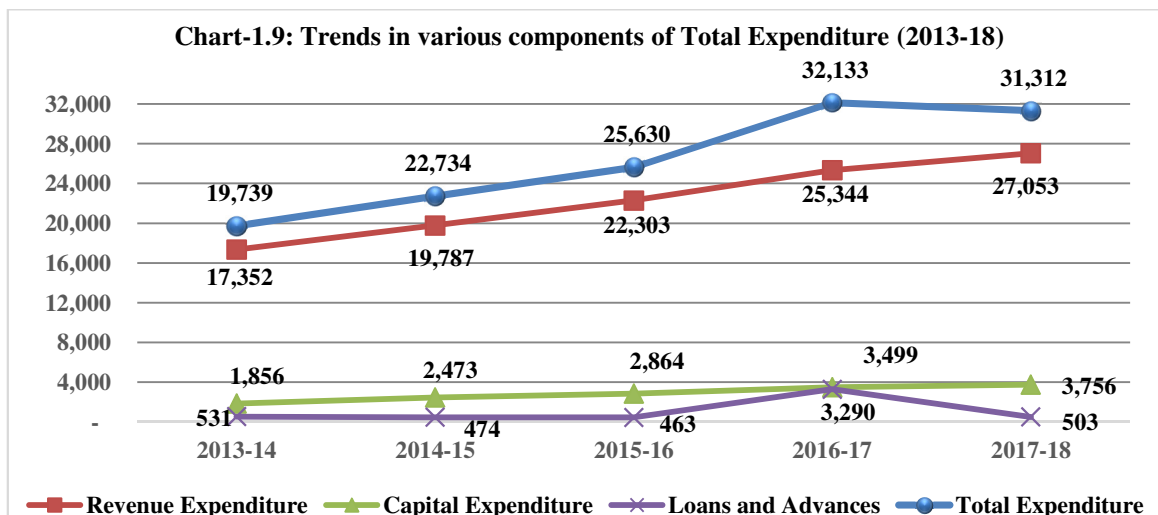
**Net public account receipts (excess of receipts over disbursements) increased by ₹ 357 crore from ₹ 1,279 crore in 2016-17 to ₹ 1,636 crore in 2017-18. The increase was mainly under Small Savings, Provident Fund, etc. by ₹ 187 crore, Reserve funds by ₹ 105 crore and under Remittances by ₹ 104 crore during 2017-18. Net availability of funds under these heads had a major share in financing the fiscal deficit.**

## 1.6 Application of Resources

The application of resources are analysed under various headings such as growth and composition of expenditure, revenue expenditure, capital expenditure, committed expenditure (expenditure on salaries, interest payments, subsidies, pension payments) and financial assistance to local bodies and other institutions.

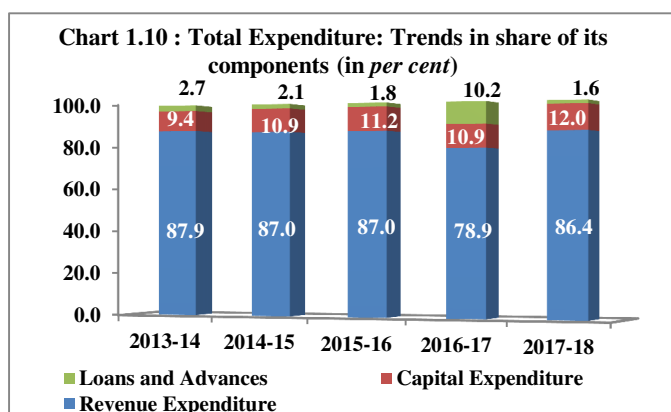
### 1.6.1 Growth and Composition of Expenditure

**Chart 1.9** presents the trends and composition of total expenditure over the last five years (2013-18) and **Chart 1.10**, **Chart 1.11** depicts its composition both in terms of 'economic classification' and 'expenditure by activities' respectively.

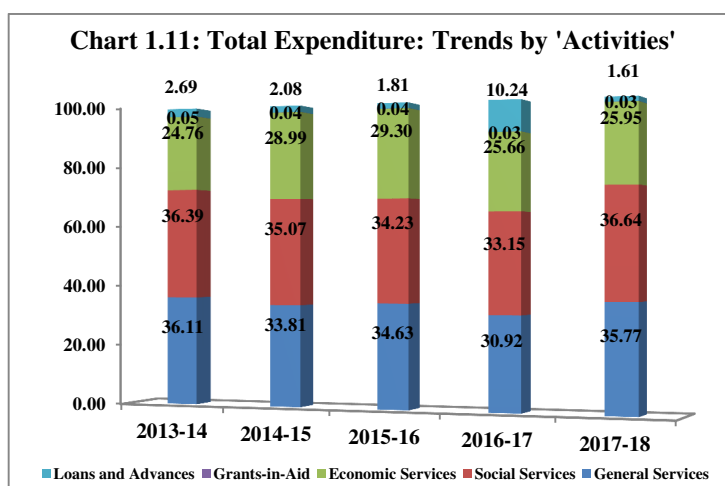


### Total Expenditure

Total Expenditure of the State increased from ₹ 19,739 crore in 2013-14 to ₹ 31,312 crore in 2017-18 at an annual average rate of 11 per cent. During current year it decreased by ₹ 821 crore (three per cent) over the previous year. The decrease in total expenditure was on account of loans and advances which decreased by ₹ 2,787 crore from the previous year as in 2016-17 included ₹ 2,890.50 crore given as loans to DISCOM under UDAY scheme.



The movement of relative share of these components of expenditure indicated that major components of expenditure had inter-year variations. Expenditure on General Services (including interest payments) which is considered as non-developmental expenditure as a per cent of total expenditure increased from 30.92 per cent in 2016-17 to 35.77 per cent in 2017-18. The expenditure under General Services was mainly on account of Interest Payments (34 per cent) and Pension and Other Retirement Benefits (42 per cent). On the other hand, developmental expenditure<sup>2</sup> i.e. on Social and Economic Services together accounted



<sup>2</sup> Refer Glossary in Appendix 4.

for 62.59 per cent in 2017-18 against 58.81 per cent during 2016-17. **The share of loans and advances remained almost static except during 2016-17 (10.24 per cent) in which loan amounting to ₹ 2,890.50 crore was disbursed to DISCOM under UDAY Scheme. During 2017-18 it was 1.61 per cent of total expenditure.**

### 1.6.1.1 Revenue Expenditure

The revenue expenditure increased by ₹ 1,709 crore (seven per cent) from ₹ 25,344 crore in 2016-17 to ₹ 27,053 crore in 2017-18. The increase in expenditure was mainly on General Services by ₹ 1,281 crore (13 per cent) and Social Services by ₹ 727 crore (eight per cent). The overall increase in revenue expenditure was the result of significant increase under the heads Education, Sports, Art and Culture (₹ 754 crore), Interest payments (₹ 429 crore) and Health and Family Welfare (₹ 242 crore). The revenue expenditure continued to consume a dominant proportion (79 to 88 per cent) of total expenditure during the years 2013-18 and increased at an annual average rate of 11 per cent. **During 2017-18, the revenue expenditure consumed 86.4 per cent of the total expenditure.**

**The percentage of State's revenue receipts and revenue expenditure to GSDP stood at 20.14 per cent and 19.90 per cent respectively during 2017-18. The State had revenue surplus of ₹ 314 crore during 2017-18 which was 0.23 per cent of GSDP.**

### 1.6.1.2 Capital Expenditure

Continuous growth has been observed in the capital expenditure for the last five years. During 2017-18, capital expenditure (₹ 3,756 crore) increased by ₹ 257 crore (seven per cent) over the previous year 2016-17 (₹ 3,499 crore).

Education, Sports, Arts and Culture (₹ 342 crore) and Water Supply, Sanitation, Housing and Urban Development (₹ 516 crore) under Social Services, Power Projects (₹ 187 crore), Irrigation and Flood Control (₹ 251 crore) and Transport (₹ 1,694 crore) under Economic Services were the major beneficiary sectors where capital expenditure was made during 2017-18. The share of capital expenditure to total expenditure has increased from 10.9 per cent in 2016-17 to 12 per cent in 2017-18.

### 1.6.2 Committed Expenditure

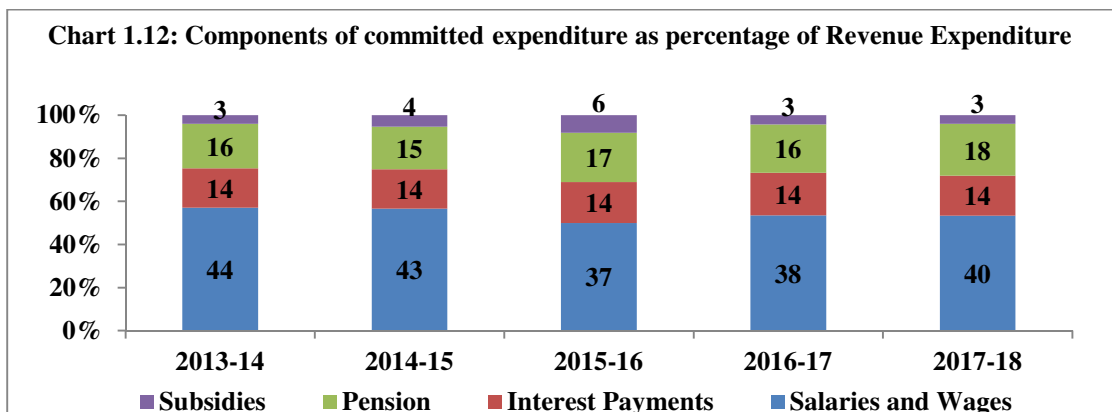
The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages, pensions and subsidies.

**Table 1.16: Components of Committed Expenditure**

Components of Committed Expenditure	(₹ in crore)					
	2013-14	2014-15	2015-16	2016-17	2017-18 BE	2017-18
Salaries and Wages, of which	7,545 (48)	8,418 (47)	8,174 (35)	9,682(37)	9,627.61	10,766(39)*
Non-Plan Head	7,289	8,159	7,826	9,345	-	10,462
Plan Head	256	259	348	337	-	304
Interest Payments	2,481 (16)	2,849 (16)	3,155 (13)	3,359(13)	3,500.00	3,788(14)
Pensions	2,855 (18)	2,914 (16)	3,836 (16)	4,114(16)	4,950.00	4,709(17)
Subsidies	467 (3)	801 (4)	1,346 (6)	764(3)	1,037.52	907(3)
<b>Total</b>	<b>13,348</b>	<b>14,982</b>	<b>16,511</b>	<b>17,919</b>	<b>19,115.13</b>	<b>20,170</b>
<b>Percentage to RE</b>	<b>77</b>	<b>76</b>	<b>74</b>	<b>71</b>		<b>75</b>

\* Salary: ₹ 10,519 crore; wages: ₹ 247 crore.

Figures in parenthesis indicate per cent to Revenue Receipts



There was a consistent rise in committed expenditure of the State. The increase in committed expenditure was ₹ 2,251 crore (13 per cent) during 2017-18 over the previous year. **It consumed a dominant share of revenue expenditure and ranged between 71 and 77 per cent during 2013-18 leaving little scope for the Government to spend on developmental activities.**

### **Salaries and Wages**

The expenditure on salaries and wages increased from ₹ 7,545 crore in 2013-14 to ₹ 10,766 crore in 2017-18. It increased by ₹ 1,084 crore (11 per cent) over the previous year due to dearness allowance installments and other benefits paid to the staff. It consumed 39 per cent of revenue receipts of the State during 2017-18. The salary expenditure in the current year (₹ 10,519 crore) was more than the projections made in Medium Term Fiscal Plan Statement (MTFPS) (₹ 9,628 crore).

### **Pension Payments**

The expenditure on pension payments increased from ₹ 2,855 crore in 2013-14 to ₹ 4,709 crore in 2017-18 and by ₹ 595 crore (14 per cent) during the current year over the previous year. Salary and pension payments together accounted for 58 per cent of the revenue expenditure (**Chart-1.12**). The actual expenditure on pension payments for the current year was within the projections made in Medium Term Fiscal Plan Statement (MTFPS) (₹ 4,950 crore).

### **New Pension Scheme**

State Government employees recruited with effect from 15 May 2003 are covered under the New Pension Scheme, which is a defined contribution scheme. In terms of the Scheme, the employee contributes 10 per cent of his 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 the year 2017-18, the State Government received ₹ 260.99 crore towards Employees contribution. Considering a matching grant of ₹ 260.99 crore as State Government share and taking into account the opening balance of ₹ 8.05 crore available in Public Account under the head 8342, a total amount of ₹ 530.03 crore was to be transferred to NSDL. As per information received from NSDL and Deputy Director (NPS) Treasury and Accounts, a total amount of ₹ 529.66 crore



(₹ 264.85 crore as employee and ₹ 264.85 crore employer share including legacy amounts) was credited during the year.

### Interest Payments

The interest payments increased by 53 per cent from ₹ 2,481 crore in 2013-14 to ₹ 3,788 crore in 2017-18 and increased by ₹ 429 crore (13 per cent) during 2017-18 over the previous year. It consumed 14 per cent share of revenue receipts. **Interest payments was more than the normative assessment made by the 14<sup>th</sup> FC (₹ 3,736 crore) and the projections made by State Government in MTFPS (₹ 3,500 crore).** It was noticed that increased outgo on account of interest payments was due to increased commercial borrowing as detailed in **Para 1.9.2.**

### Subsidies

The State Government has been paying subsidies to various institutions/bodies/corporations. It is clear from the **Table 1.16** that after rising for two consecutive years 2014-15 and 2015-16 there was decline in subsidies given during 2016-17. **Subsidies increased by ₹ 143 crore during 2017-18 and consumed about 3 per cent of the revenue receipts. The major components of subsidies were Energy (₹ 360 crore), Transport (₹ 160 crore), Food and Supply (₹ 218 crore) and Horticulture (₹ 68 crore).**

Some of the implicit subsidies given (in kind) during 2016-17 and 2017-18 are as under:

**Table 1.17: Implicit subsidies during 2016-17 and 2017-18**

(₹ in crore)		
Name of the scheme	2016-17	2017-18
Marriage Assistance Scheme	9.92	8.46
Free supply of uniform to School Children	42.97	49.23
Free distribution of books, laptops, bicycle etc. to students	43.44	37.58

Source: Finance Department, Himachal Pradesh.

### 1.6.3 Financial Assistance to Local bodies and other institutions

The detailed position of grants-in-aid released to various institutions during the period 2013-14 to 2017-18 by the State Government is given in **Table 1.18.**

**Table 1.18: Detail of Grants-in-aid released to Local Bodies and other institutions**

(₹ in crore)					
Name of Institution	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Panchayati Raj Institutions</b>	327.13(25)	780.89(139)	427.34(-45)	696.64(63)	567.75(-19)
<b>Urban Local Bodies</b>	281.55(63)	202.24(-28)	319.54(58)	544.66(70)	257.78(-53)
<b>Public Sector Undertakings</b>	64.16(-24)	53.81(-16)	125.63(133)	150.84(20)	164.01(9)
<b>Autonomous Bodies</b>	356.99(7)	502.17(41)	641.87(28)	759.23(18)	799.08(5)
<b>Education</b>	222.24(13)	341.89(54)	341.40(-)	479.47(40)	492.21(3)
<b>Other Institutions</b>	185.82(21)	275.18(48)	756.50(175)	726.14(-4)	614.62(-15)
<b>Total</b>	<b>1,437.89(20)</b>	<b>2,156.18 (50)</b>	<b>2,612.28 (21)</b>	<b>3,356.98(29)</b>	<b>2,895.46(-14)</b>
Assistance as percentage of Revenue Expenditure	8.28	10.90	11.71	13.25	10.70
Assistance as percentage of Revenue Receipts	9.15	12.08	11.14	12.78	10.58

Source: Finance Accounts of respective years.

Figures in parenthesis indicate the per cent increase/decrease over previous year

The grants extended to local bodies and other institutions consistently showed an increasing trend during the year 2013-17. However, it decreased by ₹ 461.52 crore (14 per cent) during current year (2017-18) over the previous year mainly under plan grants. The decrease in grants-in-aid during 2017-18 was mainly due to less grants to Municipal Corporations and Municipalities (₹ 286.88 crore), Panchayati Raj Institutions (₹ 128.89 crore), other Development Agencies (₹ 111.52 crore), etc. Grants to local bodies and other institutions consumed 8 to 13 per cent of Revenue expenditure of the State during 2013-18.

## **1.7 Quality of Expenditure**

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

### **1.7.1 Adequacy of Public Expenditure**

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure category to aggregate expenditure) can be stated to have been attached to a particular sector if the priority given to that particular head of expenditure is below the Special Category States' average for that year.

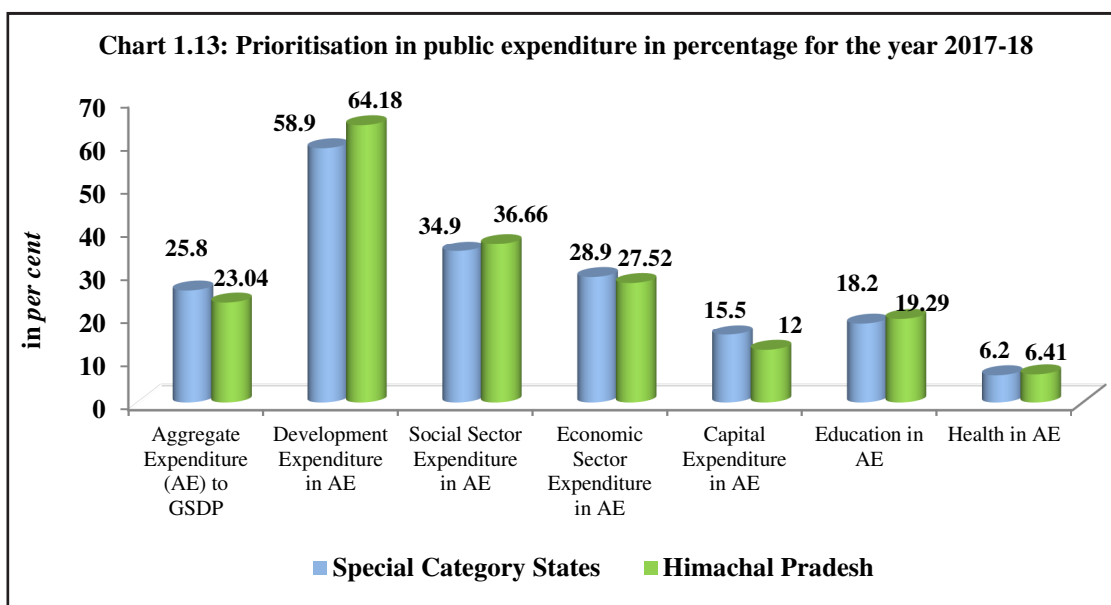
The fiscal priorities of the State Government with regard to development expenditure (DE), social sector expenditure (SSE) and capital expenditure (CE) relative to Special Category States (SCS) during current year 2017-18 taking 2013-14 as the base year is analysed in **Table 1.19**.

**Table-1.19: Fiscal Priority of the State during 2013-14, 2016-17 and 2017-18**

Priority Indicator	(in per cent)					
	2013-14		2016-17		2017-18	
	SCS	HP	SCS	HP	SCS	HP
Aggregate expenditure/GSDP	23.5	20.83	27.4	25.8	25.8	23.04
Development expenditure#/ Aggregate expenditure	64.0	63.80	61.4	69.03	58.9	64.18
Social Sector expenditure/ Aggregate expenditure	37.6	36.41	34.2	33.15	34.9	36.66
Economic Sector expenditure/ Aggregate expenditure	29.3	27.39	30	35.88	28.9	27.52
Capital expenditure/ Aggregate expenditure	13.8	9.40	13.6	10.89	15.5	12.00
Education/Aggregate expenditure	18.3	19.21	16.6	16.31	18.2	19.29
Health/Aggregate expenditure	5.4	5.44	5.4	5.56	6.2	6.41

# Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed under Social and Economic sectors.





- **Aggregate expenditure of the State as a ratio of GSDP was less in all years (2013-14, 2016-17 and 2017-18) as compared to Special Category States (SCS).**
- **The State has not given adequate fiscal priority to Development Expenditure in 2017-18 as its percentage to Aggregate Expenditure decreased by 5 percentage points (64.18 per cent) over the previous year (69.03 per cent).** It was mainly due to less expenditure in Economic sector (less by 8.36 percentage points).
- The ratio of Capital expenditure to Aggregate expenditure of the State slightly increased (one percentage point) during 2017-18 (12 per cent) over the previous year (10.89 per cent) but was less (3.5 percentage points) than the ratio of SCS (15.5 per cent).

**The State Government is required to give more priority to Development Expenditure especially Capital Expenditure to give stimulus to economic development.**

### 1.7.2 Efficiency of expenditure use

The share of Developmental Revenue Expenditure (DRE) in the Total Expenditure (TE) remained on an average of 52 per cent during the period 2013-14 to 2017-18. DRE increased by 2.74 per cent over the previous year and its share in the TE also increased by 2 per cent during the current year. The Development Capital Expenditure (DCE) had shown an increasing trend from 2013-14 to 2017-18 and increased by ₹ 1,790 crore from ₹ 1,774 crore in 2013-14 to ₹ 3,564 crore in 2017-18 and its share in TE increased by one per cent during 2017-18 over previous year. The overall Development Expenditure increased by 59.49 per cent over the period 2013-14 to 2017-18 and its share in TE declined from 69 per cent in 2016-17 to 64 per cent in 2017-18.

**Table-1.20: Development Expenditure**

(₹ in crore)

Components of Development Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18
Aggregate Expenditure	19,739	22,734	25,630	32,133*	31,312
Development Expenditure	12,601 (64)	15,038 (66)	16,729 (65)	22,180* (69)	20,097 (64)
(a) Development Revenue Expenditure	10,296 (52)	12,174(54)	13,505 (53)	15,606 (49)	16,034 (51)
(b) Development Capital Expenditure	1,774 (9)	2,390 (11)	2,776 (11)	3,291 (10)	3,564 (11)
(c) Development Loans and Advances	531 (3)	474 (2)	448 (2)	3,283* (10)	499 (2)

Figures in parentheses indicate percentage to aggregate expenditure.

\*includes loans of ₹2,890.50 crore given to DISCOM on account of UDAY scheme.

Salary and wages expenditure increased by ₹ 783 crore (14 per cent) and ₹ 159 crore (seven per cent) in social services and economic services respectively during the current year 2017-18 as compared to previous year, whereas operation and maintenance expenditure decreased by ₹ 51 crore (four per cent) in social services and increased by ₹ 249 crore (19 per cent) in economic services.

**Table 1.21: Expenditure incurred in various sectors**

(₹ in crore)

Year	Total Expenditure	Sector	Revenue Expenditure	Capital Expenditure	Ratio of Capital expenditure to Total expenditure	Revenue expenditure	
						Salaries and wages	Operation and maintenance
2016-17	32,133	Social Services (SS)	9,610	1,041	3.24	5,656 (59)	1,176 (12)
		Economic Services (ES)	5,996	2,250	7.00	2,166 (36)	1,280 (21)
<b>Total (SS+ES):</b>			<b>15,606</b>	<b>3,291</b>		<b>7,822</b>	<b>2,456</b>
2017-18	31,312	Social Services	10,337	1,135	3.62	6,439 (62)	1,125 (11)
		Economic Services	5,697	2,429	7.76	2,325 (41)	1,529 (27)
<b>Total (SS+ES):</b>			<b>16,034</b>	<b>3,564</b>		<b>8,764</b>	<b>2,654</b>

Figures in parentheses indicate percentage to revenue expenditure in the service.

Source: Finance Accounts and Voucher level computerization data of respective years.

It was further seen that the percentage ratio of capital expenditure to total expenditure in social services and economic services was restricted to four and eight per cent respectively during 2017-18. However, during 2017-18, it increased slightly by less than one per cent in both the services over the previous year.

The share of salaries and wages to Revenue expenditure (₹ 8,764 crore) in both the services (social and economic) increased by ₹ 942 crore in 2017-18 as compared to 2016-17 (₹ 7,822 crore). The increases in Salaries and Wages in Social services were 13.84 per cent and in Economic services 7.34 per cent. There was significant increase of ₹ 618.50 crore (66 per cent) in Education during 2017-18 as compared to the previous year.

**The share of O&M expenditure to Revenue expenditure in both the services (social and economic) increased by ₹ 198 crore in 2017-18 (₹ 2,654 crore) as compared to 2016-17 (₹ 2,456 crore).**

## 1.8 Financial analysis of Government expenditure and investments

In the post-FRBM framework, the State expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the government during the current year *vis-à-vis* previous years.

### 1.8.1 Incomplete projects/works

The department-wise information pertaining to incomplete projects/works depicted in **Appendix-IX** of Finance Account as on 31 March 2018 is given in **Table 1.22**.

**Table 1.22: Department-wise Profile of Incomplete Projects/works**

(₹ in crore)				
Department	Number of incomplete projects/works	Initial budgeted cost	Revised total cost of projects/works	Total expenditure as on 31 March 2018
Irrigation and Public Health	08	58.23	108.63*	87.91
Public Works (Building and Roads)	03	182.53	NA	88.23
<b>Total</b>	<b>11</b>	<b>240.76</b>		<b>176.14</b>

Source: Finance Accounts.

\* Revised cost of 4 projects/works only.

NA: Not Available

An expenditure of ₹ 176.14 crore (March 2018) incurred on 11 incomplete projects/works did not deliver envisaged benefits. These projects/works were to be completed between July 2005 and March 2018.

**Delays in completion of projects not only affected the quality of the expenditure but also deprived the state of intended benefits and economic growth.**

**The State Government should formulate guidelines for timely completion of incomplete projects and physical and financial progress of execution of works to be closely monitored to minimize the slippage, time and cost overrun.**

### 1.8.2 Investment and returns

The Government as on 31 March 2018 had invested ₹ 3,533 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operative Societies (**Table 1.23**). The average return on investment was 5.88 *per cent* while the government paid an average rate of interest as 7.78 *per cent* on its borrowings during 2013-18.

**Table 1.23: Return on Investments**

Investment/ Return/ cost of Borrowing	2013-14	2014-15	2015-16	2016-17	2017-18
Opening balance(₹ in crore)	2,764	3,025	2,732	3,041	3,294
Investments during the year (₹ in crore)	261	(-) 293	309	253	239
Investments at the end of the year (₹ in crore)	3,025	2,732	3,041	3,294	3,533
Return (Dividend/interest) (₹ in crore)	103.42	171.00	111.94	289.63	255.58
Return ( <i>per cent</i> )	3.42	6.26	3.68	8.79	7.23
Average rate of interest on government borrowings (IP/average of fiscal liabilities of last 2 years)( <i>per cent</i> )	7.71	7.91	7.95	7.60	7.71
Difference between interest rate and return ( <i>per cent</i> )	4.29	1.65	4.27	(-)1.19	0.48
Difference between interest rate on Government borrowings and return on investments (₹ in crore)	129.77	45.08	129.85	NA	16.96

Source: Finance Accounts

NA: Not applicable

**Over the past five years, the difference in cost of Government borrowings and return on investments in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operative Societies was to the tune of ₹ 321.66 crore.**

While the Government investments increased by 7.26 *per cent* in 2017-18 (₹ 3,533 crore) over the previous year 2016-17 (₹ 3,294 crore), the return from investments decreased by 11.76 *per cent* in 2017-18 (₹ 255.58 crore) from 2016-17 (₹ 289.63 crore) due to less receipt of dividend of ₹ 33.76 crore from Satluj Jal Vidyut Nigam during 2017-18 over the previous year. The main contributor of dividend was Satluj Jal Vidyut Nigam over the last five years. Out of total dividend of ₹ 255.58 crore received during the year, ₹ 253.20 crore (99 *per cent*) came from Satluj Jal Vidyut Nigam. During 2017-18, nearly 86 *per cent* investments were made in loss making PSUs viz. Himachal Pradesh Power Corporation (₹ 137.13 crore), Himachal Road Transport Corporation (₹ 50 crore), Himachal Pradesh State Electricity Board Limited (₹17.27 crore). These Government Companies/Corporations had accumulated losses as per latest finalised accounts - Himachal Pradesh Power Corporation (₹ 5.70 crore upto 2015-16), Himachal Road Transport Corporation (₹ 1,113.91 crore upto 2016-17), Himachal Pradesh State Electricity Board Ltd. (₹ 1,999.64 crore upto 2015-16).

### **1.8.2.1 Investment in Public Sector Undertakings**

#### **i. Investment in State Public Sector Undertakings (SPSUs)**

As on 31 March 2018, the investment (paid up capital and long term loans) in 25 PSUs was ₹ 13,643.29 crore as given in **Table 1.24** and **Appendix 1.6**.

Table 1.24: Investment in State PSUs in paid up share Capital

Type of PSUs	Government companies			Statutory corporations*			Grand Total
	Paid up capital	Long Term Loans	Total	Paid up capital	Long Term Loans	Total	
<b>Working</b>	3,332.04	9,077.67	12,409.71	820.06	334.73	1,154.79	13,564.50
<b>Non-working</b>	18.64	60.15	78.79	-	-	-	78.79
<b>Total</b>	3,350.68	9,137.82	12,488.50	820.06	334.73	1,154.79	13,643.29

\*Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation

As on 31 March 2018, out of the total investment, 99.42 per cent was in working PSUs and the remaining 0.58 per cent in non-working PSUs. This total investment consisted of 30.57 per cent towards paid up capital and 69.43 per cent in long-term loans.

The State Government had formulated (April 2011) a dividend policy under which all profit making PSUs (except those in welfare and utility sector) are required to pay a minimum return of five per cent on the paid up capital contributed by the State Government subject to a ceiling of 50 per cent of profit after tax. As per their latest finalized accounts, seven PSUs<sup>3</sup> earned an aggregate profit of ₹ 20.13 crore out of which only two PSUs (Himachal Pradesh State Civil Supply Corporation and Himachal Pradesh State Industrial Development Corporation Ltd.) declared/paid a dividend of ₹ 1.89 crore during 2015-16. The remaining five profit making PSUs had not paid any dividend to the State Government.

**ii. Investments made/budgetary support provided by the State Government to loss making PSUs/PSUs whose accounts are in arrears:**

**The State Government had invested ₹ 4,370.71 crore in 22 PSUs (including six loss making PSUs detailed in Appendix 1.8 for which accounts had not been finalized, as detailed in Appendix 1.7). In the absence of finalization of accounts and their audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amount was invested had been achieved or not. Thus, Government's investment in such PSUs has remained outside the scrutiny of the State Legislature.**

**The State Government may consider reviewing the working of State PSUs which are incurring huge losses, formulate a strategic plan for their revival or closure, as the case may be.**

**Winding up of non-working PSUs**

As on 31 March 2018, Agro Industrial Packaging India Limited and Himachal Worsteds Mills Limited were the two non-working companies. The Himachal Worsteds Mills Limited had been under liquidation since 2000-01 while the liquidation process in respect of Himachal Pradesh Agro Industrial Packaging India Limited was yet to be started.

<sup>3</sup> Himachal Backward Classes Finance and Development Corporation, Himachal Pradesh Mahila Vikas Nigam, Himachal Pradesh State Industrial Development Corporation Ltd, Himachal Pradesh General Industries Corporation Ltd., Himachal Pradesh State Civil Supplies Corporation Ltd., Himachal Pradesh State Handicrafts and Handloom Corporation Ltd. and Himachal Pradesh Kaushal Vikas Nigam.

The non-working companies are neither contributing to the State's economy nor meeting their intended objectives and therefore Government may consider closing these companies at an early date.

### 1.8.2.2 Investment in Public Private Partnership projects

Public Private Partnership (PPP) projects offer a unique and innovative method of involving the private sector in the nation building activity and in accelerating the delivery of public goods and services of high quality through joint enterprises. As of March 2018, out of 25 PPP projects undertaken, 8 PPP projects (cost ₹ 166.50 crore) had been completed and under operation and 17 projects (estimated cost ₹ 1,209 crore) were awarded and under implementation as detailed in **Appendix 1.9**.

### 1.8.3 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the State Government has also been providing loans and advances to institutions/ organizations working in areas such as Education, Sports, Art and Culture, Animal Husbandry, etc. The details of outstanding loans and advances as on 31 March 2018, interest receipts *vis-à-vis* interest payments during the last five years is given in **Table 1.25**.

**Table 1.25: Average interest received on loans advanced by the State Government**  
(₹ in crore)

Quantum of loans/interest receipts/cost of borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Opening Balance	1,399	1,913	2,346	2,784	6,044
Amount advanced during the year	531	474	463	3,290*	503
Amount recovered during the year	17	41	25	30	40
Closing Balance	<b>1,913</b>	<b>2,346</b>	<b>2,784</b>	<b>6,044*</b>	<b>6,507</b>
Net addition	514	433	438	3,260	463
Interest Receipts	15	65	53	80	256
Interest receipts as <i>per cent</i> to outstanding loans and advances	0.78	2.77	1.90	1.32	3.93
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the previous year	8.15	8.41	8.26	8.15	8.02
Difference between average rate of interest received and interest paid ( <i>per cent</i> )	(-) 7.37	(-) 5.64	(-) 6.36	(-) 6.83	(-) 4.09

Source: Finance Accounts

\* Includes ₹ 2,890.50 crore as loan to DISCOM under UDAY Scheme.

The total outstanding loans and advances as on 31 March 2018 was ₹ 6,507 crore. Against ₹ 503 crore advanced during 2017-18, only ₹ 40 crore was repaid. Major portion of the loans went to power projects (₹ 417.59 crore) under Economic Sector. **There was a huge difference in the average rate of interest being paid by the Government on borrowings *vis-à-vis* the percentage of interest received on outstanding loans and advances. The shortfall during 2016-17 was 6.83 per cent which decreased to 4.09 per cent during 2017-18 due to increase in interest receipt of ₹ 228 crore received on account of loans given to DISCOM (Himachal Pradesh State Electricity Board Ltd.) under UDAY Scheme.**



The position of loans and advances made during the year 2017-18 is given in **Table 1.26**.

**Table 1.26: Loans and Advances**

Entity	Number of Loans	Total Amount of loans	Terms and conditions	
			Rate of Interest	Moratorium period, if any
HP Power Transmission Corporation Ltd.	9	262.68	10 per cent	5 years
HP Power Corporation Ltd.	52	154.90	10 per cent	5 years
HP Marketing and Consumer Federation Corporation Ltd. (HIMFED)	1	20.00	9.05 per cent	Not specified
HP State Co-operative	1	18.21	10.35 per cent	3 years
	3	18.11	10.60 per cent	
Himachal Pradesh Horticulture Produce Marketing and Processing Corporation Ltd. (HPMC)	1	8.00	Interest free	2 years
	1	4.00	8.5 per cent	
HP State Financial Corporation	3	5.45	8.5 per cent	2 years
Municipal Corporation, Dharamshala	1	3.50	Terms and conditions not finalised	Not specified
Municipal Council, Solan	1	3.50	Terms and conditions not finalised	Not specified
Government Servants	--	3.17	As per applicable rules	NA
HP Private Institutional Regulatory Commission	1	1.00	Interest free	Not specified
<b>Total</b>	<b>74</b>	<b>502.52</b>		

Source: Finance Accounts

NA: Not applicable

### 1.8.3.1 Sanctioning/advancing of loans without finalizing terms and conditions

An amount of ₹ seven crore had been sanctioned as loan during 2017-18 without finalizing the terms and conditions relating to rate of interest, moratorium period of loans, etc. The details are given in **Table 1.27**.

**Table 1.27: Loans granted by the Government for which terms and conditions are yet to be finalised**

Sr. No.	Entity	Number of Loans	Total Amount (₹ in crore)	Earliest period to which arrears relate
1.	Municipal Corporation, Dharamshala	1	3.50	2017-18
2.	Municipal Council, Solan	1	3.50	
	<b>Total</b>	<b>02</b>	<b>7.00</b>	

**Instances of sanctioning loans without finalising the terms and conditions were also pointed out in previous Audit Reports on State Finances. However, the State Government had not taken remedial action so far and continues to advance fresh loans and advances to the Loanee/Entity without finalising terms and condition.**

### 1.8.4 Cash Balances and Investment of Cash Balances

**Table 1.28** depicts the cash balances and investments made by the State Government out of cash balances during the year.

**Table 1.28: Cash Balances and Investment of Cash Balances**

(₹ in crore)

Particulars	As on 1 April 2017	As on 31 March 2018	Increase (+)/Decrease (-)
<b>(a) General cash balance</b>			
Cash in treasuries	Nil	Nil	Nil
Remittance in transit-Local	Nil	Nil	Nil
Deposits with RBI	(-)443.27	(-)540.68	(-)97.41
Investments held in cash balance Investment account	759.43	723.72	(-)35.71
<b>Total (a)</b>	<b>316.16</b>	<b>183.04</b>	<b>(-)133.12</b>
<b>(b) Other cash balances and investments</b>			
Cash with departmental officers viz. PWD, etc.	0.16	0.16	Nil
Permanent advances for contingent expenditure with departmental officers	0.03	0.03	Nil
<b>Total (b)</b>	<b>0.19</b>	<b>0.19</b>	<b>NIL</b>
<b>Total (a+b)</b>	<b>316.35</b>	<b>183.23</b>	<b>(-)133.12</b>
<b>(c) Investment from Cash Balances</b>			
GoI Treasury Bills	759.43	723.72	(-)35.71
GoI Securities	7,150.02	6,635.31	(-) 514.71
<b>(d) Funds-wise break up of investment from earmarked balances</b>	Nil	Nil	Nil
<b>(e) Interest realised</b>	<b>53.30</b>	<b>81.13</b>	<b>27.83</b>

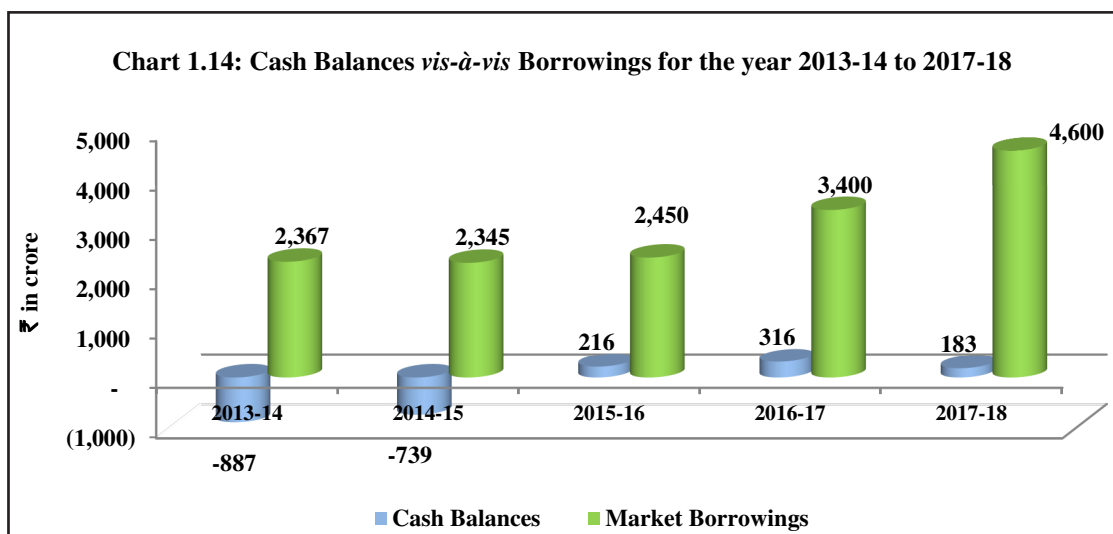
The State Government has to maintain a minimum Cash balance of ₹ 0.55 crore with the Reserve Bank of India. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary and special ways and means advances/overdrafts from time to time. The limit for ordinary ways and means advances to the State Government was ₹ 550 crore with effect from 01.02.2016. The RBI has also agreed to give special ways and means advances against the pledge of government securities.

During 2017-18, State Government could maintain minimum daily cash balance for 363 days. The Government had to take ₹ 400.14 crore of ways and means advances from RBI on 02 occasions which were repaid and there were no outstanding ways and means advances and overdrafts at the end of 2017-18.

**Cash balance of the State Government at the end of the current year decreased by ₹ 133.12 crore from ₹ 316.35 crore in 2016-17 to ₹ 183.23 crore in 2017-18. Interest realised increased by ₹ 27.83 crore during 2017-18 as compared to previous year.**



The Cash Balances *vis-à-vis* market borrowing of the last five year is depicted in the **Chart 1.14**.



## 1.9 Assets and Liabilities

### 1.9.1 Growth and Composition of Assets and Liabilities

In the existing government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the government is not done. However, the government accounts do capture the financial liabilities of the government and the assets created out of the expenditure incurred. **Appendix 1.4 (Part B)** gives an abstract of such liabilities and the assets as on 31 March 2018, compared with the corresponding position on 31 March 2017. **While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of the capital outlay and loans and advances given by the State Government and cash balances.**

During 2017-18, the assets grew by ₹ 4,085.48 crore (11.05 per cent) whereas the liabilities increased by ₹ 3,736.76 crore (7.82 per cent) over the previous year. The Financial Assets/Liabilities increased to 80 per cent in 2017-18 from 77 per cent in 2016-17.

### 1.9.2 Fiscal Liabilities

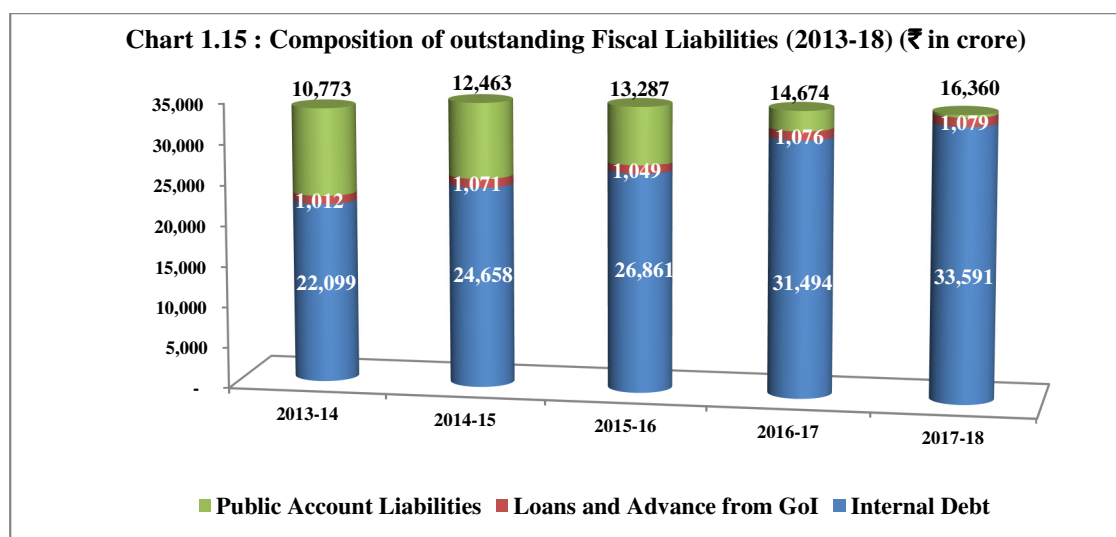
The position of outstanding fiscal liabilities of the State for the five year period viz. 2013-14 to 2017-18 is presented in **Table 1.29**. The composition of fiscal liabilities during the current year 2017-18 *vis-à-vis* the previous years are presented in **Chart 1.15**.

**Table 1.29: Trends in Total Fiscal Liabilities**

Components of fiscal liabilities	2013-14	2014-15	2015-16	2016-17	2017-18
Internal debt (₹ in crore)	22,099	24,658	26,861	31,494	33,591
Loans from Central Government (₹ in crore)	1,012	1,071	1,049	1,076	1,079
Public Account Liabilities (₹ in crore)	10,773	12,463	13,287	14,674	16,360
<b>Total</b>	<b>33,884</b>	<b>38,192</b>	<b>41,197</b>	<b>47,244</b>	<b>51,030</b>
Rate of Growth ( <i>per cent</i> )	11.31	12.71	7.87	14.68	8.01
<b>Ratio of Fiscal Liabilities to</b>					
GSDP	0.36	0.37	0.36	0.38	0.38
Revenue Receipts	2.16	2.14	1.76	1.80	1.86
Own resources	4.91	4.76	4.83	5.40	5.39
<b>Buoyancy of Fiscal Liabilities to</b>					
GSDP (ratio)	0.78	1.34	0.85	1.53	0.85
Revenue receipts (ratio)	15.61	0.94	0.25	1.22	1.91
Own resources (ratio)	0.75	0.79	1.23	5.62	0.98

Liabilities of the Government consist mainly of internal borrowings, loans and advances from GoI and balances in the Public Account. The total liability of the State as on 31st March 2018 was ₹ 51,030 crore; its composition is at Chart 1.15.

The overall fiscal liabilities of the State increased by ₹ 17,146 crore (51 per cent) from ₹ 33,884 crore in 2013-14 to ₹ 51,030 crore in 2017-18. Fiscal liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liability (₹ 34,671 crore) comprised market loans (₹ 21,574 crore), loans from GoI (₹ 1,079 crore) and other loans (₹ 12,018 crore, which includes ₹ 6,635 crore on special security issued to NSSF of the GoI).



The Public Account liabilities (₹ 16,360 crore) comprises Small Savings and Provident Funds (₹ 13,237 crore), interest bearing obligations and non-interest bearing obligations like deposits (₹ 2,798 crore) and reserve funds (₹ 325 crore).

The growth rate of fiscal liabilities was 8.01 per cent during 2017-18. The ratios of fiscal liabilities to GSDP varied between 36 per cent and 38 per cent during 2013-18. During 2017-18 it was 38 per cent and was higher than the norms as

recommended by 14<sup>th</sup>FC (32.99 per cent) and FRBM Act/MTFPS (32.92 per cent). These liabilities stood at 1.86 times the revenue receipts and 5.39 times the own revenue resources at the end of 2017-18. The buoyancy ratio of fiscal liabilities to GSDP stood at 0.85 during 2017-18.

### 1.9.3 Transactions under Reserve fund and Deposits

Closing balance in the Reserve Fund as on 31 March 2018 was ₹ 325.02 crore (Credit). Out of this, reserve fund bearing interest was ₹ 8.48 crore (credit) and the share of the fund not bearing interest was ₹ 316.54 crore (credit).

In terms of the recommendations of the Twelfth Finance Commission, State Governments were required to create two significant reserve funds i.e. (i) Consolidated Sinking Fund to be administered by the Reserve Bank of India (RBI) for redemption of outstanding liabilities and amortization of open market loans availed of by them and (ii) Guarantee Redemption Fund to meet the contingent liabilities arising from the guarantees given. The position of these funds is depicted as under:

#### 1.9.3.1 Consolidated Sinking Fund

The State Government required to make minimum annual contribution to the Fund at 0.5 per cent of the outstanding liabilities at the end of the previous financial year. The State Government, however, had not created a consolidated sinking fund. As on 31 March 2017, the outstanding liabilities of the Government of Himachal Pradesh were ₹ 47,244 crore. **Had there been a consolidated sinking fund, the liability of the State Government towards the fund would have been ₹ 236.22 crore (0.5 per cent of outstanding liabilities in previous year) in 2017-18 indicating that the revenue surplus is overstated and fiscal deficit is understated to that extent.**

#### 1.9.3.2 Guarantee Redemption Fund

The Government was required to set up, with minimum annual contribution at 0.5 per cent of the outstanding guarantees at the end of the previous financial year. **However, the State Government has not set up such Fund so far. Consequently, the revenue surplus was overstated and fiscal deficit was understated to the extent of ₹ 22.75 crore as on 31 March 2018.**

#### 1.9.3.3 State Disaster Response Fund/National Disaster Response Fund (NDRF)

The Thirteenth Finance Commission (TFC) had made provision of funds for the State Disaster Response Fund (SDRF) in its recommendations. In terms of the guidelines, the Centre and State Governments are required to contribute to the Fund in the proportion of 90:10. Ministry of Home Affairs, GoI guidelines, stipulates that funds balances are required to be invested in specified instruments. As per guidelines of RBI, the State Government is also required to pay interest on unspent balances at the rate applicable to overdraft.

During 2017-18, the State Government received ₹ 234 crore towards Central Government share of 90 per cent contribution to SDRF. The State Government

released ₹ 26 crore against its own share of ₹ 26 crore. Out of total corpus of ₹ 260.94 crore (₹ 0.94 crore opening balance plus ₹ 260 crore transferred from Major Head 2245-Relief), the State Government adjusted ₹ 252.46 crore towards expenditure on account of natural calamities leaving a balance of ₹ 8.48 crore in the fund as on 31 March 2018.

In terms of guidelines issued on 30 July 2015, certain natural calamities require expenditure in excess of the balance available under SDRF, which will qualify for immediate relief assistance from NDRF. The State Government received ₹ 63.23 crore under NDRF and an expenditure of ₹ 62.36 crore has been incurred, leaving unspent balance of ₹ 0.87 crore in the fund as on 31 March 2018.

As on 31 March 2018, ₹ 9.35 crore (₹ 8.48 crore + ₹ 0.87 crore) on account of NDRF/SDRF balances were not invested by the State Government. An interest of ₹ 0.75 crore would have been earned had these funds been invested by the Government.

### 1.9.4 Contingent Liabilities

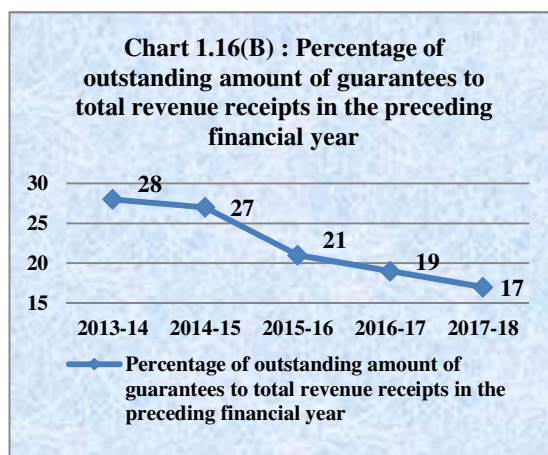
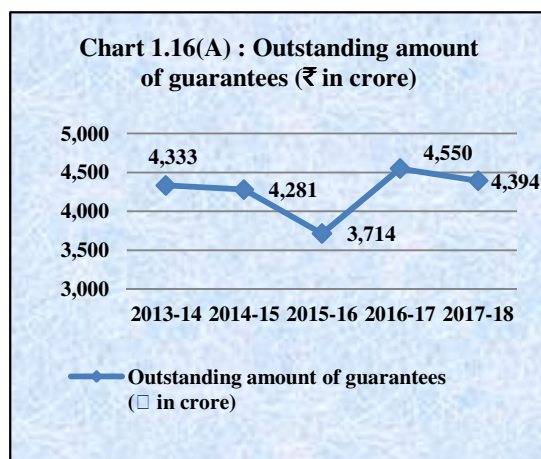
#### 1.9.4.1 Status of Guarantees

Guarantees<sup>4</sup> are liabilities contingent on the security of the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

As per **Statement-20** of the Finance Accounts the outstanding guarantees for the last five years are given in **Table 1.30**.

**Table 1.30: Guarantees given by the Government of Himachal Pradesh**

Guarantees	2013-14	2014-15	2015-16	2016-17	2017-18
Outstanding amount of guarantees (₹ in crore)	4,333	4,281	3,714	4,550	4,394
Percentage of outstanding amount of guarantees to total revenue receipts in the preceding financial year	28	27	21	19	17

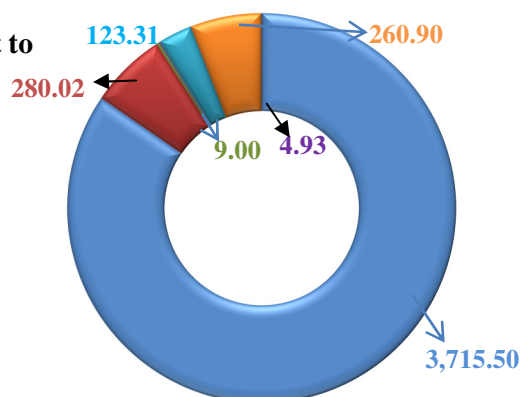


<sup>4</sup> Refer Glossary in Appendix 4.

Chart 1.16 (C) : Bodies in receipt of guarantees at the end of 31 March 2018

## Guarantee in crores given by Government to

- H.P. Electricity Board (Power)
- H.P. State Co-operative Agriculture and Rural Development Bank Ltd.
- H.P. Financial Corporation
- H.P. Khadi and Village Industries Board
- Government Companies
- Statutory Corporations and Boards



Source: Finance Accounts

No guarantee was invoked during the year. The maximum amount of Guarantee and Outstanding amount of Guarantee indicated in the Finance Accounts is based on the information provided by the State Government.

## 1.10 Debt Management

### 1.10.1 Debt Profile

Table 1.31: Growth rate and maturity profile of debt as on 31 March 2018

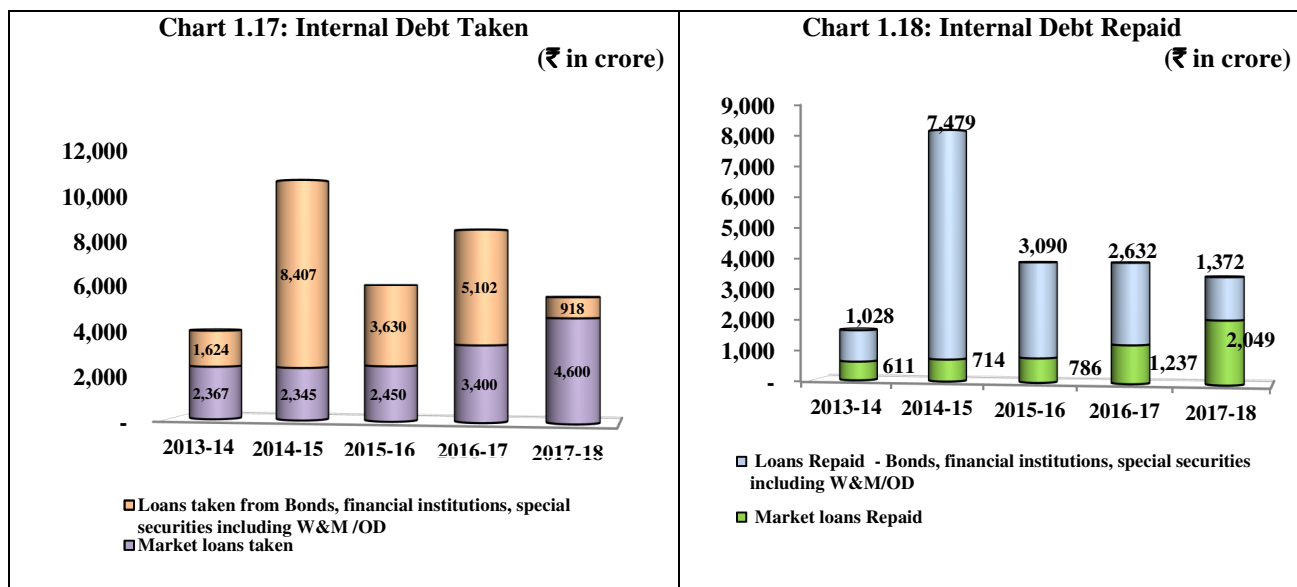
		(₹ in crore)				
Sr. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	<b>Internal Debt</b>	<b>22,099 (96)</b>	<b>24,658 (96)</b>	<b>26,861(96)</b>	<b>31,494(97)</b>	<b>33,591(97)</b>
	(i) Market Loans	13,565 (59)	15,196 (59)	16,860(60)	19,023(59)	21,574(62)
	(ii) Ways and Means Advances from RBI	285 (1)	285 (1)	--	--	--
	(iii) Overdrafts	171 (1)	249 (1)	--	--	--
	(iv) Loans from Financial Institutions	2,306 (10)	2,252 (9)	2,350(8)	5,321(16)	5,382(16)
	(v) Special Securities issued to NSSF	5,772 (25)	6,676 (26)	7,651(28)	7,150(22)	6,635(19)
2.	<b>Loans from Government of India</b>	<b>1,012 (4)</b>	<b>1,071 (4)</b>	<b>1,049(4)</b>	<b>1,076(3)</b>	<b>1,079(3)</b>
<b>Total Public Debt:</b>		<b>23,111</b>	<b>25,729</b>	<b>27,910</b>	<b>32,570</b>	<b>34,671*</b>
<b>Maturity Profile of State Debt (In Years)</b>						
	0 – 1	1,923(8)	2,046 (8)	2,268(8)	3,096(9)	3,181(9)
	1 – 3	3,514(15)	4,837(19)	6,236(22)	5,729(18)	4,644(13)
	3 – 5	5,470(24)	4,929(19)	4,331(16)	4,279(13)	5,043(15)
	5 – 7	3,162(14)	3,192(12)	4,339(16)	4,952(15)	6,469(19)
	7 and above	9,042(39)	10,725(42)	10,736(38)	14,514(45)	15,334(44)

\* 34,671 = 33591.47 (Internal Debt) + 1,079.43 (Loans and Advances from GOI)

Figures in brackets indicate the percentage of total public debt

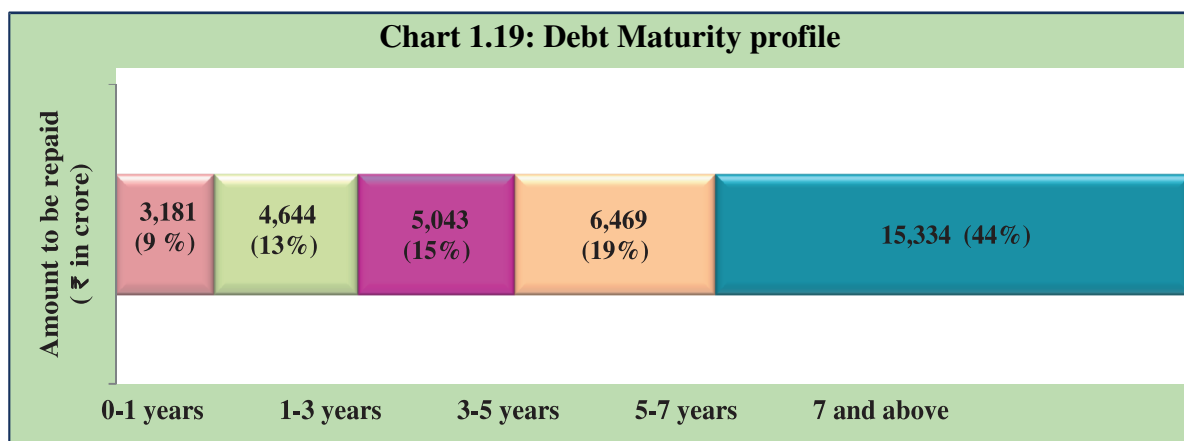
**Total public debt increased from ₹ 23,111 crore in 2013-14 to ₹ 34,671 crore in 2017-18 registering annual average growth rate of 10.85 per cent. The share of market borrowings in total public debt went up from 59 per cent in 2013-14 to 62 per cent in 2017-18. During current year (2017-18), total public debt increased by six per cent over the previous year.**

Composition of market loan taken and repaid during 2013-14 to 2017-18 is given in the **Charts 1.17** and **1.18**:



### Debt repayment schedule

Debt maturity profile indicates commitment on the part of the Government for debt repayment or debt servicing.

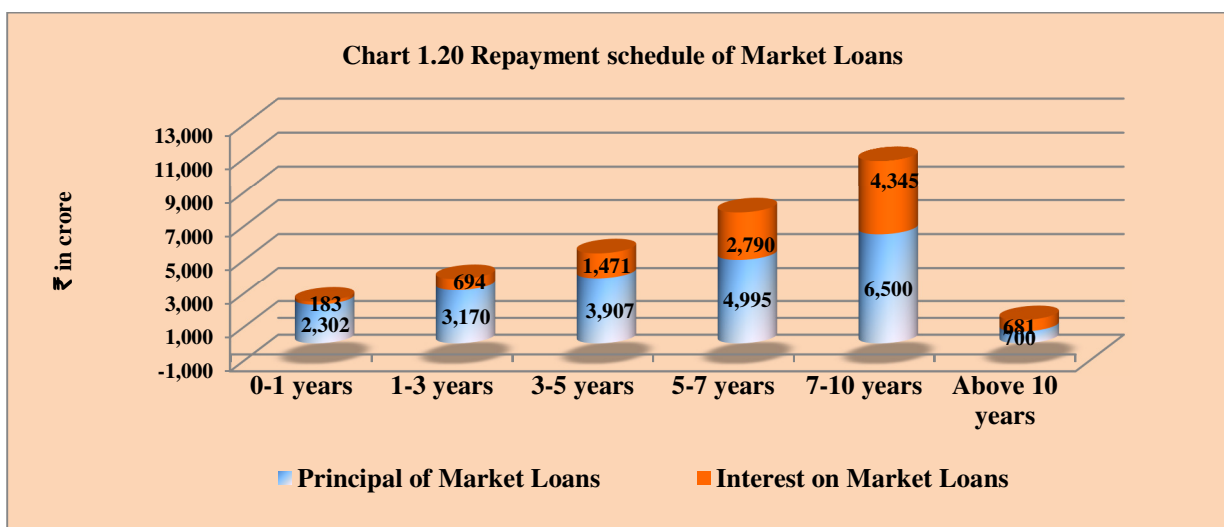


Source: Finance Accounts

As of March 2018, total outstanding public debt was ₹ 34,671 crore. The maturity profile of the State debt (**Table 1.31** and **Chart 1.19**) indicates that 9 per cent (₹ 3,181 crore) of the public debt is payable in the next year. Twenty eight per cent (₹ 9,687 crore) is payable in the next 1-5 years' time while the remaining 63 per cent (₹ 21,803 crore) loans are required to be paid in more than five years' time. It is indicative that the State is required to pay 56 per cent debt within 7 years.

Repayment schedule of market loans along with interest has been given in **Chart 1.20**.





Note: The maturity profile has been evolved for outstanding market loans as on 31 March 2018 and interest has been calculated upto the financial year in which the loans are going to retire.

During next ten years State has to repay market loan of ₹ 20,874 crore (96.75 per cent) out of total outstanding loan of ₹ 21,574 along with interest amounting to ₹ 10,164 crore.

Revenue receipts and revenue expenditure have grown at an annual average rate of 11.94 per cent and 12.75 per cent respectively in the past ten years. Applying these growth rates, the Revenue surplus during 2020-21 works out to ₹ 7.05 crore. However, as the State is committed to convert UDAY Bonds of ₹ 2,167.50 crore into grants-in-aid in 2020-21, the surplus would convert to Revenue Deficit of ₹ 2,160.45 crore. Borrowings during that year projected at the average annual growth rate of last ten years (23.23 per cent) would be ₹ 10,479.43 crore. After meeting the debt liability of ₹ 9,848.90 crore falling due for repayment in 2020-21, borrowed funds would fall short of meeting the revenue deficit by ₹ 1,529.92 crore. The State would thus have to resort to additional borrowings to meet its liabilities.

### Utilization of borrowed funds

The details of utilisation of borrowed funds for repayment of earlier borrowings, capital expenditure and revenue expenditure for the period 2013-14 to 2017-18 is given in Table 1.32.

**Table 1.32: Utilization of borrowed funds**

(₹ in crore)					
Year	Total Borrowings	Repayment of earlier borrowings (Principal)	Net capital expenditure*	Net Loans and Advances disbursed	Portion of total borrowings utilised towards Revenue expenditure
1.	2.	3.	4.	5	6 {2-(3+4+5)}
2013-14	4,050	1,704 (42)	1,856(46)	490(12)	NA
2014-15	10,877	8,260(76)	1,823(17)	433(04)	361(3)
2015-16	6,129	3,948(64)	2,181(36)	NA	NA
2016-17	8,603	3,943(46)	3,499(41)	1,1619(13)	NA
2017-18	5,600	3,500(63)	2,100(37)	NA	NA

\*Net Capital Expenditure = Total Capital Expenditure-Misc. Capital Receipts  
 Figures in brackets indicate percentage utilisation of borrowed funds

Except during 2014-15 no portion of debt receipts was used for meeting the revenue expenditure. During 2014-15, the revenue receipts of the State Government were not sufficient for meeting the revenue expenditure and an amount of ₹ 361 crore was utilised from borrowings for meeting revenue expenditure.

### 1.10.2 Debt sustainability

Debt sustainability implies State's ability to service the debt. Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability<sup>5</sup> of the State. The analysis of variations in debt sustainability indicators of the State for the period of five years beginning from 2013-14 is given in Table 1.33.

Table 1.33: Debt Sustainability: Indicators and Trends

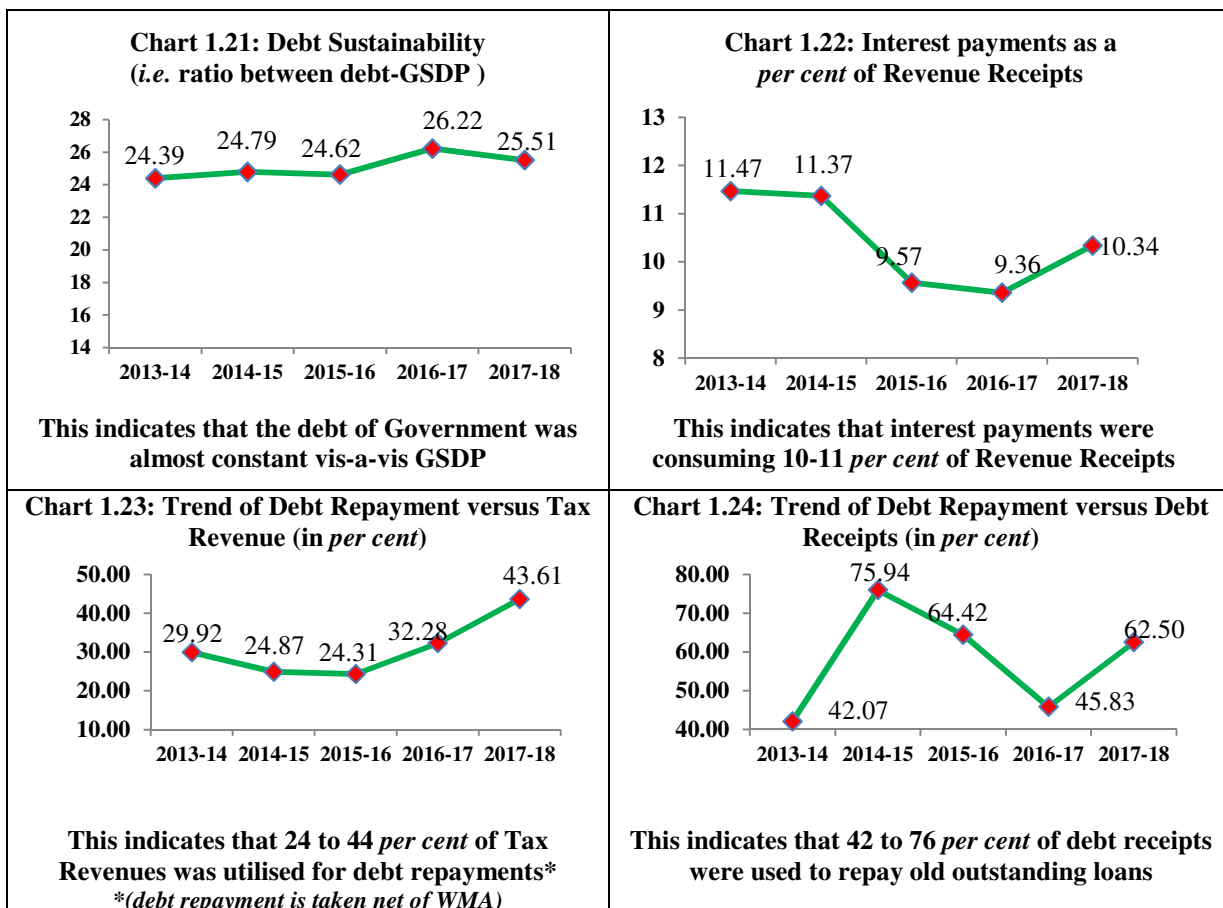
Indicators of Debt Sustainability	2013-14	2014-15	2015-16	2016-17	2017-18
Outstanding Public Debt (₹ in crore)	23,111	25,729	27,910	32,570	34,671
Rate of Growth of Outstanding Public Debt (in per cent)	11.30	11.33	8.48	16.70	6.45
GSDP (₹ in crore)	94,764	1,03,772	1,13,355	1,24,235	1,35,914
Rate of Growth of GSDP (in per cent)	14.42	9.51	9.23	9.60	9.40
Public Debt/GSDP (in per cent)	24.39	24.79	24.62	26.22	25.51
Interest payments(₹ in crore)	1,802	2,029	2,244	2,459	2,829
Average Interest Rate of Outstanding Public Debt (Interest paid/OB of Public Debt + CB of Public Debt/2) (in per cent)	8.21	8.31	8.37	8.13	8.41
Revenue Receipts (₹ in crore)	15,711	17,843	23,440	26,264	27,367
Percentage of Interest Payments to Revenue Receipts	11.47	11.37	9.57	9.36	10.34
Debt repayments (incl. WMA) (₹ in crore)	1,704	8,260	3,948	3,943	3,500
Debt Receipts (₹ in crore)	4,050	10,877	6,129	8,603	5,600
Percentage of Debt repayments to Debt Receipts	42.06	75.94	64.42	45.83	62.50
Net Debt Available to the State *(₹ in crore)	544	588	(-) 63	2,201	(-)729

Source: State Finance Accounts of the respective years.

\* Net Debt available to the State Government is calculated as excess of Public Debt receipts over Public Debt repayment and Interest payment on Public Debt.

5 Refer glossary in Appendix 4.





- The growth rate of outstanding public debt and GSDP has shown inter year variation during 2013-18. During 2017-18 the growth rate of outstanding debt decreased by 10.25 percentage points whereas the rate of growth of GSDP decreased by 0.20 percentage point over the previous year. During 2014-15 and 2016-17, the public debt increased annually at higher rate than annual growth rate of GSDP.
- Average interest rate of outstanding debt remained almost static during 2013-18 and was 8.41 per cent during 2017-18.
- Interest payments as percentage of Revenue Receipts increased from 9.36 per cent of 2016-17 to 10.34 per cent in 2017-18 which shows that the interest payments on public debt was increasing resulting in less availability of funds for development activities.
- 42.06 to 75.94 per cent of debt receipts were used for its repayments during 2013-18. During 2017-18, 63 per cent of borrowed funds were used for discharging existing liabilities.
- The net funds available on account of the Internal debt and loans and advances from GoI and other obligations after providing for the interest and repayments varied between minus ₹ 63 crore and ₹ 2,201 crore during 2013-18. The net debt available to the State for the year 2017-18 was minus ₹ 729 crore.

## 1.11 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2017-18.

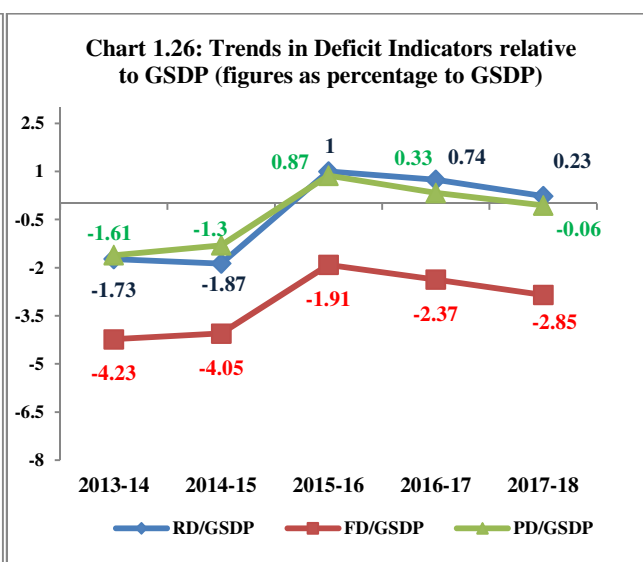
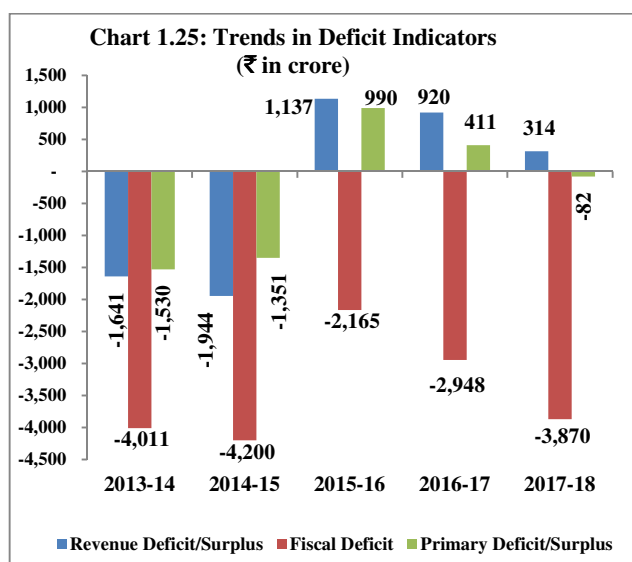
### 1.11.1 Trends in Deficits

Table 1.34 and Charts 1.25 and 1.26 presents the trends in deficit indicators (revenue, fiscal and primary) over the period 2013-18:

Table 1.34: Trends in deficits

	2013-14	2014-15	2015-16	2016-17	2017-18
(₹ in crore)					
<b>Deficits</b>					
Revenue Deficit(-) or Surplus (+)	(-)1,641	(-)1,944	1,137	920	314
Fiscal Deficit (-) or Surplus (+)	(-) 4,011	(-) 4,200	(-) 2,165	(-)2,948*	(-) 3,870
Primary Deficit (-) or Surplus (+)	(-) 1,530	(-) 1,351	990	411	(-) 82
<b>Management of Fiscal Imbalances (in per cent)</b>					
Revenue deficit (surplus)/GSDP	(-)1.73	(-)1.87	1.00	0.74	0.23
Fiscal deficit/GSDP	(-)4.23	(-)4.05	(-)1.91	(-)2.37	(-)2.85
Primary Deficit (surplus) /GSDP	(-)1.61	(-)1.30	0.87	0.33	(-)0.06

\* Debt in respect of the State DISCOM taken over by the State under the UDAY scheme is not to be taken into account for arriving at the fiscal deficit of the State in the FY 2016-17 and 2017-18.



The targets for revenue and fiscal deficits set for 13<sup>th</sup> and 14<sup>th</sup> FC along with their actual levels are given in Table 1.35:

Table 1.35: Outcome *vis-à-vis* targets under 13<sup>th</sup> FC /14<sup>th</sup> FC /FRBM

Period	Revenue Deficit or Surplus (₹ in crore)		Fiscal Deficit as <i>per cent</i> of GSDP	
	Targets	Actual	Targets	Actual
2013-14	Maintain Revenue Surplus	(-) 1,641	3 <i>per cent</i> or less	4.23
2014-15		(-)1,944		4.05
2015-16		1,137		1.91
2016-17		920		2.37
2017-18		314		2.85

As per the recommendations of the FRBM Act/ 13<sup>th</sup> FC /14<sup>th</sup> FC, the State was required to bring down revenue deficit to zero and maintain revenue surplus thereafter. Similarly, the target of fiscal deficit was also fixed at 3 *per cent* or less. Though, the State achieved the target in 2011-12 but failed to maintain it during 2013-14 and 2014-15. However, the target had again been achieved during last three years (2015-18) due to significant increase in central transfers.

There were huge variations in budget estimation/target set in FRBM Act. It indicates that these variations in estimates/targets were the result of bad planning, lack of foresight and ineffective monitoring on the part of estimation of realization and application of resources.

### Revenue Surplus

Revenue surplus represents the difference between revenue receipts and revenue expenditure. Revenue surplus helps to decrease the borrowings. Revenue surplus of ₹ 920 crore during 2016-17 declined to ₹ 314 crore in 2017-18. It was also observed that though the State maintained revenue surplus during the last three years (2015-18) but surplus consistently declined from ₹ 1,137 crore (2015-16) to ₹ 920 crore (2016-17) and ₹ 314 crore (2017-18) even after heavy devolution from the GoI. The revenue surplus had significantly reduced on account of increased expenditure (committed) on revenue account under salaries, interest payments, pensions and subsidies.

The high percentage of committed revenue expenditure reduces maneuverability around expenditure decisions by the State and that the State has limited revenue space available after accounting for its committed expenditure needs. Hence, the State Government needs to make medium term corrections on the expenditure side to moderate such committed expenditures and streamlining revenue collections.

### Fiscal Deficit

Fiscal deficit represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt (internal or external) or by the use of surplus funds from Public Account. Fiscal deficit trends along with the trends of the deficit relative to key components are indicated in Table 1.36.

**Table 1.36: Trends in Fiscal deficit**

(₹ in crore)

Period	Non-Debt Receipts	Total Expenditure	Fiscal deficit <sup>6</sup>	Fiscal Deficit as per cent of		
				GSDP	Non-Debt Receipts	Total Expenditure
1	2	3	4 (3-2)	5	6	7
2013-14	15,728	19,739	4,011	4.23	25.50	20.32
2014-15	18,534	22,734	4,200	4.05	22.66	18.47
2015-16	23,466	25,630	2,165	1.91	9.22	8.44
2016-17	26,294	32,133	2,948	2.37	11.21	9.17
2017-18	27,442	31,312	3,870	2.85	14.10	12.36

The fiscal deficit which represents the total borrowings of Government and is total resource gap, steadily increased from ₹ 4,011 crore in 2013-14 to ₹ 4,200 crore in 2014-15 and then decreased to ₹ 2,165 crore during 2015-16. Similarly between and 2013-14 to 2015-16, fiscal deficit as a percentage of GSDP decreased from 4.23 per cent to 1.91 per cent. The decrease in fiscal deficit during 2015-16 was due to significant increase in central transfers. Thereafter, the gap increased and in 2017-18 it stood at ₹ 3,870 crore which was within the target of FRBM Act.

### Primary Deficit

While fiscal deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payments in respect of States having deficit on revenue account. Interest payments represent the expenditure of past obligations and are independent of ongoing expenditure. To look at the imbalances of current nature, these payments need to be separated and deducted from the total imbalances. **The primary deficit is an important parameter that reflects a State's financial position.** If there is primary deficit it means that the State has a deficit even after netting out interest. So it means that it will have to borrow even to pay interest on its borrowings. Trends of Primary deficit for the last five years are indicated in **Table 1.37.**

**Table 1.37: Trends in Primary deficit**

(₹ in crore)

Period	Fiscal Deficit	Interest payments	Primary Deficit (-)/ Surplus (+) <sup>7</sup>
1.	2.	3.	4. (2-3)
2013-14	(-) 4,011	2,481	(-)1,530
2014-15	(-) 4,200	2,849	(-)1,351
2015-16	(-) 2,165	3,155	990
2016-17	(-) 2,948	3,359	411
2017-18	(-) 3,870	3,788	(-)82

Primary deficit for the period 2013-14 (₹ 1,530 crore) and 2014-15 (₹ 1,351 crore) turned to primary surplus (₹ 990 crore) in 2015-16 and (₹ 411 crore) in 2016-17 and again turned to primary deficit in 2017-18 (₹ 82 crore).

### Impact on Revenue and Fiscal deficit

Audit observed that the Revenue surplus was overstated by ₹ 260.57 crore and fiscal deficit understated by ₹ 260.57 crore on account of non-contributions to Consolidated Sinking Fund and Guarantee Redemption Fund, non-payment of interest to State

<sup>6</sup> Total Expenditure-Total Receipts (excluding Borrowings)

<sup>7</sup> Primary Deficit = Fiscal deficit - Interest payments

Disaster Response Fund /National Disaster Response Fund and misclassification of disbursement of GIA (from Capital Head) for expenditure as shown in Table below:

**Table 1.38: Effective Revenue Surplus and fiscal deficit**

Details of short transfer/contribution	(₹ in crore)					
	Impact on Revenue Surplus	Impact on Fiscal Deficit	Ratio before taking the net impact (in per cent)		Ratio after taking the net impact (in per cent)	
	Overstatement	Understatement	RS/GSDP	FD/GSDP	RS/GSDP	FD/GSDP
Non-contribution to Consolidated Sinking Fund	236.22	236.22	0.23	2.85	0.04	3.04
Non-contribution to Guarantee Redemption Fund	22.75	22.75				
Non-payment of interest on State Disaster Response Fund /National Disaster Response Fund	0.75	0.75				
Misclassification of disbursement of Grant-in-Aid (Grant No. 31 – Tribal Development) from Capital Heads instead of Revenue Heads	0.85	0.85				
<b>Total</b>	<b>260.57</b>	<b>260.57</b>				

Above impacted Revenue and Fiscal Deficit of the State Government. The revenue surplus has been overstated by 0.04 percentage points while the fiscal deficit understated by 3.04 percentage points.

### 1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.39**.

**Table 1.39: Components of Fiscal Deficit and its Financing Pattern**

(₹ in crore)						
	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Components of Fiscal Deficit</b>						
1	Revenue Deficit/surplus	(-) 1,641	(-) 1,944	1,137	920	314
2	Net Capital Expenditure	1,856	1,823	2,864	3,499	3,721
3	Net Loans and Advances	514	433	437	3,260	463
<b>Financing Pattern of Fiscal Deficit*</b>						
1	Market Borrowings	1,757	1,631	1,664	2,163	2,551
2	Loans from GoI	(-) 6	59	(-) 22	27	3
3	Special Securities Issued to NSSF	424	904	975	(-) 500	(-)515
4	Loans from Financial Institutions	173	24	(-) 436	80 <sup>#</sup>	61
5	Small Savings, PF, etc.	887	1,185	718	1,205	1,392
6	Deposits and Advances	207	504	115	181	189
7	Suspense and Misc.	267	28	(-) 590	(-) 274	(-)119
8	Remittances	(-) 23	12	148	(-)35	69
9	Others	325	(-) 147	(-) 407	101	239
10	<b>Overall Surplus (+)/Deficit (-)</b>	<b>(-) 4,011</b>	<b>(-) 4,200</b>	<b>(-) 2,165</b>	<b>(-) 2,948<sup>#</sup></b>	<b>(-) 3,870</b>

Figures in brackets indicate the per cent to GSDP. \*All these figures are net of disbursements/outflows during the year

Source: Finance Accounts

# ₹ 2,890.50 crore excluded on account of UDAY Scheme

The fiscal deficit of ₹ 3,870 crore was financed mainly through borrowings from Market (₹ 2,551 crore), Small Savings, Provident Fund, etc. (₹ 1,392 crore) and Deposits and Advances (₹ 189 crore).

### 1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The ratio of revenue deficit to fiscal deficit was 0.41 and 0.46 during 2013-14 and 2014-15 respectively. During 2015-18, State had experienced revenue surplus of ₹ 1,137 crore, ₹ 920 crore and ₹ 314 crore (**Appendix 1.3**).

The bifurcation of the primary deficit indicates the extent to which the deficit had been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy. The bifurcation of the factors resulting into primary deficit or surplus of the Government during the period 2013-18 is indicated in **Table 1.40**.

**Table 1.40: Primary deficit/Surplus – Bifurcation of factors**

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure (PRE)	Capital Expenditure	Loans and Advances	Total Primary Expenditure	Primary revenue surplus	Primary deficit (-)/ surplus (+)
1.	2.	3.	4.	5.	6. (3+4+5)	7. (2-3)	8. (2-6)
2013-14	15,728	14,871	1,856	531	17,258	857	(-) 1,530
2014-15	18,534	16,938	2,473	474	19,885	1,596	(-) 1,351
2015-16	23,466	19,149	2,864	463	22,476	4,317	990
2016-17	26,294	21,985	3,499	399	25,883	4,309	411
2017-18	27,442	23,265	3,756	503	27,524	4,177	(-)82

- Non-debt receipts of the State mainly included Revenue Receipts and recoveries of loans and advances which increased by 74.48 per cent from ₹ 15,728 crore in 2013-14 to ₹ 27,442 crore in 2017-18 were sufficient to meet the primary expenditure.
- The primary revenue surplus during 2013-14 (₹ 857 crore) and 2014-15 (₹ 1,596 crore) were not enough to meet the expenditure under Capital account resulted into primary deficit during the same period.
- However, during 2015-16 and 2016-17 primary deficit turned to primary surplus as the receipt of the State increased due to heavy devolution in central transfers on the recommendation of the 14<sup>th</sup> FC. The position during current year again changed to primary deficit which stood at ₹ 82 crore due to increase in primary revenue expenditure.

**Table: 1.41: Components of fiscal deficit during 2013-18**

(₹ in crore)

	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
	<b>Composition of Fiscal Deficit</b>	4,011	4,200	2,165	2,948	3,870
1	<b>Revenue Deficit/surplus</b>	(-) 1,641 (40.91)	(-) 1,944 (46.29)	NA	NA	NA
2	<b>Net Capital Expenditure</b>	(-) 1,856 (46.27)	(-) 1,823 (43.40)	(-) 1,728 (79.81)	(-) 2,579 (87.48)	(-) 3,407 (88.04)
3	<b>Net Loans and Advances</b>	(-) 514 (12.82)	(-) 433 (10.31)	(-) 437 (20.19)	(-) 369 (12.52)	(-) 463 (11.96)

Figures in brackets indicate contribution to fiscal deficit

During 2017-18, 88 *per cent* of Fiscal Deficit was on account of net capital expenditure. Contribution of net CE to FD has been rising since 2015-16 from 80 *per cent* to 88 *per cent* during 2017-18 which is a healthy position whereas contribution of loans and advances decreased from 20 *per cent* to 12 *per cent* in the same period.

### 1.12 Salient features

Comparison of key elements of State Finances in 2017-18 is summarised below:

**Table 1.42: Key parameters**

Positive Indicators	Parameters requiring close watch
↑ Increase in Non-Tax Revenue by 38 <i>per cent</i>	↑ Increase in Own tax revenue by only 1 <i>per cent</i>
↑ Increase in recovery of Loans and Advances by 33 <i>per cent</i>	↓ Decreasing trend in Revenue Surplus over last three years.
↑ Increase in Capital Expenditure by 7 <i>per cent</i>	↓ Increasing trend in Fiscal deficit over last three years.
	↓ Primary Surplus in last two years turning into Primary Deficit.
	↓ Reduction in Development Expenditure by 5 <i>per cent</i>

### 1.13 Follow up on Audit Report on State Finances

The State Finances Report is being prepared and presented to the State Legislature from the year 2008-09 onwards. The State Government has submitted action taken notes (ATNs)/*suo-motu* replies upto Audit Reports 2015-16. Public Accounts Committee is yet to take up discussion on these Reports.

### 1.14 Conclusion

The State is on a fiscal correction path. However, the State has not yet amended the FRBM Act as recommended by 14<sup>th</sup> FC. The State had a revenue deficit during the period 2013-14 and 2014-15 and thereafter it maintained a revenue surplus during the last three years (2015-18). However, the surplus consistently declined from ₹ 1,137 crore (2015-16) to ₹ 920 crore (2016-17) and ₹ 314 crore (2017-18) despite heavy devolution from the GoI.

Fiscal deficit increased by ₹ 922 crore from ₹ 2,948 crore in 2016-17 to ₹ 3,870 crore in 2017-18. Primary surplus of ₹ 990 crore and ₹ 411 crore during 2015-16 and 2016-17 respectively turned to primary deficit of ₹ 82 crore in 2017-18.

During 2017-18, the State's revenue receipts (₹ 27,367 crore) increased by 4 *per cent* over the previous year (₹ 26,264 crore). Only 35 *per cent* of the Revenue receipts came from the State's own resources comprising taxes and non-taxes, while the remaining 65 *per cent* were contributed by central transfers comprising the State's share in central taxes and duties (17 *per cent*) and grants-in-aid from GoI (48 *per cent*).



Substantial funds amounting to ₹ 901.83 crore were still being transferred by GoI directly to the State Implementing agencies during 2017-18 in spite of Central Government decision to route these funds through the State budget from 2014-15.

During 2017-18, total expenditure (₹ 31,312 crore) of the State decreased by ₹ 821 crore (3 per cent) over the previous year primarily on account of disbursement of loan of ₹ 2,890.50 crore during 2016-17 to DISCOM under UDAY Scheme.

The revenue expenditure increased by ₹ 1,709 crore (7 per cent) from ₹ 25,344 crore in 2016-17 to ₹ 27,053 crore in 2017-18 and its share in total expenditure increased from 79 per cent in 2016-17 to 86 per cent in 2017-18.

Overall fiscal liabilities at the end of the year were ₹ 51,030 crore with growth of 8 per cent over the previous year. Fiscal liabilities were 37.55 per cent of GSDP and 1.86 times of the revenue receipts.

During next ten years (2028-29) State has to repay market loan of ₹ 20,874 crore (96.75 per cent) out of total outstanding loan of ₹ 21,574 crore along with interest amounting to ₹ 9,483 crore.