

Chapter I

Finances of the State Government

Social Indicators of the State

Rajasthan is the largest State of India in terms of geographical area (342.24 thousand square kilometres) and eighth in terms of population. It is located in the north-western part of the country. The population of the State¹ increased from 6.52 crore in 2008 to 7.45 crore in 2017, recording a decadal growth of 14.3 *per cent*, as against the average growth rate of General Category States² at 11.6 *per cent*. The percentage of population below the poverty line* was 14.7 *per cent* which was less than the All India average of 21.9 *per cent*. The Gross State Domestic Product³ (GSDP) in 2017-18 at current prices was ₹ 8,40,263 crore (advance estimates). The literacy rate increased from 60.4 *per cent* (2001 census) to 66.1 *per cent* (2011 census), however, it was 6.9 percentage points below All India average of 73 *per cent* during the corresponding period. During 2017-18, per capita income of the State stood at ₹ 1,12,787 which was lower than the average per capita income of ₹ 1,28,853 of General Category States. The Economic and Social indicators of the State are given in *Appendix 1.1*.

Economic Indicators of State

Gross State Domestic Product (GSDP) is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy, as it denotes the standard of living of the State's population. The trends in the annual growth rate of the State's GSDP as compared to India's Gross Domestic Product (GDP) at current prices are indicated in **Table 1.1**:

¹ Population projection for India and State 2001-2026 (Revised December 2006) report of the Technical Group on population projection constituted by the National Commission on population Table-14 (projected total population by sex as on 1st October 2001-2026).

² General Category States: (i) Undivided Andhra Pradesh, (ii) Bihar, (iii) Chhattisgarh, (iv) Goa, (v) Gujarat, (vi) Haryana, (vii) Jharkhand, (viii) Karnataka, (ix) Kerala, (x) Madhya Pradesh, (xi) Maharashtra, (xii) Orissa, (xiii) Punjab, (xiv) Rajasthan, (xv) Tamil Nadu, (xvi) Uttar Pradesh and (xvii) West Bengal.

* Economic Survey 2017-18 (January 2018), Vol. II page A 160-161

³ Gross State Domestic Product (GSDP) is the market value of all officially recognised final goods and services produced within the State in a given period of time.

Table 1.1: Annual growth rate of GDP/GSDP at current prices

Year	2013-14	2014-15	2015-16	2016-17	2017-18
India's GDP# (₹ in crore)	1,12,33,522	1,24,45,128	1,37,64,037	1,52,53,714	1,67,73,145
Growth rate of GDP (percentage)	13.0	10.8	10.6	10.8	10.0
State's GSDP@ (₹ in crore)	5,51,031 [§]	6,15,695 [§]	6,83,758 [§]	7,59,235 ^{**}	8,40,263 ^{&}
Growth rate of GSDP (percentage)	11.6	11.7	11.1	11.0	10.7

Sources: # Press release of Ministry of Statistics and Programme Implementation, Government of India on 28.08.2018

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The growth rate of GSDP was 11.7 per cent during 2014-15, which showed a decreasing trend since then and was 10.7 per cent during 2017-18. However, during 2017-18 GSDP growth rate was higher than India's GDP growth rate of 10 per cent.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Rajasthan (GoR) during 2017-18 and analyses the changes observed in the major fiscal aggregates in relation to that of the previous year, keeping in view the overall trends during last five years. The annual accounts of GoR consist of Finance Accounts and Appropriation Accounts. The formats of Finance Accounts, are divided into two volumes (Volume I contains the summarised financial statements and Volume II presents detailed financial statements). This is summarised in *Appendix 1.2 (Part A) and Appendix 1.2 (Part B)*.

This chapter is structured in four parts.

- Summary of Fiscal Operations.

(Para 1.2)

- Resources of the State covers details regarding revenue receipts, capital receipts and public account receipts.

(Para 1.3 to 1.6)

- Application of Resources deals with quality of expenditure and financial analysis of government expenditure and investment.

(Para 1.7 to 1.9)

- Financial position includes assets and liabilities, fiscal imbalances and debt management.

(Para 1.10 to 1.12)

[§] Estimates of GSDP of previous years has changed in current year based on Revised Estimates-II.

^{**} Estimates of GSDP of previous year has changed in current year based on Revised Estimates-I.

[&] GSDP of current year is based on Advance Estimates.

1.2 Summary of Fiscal Operations in 2017-18

Summary of Fiscal Operations gives an overview of the Fiscal position, comparison of budget estimates with actuals achieved, review of Gender Responsive Budgeting and Major project/policy initiatives and status of action taken on Budget Speech (2017-18) which are given in detail in *sub paragraphs 1.2.1 to 1.2.4*.

Table 1.2 below presents the summary of the State Government's fiscal operations during current year (2017-18) *vis-à-vis* previous year (2016-17), while **Appendix 1.3** provides an abstract of receipts and disbursements as well as overall fiscal position during the current year.

Table 1.2: Summary of Fiscal Operations in 2017-18

(₹ in crore)

Receipts			Disbursements		
	2016-17	2017-18		2016-17	2017-18
Section-A: Revenue					
Tax Revenue	44,371.66	50,605.41	General Services	39,203.26	43,450.36
Non-Tax Revenue	11,615.57	15,733.72	Social Services	49,371.68	53,064.07
Share of Union Taxes/ Duties	33,555.86	37,028.01	Economic Services	38,565.14	49,326.98
Grants-in-aid from Government of India	19,482.91	23,940.04	Grants-in-aid and Contributions	0.06	0.11
Total Section-A Revenue Receipts	1,09,026.00	1,27,307.18	Total Section-A Revenue Expenditure	1,27,140.14	1,45,841.52
Section-B: Capital and others					
Miscellaneous Capital Receipts	27.84	16.61	Capital Outlay	16,979.72	20,623.28
Recoveries of Loans and Advances	1,713.53	15,133.41	Loans and Advances disbursed	12,965.45	1,334.02
Public Debt Receipts*	43,888.85	28,556.57	Repayment of Public Debt*	5,014.57	11,673.66
Contingency Fund	-	-	Contingency Fund	-	-
Public Account Receipts#	1,56,044.35	1,56,811.26	Public Account Disbursements#	1,48,885.50	1,47,088.02
Opening Cash Balance	8,397.27	8,112.46	Closing Cash Balance	8,112.46	9,376.99
Total Section-B Receipts	2,10,071.84	2,08,630.31	Total Section-B Disbursements	1,91,957.70	1,90,095.97
Grand Total (A + B)	3,19,097.84	3,35,937.49	Grand Total (A + B)	3,19,097.84	3,35,937.49

Source: Finance Accounts for the respective years

*Excluding net transaction under Ways and Means advances and overdraft

#The figures of Public Account Receipts/Disbursements are shown on gross basis in **Table 1.2**, while in other tables/paragraphs, they are shown on net basis.

Status of fiscal indicators i.e. Fiscal Deficit, Revenue Deficit & Primary Deficit are discussed in **paragraph 1.2.1 & 1.11**.

Detailed analysis and trend analysis of the fiscal operations are discussed in subsequent paragraphs in this chapter and the salient features of fiscal operations in 2017-18 are given below:

- Revenue Receipts increased by ₹ 18,281.18 crore (16.8 per cent) over the previous year.
- Revenue Expenditure increased by ₹ 18,701.38 crore (14.7 per cent).
- Capital Outlay increased by ₹ 3,643.56 crore (21.5 per cent).
- Public Debt Receipts (excluding Ways and Means advances and overdraft) decreased by ₹ 15,332.28 crore (34.9 per cent), while Repayment of Public Debt increased by ₹ 6,659.09 crore (132.8 per cent).
- Public Account Receipts increased by ₹ 766.91 crore (0.5 per cent), while Public Account Disbursements decreased by ₹ 1,797.48 crore (1.2 per cent).
- Cash balance increased by ₹ 1,264.53 crore (15.6 per cent).

The trends of Revenue Receipts (RR)/Revenue Expenditure (RE)/Capital Expenditure (CE) relative to GSDP at current as well as constant prices are presented in the table below:

Table: Trends in RR/RE/CE at current and constant prices

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
GDP at constant prices (₹ in crore)	98,01,370	1,05,27,674	1,13,86,145	1,21,96,006	1,30,10,843
GDP at current prices (₹ in crore)	1,12,33,522	1,24,67,959	1,37,64,037	1,52,53,714	1,67,73,145
GDP Deflator ⁴	115	118	121	125	129
Revenue Receipts at current and constant prices					
RR at current prices (₹ in crore)	74,471	91,327	1,00,285	1,09,026	1,27,307
Rate of growth of RR at current prices (per cent)	11.30	22.63	9.81	8.72	16.77
RR at constant prices (₹ in crore)	64,757	77,396	82,880	87,221	98,688
Rate of growth of RR at constant prices (per cent)	4.52	19.52	7.09	5.24	13.15
Revenue Expenditure at current and constant prices					
RE at current prices (₹ in crore)	75,510	94,542	1,06,239	1,27,140	1,45,842
Rate of growth of RE at current prices (per cent)	18.98	25.20	12.37	19.67	14.71
RE at constant prices (₹ in crore)	65,661	80,120	87,801	1,01,712	1,13,056
Rate of growth of RE at constant prices (per cent)	11.74	22.02	9.59	15.84	11.15
Capital Expenditure at current and constant prices					
CE at current prices (₹ in crore)	13,664	16,103	21,986	16,980	20,623
Rate of growth of CE at current prices (per cent)	27.90	17.85	36.53	(-) 22.77	21.45
CE at constant prices (₹ in crore)	11,882	13,647	18,170	13,584	15,987
Rate of growth of CE at constant prices (per cent)	20.12	14.85	33.15	(-) 25.24	17.69

As evident from the table above, there has been fluctuating trend in growth of revenue receipts, revenue expenditure and capital expenditure during the period from 2013-14 to 2017-18. However, as compared to previous year, there has been increase in rate of growth of Revenue Receipt and Capital Expenditure both at current prices and constant prices.

⁴ GDP deflator is calculated by dividing GDP at current prices by GDP at constant prices. For converting Revenue receipts, Revenue expenditure and Capital expenditure at current prices into constant prices, GDP Deflator is used.

1.2.1 Review of fiscal position

In pursuance of the recommendations of the Twelfth Finance Commission, the State Government enacted "Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005" with a view to ensure prudence in fiscal management and to maintain fiscal stability in the State. This Act was amended in 2011 and 2016. Besides, Fourteenth Finance Commission (XIV-FC) (2015-2020) also suggested fiscal consolidation roadmap for the state.

Review of fiscal position of the state, revealed the following:

(I) As per the provisions of Section 6(a) of FRBM Act, the State Government was to achieve Zero Revenue Deficit⁵ from the financial year 2011-12 and thereafter maintain it or achieve revenue surplus.

It was observed that the State Government could maintain the revenue surplus only in 2011-12 and 2012-13 and thereafter, there was revenue deficit during five consecutive years up to 2017-18. The Budget Estimates (BE), Revised Estimates (RE) and Actual figures in respect of Revenue Deficit/ Surplus during the last six years is summarised below:

(₹ in crore)

Revenue Deficit/Surplus as per	2012-13	2013-14	2014-15	2015-16*	2016-17*	2017-18	
						With UDAY	Without UDAY
Budget Estimates	(+) 928	(+) 1,026	(+) 738	(+) 557	(-) 8,802	(-) 13,528	(-)1,528
Revised Estimates	(+) 772	(-) 2,505	(-)4,220	(-) 5,232	(-) 17,838	(-) 20,166	(-)8,166
Actual	(+) 3,451	(-) 1,039	(-) 3215	(-) 5,954	(-) 18,114	(-) 18,535	(-)6,535

*with impact of UDAY⁶

It is seen from the table that the revenue deficit (including UDAY) stood at ₹ 18,535 crore which was higher than the projections made in BE (₹ 13,528 crore) but lower than RE (₹ 20,166 crore). The above table also indicates that the formulation of BE for 2013-14 to 2017-18 was deficient as there was regular and significant fall in Revised estimates and Actual in comparison to BE during these years.

State Government was unable to contain projected revenue deficit to budgeted estimates during 2017-18 as the actual revenue expenditure increased to ₹ 1,45,842 crore against the BE of ₹ 1,43,690 crore i.e by 1.50 per cent (₹ 2,152 crore) whereas the actual revenue receipt declined to ₹ 1,27,307 crore (including ₹ 2,598 crore received from GoI on account of compensation for

⁵ Revenue Deficit = Revenue Expenditure (-) Revenue Receipts.

⁶ Ujwal DISCOM Assurance Yojana (UDAY) is the financial turnaround and revival package for electricity distribution companies (DISCOMs) initiated (November 2015) by the GoI with the intent to find a permanent solution to the financial mismanagement of State DISCOMs with an objective to improve the operational and financial efficiency of the State DISCOMs by taking over 75 per cent of the debt of the DISCOMs as on 30 September 2015 over a period of 2 years. Impact of this scheme has been **discussed in paragraph 1.9.5.**

loss of revenue arising out of implementation of Goods and Service Tax) against the BE of ₹ 1,30,162 crore i.e. by 2.19 per cent (₹ 2,855 crore).

Significant decline was witnessed in revenue receipts: (i) Taxes on sales, trade etc., including State Goods and Service Tax (SGST) were ₹ 31,145 crore against BE of ₹ 35,300 crore, (ii) State Excise ₹ 7,276 crore against BE of ₹ 8,300 crore, (iii) Royalty on Petroleum were ₹ 2,579 crore against BE of ₹ 3,500 crore and (iv) Non-ferrous Mining and Metallurgical Industries generated ₹ 4,522 crore against BE of ₹ 5,200 crore.

The table below shows that the actual receipts on account of taxes on Sales, Trade etc., including SGST and Royalty on Petroleum was below the Budget Estimates during 2016-17 and 2017-18:

Particular of Receipts	2016-17			2017-18		
	BE	Actual	Increase/ Decrease (in per cent)	BE	Actual	Increase/ Decrease (in per cent)
Taxes on sales, trade etc. including SGST	34,515	28,558	(-) 17.3	35,300	31,145	(-) 11.8
Royalty on Petroleum	3,500	2,332	(-) 33.4	3,500	2,579	(-) 26.3

Source: Budget document and Finance Accounts.

Thus, relatively less control over expenditure and fall in revenue receipts than budgeted was the reason for the increase in revenue deficit.

The above position indicates that the state has to make more realistic estimates of receipts while preparing the budget of the State.

(2) Section 6 (b) of the FRBM Act, envisaged achievement of fiscal deficit⁷ of 3 per cent of GSDP by financial year 2011-12 and thereafter to maintain the ratio or reduce it.

The following table shows position of fiscal deficit as percentage of GSDP during 2015-18 as per BE, RE and Actuals:

	Budget Estimates	Revised Estimates	Actual
2015-16	2.99 (excluding UDAY)	3.62 (excluding UDAY) 9.99 (including UDAY)	3.37 (excluding UDAY) 9.22 (including UDAY)
2016-17	3.00 (excluding UDAY) 5.62 (including UDAY)	3.37 (excluding UDAY) 6.36 (including UDAY)	3.15 (excluding UDAY) 6.10 (including UDAY)
2017-18	2.95	3.46	3.02

It is observed that the ratio of fiscal deficit to GSDP for the year 2017-18 is marginally higher than the target of 3 per cent prescribed under the FRBM Act and XIV-Finance Commission. The fiscal deficit (including UDAY) stood at ₹ 25,342 crore which was higher than the projection in BE (₹ 24,754 crore) but lower than in RE (₹ 29,092 crore). Further details of fiscal deficit-GSDP ratio are given in **Paragraph 1.11.1.2.**

⁷ Fiscal Deficit = Revenue Expenditure + Capital Expenditure + Net Loan and Advances - Revenue Receipts - Miscellaneous Capital Receipts.

(3) The State Government amended (April 2016) the provisions of Section 6(c) of the FRBM Act to prescribe the limit of total outstanding debt up to 35.5 per cent of GSDP for the financial year 2017-18.

The ratio of Debt to GSDP was 33.46 during 2017-18, which was within the limit fixed under the revised FRBM Act. Further details of Debt (fiscal liability) are given in *Paragraph 1.10.2*.

(4) Against the primary deficit of ₹ 5,127 crore and ₹ 9,306 crore respectively, as projected in BE and RE, actual primary deficit stood at ₹ 5,622 crore, which was higher than BE but lower than RE.

1.2.2 Budget Estimates, Revised Estimates and Actual

The budget papers presented by the State Government provide projections or estimations of receipts and expenditure for a particular fiscal year. The importance of accuracy in the estimation of receipts and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from BE are indicative of non-attainment/non-optimisation of the desired fiscal objectives due to various reasons, some within the control of the government and some beyond its control. The State Government presented its RE for financial year 2017-18 along with BE of 2018-19 on 12 February 2018.

A comparison of Actual receipts/expenditure with BE and RE for the year 2017-18 is given in **Table 1.3** below and detailed comparison is given in *Appendix 1.6*.

Table 1.3: Budget Estimates, Revised Estimates and Actual for the year 2017-18

(₹ in crore)					
Fiscal parameters	Budget Estimates	Revised Estimates	Actuals	Difference between Actuals and BE	Difference between Actuals and RE
1	2	3	4	5 (4-2)	6 (4-3)
Tax Revenue	54,569	51,817	50,605	(-) 3,964	(-) 1,212
Non-Tax Revenue	14,493	16,659	15,734	1,241	(-) 925
State's share of Union Taxes and Duties	37,229	37,029	37,028	(-) 201	(-) 1
Grants-in-aid from GoI	23,871	29,188	23,940	69	(-) 5,248
Total Revenue Receipts	1,30,162	1,34,693	1,27,307	(-) 2,855	(-) 7,386
Total Revenue Expenditure	1,43,690	1,54,859	1,45,842	2,152	(-) 9,017
Interest Payments	19,627	19,786	19,720	93	(-) 66
Capital Expenditure	25,603	22,537	20,623	(-) 4,980	(-) 1,914
Revenue Deficit (-)/Surplus (+)	(-) 13,528	(-) 20,166	(-) 18,535	(-) 5,007	1,631
Fiscal Deficit (-)/Surplus (+)	(-) 24,754	(-) 29,092	(-) 25,342	(-) 588	3,750
Primary Deficit ⁸ (-)/Surplus (+)	(-) 5,127	(-) 9,306	(-) 5,622	(-) 495	3,684

Source: Finance Accounts and Budget Documents

Analysis of revenue receipts, revenue expenditure and capital expenditure is given below:

⁸ Primary Deficit = Fiscal Deficit - Interest payments.

1.2.2.1 Revenue Receipts

Revenue Receipts were lower than BE and RE by ₹ 2,855 crore (2.2 per cent) and ₹ 7,386 crore (5 per cent) respectively. The Revenue Receipts were lower than BE/RE primarily due to lesser collection of Tax Revenue⁹. The collection in respect of most of the constituents of Tax Revenue Receipts was lower than the projections made in BE and RE as discussed in *paragraph 1.2.1*.

1.2.2.2 Revenue Expenditure

Revenue Expenditure was lower than RE by ₹ 9,017 crore (5.8 per cent), however, it was higher than BE by ₹ 2,152 crore (1.5 per cent). The revenue expenditure decreased as compared to RE mainly due to decline in expenditure by ₹ 1,035 crore under 'Pension and Other Retirement Benefits'; ₹ 337 crore under 'Police'; ₹ 1,290 crore under 'General Education'; ₹ 376 crore under 'Medical and Public Health'; ₹ 866 crore under 'Urban Development'; ₹ 1,868 crore under 'Rural Employment' and ₹ 609 crore under 'Other Rural Development Programmes'.

1.2.2.3 Capital Expenditure

During 2017-18, the capital expenditure was lower than BE and RE by ₹ 4,980 crore (19.5 per cent) and ₹ 1,914 crore (8.5 per cent) respectively. The decrease in capital expenditure in comparison to BE was mainly due to decline in expenditure under Capital Outlay on Petroleum: ₹ 1,054 crore; Water Supply and Sanitation: ₹ 1,017 crore; Medical and Public Health: ₹ 673 crore; Education, Sports, Art and Culture: ₹ 367 crore; Urban Development: ₹ 364 crore; Major Irrigation: ₹ 313 crore; Power Projects ₹ 269 crore; Public Works: ₹ 265 crore and Roads and Bridges: ₹ 243 crore. The actual expenditure in all above components of Capital Expenditure was also lower than projections made in RE.

Recommendation:1

The Government should rationalise the budget formulation to make the estimates included therein, more realistic so that parameters of fiscal deficit and revenue deficit are brought within the prescribed limit of the FRBM Act.

1.2.3 Gender Responsive Budgeting

Gender Responsive Budgeting (GRB) is a means of ensuring that public resources are allocated in an equitable way so that the most pressing needs of specific gender groups are satisfied. During the Budget speech of 2009-10, GoR announced preparation of GRB which would enable gender based budget analysis of each department. Accordingly, a High Level Committee (HLC) was formed (August, 2009) under the chairmanship of the Chief Secretary and a Gender Cell was formed in September 2009 in the Department of Women and Child Development (WCD). One of the functions and objectives of GRB

⁹ State Tax Revenue and State's share of Union Taxes and Duties decreased by ₹ 3,964 crore and ₹ 201 crore respectively compared to BE.

was consolidating budget schemes and facilitating integration of gender analysis in the Government Budget. Further, during August 2010, Gender Desks were also constituted in various departments for implementation of various GRB initiatives. Besides, GoR decided (August 2011) to include Gender Budget Statement in the new Integrated Financial Management System (IFMS) for preparation of BE from the financial year 2012-13.

Gender Budgeting in the State is regulated as per provisions contained in paragraph 13.27 of the State Budget Manual (SBM). To prepare the annual Gender Budget Statement, Budget Controlling officers of specified departments are required to provide information in the format given in the budget circular issued by the Finance Department. This format requires classification of plan schemes/Programmes targeted at women into four categories. The details of categories are given below:

A	Schemes under which expenditure targeted at women is more than 70 <i>per cent</i> .
B	Schemes under which expenditure targeted at women lies between 70 <i>per cent</i> -30 <i>per cent</i> .
C	Schemes under which expenditure targeted at women lies between 30 <i>per cent</i> -10 <i>per cent</i> .
D	Schemes under which expenditure targeted at women is less than 10 <i>per cent</i> .

The category wise allocation during 2013-18 as per budget presented in the Rajasthan Legislative Assembly was as shown below:-

Table: Gender budgetary allocations and actuals during 2013-18

		(₹ in crore)				
Year		Category 'A'	Category 'B'	Category 'C'	Category 'D'	Total
2013-14	BE	3,262.82	18,832.71	980.81	60.62	23,136.96
	Actual expenditure	5,020.62	11,190.07	657.65	329.79	17,198.13
	Actual in <i>per cent</i> of BE	153.9	59.4	67.1	544.0	74.3
2014-15	BE	4,241.11	21,143.72	2,887.26	38.49	28,310.58
	Actual expenditure	5,767.98	18,329.41	1,093.63	1,315.92	26,506.94
	Actual in <i>per cent</i> of BE	136.0	86.7	37.9	3418.9	93.6
2015-16	BE	5,963.18	30,381.26	2,264.05	42.63	38,651.12
	Actual expenditure	7,814.04	20,263.82	2,176.33	49.76	30,303.95
	Actual in <i>per cent</i> of BE	131.0	66.7	96.1	116.7	78.4
2016-17	BE	5,771.71	37,876.75	3,251.84	40.64	46,940.94
	Actual expenditure	3,524.88	23,211.34	2,450.84	89.69	29,276.75
	Actual in <i>per cent</i> of BE	61.1	61.3	75.4	220.7	62.4
2017-18	BE	5,870.89	44,428.87	2,372.26	118.19	52,790.21
	Actual expenditure*	-	-	-	-	-
	Actual in <i>per cent</i> of BE	-	-	-	-	-

* Information about the expenditure incurred during 2017-18, not received from WCD (the Nodal Department) (January 2019).

With a view to assess the extent of utilisation of the gender budget, out of a total 1,133 gender specific schemes, test check was conducted in respect of 30 schemes which belonged to 'A' category with *cent per cent* allotment for

women and in which the budget exceeded ₹ 10 crore. The major irregularities noticed are summarized below:

(i) Women and Child Development Department

(a) The "*Mission Gramya Shakti*" (MGS) aims to strengthen women Self Help Groups (SHGs), through clustering, capacity building and handholding of SHGs and create channel of link with livelihood promoting programmes for woman empowerment. It was observed that no expenditure was incurred during 2017-18 on this scheme against budget provision of ₹ 16.60 crore.

Director, Women Empowerment Department informed (June 2018) that the scheme could not be implemented due to non-approval of work plan of MGS by the Finance Department. It is to be noted that despite similar observations made in the CAG's Audit Reports on the State Finances for the years 2013-14 to 2016-17, no expenditure was incurred on this scheme during 2017-18.

(b) 'Conditional Maternity Benefit Scheme', aims at improving the health and nutritional status of pregnant women (age 19 years and above), lactating women and their infants. The State Government made the provision of ₹ 25 crore in BE during 2017-18. This was subsequently reduced to ₹ 9 crore by re-appropriation and expenditure incurred was only ₹ 5.94 crore (24 per cent of BE). The reason for less expenditure as intimated (August 2018) by department was that *Pradhan Mantri Matritva Vandana Yojana* (PMMVY) was implemented (January 2017) instead of 'Conditional Maternity Benefit Scheme'.

The matter was referred to the Finance and Concerned Department, reply is awaited.

(ii) Rural Development and Panchayati Raj Department

Rajasthan Rural Livelihood Project (RRLP) was implemented by '*Rajasthan Grameen Aajeevika Vikas Parishad-RAJEEVIKA (RGAVP)*', a society established under administrative control of Rural Development and Panchayati Raj Department (RD PRD). The society aims at creating financially sustainable and effective institutional platform for the rural poor enabling them to increase household income through sustainable livelihood enhancements and improved access to financial and selected public services and to build their capacities to deal with the rapidly changing external socio-economic world.

It was observed that out of gender budget of ₹ 300 crore provided under RRLP for 2017-18, a sum of only ₹ 200 crore (67 per cent) was spent. The Department attributed the reason for less expenditure to less receipt of loans from financial institutions. However, no details were provided by the Department in this regard.

(iii) Secondary Education Department

Under the scheme for construction and operation of Girls Hostels for students of Secondary Education, residential facility is to be provided for Girl students. It was observed that gender budget for 2017-18 allocated ₹ 40.62 crore for construction and operation of Girls hostels. However, a sum of ₹ 15.26 crore (38 per cent) only was utilised. The reason for underutilisation of funds was not intimated.

Nil expenditure in one gender based scheme and expenditure ranging between 24 and 67 per cent in remaining cases points to need for better monitoring of the implementation of gender budgeting by the State as recommended by the Public Accounts Committee in its 279th Report of September 2018.

1.2.4 Major project/policy initiatives and the status of action taken on Budget Speech 2017-18

While presenting budget in March 2017 for the year 2017-18, the State Government had announced several schemes/policies. The concerned Departments intimated (June-August 2018) the status of action taken on the major policy initiatives. However, Audit observed that in respect of following project/ policy initiatives, limited or no progress was made:

Para No. of Budget speech	Name of Department	Brief of announcements made in Budget speech	Status of follow up action taken by the Department
75	Forest	It has been decided to protect and exhibit in a better way the existing fossils at fossil park near Aakal and to develop basic infrastructure in the wood fossil park for development of tourism at a cost of ₹ 10.90 crore. Provision of ₹ 5 crore in 2017-18 was proposed for this project.	Against budget announcement for provision of ₹ 5 crore, only ₹ 20 lakh was allotted in 2017-18 against which expenditure of ₹ 0.13 lakh only was incurred. The department informed (January 2019) that Detailed Project Report was reviewed in June/ August 2018 and not found technically fit and the services of the existing consultant was cancelled.
94	Mining	An amount of ₹ 500 crore will be spent on welfare activities for residents of mining affected areas. These welfare activities will include drinking water schemes, environment conservation, health, education, woman and child welfare, welfare of handicapped and senior citizens, skill development, construction and renewal of roads, energy, irrigation and water conservation.	Expenditure up to 2017-18 was only ₹ 119.18 crore. The welfare of residents of mining affected areas was therefore not met to the extent promised.

Para No. of Budget speech	Name of Department	Brief of announcements made in Budget speech	Status of follow up action taken by the Department
158	Woman and Child Development	Provision of ₹ 40 crore was proposed for ensuing year for providing basic amenities such as table, chair, green board, display board etc., in <i>Aanganwadi Kendras</i> in the state under Integrated Child Development Services.	An amount of ₹ 13.04 crore only was spent against budget provision of ₹ 40 crore on basic amenities in <i>Aanganwadi Kendras</i> as the matter is under consideration of High Court.
159	Woman and Child Development	As per budget announcement for 2016-17, ₹ 75 crore was incurred in three years on upgradation and maintenance of <i>Aanganwadi Kendras</i> being run in government buildings. Works amounting to ₹ 20 crore were started in 2016-17 and provision of ₹ 30 crore was proposed for 2017-18.	No expenditure was incurred during 2017-18. The department stated that administrative sanction was issued only for 292 <i>Kendras</i> against the target of 2,265 <i>Aanganwadi Kendras</i> upto March 2018 and action was being taken for issuing administrative and financial sanctions in respect of remaining <i>Kendras</i> (August 2018).
210	College Education	As per Budget declaration for 2014-15, new buildings were proposed to be constructed for following eight colleges at a cost of ₹ 48 crore during the year 2017-18: Government Art College, Dausa, Sikar, Kota and Chimanpura, Commerce College, Sikar and Alwar, Government Art Girls College, Kota, Government Commerce College, Kota.	An amount of only ₹ 3 crore was spent against financial sanction of ₹ 48 crore during 2017-18. Further, construction work was started in respect of only three Government College buildings (July 2018).
211	College Education	Smart science labs at a cost of ₹ 2.50 crore were to be established at selected colleges of seven divisional headquarters. Main features of these labs will be 3D animated modules, virtual reality, video etc.	No expenditure was incurred during 2017-18. The department has intimated that the sanctioned amount of ₹ 3.37 crore has been transferred to RajComp, which has started the tender process.
231	Medical Education	Life period of Cathlab installed in ICU of Medical College, Jodhpur has expired. It was, therefore, proposed to install a new Cathlab machine at a cost of ₹ 10 crore.	No expenditure was incurred during 2017-18. Tender process has been initiated for purchase of new machinery.
232	Medical Education	Construction of 2 nd floor in premises of Medical College, Kota at a cost of ₹ 29.39 crore.	No expenditure was incurred in 2017-18 despite sanction of ₹ 4 crore. The department informed that the tender was accepted in June 2018. Thus, due to delay in administrative process, the work was not started.

In most of the above cases, the works were not even started with in the period stipulated in the budget speech. Due to delays in issuing administrative and financial sanctions, the public at large was deprived of benefits in the sectors like Forest, Mining, Woman and Child Development, College Education and Medical Education.

The slow pace in follow up action and delay in starting the works points to need for better monitoring and implementing a system for pursuance of initiatives announced during budget speech on 08 March 2017.

The Public Accounts Committee in its 70th (March 2016), 116th (September 2016) and 253rd (February 2018) Reports had also recommended for timely completion of works included in the budget speeches. However, the slow pace in implementation continued during 2017-18 also.

Recommendation: 2

Considering the importance of the announcements made in the budget speech every year and the repeated recommendations by the Public Accounts Committee, the concerned departments should ensure the timely implementation and better monitoring of these schemes.

1.3 Financial Resources of the State

Financial Resources of the State as per Annual Finance Accounts

Receipts of the State Government can be divided into two categories namely Revenue Receipts¹⁰ and Capital Receipts¹¹. Besides, the funds available in the Public Account net of disbursement made from it are also utilised by the Government to finance its deficit. Following flowchart depicts the components and sub-components of the state’s financial resources:

Components and sub-components of financial resources

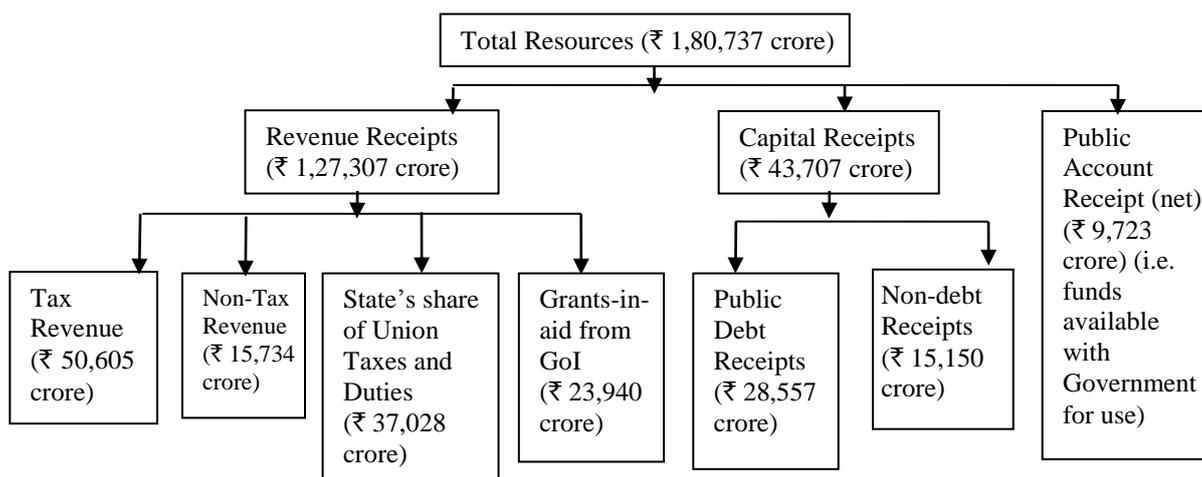
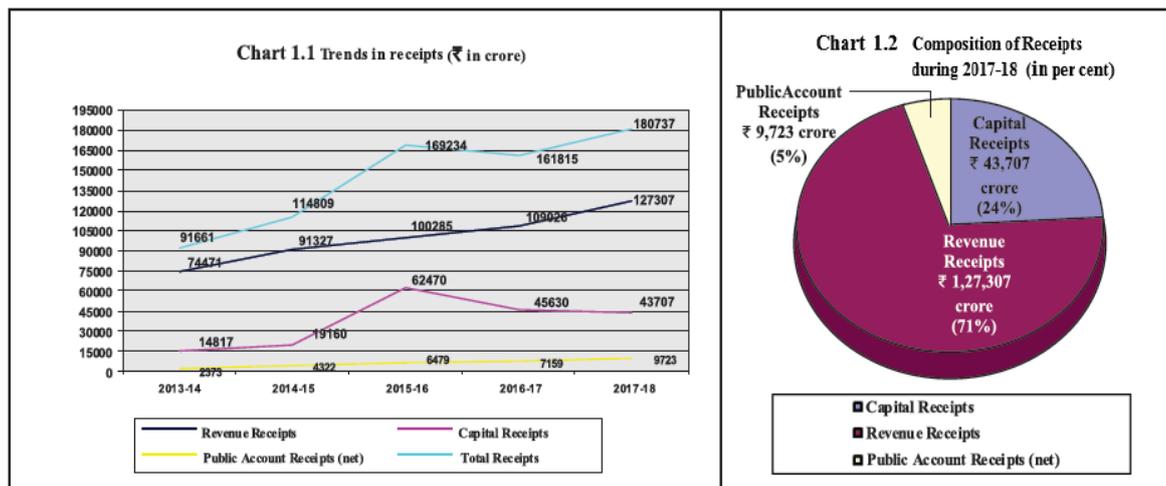


Chart 1.1 depicts the trends in various components of the receipts of the State during 2013-18 and **Chart 1.2** depicts the composition of resources of the State during the current year.

¹⁰ Revenue Receipts consist of Tax Revenues, Non-Tax Revenues, State’s share of Union Taxes and Duties and Grants-in-aid from GoI.

¹¹ Capital Receipts comprise of proceeds from disinvestments, recoveries of loans and advances, debt receipts (market loans, borrowings from financial institutions/ commercial banks) and Loans and Advances from GoI.



Source: Finance Accounts

During 2013-14 to 2017-18, total receipts (excluding Contingency Fund Receipts) increased from ₹ 91,661 crore in 2013-14 to ₹ 1,80,737 crore in 2017-18, recording average annual growth rate of 24 per cent. During 2017-18, the total receipts increased by ₹ 18,922 crore (12 per cent) in comparison to previous year.

The share of revenue receipts in total receipts was 71 per cent during the year 2017-18. Further details of Revenue Receipts are given in **Paragraph 1.4**.

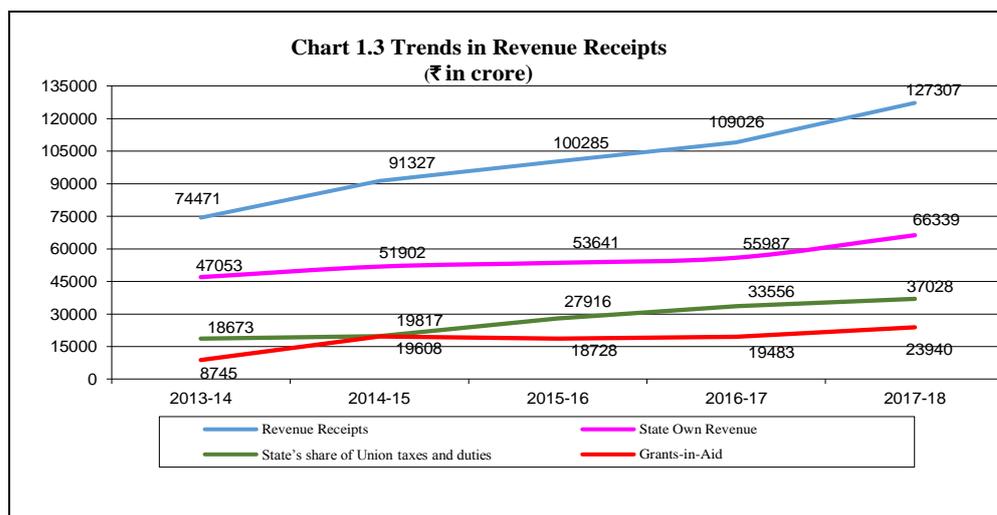
Public Account Receipts, which refer to those receipts for which the Government acts as a banker/trustee for the public money, accounted for 5 per cent of total receipts during 2017-18. Net receipts of Public Account (₹ 9,723 crore) were mainly from Deposits and Advances (₹ 5,703 crore), Small Savings, Provident Funds, etc. (₹ 3,201 crore).

Capital Receipts increased from ₹ 14,817 crore in 2013-14 to ₹ 43,707 crore in 2017-18 with an average annual growth rate of 49 per cent during the period and also accounted for 24 per cent of total receipts during 2017-18. Further details of Capital Receipts are given in **Paragraph 1.5**.

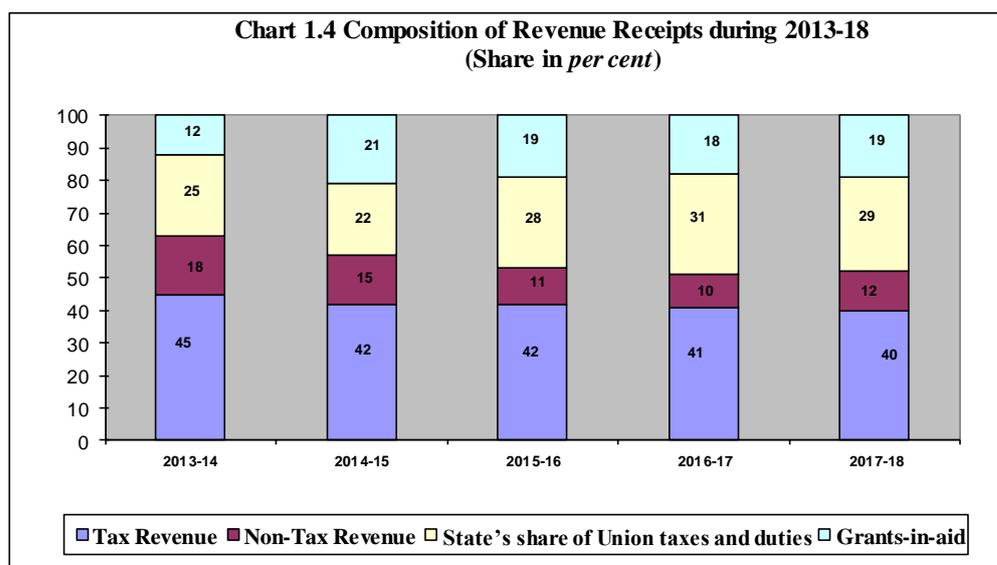
1.4 Revenue Receipts

Details regarding revenue receipts viz State's own resources, Transfers from Central Government including State's share of Union taxes and Grants-in-aid from GoI, Fund transferred by the Central Government to State implementing agencies outside the State budget and optimization of the XIV-FC grant and Revenue Foregone are given in **paragraphs 1.4 and sub paragraphs from 1.4.1 to 1.4.5**.

Statement 14 of the Finance Accounts exhibits details of the Revenue Receipts of the Government. Revenue Receipts consist of State's own revenue (Tax and Non-Tax Revenues), State's share of Union taxes and duties and Grants-in-aid from GoI. The trends and composition of Revenue Receipts over the period 2013-18 are presented in **Appendix 1.4** and also in **Chart 1.3** and **Chart 1.4** below:



Source: Finance Accounts



Source: Finance Accounts

Revenue Receipts increased at an average annual growth rate of 18 per cent from ₹ 74,471 crore in 2013-14 to ₹ 1,27,307 crore in 2017-18.

On an average, 55 per cent of the revenue came from the State's own resources during 2013-18 and the balance came from GoI as the State's share of Union Taxes and Duties and Grants-in-aid.

The share of Tax Revenue in Revenue Receipts ranged between 40 and 45 per cent, whereas the share of Non-Tax Revenue ranged between 11 and 18 per cent during 2013-18. However, the share of Tax Revenue in Revenue Receipts decreased from 41 per cent in 2016-17 to 40 per cent in 2017-18 and was lowest in last five years.

The trends in Revenue Receipts relative to GSDP are shown in **Table 1.4**.

Table 1.4: Trends in Revenue Receipts relative to GSDP

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Receipts (RR) (₹ in crore)	74,471	91,327	1,00,285	1,09,026	1,27,307
Rate of growth of RR (per cent)	11.3	22.6	9.8	8.7	16.8
Rate of growth of Tax Revenue (per cent)	9.8	15.5	10.4	3.9	14.0
RR/GSDP (per cent)	13.5	14.8	14.7	14.4	15.2

Revenue receipts-GSDP ratio increased from 13.5 per cent in 2013-14 to 15.2 per cent in 2017-18.

Buoyancy Ratio

Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. The value more than 1 indicates high degree of responsiveness of the fiscal variable to the Base variable. As GSDP grows, the ability of the Government to mobilise Revenue should also increase. The following table shows the Buoyancy of revenue with respect to change in GDP of State:

	2013-14	2014-15	2015-16	2016-17	2017-18
Buoyancy Ratios					
Revenue buoyancy with respect to GSDP	1.0	1.9	0.9	0.8	1.6
Tax revenue buoyancy with respect to GSDP	0.8	1.3	0.9	0.4	1.3
GSDP (₹ in crore)	5,51,031	6,15,695	6,83,758	7,59,235	8,40,263
Growth rate of GSDP (per cent)	11.6	11.7	11.1	11.0	10.7

Source: Finance Accounts

Revenue buoyancy measures the percentage change in the revenue receipts to the percentage change in GSDP. As can be seen from the table above, the Revenue buoyancy though it was less than 1 in 2016-17 has improved to 1.6 in 2017-18. Tax revenue buoyancy to GSDP also improved from 0.4 in 2016-17 to 1.3 in 2017-18.

1.4.1 State's own resources

As the State's share in Central Taxes and Grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising Tax and Non-Tax sources.

The State's actual Tax and Non-Tax Revenue *vis-a-vis* assessment made by XIV-FC and Medium Term Fiscal Policy Statement (MTFPS) are given in **Table 1.5** below:

Table 1.5: Tax and Non-Tax Revenue projection and Actual for 2017-18

	XIV-FC projections	BE/ MTFPS	Actual	Difference between Actual and BE	
				(₹ in crore)	
				Amount	per cent
Tax Revenue	77,093	54,569	50,605	(-) 3,964	7.26
Non-Tax Revenue	21,089	14,493	15,734	1,241	8.56

The Receipts under Tax Revenue and Non-Tax Revenue were less by 34.36 per cent (₹ 26,488 crore) and 25.39 per cent (₹ 5,355 crore) respectively

compared to than the normative assessment made by XIV-FC. Actual Tax Revenue was also less than BE but Non-Tax Revenue was higher than the BE.

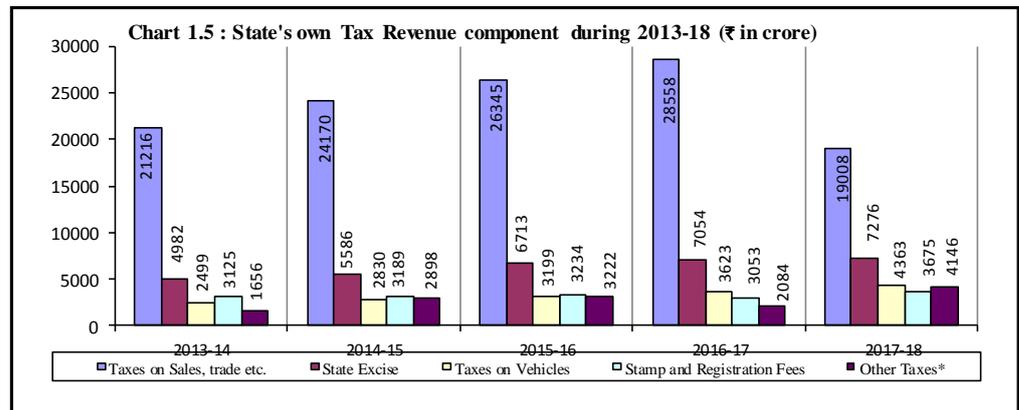
1.4.1.1 Tax Revenue

Taxes on Sales, Trade, etc., (38 per cent) and State Goods and Service Tax (24 per cent) were the main sources of the State's Tax Revenue, followed by State Excise (14 per cent), Taxes on Vehicles (9 per cent) and Stamps and Registration Fees (7 per cent). The component wise position of gross collection in respect of major taxes and duties is given in **Table 1.6** and **Chart 1.5** below:

Table 1.6: Components of State's Own Tax Revenue

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18	Increase/ decrease during 2017-18 over previous year (in per cent)
Taxes on Sales, Trade etc.	21,216	24,170	26,345	28,558	19,008	(-)33.4
Taxes on Goods and Passengers	288	956	848	803	341	(-) 57.5
Entertainment Tax and Luxury Tax (under other taxes and duties on Commodities and services)	68	114	171	220	64	(-)70.9
State Goods and Service Tax	-	-	-	-	12,137	-
Total	21,572	25,240	27,364	29,581	31,550	6.6
State Excise	4,982	5,586	6,713	7,054	7,276	3.1
Taxes on Vehicles	2,499	2,830	3,199	3,623	4,363	20.4
Stamps and Registration Fees	3,125	3,189	3,234	3,053	3,675	20.4
Land Revenue	338	289	272	315	364	15.6
Other Taxes ¹²	962	1,539	1,931	746 ¹³	3,377 ¹⁴	352.7
Grand Total	33,478	38,673	42,713	44,372	50,605	14.0

Source: Finance Accounts for the respective years



Source: Finance Accounts for the respective years

* Other Taxes include Land Revenue, Taxes on goods and passengers, Taxes on immovable property other than agricultural land, Taxes and duties on electricity and Taxes on agricultural income etc.

¹² Other Taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and other taxes and duties on Commodities and Services (excluding Entertainment Tax and Luxury Tax).

¹³ It includes receipts ₹ 738 crore under Taxes and Duties on Electricity.

¹⁴ It includes receipts ₹3,376 crore under Taxes and Duties on Electricity.

During 2017-18, the Receipts from Taxes on Sales, Trade, etc., and State Goods and Service Tax, contributed a major share of Tax Revenue in the proportion of 38 *per cent* and 24 *per cent* respectively despite 33.4 *per cent* decrease in Receipts from Taxes on Sales, Trade, etc. over the previous year due to implementation of GST from July 2017 by GoI. However, overall receipts from taxes (Taxes on Sales, Trade etc, Taxes on Goods and Passengers, Entertainment Tax and Luxury Tax and State Goods and Service Tax) increased 6.6 *per cent* over the previous year.

During 2017-18, Taxes and Duties on Electricity under the head ‘Other Taxes’ increased from ₹ 738 crore in 2016-17 to ₹ 3,376 crore in 2017-18. This increase was mainly due to deposit of outstanding amount of electricity duty pertaining to the period 2016-17 in the current year.

State Excise increased by 3 *per cent* over the previous year. However, the growth rate of State Excise declined by 2 percentage points from the previous year 2016-17 (5 *per cent*).

Taxes on Stamps and Registration Fees (₹ 3,675 crore) increased in 2017-18 by 20 *per cent* as compared to previous year (₹ 3,053 crore) and Taxes on Vehicles (₹ 4,363 crore) in 2017-18 also increased by 20 *per cent* as compared to previous year (₹ 3,623 crore).

1.4.1.2 Non-Tax Revenue

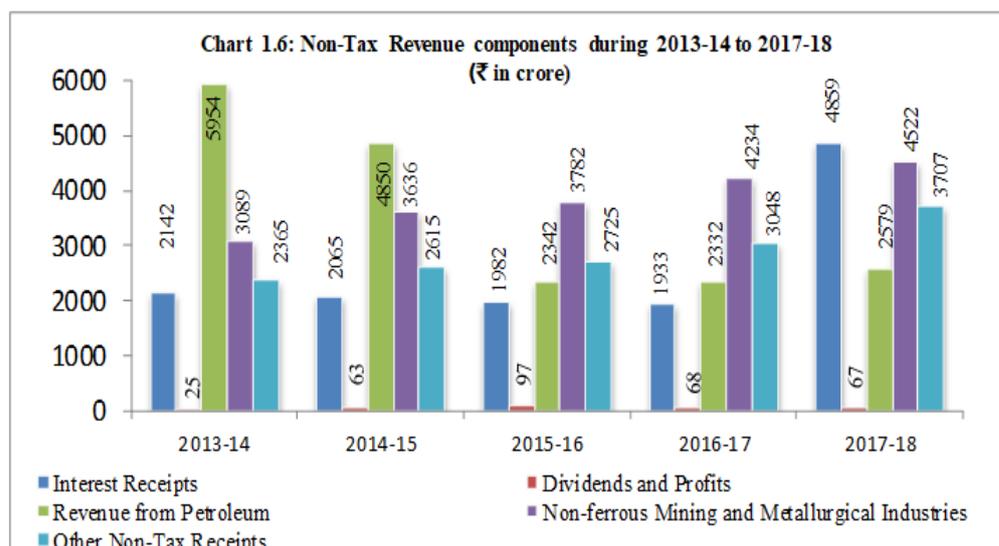
The trends in major constituents of Non-Tax Revenue during the period 2013-18 are shown in **Table 1.7** and **Chart 1.6** below:

Table 1.7: Components of Non-Tax Revenue

(₹ in crore)						
Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18	Increase/ decrease during 2017-18 over the previous year (in per cent)
Interest Receipts	2,142	2,065	1,982	1,933	4,859	151.4
Dividends and Profits	25	63	97	68	67	(-) 1.5
Revenue from Petroleum ¹⁵	5,954	4,850	2,342	2,332	2,579	10.6
Non-ferrous Mining and Metallurgical Industries	3,089	3,636	3,782	4,234	4,522	6.8
Other Non-Tax Receipts	2,365	2,615	2,725	3,048	3,707	21.6
Total	13,575	13,229	10,928	11,615	15,734	35.5

Source: Finance Accounts

¹⁵ Revenue from royalties on crude oil produced in Barmer-Sanchor basin.



Non-Tax Revenue (₹ 15,734 crore) which constituted 12 per cent of Revenue Receipts in 2017-18, increased by 35 per cent (₹ 4,119 crore) compared to the previous year. Revenue from Interest Receipts significantly increased by ₹ 2,926 crore i.e. 151 per cent, due to higher interest receipts from Public Sector and other Undertakings.

1.4.2 Transfers from Central Government including State's share of Union taxes and Grants-in-aid from GoI

XIV-FC recommended for increase in the share of the States in Central Taxes from 32 per cent (recommended by XIII-FC) to 42 per cent. The share of the State in the net proceeds of Central Tax and net proceeds of Service Tax were fixed at 5.50 per cent and 5.65 per cent, respectively. Components of the State's share of Union taxes and duties and Grant-in-aid from GoI are given below **Table 1.8**.

Table 1.8: Devolution of different components of the State's share of Union taxes and duties and Grant-in-aid from GoI

(₹ in crore)

Components of the State's share of Union taxes and duties and Grant-in-aid from GoI	2013-14	2014-15	2015-16	2016-17	2017-18
(A) State's share of Union Taxes and duties					
Central Goods and Service Tax	-	-	-	-	520
Integrated Goods and Service Tax	-	-	-	-	3,736
Corporation Tax	6,280	6,920	8,760	10,739	11,334
Taxes on Income other than Corporation Tax	4,135	4,942	6,073	7,464	9,571
Taxes on Wealth	17	19	2	25	¹⁶
Customs	3,047	3,205	4,464	4,620	3,735
Union Excise Duties	2,152	1,810	3,731	5,275	3,905
Service Tax	3,042	2,921	4,864	5,433	4,227
Other Taxes and Duties on Commodities and Services	-	-	22	¹⁷	¹⁸
Total (A)	18,673	19,817	27,916	33,556	37,028

¹⁶ ₹ (-) 0.34 crore.

¹⁷ ₹ 0.09 crore.

¹⁸ ₹ (-) 0.01 crore.

Components of the State's share of Union taxes and duties and Grant-in-aid from GoI	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan Grants	3,551	4,527	5,241	5,928	-
Grants for State Plan Schemes	2,993	14,885	12,957	13,462	-
Grants for Central Plan Schemes (including Centrally Sponsored Schemes)	2,201	196	530	93	-
Centrally Sponsored Schemes	-	-	-	-	16,104
Finance Commission Grants	-	-	-	-	4,262
Other transfer/ Grants to State/ Union Territories with Legislature	-	-	-	-	3,574
Total (B)	8,745	19,608	18,728	19,483	23,940
Grand Total (A) + (B)	27,418	39,425	46,644	53,039	60,968

Source: Finance Accounts

The above position reveals that during 2017-18, State's share of Union taxes and duties increased by ₹ 3,472 crore over the previous year and it constituted 29 per cent of Revenue Receipts. During 2017-18, total transfer from GoI (including Tax Devolution and Grant-in-aid) increased by 15 per cent (₹ 7,929 crore) over the previous year on account of increased tax devolution and compensation for loss of revenue arising out of implementation of GST.

1.4.2.1 Status of Provisional apportionment of IGST and its adjustment against GST compensation

Goods and Services Tax (GST) was implemented with effect from 1st July 2017. GST¹⁹ is leviable on intra-State supply of goods or services (*except alcohol for human consumption and five specified petroleum products*²⁰) separately and concurrently by the Union (CGST) and the States (SGST)/ Union territories (UTGST). Further, Integrated GST (IGST) is also leviable and collectable by the Central Government on inter-State supply of goods and services. The collected IGST is apportioned between the Central Government and the concerned State where the goods and services are consumed.

Under GST (Compensation to States) Act, 2017, on implementation of GST Act, if the share of a State fell short of the revenue earned in pre GST regime during 2015-16, compensation considering the base figure of revenue of 2015-16 increased by 14 per cent per annum for next five years starting from 1st July 2017, was payable to that State. The revenue from the subsumed taxes²¹ for the financial year 2015-16 of the state of Rajasthan was ₹ 17,158.62 crore. Thus, the projected revenue for Rajasthan was calculated at ₹ 16,724.51 crore for July 2017 to March 2018 against which ₹ 12,137.02 crore was actually collected during 2017-18. This amount was also inclusive of amount of ₹ 751 crore as advance apportionment of unsettled IGST on *ad hoc* basis in terms of section 11(3) of GST Settlement of Funds Rules, 2017 subject to adjustment in 10 installments in next financial year *i.e.* 2018-19 against the amount finally apportioned.

¹⁹ Central GST: CGST and State GST/Union Territory GST: SGST /UTGST.

²⁰ Petroleum products: crude, high speed diesel, petrol, aviation turbine fuel and natural gas.

²¹ Taxes that have subsumed under GST *i.e.* Value Added Tax, Central Sales Tax, Entertainment Tax, Luxury Tax, Entry tax, Cesses & Surcharges, Duties on Excise on medicinal and toilet preparations excluding VAT and CST on alcohol for human consumption and five specified petroleum products.

The compensation payable to the State was to be calculated provisionally and released after completion of every two months period from 1st July 2017. The Commercial Tax Department intimated that compensation amounting to ₹ 3,702 crore was due to the State for the period July 2017 to March 2018 against which the State received provisional compensation amounting to ₹ 2,899 crore²² for the period July to October 2017 and January to March, 2018.

1.4.3 Funds transferred by the Central Government to State Implementing Agencies outside the State Budget

The Central Government transferred funds directly to the State Implementing Agencies (IAs)²³ for the implementation of various schemes/programmes in the social and economic sector. The Central Government decided that from 2014-15, plan assistance under all Centrally Sponsored Schemes (CSS) and block grants would be classified as Central Assistance to State Plan by transfer through the Consolidated Fund of the State in a phased manner. As the funds were not routed through the State Budget/State Treasury System, the Annual Finance Accounts did not capture these funds and to that extent, the State's receipts and expenditure as well as other fiscal variables/parameters derived from them, did not represent the complete picture.

During 2017-18, Central funds of ₹ 3,946.78 crore were transferred directly to the State IAs for implementation of the programmes/schemes as compared to ₹ 3799.71 crore in 2016-17. Out of this, the Central Government transferred ₹ 3,190 crore for National Rural Employment Guarantee Scheme, ₹ 182 crore for Member of Parliament Local Area Development, ₹ 106 crore for *Pradhan Mantri Matritva Vandana Yojana*, ₹ 89 crore for Solar Power-Off Grid Distributed and Decentralised Renewable Power and ₹ 60 crore for Swadesh Darshan-Integrated development of theme based tourism circuits.

1.4.4 Optimisation of grants

Optimisation of Fourteenth Finance Commission grants

The Fourteenth Finance Commission (XIV-FC) submitted its report in December 2014 covering the five year period commencing from April 1, 2015 and recommended that grant-in-aid of ₹ 24,240.75 crore (including State share of SDRF) is to be utilised for Local Bodies and Disaster Relief Fund during 2015-2020. The State Government constituted (January 2016) a High Level Monitoring Committee (HLMC) headed by the Chief Secretary to ensure proper utilisation of grant-in-aid. The position of releases by GoI and onward transfers by the State Government is given below in **Table 1.9** below:

²² This includes compensation amount ₹ 301 crore for the period March 2018, which was received in May 2018.

²³ State IAs are organisations/institutions including non-governmental organisations which are authorised by the State Government to receive funds from the GoI, for implementing the specific programmes.

Table 1.9: Details of recommended amount, actual release and transfers of Grants-in-aid

(₹ in crore)

S. No.	Transfers	Recommendation of the XIV-FC 2015-20	Recommendation of the XIV-FC				Actual Release by GoI				Transfers to Local Bodies/Fund			
			2015-16	2016-17	2017-18	Total	2015-16	2016-17	2017-18	Total (per cent)	2015-16	2016-17	2017-18	Total (per cent)
1	Local Bodies	13,633.63	1,471.95	2,305.52	2,657.47	6,434.94	1,471.95	2,305.52	2,657.47	6,434.94 (100)	1,471.95	2,305.52	2,657.47	6,434.94 (100)
	(i) Grants to PRIs	12,270.27	1,471.95	2,038.17	2,354.92	5,865.04	1,471.95	2,038.17	2,354.92	5,865.04 (100)	1,471.95	2,038.17	2,354.92	5,865.04 (100)
	(a) General Basic Grant	1,363.36	-	267.35	302.55	569.90	-	267.35	302.55	569.90 (100)	-	267.35	302.55	569.90 (100)
	(b) General Performance Grants	4,513.12	433.12	776.73	893.23	2,103.08	433.12	776.73	692.93	1902.78 (90.5)	433.12	776.73	692.93	1,902.78 (100)
	(ii) Grants to ULBs	3,610.50	433.12	599.73	692.93	1,725.78	433.12	599.73	692.93	1,725.78 (100)	433.12	599.73	692.93	1,725.78 (100)
	(a) General Basic Grant	902.62	-	177.00	200.30	377.30	-	177.00	-	177.00 (46.9)	-	177.00	-	177.00 (100)
	(b) General Performance Grants	18,146.75	1,905.07	3,082.25	3,550.70	8,538.02	1,905.07	3,082.25	3,350.40	8,337.72 (97.7)	1,905.07	3,082.25	3,350.40	8,337.72 (100)
2	State Disaster Relief Fund*	6,094.00	1,103.00	1,158.00	1,216.00	3,477.00	1,103.00	1,158.00	1,216.00	3,477.00 (100)	1,103.00	1,158.00	1,216.00	3,477.00 (100)
	Grand Total (1 to 2)	24,240.75	3,008.07	4,240.25	4766.70	12,015.02	3,008.07	4,240.25	4566.40	11,814.72 (98.3)	3,008.07	4,240.25	4,566.40	11,814.72 (100)

* Including State share of 25 per cent of total grant.

Source: XIV-FC Report and Finance Accounts

It was noticed that ₹ 1,725.78 crore was received by Local Self Government Department (LSGD) as basic grants during 2015-16 to 2017-18 which was distributed to Urban Local Bodies. However, Utilisation Certificates (UCs) for only ₹ 762.10 crore (44.16 per cent) were received by LSGD as of 31 August 2018. Similarly, UCs of only ₹ 70.77 crore (39.98 per cent) was received against performance grants of ₹ 177 crore released in 2016-17.

LSGD intimated (September 2018) that due to not achieving the eligibility criteria²⁴, the performance grant of ₹ 200.30 crore during 2017-18 was not received from GoI.

1.4.5 Revenue Foregone

Scrutiny of information received from five departments/boards revealed the position of Revenue Foregone during 2017-18 as discussed below:

(i) Transport Department waived/exempted ₹ 1.96 crore through notifications on account of Motor Vehicle Tax, Special Road Tax and Surcharge for all passenger vehicles of other States coming and going for Urs Mela in Ajmer (₹ 1.00 crore), Ramdevra fair in District Jaisalmer (₹ 0.93 crore) and passenger vehicles of Jodhpur Network of People Living with H.I.V. Institute, Jodhpur (one time tax rebate of ₹ 0.03 crore).

(ii) Commercial Tax Department (CTD) intimated (July 2018) that recovery of ₹ 2.71 crore was deferred during 2017-18 and further intimated that information in respect of exemptions is not being maintained by the Department.

²⁴ **Eligibility criteria:** The urban local body was to submit audited annual accounts that relate to a year not earlier than two years preceding the year in which it seeks to claim the performance grant.

(iii) Registration and Stamps Department Rajasthan, Ajmer did not provide the information, however, they intimated (June 2018) that National Information Centre (NIC), Jaipur has been requested for preparation of software for compilation of information.

(iv) Mines and Geology Department Rajasthan, Udaipur intimated (July 2018) that during 2017-18, an amount of ₹ 20.74 crore was waived off which comprised of departmental dues including interest.

(v) Revenue Board Rajasthan, Ajmer intimated (August 2018) waiver of revenue in respect of Rajsamand and Jaisalmer districts amounting to ₹ 0.07 crore.

1.5 Capital Receipts

The trends in growth and composition of Capital Receipts during 2013-18 were as shown in **Table 1.10** below:

Table 1.10: 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)	14,817	19,160	62,470	45,630	43,707
Miscellaneous Capital Receipts	10	15	25	28	16
Recoveries of Loans and Advances	316	1,004	1,447	1,713	15,134
Public Debt Receipts	14,491	18,141	60,998	43,889	28,557
Rate of growth of Debt Receipts (<i>per cent</i>)	45.6	25.2	236.2	(-) 28.0	(-) 34.9
Rate of growth of Non-Debt Receipts (<i>per cent</i>)	(-) 70.6	212.6	44.5	18.3	770.2
Rate of growth of CR (<i>per cent</i>)	33.9	29.3	226.0	(-) 27.0	(-) 4.2

Source: Finance Accounts

1.5.1 Capital Receipts

Capital Receipts (debt and non-debt receipts) of the State increased at an average annual growth rate of 49 *per cent* from 2013-14 to 2017-18. However, during 2017-18, it decreased by 4 *per cent* compared to the previous year.

1.5.2 Recovery of Loans and Advances

There has been increase in recovery of Loans and advances by ₹ 13,421 crore during 2017-18 over the previous year. The loan balances have decreased due to adjustment of loans given to DISCOMs under UDAY Scheme. The loans given during 2015-16 and 2016-17 to DISCOMs under UDAY Scheme have been converted into equity and subsidy during 2017-18.

1.5.3 Public Debt Receipts

1.5.3.1 Debt Receipts from internal sources

During 2017-18, the internal debt receipts i.e. market loans, borrowings from financial institutions, banks, etc., under Public Debt Receipts decreased by 33 *per cent* (₹ 13,434 crore) over the previous year due to non-issue of Non SLR Bonds and forfeited Bonds under Ujwal DISCOM Assurance Yojana (UDAY).

1.5.3.2 Loans and Advances from GoI

During 2017-18, the receipt of loans and advances from GoI (₹ 1,557 crore) decreased by 55 per cent (₹ 1,898 crore) over the previous year (₹ 3,455 crore) due to less receipts of block loans²⁵ for State.

1.6 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 and utilises the balances remaining after disbursements. Details of Public Account Receipts during the last five years are given in **Table 1.11**:

Table 1.11: Components of Public Account Receipts during the years

(₹ in crore)					
Resources under various heads	2013-14	2014-15	2015-16	2016-17	2017-18
a. Small Savings, Provident Fund, etc.	6,311	7,082	7,967	8,620	9,346
b. Reserve Funds	2,233	1,724	3,678	3,068	3,466
c. Deposits and Advances	89,436	1,07,067	1,25,570	1,44,292	1,42,603
d. Suspense and Miscellaneous	91	22	78	(-) 67	51
e. Remittances	9,908	10,487	9,617	132	1,345 ²⁶
Total	1,07,979	1,26,382	1,46,910	1,56,045	1,56,811

Source: Finance Accounts

Public Account Receipts increased by ₹ 766 crore (0.5 per cent) during 2017-18 over the previous year. The increase was mainly under Small Savings, Provident Fund etc., by ₹ 726 crore and Remittances by ₹ 1,213 crore. However, it was counterbalanced by decrease in Deposits and Advances by ₹ 1,689 crore.

1.7 Application of Resources

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

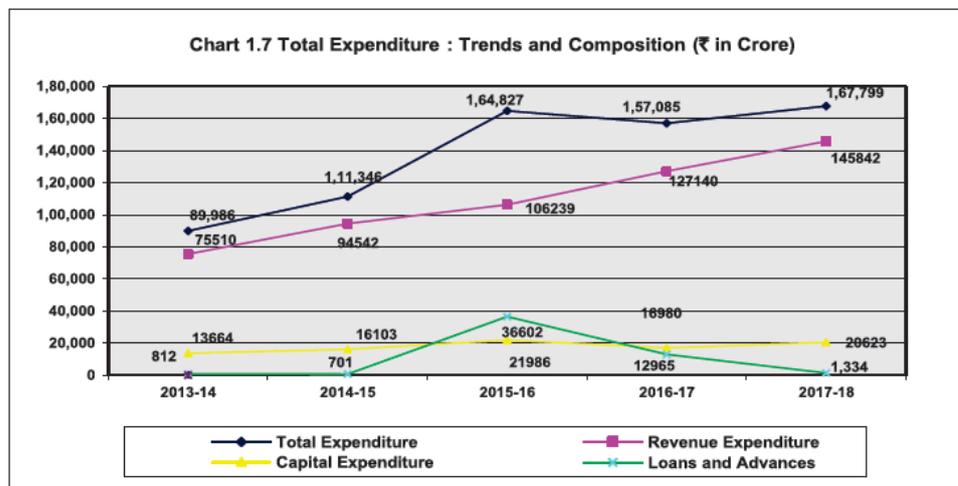
Details regarding total expenditure, committed expenditure and financial assistance by the State Government to local bodies and other Institutions are given in **sub Paragraphs 1.7.1 to 1.7.3**.

²⁵ 'Block Loan' is a minor head under major head '6004-loan from Government of India'.

²⁶ It included Cash Remittances between Treasuries and Currency Chests: ₹ 1,321.33 crore; Public Works Remittances: ₹ 23.58 crore and Forest Remittances: ₹ 0.14 crore.

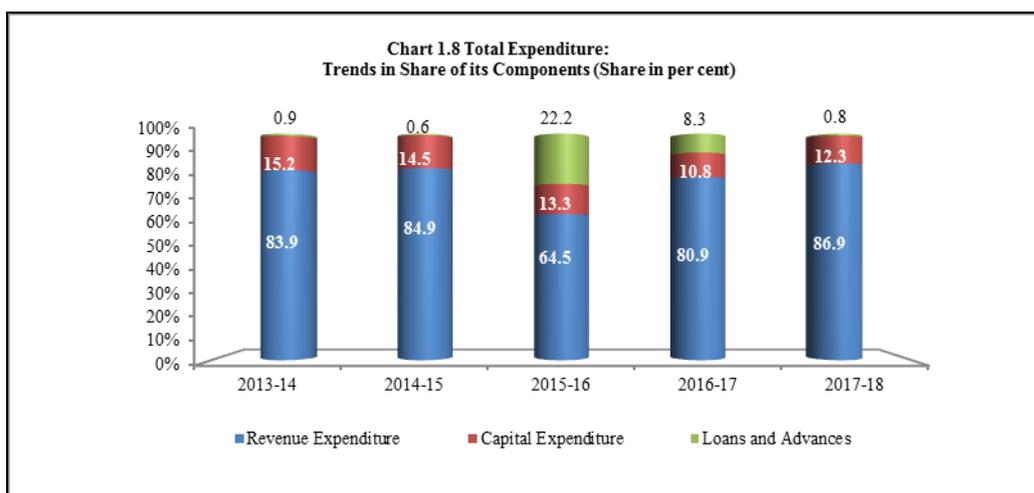
1.7.1 Total Expenditure

Chart 1.7 below, presents the trends in total expenditure over a period of five years (2013-18) and **Chart 1.8** depicts its composition in terms of ‘economic classification’.



Source: Finance Accounts

Total expenditure of the State increased at an average annual growth rate of 21.6 per cent during 2013-14 to 2017-18, however, during 2017-18 it increased by 6.8 per cent over the previous year.



Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and make payment for past obligation and as such, does not result in any addition to the State's infrastructure and services' network.

Revenue Expenditure constituted 87 per cent of total expenditure during 2017-18. It increased at an average annual growth rate of 23 per cent from ₹ 75,510 crore in 2013-14 to ₹ 1,45,842 crore in 2017-18. During 2017-18, the revenue expenditure increased by 15 per cent (₹ 18,702 crore) over the previous year, mainly under Power (₹ 6,601 crore), Rural Employment

(₹ 2,856 crore), General Education (₹ 2,182 crore), Interest Payments (₹ 2,043 crore), Pensions and Other Retirement Benefits (₹ 1,630 crore), Medical and Public Health (₹ 1,243 crore) and Other Rural Development Programmes (₹ 932 crore).

Capital Expenditure

Capital expenditure increased at an average annual growth rate of 13 per cent from ₹ 13,664 crore in 2013-14 to ₹ 20,623 crore in 2017-18. During 2017-18, Capital expenditure increased by 21 per cent (₹ 3,643 crore) over the previous year, this increased mainly under Capital Outlay on Roads and Bridges (₹ 2,118 crore), Water Supply and Sanitation (₹ 396 crore), Education, Sports, Art and Culture (₹ 396 crore), Other General Economic Services (₹ 287 crore) and Major Irrigation (₹ 213 crore). The percentage share of capital expenditure over total expenditure increased from 10.8 per cent in 2016-17 to 12.3 per cent during 2017-18.

1.7.2 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions payments and subsidies. **Table 1.12** below presents the trends in the expenditure on these components during 2013-18.

Table-1.12: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18
Salaries and Wages	20,604 (27.7)	23,498 (25.7)	25,871 (25.8)	30,016 (27.5)	37,611* (29.6)
Interest Payments	9,063 (12.2)	10,463 (11.5)	12,008 (12.0)	17,677 (16.2)	19,720 (15.5)
Expenditure on Pensions	7,801 (10.5)	9,629 (10.6)	10,864 (10.8)	12,296 (11.3)	13,925 (10.9)
Subsidies	6,940 (9.3)	8,626 (9.4)	10,461 (10.4)	17,208 (15.8)	23,674 (18.6)
Total Committed Expenditure	44,408 (59.6)	52,216 (57.2)	59,204 (59.0)	77,197 (70.8)	94,930 (74.6)
Other Components	31,102 (41.8)	42,326 (46.3)	47,035 (46.9)	49,943 (45.8)	50,912** (40.0)
Total Revenue Expenditure	75,510	94,542	1,06,239	1,27,140	1,45,842
Revenue Receipts	74,471	91,327	1,00,285	1,09,026	1,27,307
Committed Expenditure as percentage of Revenue Expenditure	58.8	55.2	55.7	60.7	65.1

Note: Figures in parentheses indicate percentage to Revenue Receipts.

* Salaries: ₹ 37,055 crore and Wages ₹ 556 crore.

** Includes expenditure on financial assistance (Grants-in-aid): ₹ 29,869 crore; Grants-in-aid General (Salaries): ₹ 5,116 crore;

Transfer to funds from Consolidate fund to Public Accounts: ₹ 3,757 crore; and Maintenance and Repairs: ₹ 999 crore.

Source: Finance Accounts

The share of committed expenditure to revenue receipts increased from 59.6 per cent in 2013-14 to 74.6 per cent in 2017-18. During 2017-18, the committed expenditure amounted to ₹ 94,930 crore, which was 65.1 per cent (from 60.7 per cent in 2016-17) and 74.6 per cent (from 70.8 per cent in 2016-17) of revenue expenditure and revenue receipts respectively.

1.7.2.1 Salaries and Wages

The expenditure on Salaries and Wages increased at an average annual growth rate of 21 per cent from ₹ 20,604 crore in 2013-14 to ₹ 37,611 crore in 2017-18. During 2017-18, the expenditure on Salaries and Wages increased by 25 per cent over the previous year, which was 16 per cent in 2016-17. It was higher than the assessment made by the State Government in Mid Term Fiscal Policy Statement (MTFPS) (₹ 34,887 crore) by ₹ 2,724 crore.

1.7.2.2 Pension payments

- **General**

The expenditure on overall pension payments increased at an average annual growth rate of 20 per cent from ₹ 7,801 crore in 2013-14 to ₹ 13,925 crore²⁷ in 2017-18. During 2017-18, the expenditure on pension payments recorded a growth of 13 per cent over the previous year due to increase in total number of pensioners²⁸ by 13,157 (3.4 per cent). A comparative analysis of actual pension payments, with the assessment/ projection made by XIV-FC and the State Government in MTFPS, shows that actual pension payment (₹ 13,925 crore) exceeded the normative assessment made by XIV-FC (₹ 12,030 crore) by 15.8 per cent but was marginally lower than the assessment made by the State Government in MTFPS (₹ 14,170 crore) by 1.7 per cent. The expenditure on pension and other retirement benefits to the State Government employees was 9.5 per cent (9.7 per cent in 2016-17) of total revenue expenditure.

- **New Contributory Pension Scheme**

The Defined Contribution Pension Scheme known as New Contributory Pension Scheme (NPS) has been implemented for all Government servants appointed on or after 01.01.2004 to civil services and posts in Rajasthan. As per the guidelines, it is mandatory for every employee to contribute 10 per cent of basic pay and dearness allowance every month from salary and equal contribution is to be made by the Government of Rajasthan (GoR). The contribution details and corresponding amounts are to be transferred to the National Securities Depository Limited (NSDL) and to fund managers appointed by the New Pension Scheme (NPS) Trust.

GoR has adopted NPS architecture designed by the Pension Fund Regulatory Development Authority (PFRDA) in toto and entered into agreements with NSDL on 09 November 2010 and NPS Trust on 02 December 2010. The contribution details and corresponding amounts are being transferred to the NSDL and Trustee Bank since November 2011. GoR declared Director, State Insurance and Provident Fund Department (SIPF) as nodal officer for implementation of NPS who would maintain the records for the scheme pending regular final arrangements regarding record keeping. The employees contribution to the pension account and matching contribution from the

²⁷ It includes a sum of ₹ 12,841.94 crore on account of expenditure on "pension and other retirement benefits" during the year to the State Government employees recruited on or before 31 December 2003 and Government contribution for Defined Contribution Pension Scheme of ₹ 1,083.29 crore.

²⁸ Number of pensioners in 2016-17: 3,89,287 and in 2017-18: 4,02,444.

Government (from respective salary head of account up to 2011-12) were being deposited in the interest bearing Personal Deposit (PD) Account maintained by concerned Treasury Officers in the budget head 8011-106-103-01.

As per information made available by the Director, SIPF, a legacy amount²⁹ of ₹ 1,393.92 crore (employees contribution ₹ 620.34 crore, employer contribution ₹ 620.34 crore and interest ₹ 153.24 crore) was lying in the PD Account as on 31 October 2011. The detail of transfer of legacy amount to the NSDL is given in the table below:

Detail of transfer of legacy amount

(₹ in crore)					
Balance legacy as on	Total Legacy amount in opening balance	Total amount uploaded to NSDL during the year	Balance legacy amount	Interest	Net balance of legacy amount
31/10/2011	1,393.92	-	1,393.92	-	1,393.92
2011-12	1,393.92	-	1,393.92	97.41	1,491.33
2012-13	1,491.33	613.58	877.75	56.20	933.95
2013-14	933.95	363.97	569.98	60.00	629.98
2014-15	629.98	297.31	332.67	37.09	369.76
2015-16	369.76	131.66	238.10	34.97	273.07
2016-17	273.07	161.70	111.37	9.46	120.83
2017-18	120.83	65.04	55.79	7.34	63.13

From above table, it is evident that till 31st March 2018, legacy amount of ₹ 63.13 crore has not been transferred to NSDL. Further, it was observed that there were negative balances ₹ 5.10 crore in nine District Treasury offices³⁰ due to outward and inward entries not tallying and hence needs to be reconciled.

Recommendation: 3

The State Government should expedite transfer of balance legacy amount of NPS to NSDL so as to ensure that the Government employees are not denied of their due benefits under the scheme.

1.7.2.3 Interest payments

Interest payments increased at an average annual growth rate by 29 per cent from ₹ 9,063 crore in 2013-14 to ₹ 19,720 crore in 2017-18 and by 12 per cent over the previous year (₹ 17,677 crore). Major components of interest payments were interest on Internal Debt (₹ 15,797 crore), Interest on Small Savings, Provident Fund etc., (₹ 3,351 crore) and Interest on Loans and Advances from the Central Government (₹ 417 crore).

²⁹ Both employees and employer's contribution for period from 01 January 2004 to 31 October 2011.

³⁰ Ajmer: ₹ 0.25 crore, Bhilwara: ₹ 1.33 crore, Jaipur Secretariat: ₹ 0.21 crore, Jalore: ₹ 0.22 crore, Jhalawar: ₹ 0.29 crore, Karoli: ₹ 0.17 crore, Kota: ₹ 0.17 crore, New Delhi: ₹ 1.48 crore and Udaipur: ₹ 0.98 crore.

Interest on Internal Debt which included market loans, increased by 13 *per cent* from ₹ 14,002 crore in 2016-17 to ₹ 15,797 crore in 2017-18 mainly on account of increase of market loans by ₹ 20,927 crore.

Interest on small savings, provident fund, etc. also increased by 7 *per cent* from ₹ 3,130 crore during 2016-17 to ₹ 3,351 crore in 2017-18, mainly on account of increase in the corpus of State Provident Funds by ₹ 1,870 crore (7 *per cent*) and Insurance and Pension Funds by ₹ 1,331 crore (11 *per cent*).

Interest payments made during 2017-18 (₹ 19,720 crore) were higher than the projections made in MTFPS (₹ 19,627 crore) and XIV-FC (₹ 15,143 crore).

The ratio of Interest Payments to Revenue Receipts determines the debt sustainability of the State. The ratio of Interest Payments to Total Revenue Receipts of the State was 15.5 *per cent* during the year, which was lower than the previous year (16.2 *per cent*).

1.7.2.4 Subsidies

In a welfare state, subsidies are forwarded to the disadvantaged sections of the society.

Appendix II of Finance Accounts shows an explicit subsidy of ₹ 23,674 crore during 2017-18, which was ₹ 6,466 crore (38 *per cent*) more than the previous year (₹ 17,208 crore), mainly in the areas of Power (₹ 23,391 crore) and Crop Husbandry (₹ 251 crore).

Subsidy to the Power Sector accounted for 98.8 *per cent* of the total subsidy. During 2017-18, the subsidy was given to the Power Sector mainly on account of Grant for *Vidyut Tax* (₹ 2,613 crore), non-increasing the power tariff (₹ 8,759 crore) and as assistance to Distribution Companies under UDAY Yojana (₹ 12,000 crore). Further, subsidy to Power Sector ranged from 88 *per cent* to 99 *per cent* of the total subsidy provided by GoR during 2008-09 to 2017-18 (**Appendix 1.10**).

Power Sector subsidy increased by 38.9 *per cent* (₹ 6,549 crore) over the previous year (₹ 16,842 crore) mainly due to increase under Assistance to Distribution Companies under UDAY Yojana by ₹ 3,000 crore³¹ and Grant for *Vidyut Tax* by ₹ 2,613 crore³².

However, Crop Husbandry Subsidy decreased by 7 *per cent* from ₹ 269 crore in 2016-17 to ₹ 251 crore in 2017-18.

³¹ (i) Jaipur *Vidyut Vitaran Nigam Limited*: ₹ 1,028.07 crore, (ii) Ajmer *Vidyut Vitaran Nigam Limited*: ₹ 1,013.86 crore and (iii) Jodhpur *Vidyut Vitaran Nigam Limited*: ₹ 958.07 crore.

³² (i) Jaipur *Vidyut Vitaran Nigam Limited*: ₹ 1,119.59 crore, (ii) Ajmer *Vidyut Vitaran Nigam Limited*: ₹ 838.08 crore and (iii) Jodhpur *Vidyut Vitaran Nigam Limited*: ₹ 655.47 crore).

1.7.3 Financial assistance by the State Government to Local Bodies and Other Institutions

The quantum of assistance provided through grants and loans to Local Bodies and others during 2013-18 is as under:

Table 1.13: Financial Assistance to Local Bodies etc.

Financial Assistance to Institutions	2013-14	2014-15	2015-16	2016-17	2017-18	
					Allotment	Actual
(A) Local Bodies						
Municipal Corporations and Municipalities	2,324.16	2,450.65	3,063.89	3,839.93	3,695.48	3,695.48
Panchayati Raj Institutions	8,953.21	13,833.28	15,981.85	14,472.66	18,551.13	18,550.27
Total (A)	11,277.37	16,283.93	19,045.74	18,312.59	22,246.61	22,245.75
(B) Others						
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	2,236.99	1,128.22	1,239.54	1,671.13	1,283.54	1,283.29
Development Authorities	195.36	6.93	6.19	7.61	11.68	11.68
Hospitals and Other Charitable Institutions	124.72	169.47	116.62	77.41	918.97	918.96
Other Institutions	4,929.02	10,740.54	11,316.72	12,823.46	10,532.64	10525.42 ³³
Total (B)	7,486.09	12,045.16	12,679.07	14,579.61	12,746.83	12,739.35
Total (A+B)	18,763.46	28,329.09	31,724.81	32,892.20	34,993.44	34,985.10
Revenue Expenditure	75,510	94,542	1,06,239	1,27,140	1,43,690	1,45,842
Assistance as percentage of Revenue Expenditure	25	30	30	26		24

Source: Finance Accounts and vouchers compiled by AG (A&E) Rajasthan

During 2017-18, the financial assistance to Local Bodies increased by ₹ 3,933.16 crore (21 per cent) compared to the previous year. However, the financial assistance to development authorities, hospitals and educational institutions decreased by ₹ 1,840.26 crore (13 per cent) over the previous year. Further, during 2013-14 to 2017-18 the overall financial assistance to Local Bodies and Others ranged between 24 and 30 per cent of revenue expenditure.

1.8 Quality of Expenditure

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

Details regarding Adequacy of Public Expenditure, Efficiency of Expenditure Use and Central Assistance Schemes are given in **sub Paragraphs 1.8.1 to 1.8.3**.

³³ It included grants given for (i) Family Welfare ₹ 2,005.35 crore; (ii) Relief on account of Natural Calamities ₹ 1,720.31 crore; (iii) Education: ₹ 1,339.53 crore and (iv) Crop Husbandry ₹ 1,161.01 crore.

1.8.1 Adequacy of Public Expenditure

Expenditure responsibilities relating to the social sector and economic infrastructure assigned to the State Governments are largely state subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education and health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) in a particular sector, makes it fall below the respective National average.

Table 1.14 below, analyses the fiscal priority of the State Government with regard to aggregate expenditure, development expenditure, social sector expenditure and capital expenditure *vis-a-vis* the average of General Category States (GCS) during 2013-14, 2016-17 and 2017-18.

Table 1.14: Fiscal Priority of the State during 2013-14, 2016-17 and 2017-18

Fiscal Priority by the State	Aggregate Expenditure/ GSDP	Social Sector Expenditure/ Aggregate Expenditure	Economic Sector Expenditure/ Aggregate Expenditure	Development Expenditure/ Aggregate Expenditure	Capital Expenditure/ Aggregate Expenditure	Education/ Aggregate Expenditure	Health/ Aggregate Expenditure
General Category States' Average (Ratio) 2013-14	14.7	37.6	28.9	66.5	13.6	17.2	4.5
Rajasthan (Ratio) 2013-14	16.3	40.4	33.0	73.4	15.2	17.1	5.3
General Category States' Average (Ratio) 2016-17	17.3	35.7	32.9	70.8	15.3	15.2	4.5
Rajasthan (Ratio) 2016-17	20.7	35.5	39.3	74.8	10.8	15.7	5.3
General Category States' Average (Ratio) 2017-18	16.1	36.7	29.6	67.9	14.4	15.5	4.9
Rajasthan (Ratio) 2017-18	20.0	36.1	37.7	73.8	12.3	16.2	6.0
# Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed. See glossary at page no. 129.							

Source: (i) For GSDP of Rajasthan, the information was collected from the Directorate of Economics and Statistics, GoR and Finance Accounts.

(ii) GSDP figures have been adopted from the Economic Reviews of the respective States.

Table 1.14 indicates the following:

- The ratio of Aggregate Expenditure (AE) to GSDP in the State is higher (20.0 *per cent*), compared to GCS (16.1 *per cent*) during 2017-18.
- Development Expenditure as a proportion of AE was higher than GCS average.
- Economic Sector Expenditure as a proportion of AE was higher than GCS average. However, Social Sector Expenditure as a proportion of AE was lower than GCS average.
- Education and Health sector as a proportion of AE were higher than GCS average.

1.8.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Government to take appropriate expenditure rationalisation measures

and lay emphasis on provision of core public goods and merit goods³⁴. Apart from improving the allocation towards development expenditure³⁵, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing Social and Economic services. The higher the ratio of these components to the total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.15** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted for the year as well as actual in the previous years.

Table 1.15: Development Expenditure

Components of Development Expenditure (Social and Economic service)	2013-14	2014-15	2015-16	2016-17	2017-18	
					BE	Actual
					₹ in crore)	
a. Development Revenue Expenditure	51,921 (57.7)	66,674 (59.9)	75,223 (45.6)	87,937 (56.0)	99,734 (58.6)	1,02,391 (61.0)
b. Development Capital Expenditure	13,330 (14.8)	15,569 (14.0)	21,545 (13.1)	16,543 (10.5)	24,705 (14.5)	20,096 (12.0)
c. Development Loans and Advances	812 (0.9)	701 (0.6)	36,602 (22.2)	12,965 (8.3)	780 (0.5)	1,334 (0.8)
Development Expenditure (a to c)	66,063 (73.4)	82,944 (74.5)	1,33,370 (80.9)	1,17,445 (74.8)	1,25,219 (73.6)	1,23,821 (73.8)
Rate of Growth of Development Expenditure	18.9	25.6	60.8	(-) 11.9		5.4

Figures in parentheses indicate percentage of aggregate expenditure

Source: Finance Accounts and Budget Documents

Development expenditure comprises Revenue Expenditure, Capital Expenditure and Loans and Advances on Social and Economic Services. As a percentage of total expenditure, it increased from 73.4 *per cent* during 2013-14 to 73.8 *per cent* during 2017-18.

Table 1.16 below, gives details of Capital Expenditure and the components of Revenue Expenditure incurred on the maintenance of the selected Social and Economic services.

Table 1.16: Efficiency of Expenditure Use in Selected Social and Economic Services

Sector	(In per cent)					
	2016-17			2017-18		
	Capital Expenditure to Total Expenditure	Revenue Salaries and Wages	Expenditure Operation and Maintenance	Capital Expenditure to Total Expenditure	Revenue Salaries and Wages	Expenditure Operation and Maintenance
(A) Social Services						
General Education	0.30	58.47	0.01	1.70	77.48	0.01
Health and Family Welfare	6.23	57.08	0.13	6.57	52.18	0.12
Water Supply, Sanitation, Housing and Urban Development	40.68	18.32	1.48	43.32	19.85	0.97
Total (A)	11.18	41.84	0.31	11.98	51.85	0.37

³⁴ See glossary at page 132.

³⁵ See glossary at page 132.

Sector	2016-17			2017-18		
	Capital Expenditure to Total Expenditure	Revenue Salaries and Wages	Expenditure Operation and Maintenance	Capital Expenditure to Total Expenditure	Revenue Salaries and Wages	Expenditure Operation and Maintenance
(B) Economic Services						
Agriculture and Allied Activities	8.25	29.98	0.44	7.10	33.54	0.57
Irrigation and Flood Control	50.23	22.45	15.99	51.55	20.71	8.08
Power and Energy	19.63	0.01	0.00	14.31	0.01	-
Transport	58.95	7.56	34.00	67.58	5.95	24.49
Total (B)	21.13	6.40	2.30	20.70	5.46	1.49
Total (A+B)	15.83*	26.30	1.19	16.41*	29.50	0.91

Source: Finance Accounts

* $(\text{Capital Expenditure on Social Services} + \text{Capital Expenditure on Economic Services}) / \text{Total Expenditure (Revenue and Capital Expenditure)} * 100$

From the above table it can be seen that:

- The share of expenditure on salary and wages in total revenue expenditure increased from 26.30 per cent in 2016-17 to 29.50 per cent in 2017-18.
- The ratio of Capital expenditure to total expenditure increased from 15.83 per cent in 2016-17 to 16.41 per cent in 2017-18.
- The share of operation and maintenance in revenue expenditure on social services and economic services decreased to 0.91 per cent in 2017-18 from 1.19 per cent in 2016-17.

In order to ensure that the created assets are utilised effectively over its lifespan, it is important to ensure that adequate funds are allocated for operation and maintenance.

Recommendation: 4

State Government should increase allocation on operation and maintenance for better maintenance of assets.

1.8.3 Central Assistance Schemes

As per budget 2017-18 of the State Government, 69 Schemes were restructured under Central Assistance for the State. These were aimed at building rural and urban infrastructure for providing basic services with the objective of increasing inclusiveness and reducing poverty. The position of budget allocations and expenditure during 2017-18 under these 69 schemes is summarised in table below:

No. of Central Assistance Schemes/ Programmes	Budget estimate for State	Central Assistance for state plan	₹ in crore	
			Amount released by GOI	Expenditure
69	27,571.97	17,100.33	15,252.69	27,854.75

1.8.3.1 Major Programmes/Schemes

Expenditure incurred under Major Schemes both State as well as Central Sponsored schemes against their budget allotment (including Central and State Share) were analysed. Monitoring of both State and Central Sponsored Schemes is being done by the Planning Department. Planning Department informed that no scheme is declared as Flagship scheme by the Central and State Government.

Out of aforesaid 69 schemes, following thirteen major schemes had a shortfall of more than 20 per cent of expenditure against the budget provision:

(₹ in crore)					
S. No	Name of Programme /Schemes	Budget Provision	Total Expenditure	Shortfall in Expenditure	Shortfall (in per cent)
1	Nirmal Bharat Abhiyan (NBA)	2,309.97	1,825.69	484.28	21
2	Human resource in Health and Medical Education	1,054.54	597.81	456.73	43
3	Smart Cities Yojana	640.00	335.20	304.80	48
4	Integrated watershed Management Programme (IWMP)	542.13	288.53	253.60	47
5	Pradhanmantri Awas Yojana (Gramin)	250.00	16.03	233.97	94
6	Pradhanmantri Krishi Sinchai Yojana	439.73	233.77	205.96	47
7	Atal mission for Rejuvenation and Urban Transformantion (AMRUT)	463.93	338.29	125.64	27
8	Rashtriya Krishi Vikash Yojana (RKVY)	520.34	395.81	124.53	24
9	Shyama Prasad Mukharjee Rurban Mission (SPMRM)	135.00	40.17	94.83	70
10	National Mission on Sustainable Agriculture	221.86	140.13	81.73	37
11	Jawahar Lal Nehru National Urban Renewal Mission (JNNURM)	74.91	0.00	74.91	100
12	Rajiv Awas Yojana (MOHPUA)	69.97	7.28	62.69	90
13	Rashtriya Uchhtar Shiksha Abhiyan	164.94	104.01	60.93	37
	Total	6,887.32	4,322.72	2,564.60	37

Non utilisation of substantial funds in major schemes indicates failure of the department concerned in achieving objectives and targets under the schemes as well as depriving beneficiaries of their due benefits under the schemes.

1.9 Financial Analysis of Government Expenditure and Investment

In post-FRBM framework, the State is expected to keep its fiscal deficit at targeted levels and also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to reduce dependence on market resources, the State Government needs to initiate measures to earn adequate returns on its investments and recover the cost of borrowed funds rather than bearing the same in its budget in the form of implicit subsidy. Requisite steps have to be taken to infuse transparency in financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* the previous years.

Details regarding Financial results of Irrigation projects, Incomplete Projects, Investment and returns, Loans and Advances by the State Government, Implementation of UDAY by taking over debt of Power Distribution Companies, Adverse balances under DDR heads and Resource availability of State under PPP projects are given in **sub Paragraphs 1.9.1 to 1.9.7**.

1.9.1 Financial results of Irrigation Projects

The financial results of 6 major³⁶ and 11 medium³⁷ irrigation projects completed with a capital outlay of ₹ 7,215.25 crore at the end of March 2018, revealed that during 2017-18 revenue realised (₹ 63.30 crore) from these projects was only 0.9 per cent of capital expenditure. This was not even sufficient to cover the direct working expenses. After meeting working and maintenance expenditure (₹ 247.31 crore) and interest charges (₹ 688.34 crore), the projects suffered a net loss of ₹ 872.35 crore.

1.9.2 Incomplete projects

The department-wise information, pertaining to incomplete projects (more than ₹ 10 crore each) as on 31 March 2018, is as follows:

Table 1.17: Department-wise profile of incomplete projects

Department	Total no. of incomplete projects	Original sanctioned cost of all incomplete projects	Original estimated cost of 39 projects which were revised		Revised cost of 39 incomplete projects	Cost Overrun of 39 projects which were revised	Cumulative actual expenditure of all incomplete projects as on 31 March 2018
			No.	Amount			
Water Resources Department / Projects	66	6,460.51	20	1,182.97	5,200.40	4,017.43	5,865.37
Public Works Department/ Project	127	4,995.54	6	114.93	225.87	110.94	2,077.72
Public Health Engineering Department	54	18,687.71	13	4,471.87	8,335.06	3,863.19	12,232.90
Total	247	30,143.76	39	5,769.77	13,761.33	7,991.56	20,175.99

Source: Finance Accounts

As per the information furnished by the State Government, there were 247 incomplete projects (more than ₹ 10 crore each) as on 31 March 2018, on which an amount of ₹ 20,176 crore was spent. There were cost overruns (₹ 7992 crore) in 39 projects of which cost of Narmada Jalore Project alone increased by 568 per cent (₹ 2,656.47 crore) from ₹ 467.53 crore to ₹ 3,124 crore. Further, 63 projects (₹ 11,940.43 crore) were incomplete for the past 5 to 24 years out of which cost of 34 incomplete projects increased by 145 per cent i.e. from ₹ 5,400.02 crore (initial cost) to ₹ 13,221.84 crore.

The amount spent (₹ 20,175.99 crore) in all the incomplete projects/works was 12 per cent of the cumulative capital outlay (₹ 1,68,490.76 crore) of the State.

³⁶ (i) Bhakra Nangal Project; (ii) Chambal Project; (iii) Indira Gandhi Nahar Project; (iv) Gurgaon Canal; (v) Jakham Project and (vi) Gang Canal.

³⁷ (i) Jawai River Project Sei Diversion Scheme; (ii) Meja Project; (iii) Parbati Project; (iv) Gudha Project; (v) Morel Project; (vi) Alnia Project; (vii) West Banas Project; (viii) Vallabh Nagar Project; (ix) Badgaon Pal Project; (x) Orai Irrigation Project and (xi) Wagon Diversion Scheme.

Due to non-completion of projects within the stipulated time, the expected benefits to society were delayed and the cost of the projects also increased over the years.

1.9.3 Investment and returns

Statement 19 of Annual Finance Accounts of the State Government contains the details of investments of the Government. As per the statement, as on 31 March 2018, the total Government investment (₹ 45,780.60 crore) was in 52 Government Companies (₹ 44,292.46 crore), seven Statutory Corporations (₹ 764.34 crore), two Rural Banks (₹ 73.69 crore), 24 Joint Stock Companies (₹ 140.65 crore), one partnership concerns³⁸ and Cooperative Banks and Societies (₹ 509.46 crore). The above investment included ₹ 19.37 crore in three non-working Statutory Corporations and ₹ 10.83 crore in three non-working Government Companies. The average return on this investment was 0.1 to 0.3 *per cent* during 2013-18, while the Government paid an average interest of 6.7 to 7.6 *per cent* on its borrowings (**Table 1.18**). Therefore, return on investment of the State Government is very low.

Continued use of borrowed funds for investments, which do not yield sufficient financial return would lead to unsustainable financial position.

Table 1.18: Returns on Investment

Investment>Returns/Cost of Borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Investment at the end of the year (₹ in crore)	23,518.00	27,909.59	37,417.62	41,733.94	45,780.60
Returns (₹ in crore)	24.60	63.33	97.41	67.80	66.76
Returns (<i>per cent</i>)	0.1	0.2	0.3	0.2	0.1
Average rate ³⁹ of interest on Government borrowings (<i>per cent</i>)	7.3	7.5	6.7	7.6	7.3
Difference between interest rate and returns (<i>per cent</i>)	7.2	7.3	6.4	7.4	7.2

Source: Finance Accounts

During the year 2017-18, net investment of the State Government in Government Companies, Rural Banks and Cooperative Banks and Societies was ₹ 4,046.66 crore. Out of this, ₹ 3,849.92 crore was invested in five power companies having accumulated losses of ₹ 98,138.14 crore.

The Government had invested ₹ 41,442.76 crore (91 *per cent* of total investment) in five power companies as on 31 March 2018. It is also pertinent to note that Central Government has introduced (November 2015) UDAY scheme to improve the operational and financial efficiency of the State DISCOMs and results of the scheme shall be visible after December 2019.

The investment of the State Government included ₹ 44,281.63 crore in 49 working Government Companies, of which only eight companies declared dividend aggregating to ₹ 64.46 crore against an investment of ₹ 573.71 crore.

³⁸ Only ₹ 20,833.

³⁹ See glossary at page 132 for method of calculation.

Statement No 19 of the Finance Accounts of the State Government for the year 2017-18 revealed that the State Government had made investments of ₹ 1.35 crore in two statutory corporations and 15 JSCs between the period from 1927-28 to 1990-91 but received no dividend. In most of these cases, the accounting information was not made available due to which the picture of updated status in respect of all JSCs is not clear. Moreover, the status of liquidation in most of these units could not be ascertained. This position needs to be reconciled and ratified by the State Government. The details are given in *Appendix 1.8*.

- ***Investment in Joint Stock Companies***

The State Government has invested ₹ 140.65 crore (only 0.3 per cent of total investment) in 24 JSCs out of total investment ₹ 45,780.60 crore as of 31 March 2018. The accumulated losses of these JSCs were ₹ 66.46 crore. The investment of State Government in JSCs included ₹ 137.50 crore (98 per cent) in Road Infrastructure Development Company of Rajasthan Limited, Jaipur. The State Government received dividend of only ₹ 486 from JSCs during 2017-18. Further, nine JSCs were under liquidation where the State Government has invested ₹ 0.23 crore upto 1990-91.

- ***Erosion of capital due to losses***

As per latest finalised accounts of the State PSU's, the capital investment in 43 State PSUs (including 10 subsidiary companies) was ₹ 45,409.44 crore which included State Government investment of ₹ 44,580.49 crore (98.2 per cent). The aggregated accumulated losses of State PSUs was ₹ 1,00,029.11 crore (*Appendix 1.9*). A higher quantum of accumulated losses than the capital investment shows that the overall capital of the State PSUs had entirely been eroded and culminated into negative net worth of ₹ 54,619.67 crore. Further analysis of investment and accumulated losses disclosed that this erosion (₹ 69,825.77 crore) occurred in 16 out of 43 PSUs. PSUs of power sector mainly contributed to the erosion of investment. The accumulated losses of the power sector PSUs were ₹ 98,929.72 crore as against the capital investment of ₹ 41,876.05 crore.

XIII-FC had recommended that the State Government should draw up a road map by March 2011 for closure of non-working companies. However, it was observed that no such road map was drawn by the Government in respect of six non-working Statutory Corporations/Government Companies⁴⁰.

⁴⁰ (i) Rajasthan Land Development Corporation, Jaipur: (₹ 19.36 crore), (ii) Rajasthan State Mandi Development Corporation, Jaipur: (₹ 0.65 lakh), (iii) Rajasthan Water Supply and Sewerage Corporation, Jaipur: (₹ 0.08 lakh), (iv) Rajasthan State Mineral Development Corporation Limited, Jaipur: (₹ 10.61 crore), (v) Rajasthan *Rajya Van Vikas Nigam* Limited, Jaipur: (₹ 16.75 lakh) and (vi) Rajasthan State Electricity Corporation, Jaipur: (₹ 5.00 lakh).

Recommendation: 5

In view of the huge losses of some of the State-owned Public Sector Undertakings, the State Government may consider reviewing their working so as to reduce losses and take proactive steps to strengthen these PSUs.

1.9.4 Loans and Advances by the State Government

In addition to investments in Cooperative Societies, Corporations and Companies, the Government has also been providing loans and advances to many of these institutions/organisations. **Table 1.19** presents the outstanding loans and advances as on 31 March 2018 and interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.19: Average interest received on loans advanced by Government

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2015-16	2016-17	2017-18	
			BE	Actual
Opening Balance	4,701	39,856	51,171	51,108
Amount advanced during the year	36,602	12,965	780	1,334
Amount repaid during the year	1,447	1,713	15,133	15,134
Closing Balance	39,856	51,108	36,818	37,308
Net addition	35,155	11,252	(-) 14,353	(-) 13,800
Interest Receipts	196	172	-	3,020
Interest Receipts as <i>per cent</i> to average of outstanding Loans and Advances	0.9	0.4	-	6.8
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	6.7	7.6	-	7.3
Difference between interest payments and interest Receipts (<i>per cent</i>)	(-) 5.8	(-) 7.2	-	(-) 0.5

Source: Finance Accounts

From above table, it is evident that the average interest earned by the State on loans was 0.4 to 6.8 *per cent* during 2015-18, while the Government paid an average interest of 6.7 to 7.6 *per cent* on its borrowings.

Total loans and advances of ₹ 37,308 crore included loans and advances of ₹ 33,557 crore (90 *per cent*) given to Power Projects. The amount of loans and advances disbursed during the year decreased from ₹ 12,965 crore in 2016-17 to ₹ 1,334 crore (Economic Services: ₹ 1,125 crore and Social Services: ₹ 209 crore) in 2017-18.

During the current year major portion of loan was advance to Rajasthan Rajya Kray-Vikray Sahakari Sangh: ₹ 507 crore and Rajasthan Rajya Vidyut Prasaran Nigam Limited: ₹ 342 crore. Regarding repayment of loans, it was seen that loans amounting to ₹ 67 crore were not repaid by some loanees (*Appendix 1.7*) for the last 15 years or more.

Thus, the State has been borrowing at a higher rate while earning interest at much lower rate on its lending.

1.9.5 Implementation of Ujwal Discom Assurance Yojana (UDAY) by taking over debt of Power Distribution Companies

The Ministry of Power, GoI approved (November 2015) the Ujwal Discom Assurance Yojana (UDAY) Scheme for the financial turnaround of Power Distribution Companies (DISCOMs).

Transmission and Distribution (T&D) losses of DISCOMs during the period 2008-09 to 2017-18 ranged between 24 *per cent* and 31 *per cent* wherein, the major portion of T&D losses were due to Distribution losses. As of March 2018, T&D losses stood at 25 *per cent*, 81 *per cent* of the same was on account of distribution losses. Further, the cumulative losses of DISCOMs increased to ₹ 92,460.5 crore in the last decade. Net profit for the year 2017-18 was ₹ 2,172.7 crore (*Appendix 1.10*).

With an objective to improve the operational and financial efficiency of the State DISCOMs, a tripartite Memorandum of Undertaking (MoU) was executed (27th January 2016) between Ministry of Power, Government of India, GoR and State Power Distribution Companies i.e. Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited under this scheme for facilitating GoR to take over 75 *per cent* of DISCOM's outstanding debt as on 30th September 2015 over a period of two years.

The outstanding debt of three DISCOMs was ₹ 83,230 crore as on 30 September 2015. The GoR had taken over debt of DISCOMs of ₹ 62,422 crore⁴¹ (75 *per cent* of ₹ 83,230 crore) under UDAY (₹ 8,700 crore as equity, ₹ 44,722 crore as loan and ₹ 9,000 crore as subsidy). It has been informed by the State Government to Ministry of Power, GoI that the loan extended (₹ 44,722 crore) to DISCOMs under UDAY scheme will be converted into grant and equity in the next three years i.e. upto 2019-20 as per relaxation given in UDAY. Accordingly, during 2017-18, the GoR has converted loan of ₹ 15,000 crore into equity (₹ 3,000 crore) and subsidy (₹ 12,000 crore). At the end of 2017-18, equity support to DISCOMs was 18.74 *per cent* of the total debt taken over by the State Government which was within the limit of 25 *per cent* as prescribed in the guidelines of the scheme. Details are given below:

(₹ in crore)

Year	Equity Investment	Loan	Subsidy	Total
2015-16	5,700.00	34,349.77	-	40,049.77
2016-17	3,000.00	10,372.19	9,000.00	22,372.19
Total	8,700.00	44,721.96	9,000.00	62,421.96
2017-18	3,000.00	(-) 15,000.00	12,000.00	-
Position as on 31-03-2018	11,700.00 (18.74%)	29,721.96 (47.62%)	21,000.00 (33.64%)	62,421.96

The above position indicates that on account of taking over debt of DISCOMs the GoR had made investment (Equity) of ₹ 11,700 crore, Loans of ₹ 29,722 crore and Subsidy of ₹ 21,000 crore upto March 2018. The GoR raised borrowings by issuing bonds of ₹ 62,422 crore during 2015-16 and 2016-17

⁴¹ During 2015-16: ₹ 40,050 crore and 2016-17: ₹ 22,372 crore.

(₹ 40,050 crore during 2015-16 and ₹ 22,372 crore during 2016-17). At the end of March 2018 outstanding borrowings of the State on account of issue of Non Statutory Liquidity Ratio Bonds and forfeited Bonds under UDAY Yojana was ₹ 58,272 crore.

1.9.6 Adverse balances under Debt, Deposit and Remittances Heads

Adverse balances (credit balance in debit heads and debit balances in credit heads) are negative balances appearing under those heads of accounts, where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayments than the original amount advanced.

As of 31 March 2018, there were 64 cases⁴² of adverse balances under Debt, Deposit and Remittances (DDR) heads in 8 Major Heads amounting to ₹ 1,094.90 crore. The adverse balances were mainly under Pension Funds of employees of Municipal Councils/Municipalities (₹ 1,031.52 crore) under 'Insurance and Pension Funds'.

Recommendation: 6

Adverse balances in DDR heads in 64 cases amounting to ₹ 1,094.90 crore need to be reconciled and adjusted on priority.

1.9.7 Resource availability of the State under Public Private Partnership Projects

Public Private Partnership (PPP) is an arrangement between the government or statutory entity and a private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for adequate infrastructure development activities. The PPP cell was established (July 2007) by the State Government in Planning Department. It is the nodal agency to coordinate and monitor all efforts of the State Government for public private partnership. It serves as the repository of all information relating to PPP in the State including best practices, guidelines, schemes etc. The Administrative Departments are required to submit their proposals to the PPP cell to seek in-principle approval of Empowered Committee on Infrastructure Development (ECID).

As per information furnished (July 2018) by the PPP cell of Planning Department, 219 projects involving ₹ 65,018.66 crore, have been taken up during the period 1995-2018 under different sectors. Of these, 156 projects (₹ 12,004.68 crore) had been completed and 63 projects (₹ 53,013.98 crore) are under progress as on 31 March 2018. Besides, 102 projects involving

⁴² Loans and Advances from the Central Government (seven cases: ₹ 12.23 crore); Loans to Government Servants (46 cases: ₹ 2.64 crore); State Provident Funds (one case: ₹ 0.01 crore); Insurance and Pension Funds (one case: ₹ 1,031.52 crore); Deposits of Local Funds (one case: ₹ 9.32 crore); Civil Deposits (three cases: ₹ 33.26 crore); Suspense Account (two cases: ₹ 3.18 crore); and Cash Remittance and adjustments between officers rendering accounts to the same Accounts Officers (three cases: ₹ 2.74 crore).

₹ 25,064.86 crore, relating to Roads, Urban Infrastructures, Power, Water, Social and Other Sectors are under planning.

Sector-wise details of PPP projects completed, ongoing and to be taken up in future are shown in **Table 1.20** below:

Table 1.20: Sector-wise details of PPP Projects

S. No.	Sector	Completed		On going		Planned for future	
		No.	Estimated Cost	No.	Estimated Cost	No.	Estimated Cost
1.	Road	56	5,076.03	20	4,537.30	68	8,330.25
2.	Urban Infrastructure	22	392.36	10	269.08	16	13,149.25
3.	Power	5	5,759.32	13	48,057.49	2	98.78
4.	Water	1	46.00	-	-	2	2,165.00
5.	IT	1	54.01	-	-	-	-
6.	Social	58	626.87	19	149.56	11	853.28
7.	Other	13	50.09	1	0.55	3	468.30
	Total	156	12,004.68	63	53,013.98	102	25,064.86

Scrutiny of the budget documents of 2017-18 revealed that the State Government did not provide the details of figures and information regarding investment made in PPP projects in the previous year. Further, the revenue generated against the resources of the State Government was not ascertainable (by the Private sector as well) in the budget document. For the current year the documents also do not reveal distinctively and separately, the estimated investment to be made by the Private and Government sectors in connection with PPP projects involving the State Government.

1.10 Assets and Liabilities

Details regarding Growth and composition of Assets and Liabilities, Fiscal Liabilities, Cash balances and Investment of cash balances, Transactions under Reserve Funds, Contingent liabilities and Analysis of Borrowings of the Government are given in **sub Paragraphs 1.10.1 to 1.10.6**.

1.10.1 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 1.5** 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 GoI, receipts from public account and reserve funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

According to FRBM Act, 2005, the total liability means the explicit liabilities under the Consolidated Fund of the State and the Public Account of the State including General Provident Fund.

The growth rate of components of assets and liabilities are summarised in the **Table 1.21**:

Table 1.21: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Assets			
	2016-17	2017-18	Per cent increase		2016-17	2017-18	Per cent increase
Consolidated Fund	1,95,423.95	2,12,306.86	8.6	Consolidated Fund	1,98,991.29	2,05,798.57	3.4
a Internal Debt	1,84,284.58	2,00,243.86	8.7	a Gross Capital Outlay	1,47,884.09	1,68,490.76	13.9
b Loans and Advances from GoI	11,139.37	12,063.00	8.3	b Loans and Advances	51,107.20	37,307.81	(-) 27.0
Contingency Fund	500.00	500.00	-				
Public Account	62,103.06	71,841.90	15.7	Public Account	148.91	164.51	10.5
a Small Savings, Provident Funds, etc.	38,894.45	42,095.22	8.2	a Advances	4.71	3.21	(-) 31.8
b Deposits	19,060.56	24,762.22	29.9	b Remittance	21.66	11.47	(-) 47.0
c Reserve Funds	4,148.05	4,984.46	20.2	c Suspense and Miscellaneous	122.54	149.83	22.3
d Remittances	-	-	-	Cash balance (including investment in Earmarked Fund)	8,112.46	9,376.99	15.6
				Total	2,07,252.66	2,15,340.07	3.9
				Deficit in Revenue Account	50,774.35	69,308.69	36.5
Total	2,58,027.01	2,84,648.76	10.3	Total	2,58,027.01	2,84,648.76	10.3

Source: Finance Accounts

During 2017-18, the assets increased by 3.9 *per cent*, while the liabilities increased by 10.3 *per cent* over the previous year.

1.10.2 Fiscal Liabilities

The trends in Fiscal Liabilities relative to GSDP are shown in **Table 1.22**.

Table 1.22: Fiscal Liabilities- Basic Parameters

(₹ in crore)

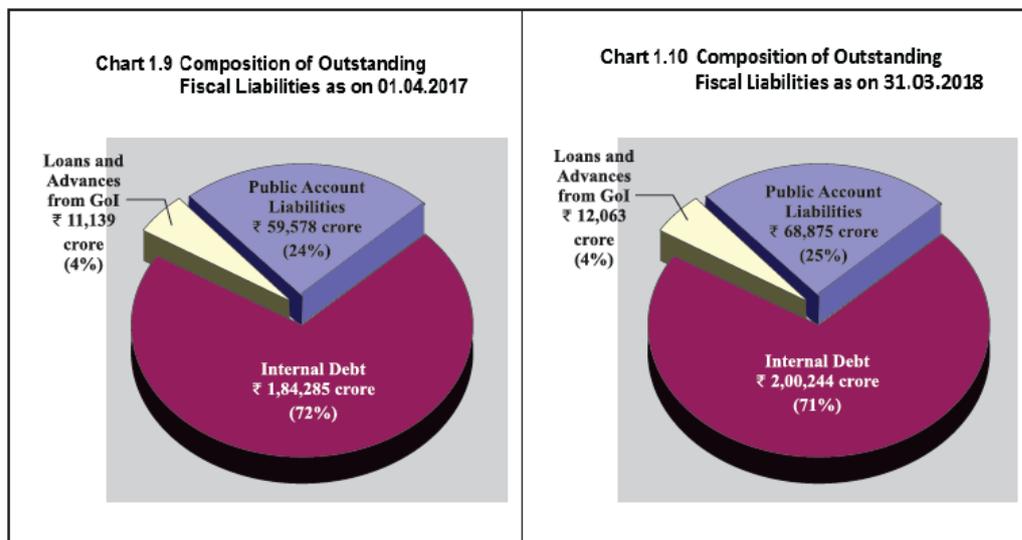
	2013-14	2014-15	2015-16	2016-17	2017-18
Fiscal Liabilities	1,29,910	1,47,609	2,09,386	2,55,002	2,81,182
Rate of Growth	10.3	13.6	41.9	21.8	10.3
Population (in crore)	7.06	7.16	7.26	7.35	7.45
Per capita debt (in ₹)	18,401	20,616	28,841	34,694	37,743
Fiscal Liabilities as a percentage of					
GSDP	23.6	24.0	30.6	33.6	33.5
Revenue Receipts	174.4	161.6	208.8	233.9	220.9
Own Resources	276.1	284.4	390.3	455.5	423.9

Source: Finance Accounts

The outstanding fiscal liabilities of the State increased from ₹ 1,29,910 crore in 2013-14 to ₹ 2,81,182 crore at the end of 2017-18, it increased by 10 *per cent* over to 2016-17.

The average annual per capita debt increased significantly by 26 per cent per annum from ₹ 18,401 in 2013-14 to ₹ 37,743 in 2017-18.

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.9** and **1.10** below:



Source: Finance Accounts

During 2017-18, fiscal liabilities increased by 10 per cent (₹ 26,180 crore) over the previous year due to increase in Internal Debt by 9 per cent (₹ 15,959 crore), Public Account Liabilities by 16 per cent (₹ 9,297 crore) and Loans and Advances from GoI by 8 per cent (₹ 924 crore).

The fiscal liabilities of ₹ 2,81,182 crore existing on 31 March 2018, included outstanding borrowings of ₹ 58,272 crore under UDAY, on account of issue of Non Statutory Liquidity Ratio (SLR) Bonds and forfeited Bonds which constituted Internal Debt of the State Government.

Though, the fiscal liability (total outstanding debt) to GSDP ratio (33.46 per cent) during 2017-18 was lower than the MTFPS projections (33.61 per cent), the State Government annual incremental borrowings⁴³ (₹26,180 crore) were higher than the ceilings for annual borrowings fixed by the GoI (₹24,827 crore) as per recommendations of XIV-FC.

1.10.3 Cash balances and investment of cash balances

Table 1.23 depicts the cash balances and investments made by the State Government out of cash balances during the year.

⁴³ It included Open Market Borrowings, Negotiated Loans from financial institutions, National Small Savings Fund loans, Central Government loans including EAPs, any loans for State Plan Schemes and Centrally Sponsored Schemes, other liabilities arising out of Public Account transfers under Small Savings, Provident Funds, Reserve Funds, Deposits, etc.

Table 1.23: Cash balances and Investment of Cash balances

	(₹ in crore)		
	Opening balance on 1 April 2017	Closing balance on 31 March 2018	Increase/ Decrease (-)
(a) General Cash Balance			
Cash in Treasuries	0.05	0.05	-
Deposits with Reserve Bank	(-) 2.28	11.09	13.37
Remittances in transit - Local	0.07	(-) 6.51	(-) 6.58
Total	(-) 2.16	4.63	6.79
Investments held in Cash Balance investment account	5,585.10	6,401.72	816.62
Total (a)	5,582.94	6,406.35	823.41
(b) Other Cash Balances and Investments			
Cash with departmental officers viz, Public Works Department Officers, Forest Department Officers, District Collectors	1.13	1.03	(-) 0.10
Permanent advances for contingent expenditure with departmental officers	2.93	2.90	(-) 0.03
Investment of earmarked funds	2,525.46	2,966.71	441.25
Total (b)	2,529.52	2,970.64	441.12
Grand total (a)+ (b)	8,112.46	9,376.99	1,264.53

Source: Finance Accounts

The State Government's cash balances at the end of the current year amounted to ₹ 9,377 crore. This has increased by ₹ 1,264 crore (15.6 per cent) from the previous year.

- **Investment of cash balances**

Many States had cash balances exceeding the total expenditure for one month therefore, XIII-FC and XIV-FC recommended a directed effort by State having large cash balances towards utilising their existing cash balances before resorting to fresh borrowings. Accumulation of cash beyond a level, can be treated as inefficient management, as it leads to borrowing and avoidable interest burden. The Reserve Bank of India also reiterated the fact and advised the States to manage their cash balances more efficiently.

Year-wise position of cash balances⁴⁴, market loans raised and budgeted expenditure is given in **Table 1.24**.

Table 1.24: Position of cash balances, market loans and budgeted expenditure

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Cash balance as on 1 April	12,886.72	10,446.44	8,949.28	8,397.27	8,112.46
Cash balance as on 31 March	10,446.44	8,949.28	8,397.27	8,112.46	9,376.99
Investment of cash balance in GoI Treasury Bills/Securities	8,997.40	7,628.42	5,915.95	5,585.10	6,401.72
Market loan raised	8,800	12,300	15,800	16,054	24,914
Total budgeted expenditure	90,440	1,26,470	1,32,883	1,66,541	1,70,073
Average monthly budgeted expenditure	7,537	10,539	11,074	13,878	14,173

Source: Finance Accounts and Budget Documents

⁴⁴ It includes Cash in Treasuries, Deposits with Reserve Bank, Remittances in Transit-Local, Cash with the Departmental Officers, Permanent Advance, Investment from Cash balances and Investment from Earmarked balances.

The surplus cash balances of the State Government are automatically invested in 14 day treasury bills with an average interest rate of 5 *per cent* per annum and partly in 91, 181 and 364 day auctioned treasury bills of RBI. Till the end of 2017-18, a sum of ₹ 6,401.72 crore was invested in GoI Treasury Bills/ Securities, which earned an interest of ₹ 365.84 crore. Further, ₹ 2,966.71 crore was also invested in earmarked funds.

State Government had maintained positive cash balances throughout the financial year without availing any ways and means advances or overdraft situation.

1.10.4 Transactions under Reserve Funds

According to Paragraph 4.5 of the State Budget Manual, Reserves and Reserve Funds are created for specific and well defined purposes in the accounts of the State Government (Public Account). These funds are created by contributions or grants from the Consolidated Fund of State or from outside agencies. The funds are further divided into two parts (i) Reserve Funds bearing interest and (ii) Reserve Funds not bearing interest. The funds are created by the sums transferred by debiting the concerned expenditure head of the Consolidated Fund of the State. Thereafter, the total expenditure incurred during the year is to be reimbursed from the concerned Reserve Fund.

- ***Operative Reserve Funds***

As on 31 March 2018, there were 25 Reserve Funds in Public Accounts containing ₹ 4,984.46 crore⁴⁵, in which included a sum of ₹ 150.75 crore in three interest bearing funds. During 2017-18, a sum of ₹ 3,465.86 crore was credited to the Reserve Funds of the state which included State Disaster Response Fund (₹ 1567.73 crore⁴⁶), Guarantee Redemption Fund (₹ 732.03 crore), State Road and Bridges Fund (₹ 466.68 crore), Other Development and Welfare Fund (₹ 523.97 crore) and Development Funds for Animal Husbandry Purposes (₹ 173.68 crore).

The State Government was required to credit interest of ₹ 5.10 crore (conservatively estimated at 7.5 *per cent*, representing the average interest rate on Ways and Means Advances) on ₹ 67.97 crore lying in other interest bearing funds as on 31 March 2017. It was however, observed that the same was not credited.

- ***Inoperative Reserve Funds***

As per Finance Account 2017-18, five Reserve Funds (₹ 4.24 crore) were inactive for more than five years. However, there is no provision for closing of

⁴⁵ It included (i) State Disaster Response Fund: ₹ 83.27 crore; (ii) Guarantee Redemption Fund: ₹ 3,366.68 crore; (iii) Resource Development Fund: ₹ 180.89 crore; (iv) State Road and Bridges Fund: ₹ 765.65 crore (v) Water Works under Depreciation Reserve Fund: ₹ 67.27 crore (vi) Environment Reform and Health Fund in Mining Areas: ₹ 248.79 crore and (vii) Water Conservation Cess Fund ₹ 158.80 crore.

⁴⁶ It included NDRF of ₹ 301.65 crore.

inoperative reserve fund in the State Budget Manual. Of these, one fund⁴⁷ (₹ 0.20 crore) was interest bearing and four funds⁴⁸ (₹ 4.04 crore) were non-interest bearing.

1.10.4.1 State Disaster Response Fund

The State Disaster Response Fund (SDRF) was set up on 1 April 2010 replacing the existing Calamity Relief Fund. The XIV-FC had recommended that annual contributions to the fund were to be contributed by GoI and State Government in the ratio of 75:25 *per cent*. As per Guidelines (July 2015) for Administration of the State Disaster Response Fund, the accretions to the fund together with income earned on the investment of the SDRF was to be invested in Central Government dated Securities, Auctioned Treasury Bills and Interest earning deposits and certificates of deposits with scheduled Commercial banks. However, subsequent upon issue of these guidelines, no investment was made from this fund.

During 2017-18, GoI and State Government contributed their shares in appropriate proportion. However, GoI during 2017-18, released additional assistance of ₹ 607.77 crore from National Disaster Response Fund out of which the State Government did not transfer an amount of ₹ 306.12 crore into SDRF.

As on 31 March 2018, the balance in SDRF (including National Disaster Response Fund) was ₹ 83.27 crore. This was after setting off the expenditure (₹ 1,810.52 crore) for disaster relief operations.

During 2017-18, ₹ 50.08 crore was credited by State Government as interest on the un-invested amount of SDRF for the period 2016-17. However, the State Government did not credit interest of ₹ 31.75 crore on the un-invested amount for 2017-18.

1.10.4.2 Guarantee Redemption Fund

The State Government had set up the Guarantee Redemption Fund in 1999-2000. The corpus of the Fund is to be gradually increased to the desirable level of 5 *per cent* of outstanding guarantees in terms of the guidelines of the Reserve Bank of India (RBI), which administers the Fund. The Guarantee Redemption Fund has a balance of ₹ 3,366.68 crore as on 31 March 2018 which was 5.5 *per cent* of outstanding guarantees (₹ 61,761 crore) as against the desirable level of 5 *per cent* of the total outstanding guarantees. No amount was reimbursed from this Fund during the year.

Further, during 2017-18 the State Government received ₹ 464.04 crore Guarantee Commission (including advance payment of ₹ 0.31 crore) against the receivable amount of ₹ 460.97 crore. This amount was booked under

⁴⁷ Departmental Management Scheme of *Jhamar Kotra* Rock Phosphate: ₹ 20.45 lakh.

⁴⁸ (i) Farmers Reform Fund: ₹ 0.74 lakh, (ii) Fund for intensive egg and hen production and marketing centres with the assistance of World Food Programme: ₹ 0.95 lakh, (iii) State Road Development Fund: ₹ 402.08 lakh and (iv) Government Security Redemption Fund: ₹ 0.18 lakh.

Miscellaneous Receipts and an amount of ₹ 569.93 crore (included ₹ 109.81 crore pertaining to 2016-17) was transferred to Guarantee Redemption Fund.

1.10.5 Contingent liabilities

- **Status of Guarantees**

Guarantees are contingent liabilities on the Consolidated Fund of the State which can be invoked in case of default by the borrower for whom the guarantee was extended. As per FRBM Act, 2005 (amended in April 2016) total outstanding Government guarantee on 31st March 2017 shall not exceed 70 *per cent* of estimated receipts in the Consolidated Fund of the State in financial year 2016-17 and thereafter total outstanding government guarantee at the end of each financial year shall not exceed 60 *per cent* of estimated receipts in the Consolidated Fund of the State in that financial year.

As per **Statement 9** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is as follows:

Table 1.25: Guarantees given by the Government of Rajasthan

Guarantees	(₹ in crore)		
	2015-16	2016-17	2017-18
Maximum amount guaranteed	1,61,236	1,18,161	1,12,057
Outstanding amount of guarantees	53,620	51,119	61,761
Maximum amount guaranteed to total Revenue Receipts (in <i>per cent</i>)	160.8	108.4	88.0
Estimated receipts in the Consolidated Fund	1,34,430	1,67,405	1,77,390
Outstanding guarantee w.r.t. estimated receipts (in <i>per cent</i>)	39.9	30.5	34.8

Source: Finance Accounts and budget documents

The outstanding guarantees increased by 21 *per cent* from ₹ 51,119 crore in 2016-17 to ₹ 61,761 crore in 2017-18 and were 48.5 *per cent* of the Revenue Receipts of the Government. The outstanding guarantees mainly pertained to five Power Companies (₹ 53,247 crore), three Urban Development and Housing (₹ 3,571 crore), one Road and Transport (₹ 2,260 crore) and seven Co-operatives (₹ 1,647 crore). The guarantees of Power Companies were given for repayment of loans/overdraft, amount raised by issue of bonds/debentures and payment of interest at stipulated rates.

The outstanding guarantee to estimated receipts ratio (34.8 per cent) during 2017-18 was lower than the limit fixed under FRBM Act (60.0 per cent).

- **Off Budget borrowings**

The borrowings of a State are governed by Article 293 of the Constitution of India. In addition to the fiscal liabilities, the State Government guaranteed loans availed by Zila Parishads/Companies/Corporations from the market/financial institutions for implementation of various State Plan programmes, projected outside the State Budget. The State Government projected that the fund raised for these programmes would be met out of the resources mobilized by these Companies/Corporations/Zila Parishads. In reality the borrowings of many of these concerns are repaid by the Government and ultimately turn out

to be the liabilities of the State Government. These are termed as "off budget borrowings" which is not permissible under Article 293 (3).

During 2017-18, GoR added guarantees of ₹ 6.34 crore to the opening outstanding balances of ₹ 2,605.52 crore and cleared guarantees of ₹ 238.95 crore leaving a balance of ₹ 2,372.91 crore outstanding at the end of 2017-18 as against the maximum amount of guarantees of ₹ 3,948.66 crore. The Finance Department, GoR, informed (August, 2018) that the State Government gave guarantees with respect to loans of ₹ 3,948.66 crore obtained by Zila Parishads (ZPs) from Housing Urban Development Corporation (HUDCO) for construction of dwelling units for Economically Weaker Section (EWS) families in Rural areas under Chief Minister Below Poverty Line (CMBPL) Awas Yojana.

Scrutiny of the sanctions issued by the RDPRD revealed that ₹ 458.86 crore (₹ 238.95 crore on account of principal and ₹ 219.91 crore as interest) was transferred by GoR in Personal Deposit accounts of 31 ZPs during 2017-18, for payment of principal and interest on loans raised by them from HUDCO for CMBPL Awas Yojana, which indicated that State Government resorted to off budget borrowings for meeting plan expenditure.

1.10.6 Analysis of Borrowings of the Government

The Public Debt of the State Government increased by 36 *per cent* per annum from ₹ 87,330 crore in 2013-14 to ₹ 2,12,307 crore in 2017-18. During 2017-18 it increased by 8.6 *per cent* over the previous year. The details are given below in **Table 1.26**:

Table 1.26: Outstanding Borrowings during 2013-18

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
(a) Internal Debt					
Market Loans	51,384	61,386	75,193	89,518	1,10,445
Loans from National Bank for Agriculture and Rural Development	5,422	6,482	7,624	8,377	9,077
Special Securities issued to National Small Savings Fund of the Central Government	20,022	20,126	20,040	18,504	16,968
Loans from other Institutions	3,753	5,483	45,435*	67,886*	63,754
Total (a)	80,581	93,477	1,48,292	1,84,285	2,00,244
(b) Loans and Advances from the Central Government					
Non-Plan Loans	49	44	39	34	29
Loans for State/Union Territory Plan Schemes	6,690	6,980	8,209	11,095	12,024
Other Plan Loans	10	10	10	10	10
Total (b)	6,749	7,034	8,258	11,139	12,063
Total Borrowings (a + b)	87,330	1,00,511	1,56,550	1,95,424	2,12,307
Rate of Growth	13.5	15.1	55.8	24.8	8.6

Source: Finance Accounts

* Including outstanding borrowing under UDAY during 2015-16: ₹ 40,050 crore, 2016-17: ₹ 62,422 crore and 2017-18: ₹ 58,272 crore.

The outstanding borrowings both internal debt and loans and advances from the Central Government have shown a progressive increase over the period 2014-18. The share of market loans to total borrowing decreased from 59 *per cent* in 2013-14 to 52 *per cent* in 2017-18.

1.11 Fiscal Imbalances

Three key fiscal parameters - Revenue Deficit, Fiscal Deficit and Primary Deficit - 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 manner in which the deficit is financed and the resources 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 level of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2017-18.

Details regarding Trends in Deficits, Component of Fiscal deficit and its item-wise financing pattern and Quality of deficit/surplus are given in **sub Paragraphs 1.11.1 to 1.11.3**.

1.11.1 Trends in Deficits

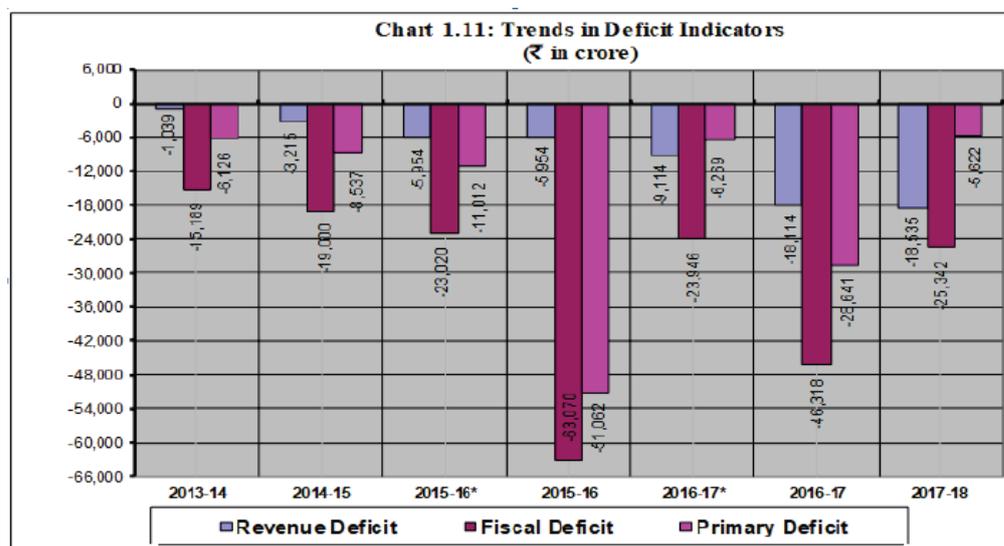
Trends in deficit and its indicators relative to GSDP are summarised below in **Table 1.27**:

Table 1.27: Trends in deficit indicators relative to GSDP

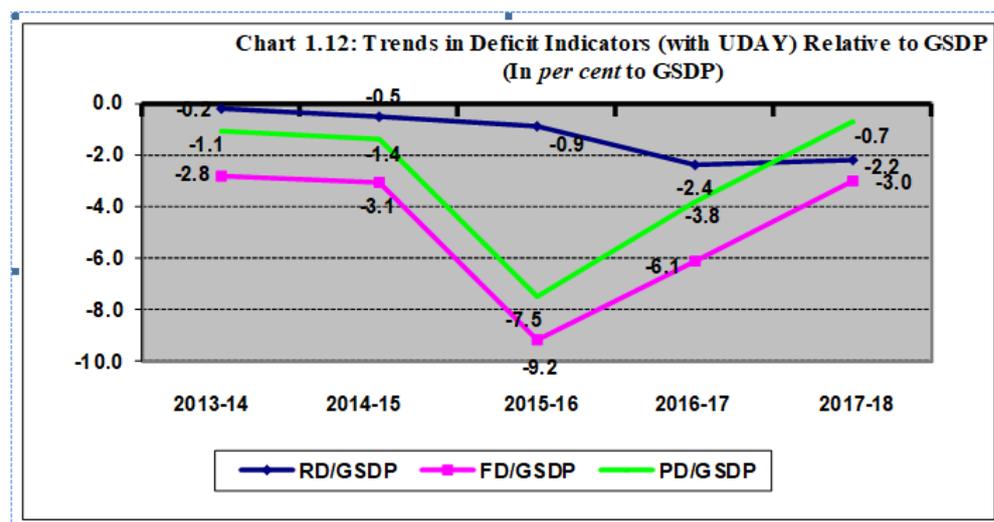
	2013-14	2014-15	2015-16		2016-17		2017-18
			Without UDAY	With UDAY	Without UDAY	With UDAY	
Revenue Deficit(-)/Revenue Surplus (+)	(-) 1,039	(-) 3,215	(-) 5,954	(-) 5,954	(-) 9,114	(-) 18,114	(-) 18,535
Fiscal Deficit (-)/Fiscal Surplus (+)	(-) 15,189	(-) 19,000	(-) 23,020	(-) 63,070	(-) 23,946	(-) 46,318	(-) 25,342
Primary Deficit	(-) 6,126	(-) 8,537	(-) 11,012	(-) 51,062	(-) 6,269	(-) 28,641	(-) 5,622
Revenue Deficit (surplus+)/GSDP	(-) 0.2	(-) 0.5	(-) 0.9	(-) 0.9	(-) 1.2	(-) 2.4	(-) 2.2
Fiscal Deficit as a percentage of GSDP	(-) 2.8	(-) 3.1	(-) 3.4	(-) 9.2	(-) 3.2	(-) 6.1	(-) 3.0
Primary Deficit (surplus +) as a percentage of GSDP	(-) 1.1	(-) 1.4	(-) 1.6	(-) 7.5	(-) 0.8	(-) 3.8	(-) 0.7
Revenue Deficit as a percentage of Fiscal Deficit	6.8	16.9	25.9	9.4	38.1	39.1	73.1

Source: Finance Accounts

Charts 1.11 and 1.12 present the trends in deficit indicators over the period 2013-18.



* Without UDAY



1.11.1.1 Revenue Surplus/Deficit

Revenue Surplus represents the difference between Revenue Receipts and Revenue Expenditures. Revenue Surplus helps to decrease the borrowings.

The State Government turned into a revenue deficit State in 2013-14 from revenue surplus in 2012-13. During 2017-18, revenue deficit (₹ 18,535 crore) increased by ₹ 421 crore (2.3 per cent) over the previous year (₹ 18,114 crore). During 2017-18, against the growth rate of 16.8 per cent of Revenue Receipts, the growth rate of Revenue Expenditure was 14.7 per cent. This issue is discussed in detail in **Paragraph 1.2.1**.

Recommendation: 7

State Government should strive to attain Zero Revenue Deficit and maintain it or attain revenue surplus as per FRBM Act.

1.11.1.2 Fiscal Deficit

Fiscal deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debts (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 1.28**:

Table: 1.28: Fiscal deficit and its parameters

Period	Non-debt Receipts	Total Expenditure	Fiscal Deficit	Fiscal Deficit as per cent of		
				GSDP	Non-debt Receipts	Total Expenditure
2013-14	74,797	89,986	15,189	2.76	20.3	16.9
2014-15	92,346	1,11,346	19,000	3.09	20.6	17.1
2015-16*	1,01,757	1,64,827	63,070	9.22	62.0	38.3
2016-17*	1,10,767	1,57,085	46,318	6.10	41.8	29.5
2017-18	1,42,457	1,67,799	25,342	3.02	17.8	15.1

Source: Finance Accounts

* The position includes impact of UDAY.

Fiscal deficit as a percentage of GSDP was least in 2013-14 and thereafter it continuously increased upto 2015-16. During 2017-18, the fiscal deficit decreased by ₹ 20,976 crore from the previous year due to decreased in accounts of Loan and Advances (₹ 25,051 crore).

Fiscal deficit as a percentage of GSDP decreased from 3.15 per cent (without UDAY) and 6.10 per cent (with UDAY) in 2016-17 to 3.02 per cent in 2017-18, which was marginally higher than the target of 3 per cent as prescribed under FRBM Act, 2005. After containing fiscal deficit regularly within the limit for the years 2012-13 and 2013-14 as prescribed under FRBM Act, the State Government has been unable to contain fiscal deficit under the target of 3 per cent from 2014-15.

1.11.1.3 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. Interest payments represent the expenditure of past obligations and are independent of current allocative priorities. To look at the imbalances of the current nature, these payments need to be separated and deducted from the total imbalances.

The primary surplus was maintained till 2011-12. The primary surplus turned into a primary deficit in 2012-13, due to increase in capital expenditure. The primary deficit decreased from ₹ 28,641 crore in 2016-17 to ₹ 5,622 crore in 2017-18.

1.11.2 Components of Fiscal Deficit and its item-wise financing pattern

Table 1.29 presents item-wise net disbursement/outflow financing pattern of fiscal deficits of the State during 2012-13 to 2017-18 along with receipts and disbursements during 2017-18.

Table 1.29: Components of fiscal deficit and its item-wise financing pattern

		Net disbursements/outflows					2017-18#		
		2012-13	2013-14	2014-15	2015-16#	2016-17#	Receipts	Disbursements	Net
(₹ in crore)									
(a) Composition of Fiscal Deficit									
1	Revenue Deficit/ Surplus (-)	(-) 3,451	1,039	3,215	5,954	18,114	1,27,307	1,45,842	18,535
2	Net Capital Expenditure	10,675	13,654	16,088	21,961	16,952	16	20,623	20,607
3	Net Loans and Advances	1,310	496	(-) 303	35,155	11,252	15,134	1,334	(-) 13,800
	Total (a)	8,534	15,189	19,000	63,070	46,318	1,42,457	1,67,799	25,342
(b) Financing Pattern of Fiscal Deficit									
1	Market Borrowings	5,658	7,175	10,002	13,807	14,325	24,914	3,987	20,927
2	Loans from GoI	(-) 268	(-) 232	286	1,224	2,881	1,557	633	924
3	Special Securities Issued to National Small Saving Funds	(-) 751	(-) 745	104	(-) 86	(-) 1,536	0	1,536	(-) 1,536
4	Ways and Means	-	-	-	-	-	0	0	-
5	Loans from Financial Institutions	610	4,178	2,789	41,094	23,204	2,086	5,518	(-) 3,432
6	Small Savings, Provident Fund etc	2,164	2,521	2,982	3,267	3,380	9,346	6,145	3,201
7	Deposits and Advances	3,416	(-) 421	1,409	2,255	3,242	1,42,603	1,36,900	5,703
8	Suspense and Miscellaneous	(-) 3	12	(-) 40	59	(-) 119	51	78	(-) 27
9	Remittances	29	(-) 6	(-) 1	(-) 20	(-) 3	1,345	1,335	10
10	Reserve Funds	781	267	(-) 28	918	659	3,466	2,630	836
	Total (b)	11,636	12,749	17,503	62,518	46,033	1,85,368	1,58,762	26,606
11	Increase (-)/ Decrease (+) in Cash Balance (a-b)	(-)3,102	2,440	1,497	552	285	-	-	(-) 1,264
12	Overall Deficit (b+11)	8,534	15,189	19,000	63,070	46,318	-	-	25,342

The position includes impact of UDAY.

Source : Finance Accounts

Fiscal deficit is the total borrowing requirement of the State and is the excess of Revenue and Capital Expenditure including loans and advances, over revenue and non-debt receipts. Composition of fiscal deficit reveals the extent of various borrowings resorted to, by the State to meet its requirement of funds over and above Revenue and non-debt Receipts.

Market borrowings continued to finance a major portion of fiscal deficit. Its share in financing fiscal deficit increased from 31 *per cent* in 2016-17 to 83 *per cent* in 2017-18. During 2017-18, the fiscal deficit of ₹ 25,342 crore was mainly met from Market Borrowings (₹ 20,927 crore).

1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the composition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Persistent 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) did not have adequate assets backup. As per **Table 1.27**, it is evident that ratio of the revenue deficit to fiscal deficit increased from 6.8 *per cent* in 2013-14 to 73.1 *per cent* in 2017-18. This indicates that the major part of the borrowing of the state is being used to meet out the revenue deficit.

The bifurcation of the primary deficit (**Table 1.30**) indicated the extent to which the deficit was on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.30: Primary deficit/surplus-Bifurcation of factors

(₹ in crore)							
Year	Non-debt Receipts (NDR)	Primary Revenue Expenditure ⁴⁹	Capital Expenditure	Loans and Advances	Primary Expenditure	Excess of Non-debt Receipts over Primary revenue expenditure	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2013-14	74,797	66,447	13,664	812	80,923	(+) 8,350	(-) 6,126
2014-15	92,346	84,079	16,103	701	1,00,883	(+) 8,267	(-) 8,537
2015-16	1,01,757	94,231	21,986	36,602	1,52,819	(+) 7,526	(-) 51,062
2016-17	1,10,767	1,09,463	16,980	12,965	1,39,408	(+) 1,304	(-) 28,641
2017-18	1,42,457	1,26,122	20,623	1,334	1,48,079	(+) 16,335	(-) 5,622

Source: Finance Accounts

The above table shows that during 2013-14 to 2017-18, though the Non-debt receipts were sufficient to meet primary revenue expenditure however; it falls short of meeting the capital expenditure.

The share of capital expenditure in primary expenditure which was 17 *per cent* in 2013-14, decreased to 14 *per cent* in 2017-18, however, it increased two percentage points over the previous year (12 *per cent*). The non-debt receipts and primary expenditure increased by ₹ 31,690 crore and

⁴⁹ Primary revenue expenditure=Revenue expenditure- Interest payments.

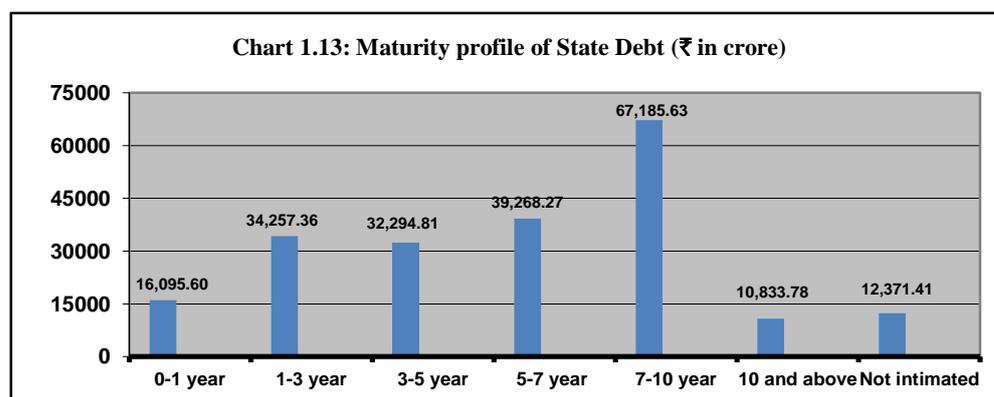
₹ 8,671 crore respectively in 2017-18 compared to the previous year. This resulted in decrease of primary deficit by ₹ 23,019 crore.

Though the primary deficit of the State Government decreased from ₹ 6,126 crore in 2013-14 to ₹ 5,622 crore during 2017-18, the fact remains that non-debt receipts were not sufficient to meet the primary expenditure of the State.

1.12 Debt Management

(i) Debt Profile

The Maturity Profile of the State Debt (amounts payable in respect of each category of loans in different years) as on 31 March 2018 is depicted in **Chart 1.13**:



As per data shown in **Chart 1.13**, the maturity profile in respect of ₹ 12,371.41 crore was not clearly defined. In terms of maturity profile, around (₹ 67,185.63 crore) 32 per cent of the total public debt at the end of the year belonged to a maturity bracket of 7 to 10 years. Therefore, debt repayment strategy will have to be worked out by the Government.

(ii) Debt sustainability

Debt sustainability is defined as the ability of the State to service its debt liability in the future. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that increase in fiscal deficit should match with the increase in capacity to service the debt. **Table 1.31** analyses the debt sustainability of the State according to these indicators for a period of five years beginning 2013-14.

Table 1.31: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2013-14	2014-15	2015-16	2016-17	2017-18
Rate of Growth of Outstanding debt	10.3	13.6	41.9	21.8	10.3
Rate of Growth of GSDP	11.6	11.7	11.1	11.0	10.7
Average interest rate of Outstanding Debt	7.3	7.5	6.7	7.6	7.3
Interest Payments/Revenue Receipts (in <i>per cent</i>)	12	11	12	16	15
Receipts under public debt and other liabilities (₹ in crore)	1,12,811	1,34,644	1,99,313	2,01,683	1,86,325
Repayment (principal and interest) under public debt and other liabilities (₹ in crore)	1,09,773	1,27,408	1,49,544	1,73,744	1,79,865
Debt Redemption ((Principal + Interest Payments)/Debt Receipts) (<i>per cent</i>)	97.3	94.6	75.0	86.1	96.5
Net Availability of Borrowed Funds (₹ in crore) (<i>per cent</i>)	3,038 (2.7)	7,236 (5.4)	49,769 (25.0)	27,939 (13.9)	6,460 (3.5)

- ***Net availability of borrowed funds***

Net availability of borrowed funds is defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used for redemption of old debt.

The net fund available from borrowing for current operations after providing for interest and repayment increased from ₹ 3,038 crore (2.7 *per cent*) in 2013-14 to ₹ 6,460 crore (3.5 *per cent*) in 2017-18.

- ***Interest burden***

The ratio of interest payments to revenue receipt determines the debt sustainability of the State. During 2017-18, interest payments decreased by one percentage points over the previous year and constituted 15 *per cent* of Revenue Receipts of the State.

1.13 Follow-up

The Report of the Comptroller and Auditor General of India on State Finances for the year 2016-17 was presented in the State Legislature in March 2018. However, the report is yet to be discussed by Public Accounts Committee (PAC). PAC has discussed and made recommendations on the Audit Reports of State Finances upto the year 2015-16.

Further, as per the order (December 1996) of the Finance Department of GoR, Action Taken Notes (ATNs) on all paragraphs appeared in Audit Reports are required to be submitted to PAC, duly vetted by Audit, within three months from the date of laying of the Reports in the State Legislature. A review of the outstanding ATNs on paragraphs included in the Audit reports as of November 2018 revealed that nine ATNs were pending from the concerned Departments⁵⁰.

⁵⁰ Agriculture, Ground Water, Horticulture, Information and Public Relation, Labour & Employment, Local Self Government, Rural Development, Technical Education, Transport and Urban Development & Housing Department.