Chapter-1 FINANCES OF THE STATE GOVERNMENT

CHAPTER 1

FINANCES OF THE STATE GOVERNMENT

Profile of Jharkhand

The State of Jharkhand, which was created in November 2000 by dividing the State of Bihar, has an area of 79,714 sq km. It is the 16th largest State of the country in terms of geographical area. As indicated in **Appendix 1.1 Part-A** the State's population increased from 2.69 crore in 2001 to 3.30 crore in 2011 an increase of 22.68 *per cent* between the two census data. The percentage of population below the poverty line was 42.4 as compared to the all-India average of 30. The State's Gross State Domestic Product (GSDP) in 2014-15 at current prices was ₹ 1,97,514 crore. The State's literacy rate increased from 44 *per cent* (as per 2001 census) to 66.41 *per cent* (as per 2011 census). At current prices, the per capita income of the State stood at ₹ 59,816 during 2014-15.

Gross State Domestic Product (GSDP)

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 indicates the standard of living of the State's population. The comparative trend in the State with annual growth of India's GDP at current prices is indicated below:

Year	2010-11	2011-12	2012-13	2013-14	2014-15
India's GDP (₹ in crore)	72,48,860	83,91,691	93,88,876	1,04,72,807	1,15,09,810 [@]
Growth rate of GDP	18.7	15.8	11.9	11.5	-
(percentage)					
State's GSDP*	1,27,281	1,35,618	1,51,655	1,72,773	1,97,514
(₹ in crore)					
Growth rate of GSDP	26.5	6.6	11.8	13.9	14.3
(percentage)					

^{*}Source: Website of Ministry of Statistics and Programme Implementation, Government of India. Rates of growth represents growth at current prices.

The GSDP of Jharkhand State grew at the rate of 14.3 per cent during 2014-15 against the Thirteenth Finance Commission (13th FC) projection of 14.5 per cent for the year. The Compound Annual Growth Rate (CAGR) of GSDP of the Jharkhand was 11.61 per cent during 2010-15. Against the per capita GSDP of ₹ 1,07,511 of General Category States, the per capita GSDP of Jharkhand was just ₹ 59,816.

1.1 Introduction

This Chapter provides a broad perspective of the finances of the Government of Jharkhand during the year 2014-15 and analyses critical changes in the major fiscal aggregates in relation to the previous year, keeping in view the overall trend during the last five years. The analysis has been based on audit of the State Finance Accounts 2014-15 and information obtained from the State Government. The structure and form of Government accounts have been explained in **Appendix 1.1 Part B** and the layout of the Finance Accounts is depicted in **Appendix 1.1 Part C**.

[@] Excludes the States namely Goa, Andaman & Nicobar Islands and Chandigarh.

The methodology adopted for assessment of the fiscal position of the State is given in **Appendix 1.2.** Time series data on State Government finances for last five years is given in **Appendix 1.3.**

1.1.1 Summary of fiscal transactions in 2014-15

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2014-15) *vis-à-vis* the previous year (2013-14) while **Appendix 1.4 Part A** provides an abstract of receipts and disbursements as well as the overall fiscal position during the year 2014-15.

Table 1.1: Summary of fiscal operations in 2014-15

(₹ in crore)

Receipts	2013-14	2014-15	Disbursements	2013-14		V III CIOIC)	
Section-A: Reven	ue				Non-plan	Plan	Total
Revenue Receipts	26136.8	31564.56	Revenue Expenditure	23471.89	19358.99	12435.91	31794.90
Own Tax revenue	9379.79	10349.81	General Services	9959.36	10346.74	276.71	10623.45
Non-Tax revenue	3752.71	4335.06	Social Services	8215.34	4743.76	7171.58	11915.34
Share of Union Taxes and Duties	8939.32	9487.01	Economic Services	5297.19	4268.49	4987.62	9256.11
Grants from Government of India	4064.98	7392.68	Grants-in-aid and Contributions	0.00	0.00	0.00	0.00
Section –B: Capit	al						
Misc. Capital Receipts	0.00	0.00	Capital Outlay	4722.50	22.82	5520.12	5542.94
Recoveries of Loans and Advances	23.32	33.06	Loans and Advances disbursed	221.91	34.44	789.34	823.78
Inter State Settlement	0.00	0.00	Inter State Settlement	50.00	0.00	0.00	0.00
Public Debt Receipts*	4702.90	6690.12	Repayment of Public Debt	1996.92	1879.88	0.00	1879.88
Transfers to Contingency Fund	0.00	0.00	Expenditure from Contingency Fund	0.00	0.00	0.00	0.00
Public Account Receipts#	14275.26	20189.17	Public Account Disbursements #	14094.33	19276.68	0.00	19276.68
Opening Cash Balance	704.75	1285.48	Closing Cash Balance	1285.48	444.21	0.00	444.21
Total	45843.03	59762.39	Total	45843.03	41017.02	18745.37	59762.39

Source: Finance Accounts for the year 2013-14 and 2014-15

The significant changes during 2014-15 as compared to the previous year are as under:

• Revenue Receipts (₹ 31,564.56 crore) increased by ₹ 5,427.76 crore (21 per cent) over that of the previous year (₹ 26,136.80 crore) mainly due to an increase in Grants-in-aid from Government of India (GOI) by ₹ 3,328 crore (82 per cent) over the previous year as also due to increase in Non-Tax Revenue by ₹ 582 crore (16 per cent), Own Tax Revenue by ₹ 970 crore (10 per cent) and State's Share of Union Taxes and Duties by ₹ 548 crore (six per cent).

^{*} Excluding net transactions under Ways and Means advances and overdraft.

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

- Against the normative assessment of Own Tax Revenue (₹ 12,991.83 crore) and Non-Tax Revenue (₹ 4,356.97 crore) made by the Thirteenth Finance Commission, the actuals were ₹ 10,349.81 crore (80 *per cent*) and ₹ 4,335.06 crore (99.5 *per cent*), respectively. Thus, Own Tax Revenue fell significantly below the normative projections made by the 13th FC.
- Revenue Expenditure (RE) increased sharply from ₹ 23,471.89 crore in 2013-14 to ₹ 31,794.90 crore in 2014-15 due to increase in Social Services and Economic Services by ₹ 3,700.00 crore and ₹ 3,958.92 crore, respectively over the previous year. However, it was 27 *per cent* lower than the budget estimate of ₹ 43,444.00 crore.
- Capital Expenditure increased by ₹ 820.44 crore (17 *per cent*) in 2014-15 over the previous year, which was mainly under Transport (₹ 465 crore) and Rural Development (₹ 211 crore) departments.
- Public Debt receipts increased by ₹ 1,987 crore (42 per cent) in 2014-15 against decrease of ₹ 496 crore (10 per cent) in 2013-14 over the previous year.
- Public Account receipts and Public Account disbursement increased by ₹ 5,914 crore (41 *per cent*) and ₹ 5,182 crore (37 *per cent*) respectively.
- The net impact of the above transactions was a decrease of ₹841.27 crore in the cash balance at the end of 2014-15 over the previous year.

1.1.2 Review of the fiscal situation

The Government of Jharkhand enacted the Jharkhand Fiscal Responsibility and Budget Management (FRBM) Act, 2007 for ensuring fiscal stability, debt sustainability and greater transparency in the fiscal operation of the Government. Under the Act, the State Government was to eliminate the Revenue Deficit by the end of March 2009 and restrict the Fiscal Deficit up to three *per cent* of the estimated Gross State Domestic Product (GSDP). The 13th FC recommended a new and revised road map for fiscal consolidation thereby linking all grants and debt relief facilities for achievement of the targets.

Accordingly, the State revised some of its key fiscal targets in the FRBM (Amendment) Act, 2011 and 2012. The revised targets laid down in amended FRBM Act of the State were (i) reducing its Revenue Deficit to 'nil' at the end of 31 March 2012 (ii) the Fiscal Deficit at three *per cent* of the GSDP by the end of March 2012 and (iii) Debt-GSDP ratio at 26.9 *per cent* in 2014-15.

Targets regarding major fiscal variables for the year 2014-15 as set in FRBM Act, 13th FC and in budget documents of the State are shown in **Table 1.2.**

Table 1.2: Major fiscal variables

(in per cent)

			(111	per cent		
		2014-15				
Fiscal variables	13thFC target for the State	Target as prescribed in FRBM Act	Target as per Budget	Actuals		
Revenue Deficit (-)/Surplus (+) w.r.t GSDP	Nil	Nil	(+)2.00	-0.1		
Fiscal Deficit w.r.t. GSDP	3.00	3.00	(-)2.49	-3.3		
Ratio of total outstanding debt of the Government to GSDP	26.9	26.9	Not available in the budget	22.1		

The State achieved the targets set in the FRBM Act by eliminating the Revenue Deficit in 2006-07 and turning the deficit into a Revenue Surplus of ₹ 946 crore which consistently improved to ₹ 2,665 crore in 2013-14, except in 2009-10 when there was a Revenue Deficit of ₹ 10 crore. However, in 2014-15 the State failed to achieve its target when revenue deficit of ₹ 230 crore occurred.

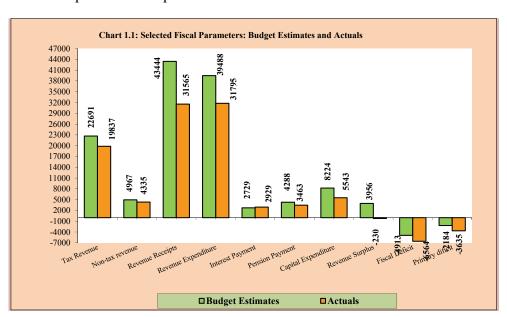
During 2014-15, the percentage of Fiscal Deficit (₹ 6,564 crore) to GSDP was 3.3 *per cent* which was just beyond the limit of three *per cent* estimated under the FRBM Act and ThFC projection. It was also beyond the budget estimate of 2.49 *per cent*.

The Debt-GSDP ratio of the State was 22.1 *per cent* during 2014-15 which was well within the estimate of 26.9 *per cent* of FRBM Act and 13thFC.

1.1.3 Budget estimates and actuals

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

Chart 1.1 presents a comparative analysis of the budget estimates and actuals for some important fiscal parameters for 2014-15.



The above chart shows that actual receipts and expenditures, except interest, were less than the budget estimates prepared by the State Government for 2014-15. The shortfall in actual Revenue Receipts (by ₹ 11,879 crore) was mainly due to short receipt of Grants-in-aid from GOI (by ₹ 8,392 crore) as against the budget estimates.

The decrease in actual Revenue Expenditure (by ₹ 7,693 crore) was mainly due to decrease in actual expenditure incurred on Social Services (by ₹ 5,468 crore) and Economic Services (₹ 1,231 crore) during 2014-15.

The Capital Expenditure of the State was less than the Budget Estimates by $\stackrel{?}{\stackrel{?}{?}}$ 2,681 crore due to less expenditure on Social Services (by $\stackrel{?}{\stackrel{?}{?}}$ 365 crore) and Economic Services (by $\stackrel{?}{\stackrel{?}{?}}$ 2,235 crore) against what was budgeted, which is a matter of concern for the State.

1.1.4 Gender Budgeting

As per budget document it was observed that gender budgeting was not introduced in the State budget. However, we noticed in budget speech and Appropriation Accounts of the State that State Government made provisions for women and girls during 2014-15 in State budget, as shown below:

Table 1.3: Budget provision and expenditure for women

(₹ in crore)

Scheme	Budget Provision	Expenditure	Savings
Rajiv Gandhi Scheme for Empowerment of Adolescent Girls	57.93	2.55	55.38
Kishori Shakti Yojna	1.60	0.01	1.59
Indira Gandhi Matritwa Sahyog Yojna	9.00	3.31	5.69
Mukhyamantri KanyadanYojna	18.00	17.27	0.73
Skill Development Programme for Women and Adolescent Girls	2.00	1.00	1.00
Jiwan Asha	1.00	0.00	1.00
Total	89.53	24.14	65.39

Source: Detailed Appropriation Accounts

From the **Table 1.3** it would be seen that out of ₹ 89.53 crore provided for the schemes made for upliftment of women/girls in the State during 2014-15, ₹ 65.39 crore (73 *per cent*) remained unutilized which defeated the very purpose of the provision of fund by the State Government. Almost entire provisions of (1) Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (2) Kishori Shakti Yojna and (3) Jiwan Asha were surrendered without any reason.

1.2 Resources of the State

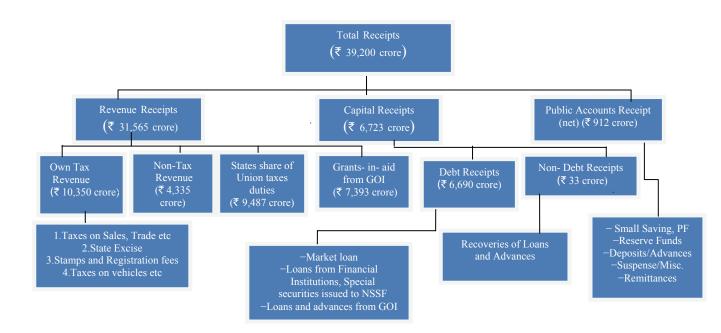
1.2.1 Resources of the State as per Annual Finance Accounts

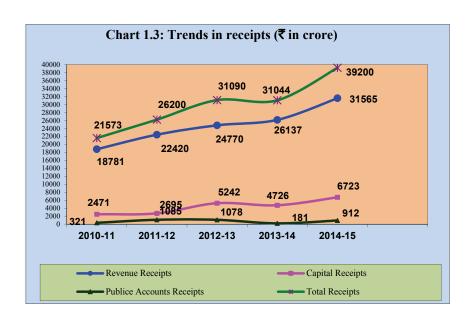
Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Own Tax Revenues, Non-Tax Revenues, State's Share of Union Taxes and Duties and Grants-in-aid from the GOI. Capital receipts comprise Miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of Loans and Advances, Debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and Loans and Advances from GOI. Besides, funds available in Public Accounts after disbursement is also utilised by the Government to finance its deficit. **Table 1.1** (at page 2) presents the receipts and disbursements of the State during the current year 2014-15 as recorded in its Annual Finance Accounts. Flow chart showing the components and sub-components of resources during the year 2014-15 is given in

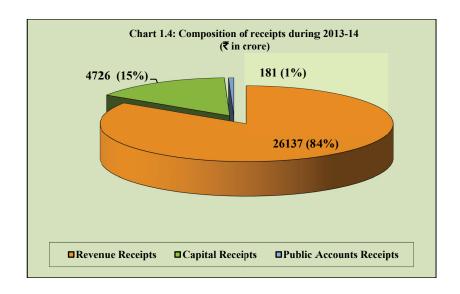
Chart 1.2, whereas, trends in various components of the receipts of the State during the period 2010-11 to 2014-15 is given in Chart 1.3.

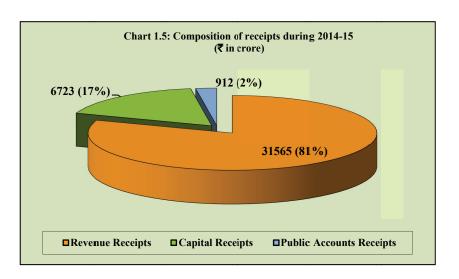
Further, Charts 1.4 and 1.5 depict the composition of resources of the State during 2013-14 and 2014-15 respectively.

Chart 1.2: Components and sub-components of resources









It may be seen from **Chart 1.2** to **Chart 1.5** that:

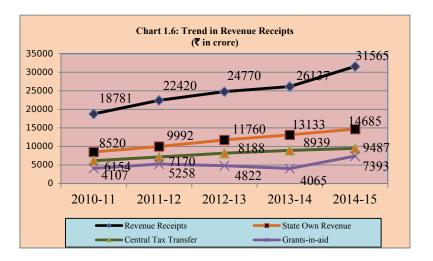
- The Total Receipts of the State increased from ₹ 21,573 crore in 2010-11 to ₹ 39,200 crore in 2014-15 and increased by ₹ 8,156 crore during 2014-15 over the previous year (2013-14).
- Share of Revenue Receipts to Total Receipts (RR/TR) decreased from 87 per cent in 2010-11 to 81 per cent in 2014-15, except 80 per cent in 2012-13. During 2010-11 to 2014-15 RR to TR percentage decreased due to increase in Public Debt Receipts and Public Accounts Receipts.
- The Capital Receipts significantly increased by 42 *per cent* in 2014-15 due to significant increase in Market Loans (by ₹ 1,350 crore) over the previous year. The CAGR of Capital Receipts was 28.43 *per cent* during the period 2010-15.
- Net Public Account receipts increased from ₹ 181 crore (one *per cent* of Total Receipts) in 2013-14 to ₹ 912 crore (two *per cent* of Total Receipts) in 2014-15.

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

Till 31 March 2014, the Central Government had been transferring a sizeable quantum of funds directly to the State Implementing Agencies for implementing various schemes/programmes in social and economic sectors, which were recognised as critical and these funds were not routed through the State Budget/State Treasury System. Hence, expenditure of these funds was not mentioned in the Finance Accounts of the State. As such, the Annual Finance Accounts did not provide a complete picture of the resources of the State. However, GOI's decision to release all assistance pertaining to Centrally Sponsored Schemes/Additional Central Assistance directly to the State Government and not to implementing agencies has reduced the direct transfer to implementing agencies to ₹ 130.92 crore in 2014-15, which is less by 94.97 per cent as compared to 2013-14 (₹ 2,601.80 crore).

1.2 Revenue Receipts

Statement-14 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts consist of its Own Tax Revenue, Non-Tax Revenue, Central Tax transfers and Grants-in-aid contribution from GOI. The trends and composition of Revenue Receipts over the period 2010-15 are presented in **Appendix 1.3** and also depicted in **Chart 1.6**.



An analysis of Revenue Receipts of the State revealed that:

- During 2014-15, the Revenue Receipts grew at 20.8 *per cent* over the previous year against a corresponding 5.5 *per cent* growth during 2013-14. However, in comparison to the budget estimate, the Revenue Receipts were less by ₹ 11,879 crore during 2014-15. The CAGR of Revenue Receipts during 2010-15 was 13.86 *per cent*.
- Own Tax Revenue was about two times of Non-tax Revenue during the period 2010-11, which increased to 2.39 times during 2014-15.
- During 2014-15, 53 per cent of total Revenue Receipts came from Central Tax Transfer and GOI grants, while State's Own Resources contributed the balance.

• During the current year, total Revenue Receipts (₹ 31,565 crore) comprised of State's Own Tax Revenue (OTR) ₹ 10,350 crore (33 per cent), Non-Tax Revenue (NTR) ₹ 4,335 crore (14 per cent), Central Tax transfer (CTT) ₹ 9,487 crore (30 per cent) and Grants-in-aid from GOI ₹ 7,393 crore (23 per cent). However, during 2014-15 share of CTT and Grants-in-Aid from GOI in Total Receipts had slightly increased in comparison to the previous year.

The trend of Revenue Receipts relative to GSDP is presented in **Table 1.4**.

2010-11 2011-12 2014-15 2012-13 2013-14 Revenue Receipts (RR) (₹ in crore) 18,781 22,420 24,770 26,137 31,565 Rate of growth of RR (Per cent) 24.2 19.4 10.5 20.8 5.5 R R/GSDP (Per cent) 14.8 16.5 16.3 15.1 16.0 State's Own Tax / GSDP 4.5 5.2 5.1 5.4 5.4 Growth rate of GSDP 26.5 6.6 11.8 13.9 14.3 Buoyancy Ratios¹ Revenue Buoyancy w.r.t GSDP 0.91 2.94 0.89 0.40 1.45 State's Own Tax Buoyancy w.r.t GSDP 1.02 3.27 1.55 1.01 0.72 Revenue Buoyancy w.r.t. State's own taxes 0.90 0.90 0.57 0.39 2.02

Table 1.4: Trends in Revenue Receipts relative to GSDP

- The growth rate of Revenue Receipts increased sharply from 5.5 *per cent* in 2013-14 to 20.8 *per cent* in 2014-15.
- Revenue buoyancy with respect to GSDP showed wide fluctuations ranging between 0.40 and 2.94 during the years 2010-11 to 2014-15. In 2011-12, it was highest (2.94) due to high growth rate of Revenue Receipts (19.4 per cent) and low growth rate of GSDP (6.6 per cent). During 2013-14, growth rate of Revenue Receipts was 5.5 per cent while the growth rate of GSDP was 13.9 per cent leading to fall in revenue buoyancy to 0.40 in 2013-14 which later increased to 1.45 per cent in 2014-15.
- The State's Own Tax buoyancy with respect to GSDP showed wide variations between 0.72 and 3.27 during 2010-15, due to fluctuations in the growth rate of both GSDP and Own Tax Revenue. The buoyancy decreased from 1.01 in 2013-14 to 0.72 in 2014-15.
- The growth rate of GSDP of Jharkhand recorded wide variation from 6.6 *per cent* to 26.5 *per cent* during the years 2010-11 to 2014-15. The GSDP grew by 14.3 *per cent* in 2014-15. However, the CAGR of the GSDP during 2010-15 was 11.61 *per cent*.

1.3.1 State's Own Resources

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

The State's actual Own Tax and Non-Tax Receipts for the year 2014-15 vis-àvis assessment made by Thirteen Finance Commission and budget estimates are given in the **Table 1.5**.

⁻

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

Table 1.5: Tax and Non-Tax receipts

(₹ in crore)

			(m crore)
	13 th FC projections	Budget estimates	Actual
Own Tax Revenue	12,991.83	11,732.78	10,349.81
Non-Tax Revenue	4356.97	4966.99	4335.06

Source: ThFC report, Budget document and Finance Accounts of the State 2014-15

During 2014-15, the collection of State's Own Tax Revenue was ₹ 10,349.81 crore against the normative projection made by 13thFC of ₹ 12,991.83 crore and budget of ₹ 11,732.78 crore. The main reason for short achievement was lesser collection of Sales Tax and Taxes on Vehicles than estimated. The actual collection under these heads was ₹ 8,070 crore and ₹ 740 crore against the budget estimate of ₹ 8,959 crore and ₹ 850 crore respectively during the year.

The Own Tax to GSDP ratio in 2014-15 (5.2 per cent) was significantly less than the 13thFC norms of 6.75 per cent.

The Non-tax revenue of the State (₹ 4,335.06 crore) was slightly less than 13thFC projection of ₹ 4,356.97 crore for the year 2014-15.

1.3.1.1 Own Tax Revenue

The gross collection in respect of major taxes and duties are given in **Table 1.6.**

Table 1.6: Components of Own Tax Revenue

(₹ in crore)

Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15	CAGR	Cost of collecti on in 2014-15 in per cent	Cost of collecti on in 2013-14 in per cent
Taxes on Sales, Trade, etc.	4473	5522	6422	7305	8070	15.90	0.59	0.65
State Excise	388	457	578	628	740	17.52	1.92	2.36
Taxes on Vehicles	312	392	465	495	660	20.60	0.94	1.04
Stamps and Registration Fees	328	401	492	502	531	12.80	2.75	2.46
Land Revenue	131	53	96	230	84	-10.51	NA	NA
Taxes on Goods & Passengers	21	41	1	1	1	-53.29	NA	NA
Other Taxes	64	88	170	219	264	42.65	NA	NA
Total Own Tax Revenue	5717	6954	8224	9380	10350	16.00		

Source: Finance Accounts for the respective years

Out of the total Own Tax Revenue in 2014-15, Sales Tax contributed 78 per cent followed by State Excise (seven per cent), Taxes on vehicles (six per cent) and other taxes contributed less than five per cent which was same as that in the year 2010-11. The Own Tax Revenue of the State increased from ₹ 5,717 crore in 2010-11 to ₹ 10,350 crore in 2014-15. It grew by 10.30 per cent in 2014-15 over the previous year which was lesser than the comparative growth (14 per cent) in 2013-14. The CAGR of Own Tax Revenue of the State was 16 per cent during the period 2010-15.

Commercial Tax Department attributed the increase in tax revenue during

2014-15 to better and effective tax administration as well as recovery of substantial dues of ₹ 37.79 crore. The reasons for increase in taxes on vehicles was attributed to realization of arrear taxes from defaulter vehicles and increase in registration of new vehicles while, according to the department State Excise collections increased due to increase in rate of duty of Indian Made Foreign Liquor. Increase in Other Taxes during 2014-15 was mainly due to increase in Taxes and Duties on Electricity during the period was attributed to better tax administration by the department.

There was a sharp decline in the collection of Land Revenue from ₹ 230 crore in 2013-14 to ₹ 84 crore in 2014-15. No reason was provided by the department for the decrease in collection.

The cost of collection decreased in respect of all the taxes except on Stamp & Registration Fee which increased from 2.46 *per cent* in 2013-14 to 2.75 *per cent* in 2014-15.

1.3.1.2 Non-Tax Revenue

Non-Tax Revenue (NTR) collected during 2014-15 was ₹ 4,335 crore against the normative projection of ₹ 4,357 crore by the 13thFC for the year.

Component-wise position of Non-Tax Revenue during 2010-15 is given in **Table 1.7**.

Table 1.7: Component-wise Non-Tax Revenue

(₹ in crore)

Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15
Interest receipts	98.74	44.16	72.23	69.48	143.04
Dividends & Profits	0.40	1.17	15.00	18.00	0.00
Other non-tax receipts	2703.75	2992.89	3448.40	3665.23	4192.02
Total	2802.89	3038.22	3535.63	3752.71	4335.06

Source: Finance Accounts for the respective years

The share of NTR in Revenue Receipts remained 14 *per cent* in both 2013-14 and 2014-15. In comparison to six *per cent* growth during 2013-14 the NTR increased significantly by 16 *per cent* in 2014-15 over the previous year mainly due to increased collections by Mining and Metallurgical Industries (by ₹ 243 crore) and receipts under Major Irrigation (by ₹ 125 crore) Departments. The CAGR of Non-tax Revenue was 11.52 *per cent* during 2010-15.

1.3.2 Grants-in-aid from Government of India

The trend of release of Grants-in-aid by GOI under Non-Plan, State Plan, Centrally Sponsored and Central Plan Schemes is shown in the **Table 1.8**.

Table 1.8: Component-wise grants released by GOI

(₹ in crore)

					(Till Clole)
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan Grants	1281.40	1550.77	1483.41	1319.91	1780.26
Grants for State Plan Schemes	1826.99	2404.61	2393.94	1565.83	4914.69
Grants for Central Plan Scheme	8.62	66.87	30.81	28.28	83.56
Grants for Centrally Sponsored Schemes	990.24	1235.16	914.05	1150.96	614.17
Total	4107.25	5257.41	4822.21	4064.98	7392.68
Percentage of increase over previous year	46	28	(-)8	(-)16	82
Total grants as a percentage of Revenue Receipts	21.87	23.45	19.47	15.55	23.42

Source: Finance Accounts of Government of Jharkhand

- During 2014-15, Grants-in-aid from GOI stood at ₹ 7,392.68 crore, which increased (by 82 *per cent*) from ₹ 4,064.98 crore in 2013-14.
- Non-Plan grants from GOI increased from ₹ 1,319.91 crore in 2013-14 to ₹ 1,780.26 crore in 2014-15 mainly because more grants were received during 2014-15 under proviso to Article 275 (1) of the Constitution.
- During 2014-15, the State Plan grants increased from ₹ 1,565.83 crore in 2013-14 to ₹ 4,914.69 crore due to inclusion of Central Schemes in State Schemes and release of grants through State budget in place of direct release to Implementing Agencies by the Central Government.

1.3.3 Central Tax transfer

During 2014-15, the Central Tax transfers (CTT) were ₹ 9,487 crore against ₹ 8,939 crore in 2013-14. The CTT of the State increased by ₹ 548 crore (six *per cent*) during 2014-15 over the previous year. The increase was mainly under Corporation Tax (₹ 307 crore), Taxes on Income other than Corporation tax (₹ 386 crore). The CTT constituted 30 *per cent* of Revenue Receipts of the State during 2014-15.

Table 1.9: Central Tax Transfer

	2010-11	2011-12	2012-13	2013-14	2014-15	CAGR
Central Tax Transfer (CTT)	6154	7170	8188	8939	9487	11.43
CTT as share of RR	32.77	31.98	30.06	34.20	30.06	

1.3.4 Optimisation of the Thirteenth Finance Commission grants

The Thirteenth Finance Commission recommended grants to Government of Jharkhand to improve the functioning of its various departments. The financial status of some of the grants received during 2014-15 is given in **Table 1.10**.

Table 1.10: Optimisation of the Thirteen Finance Commission grants

(₹ in crore)

Sl. No.	Grant No. and Name	Grants on the recommendation of the 13thFC	Expenditure under relevant heads of account	Unutilized amount
1	12-Finance Department	10.00	3.01	6.99
2	13-Interest Payment	1.85	0.14	1.71
3	19-Forest Department	133.68	89.58	44.10
4	22-Home Department	149.00	149.00	0.00
5	25-Institutional Finance and Programme Implementation Dept.	23.28	0.00	23.28
6	26- Labour Employment and Training Dept.	152.75	127.30	25.45
7	27-Law Department	115.67	32.39	83.28
8	28-High Court of Jharkhand	13.40	3.24	10.16
9	35-Planning & Development Department	21.51	7.11	14.40
10	39-Disaster Management Department	312.54	288.74	23.80
11	42-Rural Development Department	524.62	685.66	-161.04
12	43- Science and Technology Department	46.56	23.28	23.28
13	44-Human Resources Development	636.51	373.00	263.51

	Department			
14	45-Information Technology Department	90.16	57.90	32.26
15	48- Urban Development Department	286.29	131.55	154.74
16	49-Water Resources Department	49.34	0.00	49.34
17	50-Minor Irrigation Department	4.66	0.00	4.66
18	51-Welfare Department	31.25	0.00	31.25
19	52-Art, Culture, Sports and Youth Affairs	56.00	53.00	3.00
	Department	30.00	33.00	3.00
20	55-Rural Works Department	263.09	179.86	83.23
21	56-Panchayati Raj and NREP	1451.69	923.52	528.17
22	59-Primary and Public Education	893.83	668.00	225.83
23	60-Social Welfare, Women and Child	378.00	313 02	64.98
	Development Department	3/8.00	313.02	04.98
	Total	5645.68	4109.30	1536.38

Source: Detailed Appropriation Accounts 2014-15

It can be seen from the **Table 1.10** above that in the light of recommendation of 13thFC a budget estimate of $\stackrel{?}{\stackrel{\checkmark}{=}}$ 5,645.68 crore was made during 2014-15 in different grants/appropriation under various head of accounts. Out of the total budget estimate made on the recommendation of 13thFC during the period, a sum of $\stackrel{?}{\stackrel{\checkmark}{=}}$ 4,109.30 crore (73 *per cent*) was utilised and $\stackrel{?}{\stackrel{\checkmark}{=}}$ 1,536.38 crore (27 *per cent*) remained unutilised at the end of 2014-15.

1.3.5 Forgone Revenue

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

During 2014-15 test check of records of 114 units of Commercial Taxes, State Excise, Transport, Revenue and Land Reforms, Registration and Mines and Geology Departments revealed under assessment/short levy/loss of revenue aggregating ₹ 1,247.70 crore in 6,699 cases. During the year 2013-14, the departments accepted 4,052 cases amounting to ₹ 715.61 crore. During the same period, the departments recovered ₹ 3.37 crore in 340 cases.

1.3.5.2 Revenue arrears

As on 31 March 2015, revenue arrears amounted to ₹ 3,311.93 crore in three Departments (Commercial Taxes, Transport and State Excise) out of which ₹ 2,347.84 crore was outstanding for more than five years. The major portion of the revenue arrears related to Commercial Taxes Department (₹ 3,005.51 crore) and Transport Department (₹ 276.09 crore). Information regarding revenue arrears from other departments was not furnished (August 2015).

The total revenue arrears as on 31 March 2015 were 10 *per cent* of total revenue of the State and 23 *per cent* of States' own resources during 2014-15.

1.4 Capital Receipts

Apart from revenue receipts of the State, the State also received capital receipts, which comprise of proceeds from disinvestments, recovery of loans and advances given by the government, internal borrowings of the government from financial institutions and Loans and Advances from Government of India (GOI). Details of capital receipts during 2010-15 are given in **Table 1.11**.

Table 1.11: Trends in growth and composition of receipts

(₹ in crore)

Source of State's Receipts	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Receipts (CR)	2471	2695	5242	4726	6723
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	24	24	43	23	33
Public Debt Receipts	2447	2671	5199	4703	6690
Rate of growth of debt capital	-27.4	9.2	94.6	-9.5	42.3
receipts (per cent)					
Rate of growth of non-debt	9.1	0.0	79.2	-46.51	43.48
capital receipts (per cent)					
Rate of growth of GSDP	26.5	6.6	11.8	13.9	14.3
Rate of growth of CR (per cent)	-27.1	9.1	94.5	-9.8	42.3

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

During 2014-15, Capital Receipts increased to ₹ 6,723 crore against ₹ 4,726 crore in 2013-14 mainly due to increase in Public Debt Receipts from ₹ 4,703 crore in 2013-14 to ₹ 6,690 crore in 2014-15 due to significant increase in market loans from ₹ 2,950 crore in 2013-14 to ₹ 4,950 crore in 2014-15. The CAGR of Capital Receipts of the State was 28.43 *per cent*.

As per Finance Accounts, proceed from disinvestments was 'nil' during 2014-15.

1.4.1 Recoveries from loans and advances

The recovery against the loans and advances given was very low. Detail of loans given and recovery made during last five years are given below:

Table 1.12: Loans and Advances

(₹ in crore)

Years	2010-11	2011-12	2012-13	2013-14	2014-15
Opening balance of Loans	6713	6997	7190	7748	7947
Loans given	308	21	601	222	824
Recovery made	24	24	43	23	33
Closing balance of loans	6997	7190	7748	7947	8738

Jharkhand State Electricity Board (JSEB), which was divided into four companies during 2013, was the major recipient of loans and advances given every year but no repayment was made against the same, leading to outstanding balance of ₹ 8,080 crore as loans to Power sector at the end of 31 March 2015. During 2014-15, a loan of ₹ 421 crore was given for power projects. Repayments received were mainly against the loans and advances given to the Government servants. The CAGR of the loans advanced and closing balance of loans were 27.89 and 5.71 *per cent* respectively for the period 2010-15.

1.4.2 Debt receipts from internal sources

To fulfill its resource gap and to meet the capital expenditure, the State raises funds from the internal market. The internal market borrowings increased from ₹ 2,315 crore in 2010-11 to ₹ 6,537 crore in 2014-15 with a CAGR of 29.63 per cent. During 2014-15, the major contributor in internal debt was market loans (₹ 4,950 crore), loans from National Bank for Agriculture and Rural Development (₹ 790 crore) and Special Securities issued to National

Small Savings Fund of the Central Government. No Ways and Means advances were received during the year.

1.4.3 Loans and advances from Government of India (GOI)

Loans and advances from GOI were received for State Plan schemes and fluctuated between ₹ 33 crore and ₹ 239 crore during 2010-15. It increased from ₹ 132 crore in 2010-11 to ₹ 153 crore in 2014-15.

1.5 Public Accounts 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 under Article 266(2) of the Constitution and not subjected to vote by the State legislature, are kept in Public accounts. The balance after disbursements is the fund available with the government for use. Trend in Public Accounts Receipts are given in **Table 1.13**.

Table 1.13: Trends in Public Accounts Receipts

(₹ in crore)

Resources under various heads	2010-11	2011-12	2012-13	2013-14	2014-15
Public Accounts Receipts	7721	10813	14495	14275	20189
Small Savings, Provident Fund etc.	572	613	668	760	843
Reserve Fund	Nil	138	280	293	308
Deposits and Advances	3670	5236	8706	7204	12182
Suspense and Miscellaneous	181	306	199	-59	18
Remittances	3298	4520	4642	6077	6838

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

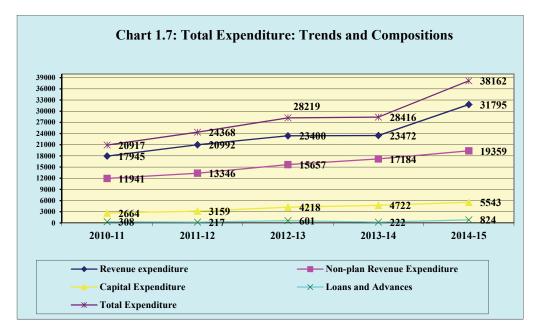
Public Accounts Receipts increased significantly from ₹ 14,275 crore in 2013-14 to ₹ 20,189 crore in 2014-15 due to increase in Deposits and Advances from ₹ 7,204 crore in 2013-14 to ₹ 12,182 crore in 2014-15. Deposits and Advances increased mainly under Market Loans by ₹ 1,995 crore, State Electricity Board Working Funds by ₹ 1,388 crore and Medical and Charitable funds ₹ 136 crore. The CAGR of Public Accounts Receipts was 27.16 per cent during the period 2010-15.

1.6 Application of resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. 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 tightening and consolidation process at State level is not at the cost of expenditure directed towards development of social sector.

1.6.1 Growth and Composition of Expenditure

Chart 1.7 presents the trends in Total Expenditure and its composition over a period of the last five years (2010-15).



Over the last five years, CAGR of Total Expenditure (TE) was 16.22 *per cent*. During 2014-15 the amount of Total Expenditure of the State was higher by (₹ 9,746 crore) over 2013-14.

- Of the TE, Revenue Expenditure constituted 83 *per cent* while Capital Expenditure constituted 15 *per cent*. Loans and Advances disbursed constituted two *per cent* of the TE.
- Of the Total Expenditure Non-Plan expenditure and Plan expenditure constituted 51 *per cent* and 49 *per cent* respectively during 2014-15 against 60 *per cent* and 40 *per cent* respectively in 2013-14, a qualitative improvement.

1.6.1.1 Capital Expenditure

During 2014-15, Capital Expenditure (CE) increased to ₹ 5,543 crore against ₹ 4,722 crore in 2013-14. The percentage of CE to Total Expenditure stood at 15 *per cent* during 2014-15 against 17 *per cent* in 2013-14. The percentage of CE to GSDP was 2.8 *per cent* during 2014-15 against 2.7 *per cent* during 2013-14.

1.6.2 Revenue Expenditure (RE)

Revenue Expenditure (RE) was 83 *per cent* of the Total Expenditure (₹ 38,162 crore) during 2014-15 against 82 *per cent* in 2013-14. The RE increased (by 77 *per cent*) from ₹ 17,945 crore in 2010-11 to ₹ 31,795 crore in 2014-15. During 2014-15, Revenue Expenditure was 16.1 *per cent* of GSDP. The CAGR of RE was 15.37 *per cent* during the period.

1.6.2.1 Plan Revenue Expenditure (PRE)

The Plan Revenue Expenditure (PRE) increased from ₹ 6,288 crore in 2013-14 to ₹ 12,436 crore in 2014-15. PRE was less than its budget estimate by ₹ 5,505 crore during the year. The share of PRE in total RE increased from 27 per cent in 2013-14 to 39 per cent in 2014-15. The increase in PRE was due

to increase in General Services (by ₹ 664 crore), Social Services (by ₹ 3,700 crore) and Economic Services (by ₹ 3,959 crore). The CAGR of PRE during 2010-15 was 19.97 per cent.

1.6.2.2 Non-Plan Revenue Expenditure (NPRE)

During 2014-15, the NPRE was ₹ 19,359 crore as against its budget estimate of ₹ 21,547 crore and ₹ 17,376.93 crore recommended by the 13thFC. The growth rate of NPRE increased from 10 per cent in 2013-14 to 13 per cent in 2014-15. The percentage of NPRE to the Total Revenue Expenditure varied between 61 and 73 during the period 2010-15. During 2014-15, the NPRE was 61 per cent of Revenue Expenditure. The CAGR of NPRE of the State during 2010-15 was 12.84 per cent.

During 2014-15, under Social Services the NPRE was mainly incurred on Education (₹ 3,053 crore), Health and Family Welfare (₹ 709 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 446 crore) and Social Welfare and Nutrition (₹ 313 crore). Under Economic Services, NPRE was incurred mainly on Energy (₹ 2,109 crore), Rural Development (₹ 876 crore), Agriculture & Allied Activities (₹ 469 crore) and Transport (₹ 361 crore).

1.6.3 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of expenditure on salaries and wages, subsidies, pension and interest payments. **Table 1.14** and **Chart 1.8** present the trend in the expenditure on these components during 2010-15.

Table 1.14: Components of Expenditure on Salaries and Wages, Subsidies, Pension and Interest Payments

(₹ in crore)

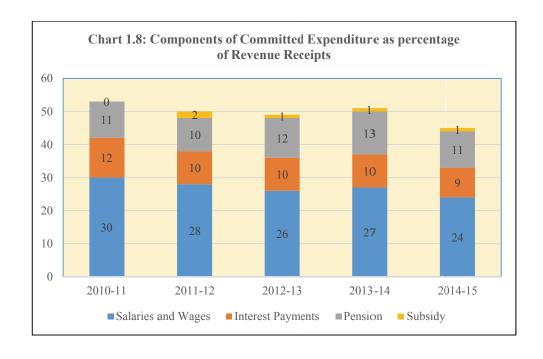
(* III crore								
Components of Committed					2014-15			
Expenditure	2010-11	2010-11 2011-12		2010-11 2011-12 2012-13 20		2013-14	Budget Estimates#	Actual
Salaries* and Wages, of which	5642(30)	6352(28)	6446(26)	6934(27)	9553	7417(24)		
Non-Plan heads	5434(29)	6150(27)	6270(25)	6766(26)	9236	7193(23)		
Plan heads	208(1)	202(1)	176(1)	168(1)	317	224(1)		
Interest Payments	2228(12)	2267(10)	2391(10)	2614(10)	2729	2929(9)		
Pension	2081(11)	2297(10)	2931(12)	3484(13)	4288	3463(11)		
Subsidies	80	286(2)	270(1)	187(1)	¥	246(1)		
Total	10031 (53)	11202(50)	12054(49)	13219(51)		14055(45)		
Source: Finance Accounts of Government of Jharkhand								

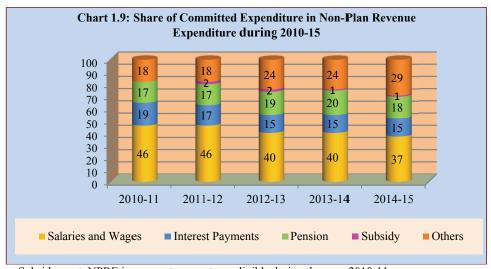
Figures in parentheses indicate percentage of Revenue Receipts

^{*} It also includes salaries paid out of Grants-in-aid.

[#] Budget Estimates are gross figures while the actuals are net figures.

[¥] Budget not available





Subsidy w.r.t. NPRE in per cent comes to negligible during the year 2010-11

Salaries & Wages (₹ 7,417 crore), Interest Payments (₹ 2,929 crore) and Pension (₹ 3,463 crore) together accounted for 43 *per cent* of the Revenue Expenditure against 55 *per cent* during 2013-14 and consumed 44 *per cent* of the Revenue Receipts during 2014-15 against 50 *per cent* during 2013-14. The Total Non-plan expenditure on Salaries, Pension and Interest Payments together accounted for 71 *per cent* of NPRE during 2014-15.

• The expenditure on Salaries and Wages fluctuated between 23 *per cent* and 31 *per cent* of Revenue Expenditure (RE) during the period 2010-15. The percentage of Salaries and Wages to RE decreased from 30 in 2013-14 to 23 in 2014-15. Similarly, percentage of Salaries and Wages to Revenue Receipts decreased from 27 in 2013-14 to 24 in 2014-15. The CAGR of Salaries and Wages during the period 2010-15 was 7.08 *per cent*.

• Expenditure on Salaries and Wages under the Non-Plan heads during 2014-15 (₹ 7,193 crore) increased by ₹ 427 crore (six *per cent*) over the previous year. The expenditure exceeded the normative projection of ThFC (₹ 6,411 crore) by ₹ 782 crore.

Pension

- The expenditure on Pension increased from ₹ 2,081 crore in 2010-11 to ₹ 3,463 crore in 2014-15, at a CAGR of 13.58 *per cent*. However, during 2014-15 the expenditure on pension decreased by ₹ 21 crore over the previous year. The growth rate on Pension during 2014-15 was negative at (-) 0.6 *per cent* against 19 *per cent* growth in the previous year. Pension payment was less than the budget estimate (₹ 4,288 crore) for 2014-15 by ₹ 825 crore (19 *per cent*).
- The State adopted Contributory Pension Scheme from 01 January 2004 to reduce future burden of pension. The State Government had entered into an agreement with New Pension System Trust on 20 March 2009.

Interest Payments

- Interest Payments during 2014-15 were ₹ 2,929 crore against the normative projection of ₹ 3,827 crore by the ThFC. The growth rate of Interest Payments was 12 *per cent* over the previous year. As a percentage of Revenue Receipts, the Interest Payments were nine *per cent* during 2014-15. The CAGR of Interest paid by the State during 2010-15 was 7.08 *per cent*.
- Major components of Interest Payments during 2013-14 and 2014-15 are given in **Table 1.15** below:

Table 1.15: Components of Interest Payments

(₹ in crore)

Interest paid for	2013-14	Average interest rate	2014-15	Average interest rate
Internal debt	2229.18	8.39	2530.62	8.34
Loans and Advances from GOI	147.37	6.99	131.94	6.31
Small Savings, Provident fund etc.	235.96	15.18	262.93	18.04
Others	1.93	0.03	3.66	0.05
Total	2614.44	7.22	2929.15	7.22

Subsidy

- During 2014-15, Government of Jharkhand paid ₹ 246 crore² as subsidy mainly under the head 2401-Crop Husbandry (₹ 184.56 crore), 2852-Industries (₹ 32.54 crore) and 2403-Animal Husbandry (₹ 11.93 crore) which was specifically booked under the sub-head meant for subsidy. The amount of subsidy increased from ₹ 187 crore in 2013-14 to ₹ 246 crore in 2014-15.
- As per Appendix II of the Finance Accounts for the year 2014-15, no subsidy was given for food, power and irrigation purposes.

-

² Appendix II of Finance Accounts

1.6.4 Major programmes

Under Social Sector and Economic Sector many flagship programmes were implemented in the State for which funds were provided in the budget under State Plan (SP) and Central Plan (CP). During 2014-15, ₹ 11,249 crore was budgeted for 31 major flagship programmes under the State plan of which ₹ 9,710.41 crore was utilized. Under the Central Plan, ₹ 750.62 crore was utilised against ₹ 2,145.10 crore budgeted for the year.

The budget provisions and actual expenditure incurred on some major programmes during 2014-15, under SP and CP are shown in **Table 1.16**.

Table 1.16: Expenditure on major programmes

(₹ in crore)

Sl. No.	Name of programmes	Budget Provision	Expenditure
State Pl	an		
1	Major Roads	1922.00	1779.52
2	Minimum Need Programmes-Construction of	723.00	521.41
	Rural Roads		
3	Sarva Siksha Abhiyan	566.50	566.50
4	Backward Region Grants Fund	450.00	281.75
5	National Rural Drinking Water Programme	350.11	191.71
6	Rastriya Krishi Vikash Yojna	313.04	104.51
Central	Plan		
1	National Rural Health Mission	990.75	364.68
2	World Bank Assisted ICDS Project-IV	3860.00	259.83
3	Integrated Child Development Programme	284.64	130.59

As evident from **Table 1.16**, expenditure on World Bank Assisted ICDS Project-IV (₹ 259.83 crore) was only Seven *per cent* of the total budget provided for the project (₹ 3,860.00 crore). Expenditure on Backward Region Grants Fund (₹ 281.75 crore) was also significantly less in comparison to Budget estimate of ₹ 450.00 crore.

Financial assistance given by the State Government to Local Bodies and other Institutions

The quantum of assistance given as grants and loans to Local Bodies and other institutions during 2014-15 as compared to the last three years is presented in **Table 1.17.**

Table 1.17: Financial assistance to Local Bodies and other Institutions

(₹ in crore)

					(t iii croic)
Financial Assistance to Institutions	2010-11	2011-12	2012-13	2013-14	2014-15
Panchayati Raj Institutions (PRIs)	875.69	581.06	3078.86	910.68	3378.42
Urban Local Bodies (ULBs)	246.15	25.34	330.54	88.38	1619.77
Public Sector Undertakings	491.55	777.00	450.02	1528.89	3643.86
Autonomous Bodies	607.55	677.85	1837.02	2451.34	2512.95
Non-Government Organisation	192.43	209.68	199.40	106.65	684.99
Others	708.34	2259.30	1054.48	1335.91	564.03
Total	3121.71	4530.23	6950.32	6421.85	12404.02
As percentage of Revenue Expenditure	17.31	21.58	29.70	27.36	39.01

Source: Statement 8 of Finance Accounts

Financial assistance given to Local Bodies increased steadily from ₹ 3,121.71 crore in 2010-11 to ₹ 12,404.02 crore in 2014-15 at a CAGR of (-) 22.66 per cent. The growth rate of the financial assistance increased sharply from (-) eight per cent in 2013-14 to 93 per cent in 2014-15. Financial assistance to the ULBs and PRIs was provided through regular service heads of Urban Development Department and Rural Development Department instead of under head 3604-Financial assistance to ULBs and PRIs specified for the purpose. The amounts of assistance to PRIs and ULBs shown in the above table do not include amounts provided (₹ 582 crore) to Panchayati Raj Institutions and Urban Local Bodies under the minor heads 191, 192, 193, 196, 197 and 198 under respective departmental expenditure heads of accounts.

1.6.5 Devolution of funds and functions to Urban Local Bodies and Panchayati Raj Institutions

Urban Local Bodies (ULBs)

The 74th Constitutional Amendment Act envisaged (1992) establishment of Local Self-Government for urban areas wherein the Municipalities were provided with Constitutional status for governance. Accordingly, 18 functions such as town planning, land use regulation, water supply, etc. were to be assigned to the ULBs. Further, as per the recommendations of the Eleventh Finance Commission (EFC), the funds for the ULBs are to be allocated under the specific Minor Heads 191-Assistance to Municipal Corporation, 192-Assistance to Municipalities/Councils and 193-Assistance to Nagar Panchayats. The State Government framed the 'Jharkhand Municipal Act, 2011 incorporating the 18 functions in the Act as indicated in **Appendix 1.5 Part-A** only in February 2012. There are 39 ULBs (Nagar Nigam-3, Nagar Parishad-14, Nagar Panchayat-19, Nagar Palika-1 and Notified Area Committee-2) in the State.

It could be seen from **Table 1.18** below that the State Government provided financial assistances of \mathbb{Z} 2,310 crore to the ULBs during the period 2010-15. There was wide fluctuation in financial assistance to ULBs during the period 2010-15. However, it increased to \mathbb{Z} 1,620 crore in 2014-15.

Details of funds provided to ULBs are as follows:

Table 1.18: Funds made available to Urban Local Bodies

(₹ in crore)

Particulars Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Revenue Receipt (RR) of the State	18781	22420	24770	26137	31565	123673
Revenue Expenditure (RE) of the State	17945	20992	23400	23472	31795	117604
Financial Assistance given to ULBs	246	25	331	88	1620	2310
Financial Assistance as percentage to RR	1.31	0.11	1.34	0.34	5.13	1.87
Financial Assistance as percentage to RE	1.37	0.12	1.41	0.37	5.10	1.96
Own collection ³	3.23	46.33	88.03	45.54	8.96	192.09

The Second State Finance Commission constituted in January 2009 has not made any recommendation in respect of devolution of funds to ULBs as of

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

September 2015. Further, information regarding transfer of functions and funds to the ULBs, was called for (September 2012, September 2013 and November 2013, June 2015 and September 2015) from the Urban Development Department. Their reply has not been received (September 2015).

In Jharkhand, the State Government has entrusted Technical Guidance and Supervision (TGS) over audit of Local Bodies (Urban Local Bodies and Panchayati Raj Institution) to Comptroller & Auditor General of India (C&AG) in October 2011. Accordingly, Bihar and Orissa Local Fund Audit Act, 1925 was amended in March 2012 providing for audit by Director of Local Fund Audit (DLFA) at the State level to whom the C&AG had to provide TGS. The State Government created 22 posts (March 2013) to make DLFA functional and appointed DLFA in November 2014 but DLFA has not been made operational, while Accountant General (Audit) is conducting audit of local bodies on test check basis as per TGS arrangement since April 2012.

Panchayati Raj Institutions

The State Government enacted the Jharkhand Panchayati Raj Act in 2001 to establish a three-tier PRI system i.e. Zila Panchayat (ZP) at district level, Panchayat Samiti at block level and Gram Panchayat at the village level. The rules were framed to enable PRIs to function as institutions of Local Self-Government. As recommended by the Eleventh Finance Commission the classification of the funds transferred to PRIs is made under the minor heads 196- Assistance to Zila Parishad, 197- Assistance to Block Panchayat and 198- Assistance to Gram Panchayat within the major heads 2215-Water Supply and Sanitation and 2217- Urban Development.

According to the Jharkhand Panchayati Raj Act, 2001, funds released by the Central and State Governments were to be utilised by the PRIs for execution of various development programmes relating to provision of civic amenities to the rural people. At present, there are 4,706 PRIs⁴ in the State. During the period 2010-15, a total amount of ₹8,825 crore was paid to the PRIs, as shown below:

Table 1.19: Funds available to Panchayati Raj Institutions

(₹ in crore)

					(-	,
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Revenue Receipt (RR) of the State	18781	22420	24770	26137	31565	123673
Revenue Expenditure (RE) of the State	17945	20992	23400	23472	31795	117604
Financial Assistance to PRIs	876	581	3079	911	3378	8825
Financial Assistance as percentage to RR	4.66	2.59	1.96	3.49	10.70	7.14
Financial Assistance as percentage to RE	4.88	2.77	2.08	3.88	10.62	7.50
Own collection**	-	_	-	-	-	_

^{**} Recommendation has not been made by the State Finance Commission.

The Second State Finance Commission constituted in January 2009 has not made any recommendation in respect of devolution of funds to PRIs as of September 2015. The State Government issued orders of transfer of funds to Panchayats in October 2012. As depicted in **Appendix 1.5 Part-B** out of stipulated 29 functions, 15 functions have been devolved to PRIs either completely or partially as of October 2014. In this regard latest position has been called for in June 2015 and September 2015 and reply is awaited.

⁴ 24 Zila Parishad, 259 Panchavat Samities and 4,423 Gram Panchavats

As per the recommendations of the Eleventh Finance Commission, the Government notified (March 2011) the 'Jharkhand Panchayati Raj (Budget & Accounts) Regulation 2012' and the accounting in PRIs is done accordingly. However, audit of the PRIs are continued to be done by the Accountant General (Audit) on test-check basis as the operationalisation of the DLFA has not been finalised by the Government so far (August 2015).

1.7 Quality of Expenditure

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

Growth rate of total expenditure of the State during 2014-15 was 34.3 *per cent* against 0.7 *per cent* during 2013-14 over the corresponding previous year.

The developmental expenditure (expenditure on social and economic services) constituted 71 *per cent* of Total Expenditure, while non-developmental expenditure constituted 29 *per cent* during 2014-15. During 2014-15, developmental expenditure increased by 49 *per cent* over previous year, while non-developmental expenditure grew at eight *per cent*.

1.7.1 Adequacy of Public Expenditure

The responsibilities relating to the social and economic sector assigned to the State Governments are largely State subjects. To enhance human development levels it requires the State to step up its expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if it is below the respective national average.

Table 1.20 analyses the fiscal priority of the State Government with regard to Development Expenditure, Social Sector Expenditure and Capital Expenditure during 2014-15, taking 2011-12 as the base year.

Table 1.20: Fiscal Priority of the State in 2011-12 and 2014-15

Fiscal Priority by the State*	AE/GSDP	DE [#] /AE	SSE/AE	CE/AE	Education/AE	Health/AE
General Category States Average	15.98	65.39	36.63	13.23	17.10	4.68
(Ratio) 2011-12						
Jharkhand State's Average (Ratio)	23.11	74.49	27.69	10.08	13.18	3.16
2011-12						
General Category States Average ^(a)	16.49	69.12	36.50	14.01	16.23	5.04
(Ratio) 2014-15						
Jharkhand State's Average (Ratio)	23.33	76.29	29.10	12.03	12.65	3.51
2014-15						

^{*}As per cent to GSDP

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

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

Source: GSDP figures as furnished by the State's Directorate of Economics and Statistics.

[@]Based on 17 States except Goa & Puduchery.

The State of Jharkhand spent higher proportion of its GSDP as Aggregate Expenditure in 2014-15 in comparison to 2011-12. Further, in both the years the AE to GSDP was higher than the General Category States (GCS).

Development Expenditure as a proportion of Aggregate Expenditure in Jharkhand was slightly more during 2014-15 against its proportion during 2011-12, while the Capital Expenditure to AE in Jharkhand was significantly high during 2014-15.

During the year 2014-15, the State has given less priority to capital expenditure, education sector expenditure and health sector expenditure in comparison to the GCS, however, State gave higher priority to overall Development Expenditure.

1.7.2 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 Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public goods⁵. Apart from improving the allocation towards Development Expenditure⁶, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure (and GSDP) and the 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 Total Expenditure (and GSDP) the better would be the quality of expenditure. A review of Annual Accounts of the State revealed that:

- Capital expenditure in Education sector decreased from ₹ 145.21 crore in 2013-14 to ₹ 82.97 crore in 2014-15 which was considerably less than the CE budgeted at ₹ 202.40 crore for the year 2014-15.
- In respect of Health and Family Welfare sector, the CE increased from ₹ 166.18 crore in 2013-14 to ₹ 260.97 crore in 2014-15. However, the expenditure in this sector during 2014-15 was much less than the budgeted CE of ₹ 394.04 crore for the sector.
- The CE on Water Supply, Sanitation, Housing and Urban Development decreased from ₹ 342.07 crore in 2013-14 to ₹ 188.90 crore in 2014-15. The budget for water supply, sanitation housing and urban development for the year was ₹ 219.65 crore.

Table 1.21 presents the trends in Development Expenditure relative to the Aggregate Expenditure of the State during 2014-15 *vis-à-vis* the budgeted amounts and the expenditure during the previous years.

Ore public goods are goods which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc.

⁶ The analysis of expenditure data is disaggregated into development and non development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorised into social services, economic services and general services. The social and economic services constitute development expenditure, while expenditure on General Services is treated as non-development expenditure in our figures.

Table 1.21: Development Expenditure

(₹ in crore)

						C III CI CI C		
Components of Development	2010-11	2011-12	2012-13	2013-14	2014-15			
Expenditure	2010-11	2011-12	2012-13	2015-14	BE*	Actuals		
Development Expenditure								
Development Revenue Expenditure	10954(52)	13146(54)	14704(52)	13512(48)	27870	21171(55)		
Development Capital Expenditure	2544(12)	3003(12)	4042(14)	4554(16)	7817	5217(14)		
Development Loans and Advances	296(1)	199(1)	582(2)	209(1)	638	807(2)		
Total	13794	16348	19328	18275	36325	27195		
Figures in parentheses indicate percentage to aggregate expenditure (RE + CE + L&A)								
* Budget estimates are gross figures v	while actuals a	re net figures.						

Source: Finance Accounts of Government of Jharkhand and budget publication

- The development expenditure of the State comprised of Revenue Expenditure and Capital Expenditure including Loans and Advances on Social Services and Economic Services. During 2014-15, the growth rate of development expenditure improved from negative five *per cent* in 2013-14 to 49 *per cent* in 2014-15 over the previous year mainly due to expenditure on Education, Sports, Art and Culture, Health and Family Welfare, Water Supply, Sanitation, Housing and Urban Development and Energy under revenue heads and Transport under Capital heads. As seen from the **Table 1.21**, the total Development Expenditure was much below the budget estimates of 2014-15.
- During 2010-15, the share of Development Revenue Expenditure in Total Development Expenditure ranged between 48 *per cent* and 55 *per cent*. The CAGR of Development Revenue Expenditure was 17.91 *per cent* during 2010-15.
- The share of Development Capital Expenditure (including Development Loans and Advances) in Total Expenditure decreased from 17 *per cent* in 2013-14 to 16 *per cent* in 2014-15. The CAGR of Development Capital Expenditure during 2010-15 was 19.67 *per cent*, higher than that of Development revenue expenditure.
- The actual Development Capital Expenditure and Development Loans and Advances were ₹ 5,217 crore and ₹ 807 crore against budget estimate of ₹ 7,817 crore and ₹ 638 crore during 2014-15.
- Expenditure on Social Services (₹ 12,845 crore) and on Economic Services (₹ 14,350 crore) accounted for 47 *per cent* and 53 *per cent* respectively of the total Development Expenditure during 2014-15 (₹ 27,195 crore).

Expenditure on selected Social and Economic Services

Expenditure incurred on creation of assets to provide social and economic services in the State is categorised under Development Capital Expenditure while Development Revenue Expenditure is the expenditure incurred on the maintenance of selected Social and Economic services. **Table 1.22** provide the details of such Capital Expenditure and the components of Revenue Expenditure.

Table 1.22: Efficiency of Expenditure use in Selected Social and Economic Services

(In per cent)

		2013-14			2014-15	P
Social/Economic Infrastructure	Ratio of	Ratio of In RE, the share of		Ratio of	In RE, the	share of
	CE to TE	S &W	O&M	CE to TE	S&W	O&M
	Soc	ial Services (SS)		-	•
General Education	2.05	54.98	0.00	0.12	51.47	0.01
Health and Family Welfare	14.52	51.89	0.13	16.97	43.45	0.01
WS, Sanitation and HUD	32.51	18.03	2.82	9.80	7.71	1.67
Total (SS)	10.09	35.92	0.52	7.08	26.18	0.31
	Econo	mic Services	s (ES)			
Agriculture & Allied Activities	1.52	37.74	0.31	7.86	32.94	0.07
Irrigation and Flood Control	59.89	98.03	0.00	53.46	95.45	22.39
Power & Energy	0.00	0.00	0.00	0.00	0.00	0.00
Transport	88.78	39.68	51.98	74.64	15.07	31.57
Total (ES)	39.82	22.14	4.34	27.64	13.69	4.06
Total (SS+ES)	24.92	30.52	2.02	18.35	20.72	1.95

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

Source: Finance Accounts of Government of Jharkhand

- On the services mentioned in the table the Development Capital Expenditure as a percentage of total Development Expenditure decreased from 24.92 per cent in 2013-14 to 18.35 per cent in 2014-15.
- Salary component in Social Services and Economic Services decreased from 35.92 *per cent* and 22.14 *per cent* during 2013-14 to 26.18 *per cent* and 13.69 *per cent* during 2014-15 respectively.
- In Social Services, the share of Operation and Maintenance expenditure to Revenue Expenditure in Health and Family Welfare, Water Supply, Sanitation and Housing & Urban Development and Transport declined respectively from 0.13 and 2.82 per cent in 2013-14 to 0.01 and 1.67 per cent in 2014-15.
- In Economic Services, the share of Operation and Maintenance expenditure to Revenue Expenditure in Transport decreased from 51.98 per cent in 2013-14 to 31.57 per cent in 2014-15.

1.8 Financial analysis of Government expenditure and investments

In the post-FRBM framework, the State is expected to keep its Fiscal Deficit (and borrowings) not only at low level but also to meet its Capital Expenditure/investment (including Loans and Advances) requirements. In addition, in a transition to total dependence on market-based resources, the State Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidies and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other Capital Expenditure undertaken by the Government during the current year *vis-à-vis* the previous years.

1.8.1 Financial results of completed Irrigation projects

The financial results of irrigation projects of the State are presented in Appendix -VIII (i) of the Finance Accounts, based on information furnished by the State Government. As per the Appendix-VIII (i) of the Finance Accounts for the year 2014-15, there is no commercial irrigation project in the State.

1.8.2 Incomplete Projects

The department wise information pertaining to incomplete projects, as on 31 March 2015, is given in **Table 1.23.**

Table 1.23: Department-wise profile of Incomplete Projects

(₹ in crore)

Department	No. of Incomplete Projects	Estimated cost of the Projects	Expenditure during current year	Cumulative actual expenditure as on 31.3.2015
Road Construction	226	5462.83	1006.30	1592.63
Rural Engineering Organisation	108	221.06	57.35	115.16
Building Construction	68	187.87	58.68	115.19
Total	402	5871.76	1122.33	1822.98

Source: Appendix X of Finance Accounts 2014-15

The blocking of funds on incomplete works impinges negatively on the quality of expenditure. All the 402 projects (estimated cost ₹ 5,871.76 crore) shown in the table above were due for completion up to 31 March 2015, but remained incomplete resulting in blocking of ₹ 1,822.98 crore. Delay in completion of project works invites the risk of cost escalation. Besides, due to delay in completion of these projects the intended benefits from the same could not be achieved.

1.8.3 Investment and returns

As on 31 March 2015, the Government had invested ₹ 247 crore in one Regional Rural Bank (₹ 45.73 crore), 12 Government Companies (₹ 85.05 crore) and 18 Co-operatives, Corporations, and Societies (₹ 116.22 crore) since inception of the State in November 2000 (**Table 1.24**). The return was nil during 2014-15. However, the Government paid interest at an average rate of 7.22 *per cent* on its borrowings during the year 2014-15.

Table 1.24: Returns on investments

Investment/Return/Cost of Borrowings	2010-11	2011-12	2012-13	2013-14	2014-15
Investment at the end of the year (₹ in crore)	135.18	182.57	187.82	231.97	247.00
Returns (₹ in crore)	0.40	1.17	15.00	18.00	Nil
Returns (per cent)	0.30	0.64	7.99	7.76	Nil
Average rate of interest on	7.98	7.64	8.76	7.22	7.22
Govt. borrowing (per cent)					
Difference between interest rate and return (per cent)	7.68	7.00	0.77	0.54	7.22

Source: Finance Accounts of Government of Jharkhand-Statement 19

Investment of ₹ 15.03 crore (six *per cent*) was made during 2014-15 in Government Companies (₹ 9.75 crore) and Co-operative Institutions and Local Bodies (₹ 5.28 crore).

Further, investments in these institutions as well as Statutory Corporations and Joint Stock Companies up to 14 November 2000 by the composite Bihar State had not been apportioned between the States of Bihar and Jharkhand.

1.8.4 Loans and Advances given by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the Government has also been providing Loans and Advances to many of these institutions/organisations. **Table 1.25** presents the outstanding Loans and Advances as on 31 March 2015 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 1.25: Loans and advances given by the State Government

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2010-11	2011-12	2012-13	2013-14	2014-15
Opening Balance of Loans (₹ in crore)	6713	6997	7190	7748	7947
Amount advanced during the year (₹ in crore)	308	217	601	222	824
Amount recovered during the year (₹ in crore)	24	24	43	23	33
Recovery as percentage of outstanding Loans and Advances	0.4	0.3	0.6	0.3	0.4
Closing Balance	6997	7190	7748	7947	8738
Net addition (₹ in crore)	284	193	558	199	791
Total Interest Receipts (₹ in crore)	7.26	2.12	0.95	2.74	15.72
Interest Receipts as a percentage of outstanding Loans and Advances	0.12	*	0.01	0.03	0.20

Source: Finance Accounts of Government of Jharkhand

- The quantum of loans advanced to Co-operative Societies, Companies etc. by the State gradually increased from ₹ 308 crore in 2010-11 to ₹ 824 crore in 2014-15. However, it decreased from ₹ 601 crore in 2012-13 to ₹ 222 crore in 2013-14 which again increased to ₹ 824 crore in 2014-15 due to increase of loans by ₹ 604 crore to power projects for transmission.
- The outstanding Loans and Advances increased during 2014-15 by 9.95 *per cent* over the previous year against 2.57 *per cent* in 2013-14. Major share of total outstanding loans of ₹ 8,738 crore at the end of March 2015 pertained to Loans for Energy (₹ 8,080 crore) and Urban Local Bodies (₹ 585 crore).
- Recoveries of Loans and Advances amounting to ₹ 1,289.81 crore (Principal ₹ 414.37 crore and Interest ₹ 875.44 crore) was overdue as on 31 March 2015 of which ₹ 962.79 crore was outstanding with JSEB and Tenughat Vidyut Nigam Limited (₹ 366.86 crore as principal and ₹ 595.93 crore as interest).

1.8.5 Cash Balances and Investment of Cash Balances

Details of cash balances and investments made by the State Government during the year are shown in **Table 1.26.**

^{*}Negligible

Table 1.26: Cash balances and Investment of Cash balances

(₹ in crore)

		(Vill Clotc)
Particulars	As on 31st March 2014	As on 31st March 2015
Cash Balances	1285.48	444.21
Investments from Cash Balances (a to c)	851.84	666.13
a. GOI Treasury Bills	847.43	666.13
b. GOI Securities	Nil	Nil
c. Other Investments	4.41	Nil
Interest realized on investment	66.74	126.98
Deposit with Reserve Bank	428.21	-224.13
Departmental Cash Balance	5.43	2.21

Source: Finance Accounts of Government of Jharkhand

The cash balance of the State at the end of 31 March 2015 was ₹ 444.21 crore against the cash balance of ₹ 1,285.48 crore in the previous year.

The State had a cash balance investment of ₹ 666.13 crore at the end of March 2015 against cash balance investment of ₹ 851.84 crore at the end of March 2014. Total cash balance at the end of March 2015 was invested in GOI Treasury Bills.

1.9 Assets and Liabilities

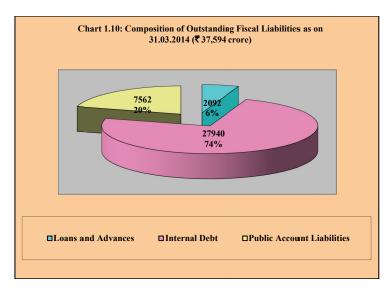
1.9.1 Growth and Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4 Part B** gives an abstract of such liabilities and assets as on 31 March 2015, compared with the corresponding position on 31 March 2014. While the liabilities consist mainly of internal borrowings, Loans and Advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of Capital Outlay, Loans and Advances given by the State Government and the cash balances.

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

1.9.2 Fiscal Liabilities

The trends of outstanding fiscal liabilities of the State are presented in **Appendix 1.3.** However, the composition of fiscal liabilities during the years 2013-14 and 2014-15 is presented in **Chart 1.10** and **Chart 1.11** respectively.



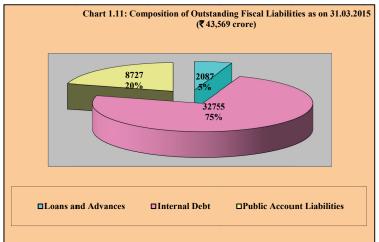


Table 1.27: Trends in Fiscal Liabilities: basic parameters

(₹ in crore)

Components	2010-11	2011-12	2012-13	2013-14	2014-15	CAGR
Internal Debt	21,131	22,286	25,202	27,940	32,755	11.58
Loans and Advances from GOI	2167	2024	2124	2092	2087	(-) 0.94
Public Account Liabilities	5357	6354	7543	7562	8727	12.98
Total Fiscal Liabilities	28,655	30,664	34,869	37,594	43,569	11.04
Growth of Fiscal Liabilities (per cent)	5.5	7.0	13.7	7.8	15.9	NA
Fiscal Liability to GSDP (per cent)	22.5	22.6	23.0	21.8	22.1	NA
Fiscal Liabilities as percentage to Revenue Receipts	152.57	136.77	140.77	143.83	138.03	NA
Buoyancy w.r.t. Revenue Receipts	0.23	0.36	1.30	1.42	0.76	NA

NA- Not applicable

• As depicted in **Table 1.27** the overall fiscal liabilities of the State increased by 52.05 *per cent* from ₹ 28,655 crore in 2010-11 to ₹ 43,569 crore in 2014-15. The growth rate of fiscal liabilities increased from 7.8 *per cent* in 2013-14 to 15.9 *per cent* in 2014-15. The CAGR of Fiscal Liabilities was 11.04 *per cent* during the period 2010-15.

- Among others the Fiscal Liabilities of the State comprises ₹ 1,356 crore in shape of Small Savings, Provident Funds, etc. and ₹ 866.79 crore in shape of Reserve Fund (State Disaster Response Fund).
- The ratio of Fiscal Liabilities to GSDP decreased gradually from 22.5 per cent in 2010-11 to 22.1 per cent in 2014-15.
- The Twelfth Finance Commission had recommended setting up of a Sinking Fund, to be maintained outside the Consolidated Fund of the State and the Public Account, for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds etc. However, no such Fund had been set up as of October 2015.
- Apportionment of Fiscal Liabilities of undivided Bihar between the successor States of Bihar and Jharkhand had not been done so far (October 2015).

1.9.3 Overstatement of Assets of the State

When Non-performing Assets (NPAs) are shown as assets in the accounts, the assets can be stated to have been overstated. A Loan/Advance can be recognized as NPA if there are doubts about the capacity of the borrower to repay the loan/advance. The conclusion can be arrived at:

- i) If the borrower is not making profits.
- ii) There are some entities which repay the loans despite not making profits. Even in these cases, the borrower cannot be considered as credit worthy and loan classified as assets when such repayment is due to further financial assistance given by the Government to the entity.

The balance of Loans and Advances made by the Government as on 31 March 2015 was ₹8,737.16 crore which included ₹8,079.60 crore outstanding against loans for energy. Out of total loans given for energy, ₹7,239.75 crore was outstanding against JSEB before its unbundling in January 2014. Further, out of ₹1,289.81 crore that was due for repayment as on 31 March 2015, ₹962.79 crore pertained to loans for energy. The JSEB was in deficit/loss since inception and as per the last accounts prepared for the year ending 31 March 2013, its accumulated deficit/loss was ₹10,165 crore. Further, JSEB has been unbundled in to four Power Companies in January 2014. As per Jharkhand State Reforms Transfer Scheme, 2013, the outstanding State Government Loans and interest thereon receivable from JSEB will continue to be shown as recoverable from JSEB in the Accounts of the State Government.

Thus, the assets of the State on accounts of Loans given to JSEB have been overstated to the tune of \mathbb{Z} 7,239.75 crore.

1.9.4 Transaction under Reserve Fund

As per recommendation of the Thirteenth Finance Commission, Government constituted a State Disaster Response Fund (SDRF) in 2010-11 and balance under the Calamity Relief Fund was transferred to SDRF.

During 2014-15, the opening balance in the SDRF was ₹ 591.56 crore. During the year there were receipts and disbursements of ₹ 307.85 crore and ₹ 32.62 crore respectively from the Fund, leading to a closing balance of ₹ 866.79 crore at the end of March 2015.

1.9.5 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by borrowers for whom the guarantees are extended.

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. However, no such law was passed by the State Legislature of Jharkhand and no limit was fixed for guarantees given on the security of the Consolidated Fund of the State.

As recorded in Statement 9 of the Finance Accounts, guarantees of ₹ 157.15 crore were outstanding at the end of March 2015. No guarantee has been given or revoked during 2014-15.

1.10 Debt Management

1.10.1 Debt profile

Apart from the magnitude of debt of the State Government, it is important to analyse the various indicators that determine the debt sustainability⁷ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation⁸; sufficiency of non-debt receipts⁹; net availability of borrowed funds¹⁰; burden of interest payments (measured by interest payments to Revenue Receipts ratio) and the maturity profile of State Government securities.

1.10.2 Debt Sustainability

Table 1.28 analyses the debt sustainability of the State according to these indicators for a period of five years beginning from 2010-11.

Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time. It also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between

costs of additional borrowings and returns from such borrowings. It means that a rise in fiscal deficit should match the increase in capacity to service the debt.

Operation of debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which debt receipts are used in debt redemption indicating the net availability of borrowed funds.

A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or the cost of public borrowings, the debt-GDP ratio is likely to be stable provided the primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), the debt sustainability condition states that if the quantum spread together with the primary deficit is zero, debt-GSDP ratio would be constant or the debt would stabilise eventually. On the other hand, if the primary deficit together with the quantum spread turns out to be negative, the debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

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

Table 1.28: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2010-11	2011-12	2012-13	2013-14	2014-15
Debt GSDP ratio	22.5	22.6	23.0	21.8	22.1
Sufficiency of Incremental Non-debt Receipts	899	188	(-)39	1275	(-)2885
(Resource Gap)*					
Net Availability of Borrowed Funds	(-)737	(-)238	1814	110	3313
Burden of Interest Payments (IP/RR Ratio)	12	10	10	10	9.28
Maturity Profile of State Debt (In Years)					
0 – 1	1868(8)	1449(6)	1381(5)	1453(5)	1590(4)
1 – 3	2977(13)	3080(13)	3031(11)	2916(10)	3368(10)
3 – 5	2872(12)	2623(11)	3358(12)	4373(14)	5032(14)
5 – 7	3284(14)	4302(17)	5009(19)	4160(14)	3723(11)
7 and above	12298(53)	12856(53)	14547(53)	17131(57)	21129(61)
Total	23299	24310	27326	30033	34842

Percentage to total are shown in brackets.

- During 2014-15, the Debt-GSDP ratio at 22.1 *per cent* was less than 26.9 *per cent* target fixed in FRBM Act and normative projection of 13thFC.
- After inter-year fluctuation during 2010-15 the sufficiency of incremental non-debt receipts (resources gap) decreased from ₹ 899 crore in 2010-11 to (-) ₹ 2,885 crore in 2014-15 which was indicative of decline in fiscal position of the State. Further, resources gap decreased sharply from ₹ 1,275 crore in 2013-14 to (-) ₹ 2,885 crore in 2014-15.
- Net availability of borrowed funds increased from ₹ 110 crore in 2013-14 to ₹ 3,313 crore in 2014-15. However, during 2010-11 and 2011-12 the resource gap was negative (₹ 737 crore and ₹ 238 crore respectively).
- The ratio of Interest Payments to Revenue Receipts showed significant improvement in Debt Sustainability as it declined steadily from 12 *per cent* in 2010-11 to 9.28 *per cent* in 2014-15. It remained constant at 10 *per cent* during 2011-12 to 2013-14.
- The maturity profile of the State debt liability showed a positive trend towards a longer maturity during the different block period as discussed in the table above.

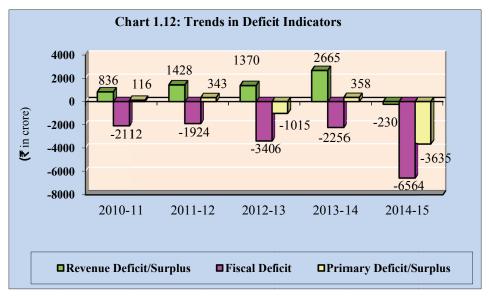
1.11 Fiscal Imbalances

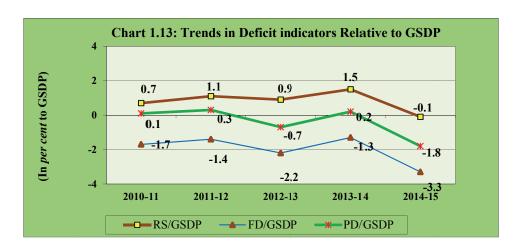
Three key fiscal parameters-Revenue Deficit, Fiscal Deficit and Primary Deficit-indicate the extent of the overall fiscal imbalances in the finances of the State during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and resources raised are applied are important pointers to its fiscal health. This section presents the trends, nature, magnitude and the manner of financing of these deficits and also the assessment of actual levels of Revenue Deficit and Fiscal Deficits *vis-à-vis* the targets set under the FRBM Act and Rules for the financial year 2014-15.

^{*}Formula in Appendix 1.2

1.11.1 Trends in deficits

Chart 1.12 and Chart 1.13 present the trends of deficit indicators over the period 2010-15.





- The State had a Revenue Surplus during the period 2010-14. Further, revenue surplus increased from ₹ 836 crore in 2010-11 to ₹ 2,665 crore in 2013-14 but turned to Revenue Deficit of ₹ 230 crore in 2014-15.
- As targeted in FRBM Act of the State and the ThFC the State had achieved the target of reducing the Revenue Deficit to 'zero' during 2010-14, but the State failed to abide by its own target (RS/GSDP, 2.0 per cent) and the ThFC norms (RD, Nil) during 2014-15 as its RD/GSDP ratio was 0.1 per cent during the period.
- The Fiscal Deficit of the State fluctuated between ₹1,924 crore and ₹ 6,564 crore during 2010-15. In between, Fiscal Deficit increased sharply from ₹ 2,256 crore in 2013-14 to ₹ 6,564 crore in 2014-15.
- After inter-year fluctuation the percentage of Fiscal Deficit to GSDP increased from 1.3 *per cent* at the end of March 2014 to 3.3 *per cent* at the end of March 2015. The State failed to achieve its own target fixed in FRBM and the ThFC norms of three *per cent*.

• Primary Deficit (PD) showed wide fluctuation during 2010-15 mainly because of fluctuation in Revenue Deficit/Surplus. The Primary Surplus (PS) of ₹ 358 crore in 2013-14 turned to Primary Deficit of ₹ 3,635 crore in 2014-15. The Primary Deficit was 1.8 *per cent* of GSDP in 2014-15 against Primary Surplus of 2.0 *per cent* during 2013-14.

1.11.2 Composition of Fiscal Deficit and its financing pattern

The financing pattern of the Fiscal Deficit has undergone a compositional shift as reflected in **Table 1.29**.

Table 1.29: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

	(Vin Clore									
Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15				
C	omposition of Fiscal Deficit	2112	1924	3406	2256	6564				
1	Revenue Deficit (-)/Surplus (+)	836	1428	1370	2665	-230				
2	Net Capital expenditure	2664	3159	4218	4722	5543				
3	Net Loans and Advances	284	193	558	199		791			
Finar	ncing Pattern of Fiscal Deficit*					Receipt	Disbursement	Net		
1	Market Borrowings	198	785	3145	2535	4950	462	4488		
2	Loans from GOI	(-)104	(-)122	100	-33	153	158	(-)5		
3	Special Securities issued to NSSF	957	(-)73	(-)200	129	773	438	335		
4	Loans from Financial Institutions	96	442	(-)30	455	814	822	(-)8		
5	Small Savings, PF, etc.	104	70	22	9	843	1045	(-)202		
6	Reserve Fund	(-)223	(-)105	(-)123	271	308	33	275		
7	Deposits and Advances	464	1030	1290	-254	12182	11089	1093		
8	Suspense and Miscellaneous	(-)27	74	31	-1	132	145	-13		
9	Remittances	6	(-)17	(-)141	157	6838	7076	-238		
10	Inter State Settlement	0	(-)76	(-)100	-50	-	-	-		
11	Cash balance increase (+)/ Decrease(-)	(-)641	117	588	580	1285	444	841		
*All the	*All these figures are net of disbursements/outflows during the year except for 2014-15									

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

During 2014-15, the Fiscal Deficit of ₹ 6,564 crore was mainly met from Market Borrowings (₹ 4,488 crore) and Deposit and Advances (₹ 1,093 crore).

1.11.3 Quality of Deficit/Surplus

Ideally, the Revenue Receipts should cover the Revenue Expenditure (including interest payments) of the State. While Revenue Deficit is made up from the borrowings (Fiscal Deficit), the Revenue Surplus can be used for Capital Expenditure thereby reducing the borrowings. Further, if the Non-Debt receipts can meet the Primary Expenditure¹¹, there will be no Primary Deficit, to be financed by borrowings. Thus, a necessary condition for stability in finances of the State is that Non-Debt receipts should be adequate enough to cover the incremental primary expenditure and incremental interest payments. The bifurcation of the Primary Deficit indicates the extent to which the deficit has been on account of enhancement in Capital Expenditure which may be desirable for improving the productive capacity of the State's economy. Bifurcation of factors is given **Table 1.30**.

35

¹¹ Expenditure on Revenue, Capital and Loans and Advances, but not interest payments

Table 1.30: Primary Deficit/Surplus in the State- bifurcation of factors

(₹ in crore)

Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Deficit (-) / Surplus (+)	Primary Deficit (-)/ Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2010-11	18805	15717	2664	308	18689	(+)3088	(+)116
2011-12	22444	18725	3159	217	22101	(+)3719	(+)343
2012-13	24813	21009	4218	601	25828	(+)3804	(-)1015
2013-14	26160	20858	4722	222	25802	(+)5302	(+)358
2014-15	31598	28866	5543	824	35233	(+)2732	(-)3635

Source: Finance Accounts of Government of Jharkhand

- During 2010-11 to 2014-15, the Non-Debt Receipts of the State increased from ₹ 18,805 crore to ₹ 31,598 crore against a corresponding increase in Primary Revenue Expenditure and Primary Expenditure. The Capital Expenditure increased from ₹ 2,664 crore in 2010-11 to ₹ 5,543 crore in 2014-15.
- During 2014-15 non-debt receipts of the State increased by 21 *per cent* over previous year while the primary expenditure remained nearly same during 2012-13 and 2013-14 leading to primary surplus of ₹ 358 crore during 2013-14. However, a primary deficit of ₹ 3,635 crore occurred during 2014-15.

1.12 Conclusion and Recommendations

Review of fiscal situation

- The growth of GSDP during 2014-15 was 14.3 *per cent*, against the ThFC norm of 14.5 *per cent* for the year.
- The State had a Revenue Deficit of ₹ 230 crore during 2014-15. During the current year Fiscal Deficit increased to ₹ 6,564 crore. It was 3.3 per cent of GSDP, just beyond the recommended ceiling (three per cent) by the ThFC. Further, Fiscal Deficit to GSDP ratio deteriorated from 1.3 per cent in 2013-14 to 3.3 per cent in 2014-15.

The Government should ensure achievement of target fixed by ThFC.

Resource mobilization

• While the Revenue Receipts (₹ 31,565 crore) of the State grew at 20.8 *per cent* during 2014-15 over the previous year, these were less than the Budget Estimate by ₹ 11,879 crore.

The Government should make efforts to achieve its own target of receipts given in the Budget document.

Quality of expenditure

• During the year 2014-15, the State has given less priority to education sector expenditure and health sector expenditure in comparison to the General Category States. However, State gave higher priority to overall Development Expenditure.

• The Capital Expenditure (CE) increased to ₹ 5,543 crore in 2014-15 from ₹ 4,722 crore in 2013-14. The percentage of CE to Total Expenditure stood at 15 per cent during 2014-15 against 17 per cent in 2013-14. The percentage of CE to GSDP was 2.8 per cent during 2014-15 against 2.7 per cent during 2013-14.

Government should maintain its priority to Development Expenditure with emphasis on Education Sector and Health Sector.

• Every year a huge amount of loans was given by the Government to different institutions/organizations of the State but its recovery was negligible leading to a huge balance of repayments in arrears of ₹ 1,289.81 crore at the end of March 2015.

Government should take steps to recover the outstanding loans from the institutions/organizations not repaying the principle and interest on the loans.

Fiscal Liabilities

• Fiscal Liabilities of the State (₹ 43,569 crore) grew at 15.9 *per cent* over the previous year. The Fiscal Liabilities at 22.1 *per cent* of GSDP were well within the limit of 26.9 *per cent* recommended by ThFC for the year. Government has not set up Sinking Fund for amortization of all loans.

The State should set up Sinking Fund for amortization of loans.