Chapter I
Finances of the State Government

Profile of the State

Rajasthan is the largest State of India in terms of geographical area (342.24 thousand square kilometre) and eighth in terms of population. It is located in the north-western part of the country. The population of the State increased from 5.65 crore in 2001 to 6.85 crore in 2011, recording a decadal growth of 21.3 *per cent* (***Appendix 1.1***), as against the national average of 17.7 *per cent*. The percentage of population below the poverty line was 21.7 *per cent* which was less than the All India average of 29.5 *per cent*. The Gross State Domestic Product (GSDP) in 2014-15 at current prices was ₹ 5,74,549 crore (advance estimates). The literacy rate increased from 60.4 *per cent* (2001 census) to 66.1 *per cent* (2011 census), which was 6.9 percentage points below All India average of 73 *per cent* during the corresponding period. During 2014-15, per capita income of the State stood at ₹ 72,156[1]. General data relating to the State are given in ***Appendix 1.1***.

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 trends in the annual growth rate of India's Gross Domestic Product (GDP) and that of the State's GSDP at current prices are indicated in **Table 1.1**:

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

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	NA
Growth rate of GDP (percentage)	18.7	15.8	11.9	11.5	NA
State's GSDP* (₹ in crore)	3,38,348	4,14,179	4,70,178[2]	5,17,615[3]	5,74,549[4]
Growth rate of GSDP (percentage)	27.3	22.4	13.5	10.1	11.0

Sources: #Central Statistics Office and
*** Directorate of Economics and Statistics, Government of Rajasthan**

Rajasthan achieved a higher GSDP growth rate as compared to India's GDP growth rate during the period 2010-13 and thereafter growth in GSDP was lower than the All India's GDP. The growth rate of GSDP showed a decreasing trend during the period 2010-14, however, there was improvement in the rate of growth during 2014-15.

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[1] Source: Economic Review, Government of Rajasthan
[2] Provisional estimates
[3] Quick estimates
[4] Advance Estimates

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Rajasthan (GoR) during 2014-15 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 the State Government consist of Finance Accounts and Appropriation Accounts. The new format of Finance Accounts, introduced from 2009-10 is divided into two volumes (Volume I contains the summarised financial statements and Volume II presents detailed financial statements) have been revised in 2015 as summarised in ***Appendix 1.2 (Part A) and Appendix 1.2 (Part B)***.

1.2 Summary of Fiscal Operations in 2014-15

Table 1.2 below presents the summary of the State Government's fiscal operations during current year (2014-15) *vis-à-vis* previous year (2013-14), while ***Appendix 1.4*** 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 2014-15

(₹ in crore)

Receipts			Disbursements		
	2013-14	**2014-15**		**2013-14**	**2014-15**
Section-A: Revenue					
Tax Revenue	33,477.70	38672.94	General Services	23,339.22	27,868.15
Non-Tax Revenue	13,575.25	13,229.50	Social Services	31,486.09	37,753.39
Share of Union Taxes/ Duties	18,673.07	19816.97	Economic Services	20,435.59	28,920.34
Grants-in-aid from Government of India	8,744.36	19,607.50	Grants-in-aid and Contributions	248.69	0.09
Total Section-A Revenue Receipts	**74,470.38**	**91,326.91**	**Total Section-A Revenue Expenditure**	**75,509.59**	**94,541.97**
Section-B: Capital and others					
Miscellaneous Capital Receipts	10.27	14.57	Capital Outlay	13,664.66	16,102.69
Recoveries of Loans and Advances	315.53	1,004.44	Loans and Advances disbursed	811.21	700.78
Public Debt Receipts*	14,491.44	18,140.82	Repayment of Public Debt*	4,115.62	4,960.04
Contingency Fund	-	300.00	Contingency Fund	-	300.00
Public Account Receipts[5]	1,07,978.58	1,26,382.20	Public Account Disbursements[5]	1,05,605.40	1,22,060.62
Opening Cash Balance	12,886.72	10,446.44	Closing Cash Balance	10,446.44	8,949.28
Total Section-B Receipts	**1,35,682.54**	**1,56,288.47**	**Total Section-B Disbursements**	**1,34,643.33**	**1,53,073.41**
Grand Total (A + B)	**2,10,152.92**	**2,47,615.38**	**Grand Total (A + B)**	**2,10,152.92**	**2,47,615.38**

Source: Finance Accounts for the respective years

*Excluding net transaction under Ways and Means advances and overdraft

[5] 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.

Salient features of fiscal operations in 2014-15 are given below:

- Revenue Receipts grew by ₹ 16,856.53 crore (22.6 *per cent*) over the previous year due to increase in Grants-in-aid from Government of India: ₹ 10,863.14 crore (124.2 *per cent*); Own Tax Revenue: ₹ 5,195.24 crore (15.5 *per cent*) and Share of Union Taxes/Duties: ₹ 1,143.90 crore (6.1 *per cent*) which was counterbalanced by decrease in Non-Tax Revenue: ₹ 345.75 crore (2.5 *per cent*). However, the Revenue Receipts were lower than the projections made in the Medium Term Fiscal Policy Statement (MTFPS) 2014-15 by ₹ 14,798 crore.

- Revenue Expenditure increased by ₹ 19,032.38 crore (25.2 *per cent*)[6] mainly under Economic Services Sector by ₹ 8,484.75 crore (41.9 *per cent*); Social Services Sector by ₹ 6,267.30 crore (19.9 *per cent*) and General Services Sector by ₹ 4,528.93 crore (19.4 *per cent*). Revenue Expenditure was lower than the MTFPS projections for the year by ₹ 10,845 crore.

- Capital Outlay increased by ₹ 2,438.03 crore (17.8 *per cent*) under Social Services Sector by ₹ 1,286.81 crore (28.3 *per cent*); Economic Services Sector by ₹ 951.86 crore (10.8 *per cent*) and General Services Sector by ₹ 199.36 crore (59.6 *per cent*).

- Public Debt Receipts and Repayment of Public Debt (excluding Ways and Means advances and overdraft) increased by ₹ 3,649.38 crore (25.2 *per cent*) and ₹ 844.42 crore (20.5 *per cent*) respectively.

- Public Account Receipts and Disbursements increased by ₹ 18,403.62 crore (17 *per cent*) and ₹ 16,455.22 crore (15.6 *per cent*) respectively.

- Cash balance declined by ₹ 1,497.16 crore (14.3 *per cent*).

1.2.1 Review of the fiscal situation

With a view to ensure prudence in fiscal management and to maintain fiscal stability in the State, the Government of Rajasthan, in pursuance of recommendations of the Twelfth Finance Commission, enacted its "Fiscal Responsibility and Budgetary Management (FRBM) Act 2005", followed by FRBM Amendment Act 2011.

Major fiscal variables provided in the budget, based on recommendations of the Thirteenth Finance Commission (XIII FC) and targeted in the FRBM Act of the State, are depicted in **Table 1.3** below:

6 It includes decrease of ₹ 248.60 crore on account of Grants-in-aid and contribution.

Table 1.3: Major Fiscal Targets and Achievement

Fiscal variables	2014-15		
	Targets as prescribed in FRBM Act/XIII FC	Targets proposed in the Budget/ MTFPS	Achievement
Revenue Deficit (-) / Surplus (+) (₹ in crore)	0.00	(+) 738	(-) 3,215
Fiscal Deficit/GSDP (*per cent*)	3.0 or less	3.52	3.31
Ratio of total outstanding debt of the Government to GSDP (*per cent*)	36.5	25.78	25.69

A review of implementation of major provisions of the FRBM Act revealed following position:-

- Section 6 (a) of FRBM Act, 2011 provided that the Government achieve Zero Revenue deficit target from financial year 2011-12 and thereafter maintain it or attain revenue surplus. In this regard, the State Government maintained revenue surplus of ₹ 1,055 crore, ₹ 3,357 crore and ₹ 3,451 crore during the years 2010-11, 2011-12 and 2012-13 respectively, which was within the specified targets set in FRBM Act. However, during the year 2013-14, there was revenue deficit of ₹ 1,039 crore.

- With a view to generate a revenue surplus of ₹ 738 crore, the State Government projected budget estimates of ₹ 1,05,387 crore revenue expenditure and ₹ 1,06,125 crore of revenue receipts during 2014-15. It was observed that the actual expenditure was ₹ 94,542 crore (10.3 *per cent* less than estimates) and actual receipts were ₹ 91,327 crore (13.9 *per cent* less than estimates) during the year. This led to a gap of 3.6 *percentage* point deficit in receipt and expenditure. Analysis of receipts revealed that there was shortfall in actuals against estimates in case of tax revenue (4.9 *per cent)*, non-tax revenue (11.4 *per cent)*, central share (12.9 *per cent)* and grant in aid (29.4 *per cent)*. Major areas where State Government was unable to mobilize its own revenue receipts, were mainly under Stamps and Registration Fees: ₹ 1,011 crore (24.1 *per cent*): Taxes on sales, Trade etc.: ₹ 1,455 crore (5.7 *per cent*) and Petroleum royalty: ₹ 1,725 crore (26.2 *per cent*).

Moreover Revenue Deficit was understated by ₹ 8.21 crore pertaining to employer's contribution, which was not transferred to Insurance and Pension Fund in respect of employees recruited after 1 January 2004.

- Section 6 (b) of the FRBM Act, envisaged achieving of fiscal deficit of 3 per cent of Gross State Domestic Product (GSDP) by financial year 2011-12 and thereafter to maintain the said ratio or reduce it.

Review of fiscal indicators given for 2014-15 in MTFPS 2013-14, revealed that the target of total outstanding debt and fiscal deficit was set as 25.40 and 2.68 *per cent* respectively which was revised in MTFPS 2014-15 as 25.73 and 2.86 *per cent*. These were further revised in MTFPS (modified) 2014-15 as 25.78 and 3.52 *per cent* of GSDP. While the achievement of the target for total outstanding debt was 25.69 *per cent* of the GSDP, the fiscal deficit was 3.31 *per cent* of GSDP which was lower than the target fixed in MTFPS for 2014-15 (3.52 *per cent*) but higher than limit prescribed by Thirteenth Finance Commission (3 *per cent* of GSDP) and FRBM Act.

- Section 8 of FRBM Act, provided that the Public Expenditure Review Committee (PERC) shall consist of not more than five members with Professional expertise in the fields of Finance, Economics, Management, Planning, Administration, Account and Audit and Law.

The PERC constituted on 13 August 2014, consisted of experts in the field of economics (Dr. Indira Rajaraman and Shri Bibek Debroy), experts (Shri Vineet Mittal and Shri Anil Vaish) and Finance (Pr. Secretary). However there was no member as professional expertise from the field of Accounts and Audit and Law.

- After Gazette Notification (February 2006), meeting of the committee was held (May 2006) in which it was, *inter alia*, decided that the committee should meet at least once in three months. As per information furnished by the Finance Department (June 2015), meetings were held on 9 May 2013, 17 June 2013 and 23 April 2015 only, which showed that meetings were not held during the year 2014-15 and there was significant shortfalls in numbers of meetings held during previous years.

Despite curtailing its expenditure, State Government was unable to achieve zero revenue deficit as envisaged in the FRBM Act due to lesser collection of own tax receipts vis-à-vis targets. On the contrary, the revenue deficit increased from ₹ 1,039 crore (2013-14) to ₹ 3,215 crore (2014-15).

1.2.2 Budget Estimates and Actuals

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 the Budget Estimates (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 the control of the government.

A comparison of BE with actuals for the year 2014-15 is given in **Table 1.4** below and in ***Appendix 1.6***.

Table 1.4: Budget Estimates and Actuals for the year 2014-15

(₹ in crore)

Fiscal parameters	Budget Estimates	Actuals	Difference
1	2	3	4 (3-2)
Tax Revenue	40,655	38,673	(-) 1,982
Non-Tax Revenue	14,939	13,229	(-) 1,710
State's share of Union Taxes and Duties	22,756	19,817	(-) 2,939
Grants-in-aid from GoI	27,775	19,608	(-) 8,167
Revenue Receipts	1,06,125	91,327	(-) 14,798
Revenue Expenditure	1,05,387	94,542	(-) 10,845
Interest Payments	10,470	10,463	(-) 7
Capital Expenditure	20,565	16,103	(-) 4,462
Revenue Deficit(-) /Surplus (+)	(+) 738	(-) 3,215	(-) 3,953
Fiscal Deficit (-)	(-) 20,186	(-) 19,000	(+) 1,186
Primary Deficit (-)	(-) 9,716	(-) 8,537	(+) 1,179

Source: Finance Accounts and Budget Documents

Analysis of important parameters is given below:

1.2.2.1 Revenue Receipts

Revenue Receipts were lower by ₹ 14,798 crore (14 *per cent*) over BE due to lesser collection in State's Tax Revenue (inclusive of State's share of Union Taxes and Duties) by ₹ 4,921 crore (8 *per cent*), Non-Tax Revenue by ₹ 1,710 crore (11 *per cent*) and Grants-in-aid from GoI by ₹ 8,167 crore (29 *per cent*). In most of the categories of Tax Revenue Receipts, except State Excise, Taxes on Goods and Passengers and Other Taxes and Duties on Commodities and Services were less than BE. Non-tax Revenue were also less than BE due to less receipt of royalty from petroleum ₹ 1,725 crore (26 *per cent*).

1.2.2.2 Revenue Expenditure

Revenue Expenditure was ₹ 10,845 crore less than BE, mainly due to decline in expenditure of ₹ 3,299 crore under 'General Education'; ₹ 1,852 crore under 'Rural Employment'; ₹ 1,194 crore under 'Power'; ₹ 960 crore under 'Family Welfare'; ₹ 909 crore under 'Other Rural development Programme' and ₹ 696 crore under 'Medical and Public Health'.

1.2.2.3 Deficits

Against the targeted Revenue Surplus of ₹ 738 crore, there was Revenue Deficit[7] of ₹ 3,215 crore. This was mainly on account of lower revenue receipts as compared to the target set in BE. However, fiscal deficit[8] and primary deficit[9] were less by ₹ 1,186 crore and ₹ 1,179 crore respectively from BE.

1.2.2.4 Capital Expenditure

During 2014-15, the capital expenditure was ₹ 4,462 crore (22 *per cent*) less than BE, mainly due to decline in expenditure under Capital Outlay on Roads

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[7] Revenue Deficit = Revenue Expenditure - Revenue Receipts

[8] Fiscal Deficit= Revenue Expenditure + Capital Expenditure+ Net Loan and Advances - Revenue Receipts - Miscellaneous Capital Receipts.

[9] Primary Deficit= Fiscal Deficit- Interest payments.

and Bridges: ₹ 969 crore; Urban Development: ₹ 678 crore; Medical and Public Health: ₹ 590 crore; Road Transport: ₹ 300 crore; Nutrition: ₹ 288 crore; Major Irrigation: ₹ 204 crore and Public Works: ₹ 201 crore.

1.2.3 Schemes contemplated with Central Assistance under the State Plan but no expenditure incurred under them for want of adequate funds.

Centrally Sponsored Schemes (CSS) were being implemented by the Government of India (GoI) with the aim to build rural and urban infrastructure for providing basic services with the objective of increasing inclusiveness and reducing poverty. The ultimate objective behind CSS is to achieve broad-based improvement in the living standards of people. The GOI approved 66 CSS in the nature of Umbrella Schemes, after restructuring of existed centrally sponsored schemes in Annual Plan 2014-15. Further, the preface of the budget of the State Government for 2014-15 also confirmed that the Union Government had restructured CSS into 66 Schemes and decision was taken for 2014-15 and released the central contribution through consolidated fund of State Government in the form of "Central Assistance to State Plan". Out of 66 CSS Programmes/Schemes the Statement No. 15 of Annual Finance Account 2014-15 revealed financial position of 65 Schemes. The position of budget allocations and expenditure during 2014-15 under these 65 schemes is summarised in **Table 1.5**.

Table 1.5: Budget provision and actual expenditure in Centrally Sponsored Scheme

(₹ in crore)

No. of Programmes/ Scheme	Budget Estimate for State Plan	Central Assistance for State Plan	Amount released by GoI	Expenditure
65	27,403.37	20,799.11	13,654.49	19,340.70

It was observed that out of 65 schemes no expenditure was incurred against budget provision in four schemes (National River Conservation Project; *Pradhanmantri Aadarsh Gram Yojana*; National Handloom Development Programme and *Panchayat Yuva Krida aur Khel Abhiyan*).

Scrutiny of expenditure incurred under National River Conservation Project (started in 1985) revealed that no expenditure was incurred during 2014-15 despite budget provision of ₹ 28.58 crore kept in the State Plan. Department of Environment stated (October 2015) that nil expenditure during 2014-15 was due to non receipt of matching grant from Government of India. Reply was not tenable as the State Government should have pursued for financial mobilisation with a view to incur requisite expenditure under this ambitious programme.

1.2.4 Gender 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, the Government of Rajasthan (GoR) announced preparation of GRB which would enable gender based budget analysis of each department. Accordingly, a High Level Committee 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. One of the functions and objectives of GRB was consolidating budget scheme and facilitating integration of gender analysis in the Government Budget. Further, during August, 2010, Gender Desks in various Departments were also constituted with the intention of 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 were required to provide information in the format given in the Budget Circular issued by the Finance Department. This format requires classifying 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 *percent*
B	Schemes under which expenditure targeted at women lies between 30 *percent*-70 *percent*
C	Schemes under which expenditure targeted at women lies between 10 *percent*-30 *percent*
D	Schemes under which expenditure targeted at women is less than 10 *percent*

The details of category wise allocation during 2014-15, as per interim budget presented on 20 February 2014 in the State Legislature, was as shown below:

Category	Allocation (₹ in crore)
A	4,241.11
B	21,143.72
C	2,887.26
D	38.49
Total	**28,310.58**

In the modified budget 2014-15 (14 July 2014), annexure pertaining to information on GRB was missing. The Finance Department (FD) and Women and Child Development (WCD) Department informed that the requisite annexure was not printed and laid on the table of legislature. Though the matter was pursued with FD and WCD, the information was not made available and it could not be ascertained whether there was increase of proportionate finances for GRB in the modified budget in comparison to the interim budget. Nodal department (WCD) has also no information about expenditure incurred against each of the four categories.

Test check of expenditure in the BFC Gender Budgeting, Units of 'A' category involving budget of more than ₹ 10 crore, as appeared in annexure attached to interim budget 2014-15 presented in February 2014 revealed the following:

- ***Women and Child Development Department***

The "*Mission Gramaya Shakti*" (MGS) is an autonomous society registered under Rajasthan Society Registration Act, 1958 to strengthen women Self Help Groups, through clustering, capacity building and handholding of Self Help Groups and create channel of link with livelihood promoting programmes for overaching goals of women empowerment. Against the budget provision of ₹ 16.60 crore for this purpose, no expenditure was incurred, due to non-approval of work plan of '*Mission Gramya Shakti'* as intimated (September 2015) by the WCD.

- ***Primary Education Department***

Under Plan Scheme for upper primary schools for girls, a sum of ₹ 14.13 crore was estimated against which an expenditure of ₹ 0.12 crore only was incurred and ₹ 14.01 crore remained unutilised. The reason for non-utilisation of funds, as intimated (August 2015) by Department, was posts remaining vacant.

- ***Financial Inclusion Incentive Yojana (Bhamasah Financial Empowerment and Nari Samridhi Yojana)***

The *Bhamashah yojana* was launched by the State Government in 2008 for strengthening women, was closed in 2009 and restarted from 15 August 2014. It was observed that an amount of ₹ 25 crore was estimated for 2014-15 for incentive and honorarium to General, SC and ST families and for payment to service providers in the events of claims of '*Bhamashah Yojana 2008*'. Against this no expenditure was incurred. Planning (Institutional Finance) Department, intimated (August 2015) that the funds were surrendered as no decision could be taken about whether any payment of claims is due.

- ***Secondary Education Department***

Under a plan scheme of "Cycle distribution to girl students of class IX studying in Government schools of urban and rural areas", a sum of ₹ 60 crore was allotted during the year 2014-15, against which ₹ 20.44 crore was incurred and ₹ 39.56 crore remained unutilised. The department intimated (September 2015) that the amount could not be utilised due to delay in supply of cycles.

1.2.5 Major policy initiatives and the status of action taken on Budget Speech 2014-15

While presenting modified budget (July 2014) for the year 2014-15, the State Government announced several schemes/policies. The major policy initiatives and the status of action taken on them as intimated (July-September 2015) by the concerned departments are summarised in the following table:

Para No. of Budget speech	Name of Department	Brief announcements made in Budget speech	Status of action taken
77.	Medical Education	Establishment of (i) Tertiary Cancer Care Centre in Medical Colleges in Jhalawar and Bikaner Districts for research and treatment of cancer (₹ 45 crore) and (ii) State level Cancer Treatment and Research Centre in Medical College Hospital affiliated to Rajasthan University of Health Science, Jaipur (₹ 120 crore).	No funds were allotted during the year 2014-15.
78.	Medical Education	Under Phase-I, Super Specialty Wings will be established in hospitals attached with Bikaner, Udaipur and Kota Medical Colleges with an expenditure of ₹ 150 crore.	No funds were allotted during the year 2014-15.
79.	Medical and Health Department.	1,079 Sub Health Centre (SHCs) Buildings will be constructed, for which provision of ₹ 248.17 crore will be proposed.	₹ 151.91 crore approved in BE was reduced to ₹ 40 crore in RE, against which no expenditure was incurred, resultantly ₹ 99.41 crore was surrendered while ₹ 52.50 crore was re-appropriated.
87.	Education Department	Construction of 940 Government Primary Schools Buildings, 2,609 additional class rooms, 678 toilets for girls with water facility and 155 drinking water facilities with an expenditure of ₹ 303.32 crore under *Sarva Shiksha Abhiyaan* (SSA).	Expenditure of ₹ 184.95 crore was incurred as of 31.03.2015. Work was completed in respect of 256 Primary School Buildings; 1,490 additional classrooms; 634 toilets and 109 drinking water facilities. Land could not be made available/allotted for 112 primary schools.
120.	Tourism Department	(i) Special Development work of Sambhar area to provide basic tourist facilities, road construction, bird watching deck etc. with a cost of ₹ 37.65 crore.	Expenditure of ₹ 0.72 crore was incurred upto 31 March 2015 (against ₹ 37.65 crore).
		(ii) Development of Ranthambhore Sanctuary with a cost of ₹ 4.34 crore.	Expenditure of ₹ 0.51 crore was incurred upto 31 March 2015.
		(iii) Development of Jhalawar Fort and Gagron Fort with a cost of ₹ 4.92 crore each.	Expenditure of ₹ 0.48 crore and ₹ 0.28 crore only was incurred upto 31 March 2015 in respect of Jhalawar Fort and Gagron Fort respectively.
		(iv) Development of Deeg fort with a cost of ₹ 4.81 crore.	Expenditure of ₹ 0.26 crore only was incurred upto 31 March 2015.
		(v) Conservation, Development and Electrification of Muchkund in Dholpur with a cost of ₹ 4.61 crore.	The work could not be started as consultants were not appointed by executing agencies.

Thus, from the above it is seen that announcement regarding new initiations were taken without adequate preparatory work being done by the concerned department.

1.3 Resources of the State

- ***Resources of the State as per the Annual Finance Accounts***

Receipts of the State Government can be divided into two categories namely Revenue Receipts[10] and Capital Receipts[11]. Besides, funds available in the Public Account after disbursement are also utilised by the Government to finance its deficit. Following flowchart depicts the components and sub-components of state's resources:

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

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

Components and sub-components of resources

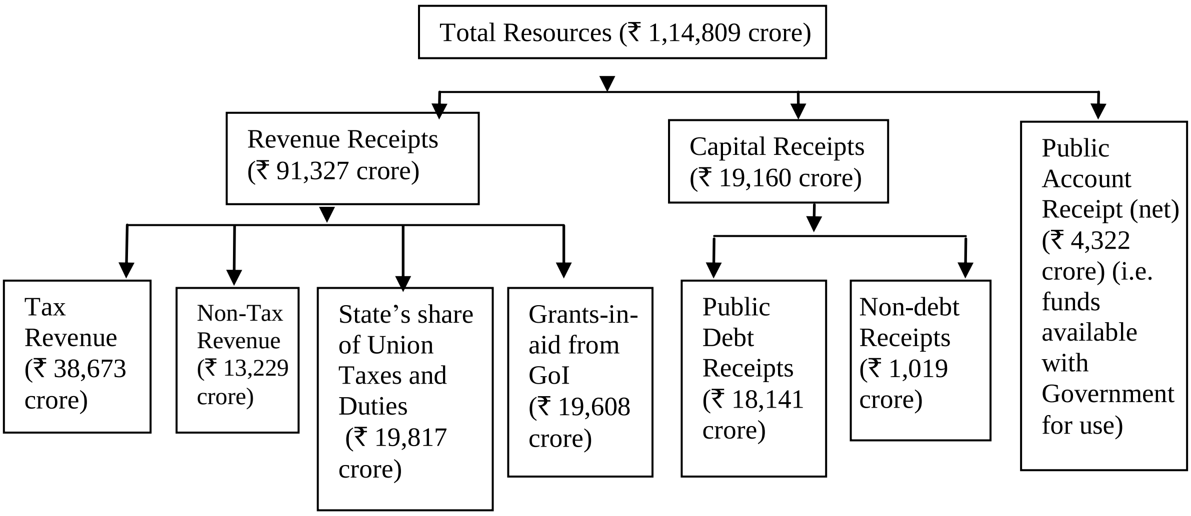
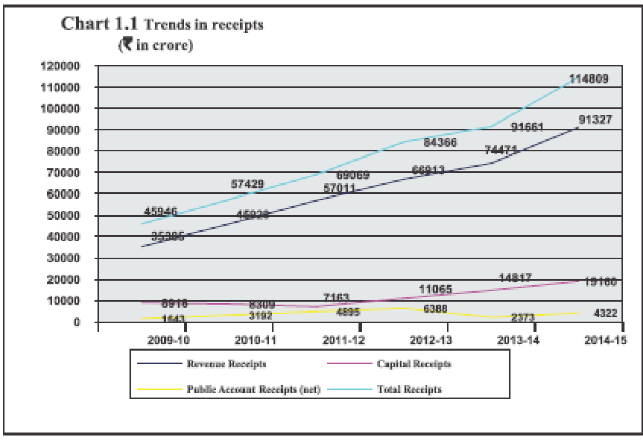
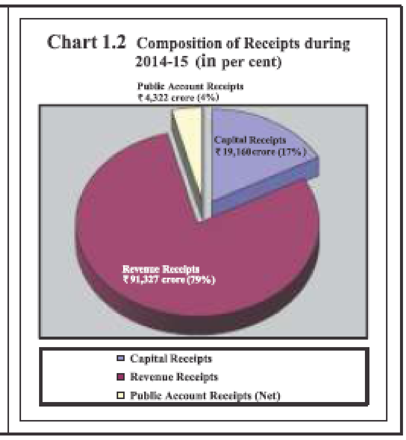


Chart 1.1 depicts the trends in various components of the receipts of the State during 2009-15 and **Chart 1.2** depicts the composition of resources of the State during the current year.





Source: Finance Accounts

During the year 2009-10 to 2014-15, total receipts (excluding Contingency Fund Receipts) increased from ₹ 45,946 crore in 2009-10 to ₹ 1,14,809 crore in 2014-15 recording annual growth rate of 20 *per cent*. In the current year these increased by ₹ 23,148 crore (25 *per cent*) over the previous year.

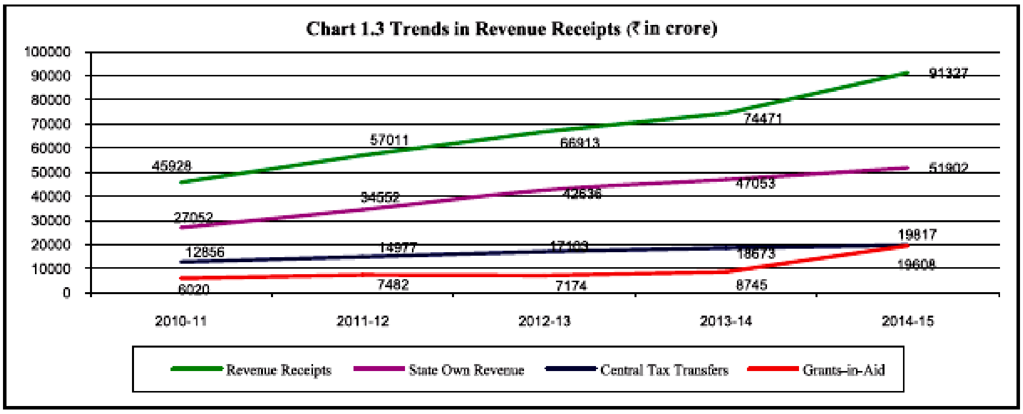
The share of revenue receipts in total receipts was 79 *per cent* during the year 2014-15. Further, details of Revenue Receipts are given in ***Paragraph 1.4.***

Public Account Receipts which refer to receipts for which the Government acts as a banker/trustee for the public money accounted for 4 *per cent* of total receipts during 2014-15. Net receipts of Public Account (₹ 4,322 crore) were mainly under Small Savings, Provident Funds, etc. (₹ 2,982 crore).

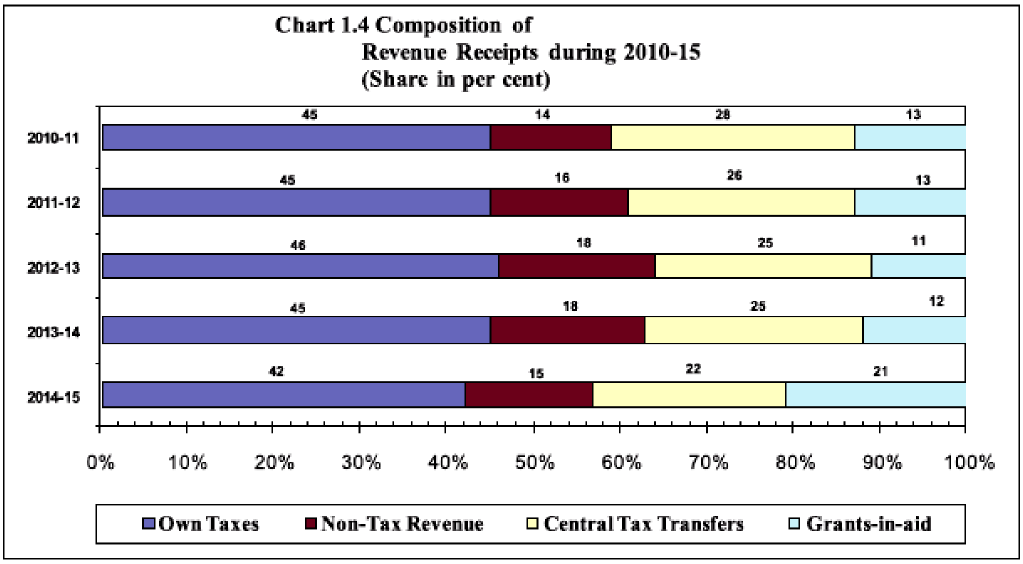
Capital Receipts increased from ₹ 8,918 crore in 2009-10 to ₹ 19,160 crore in 2014-15 with an annual growth rate of 17 *per cent* during the period and also accounted for 17 *per cent* of total receipts during the year 2014-15. Public Debt Receipts, which are the main constituent of Capital Receipts, increased by ₹ 3,650 crore from the previous year. Internal Debt and Loans and Advances from GoI are the two components of the Public Debt Receipts and constituted 96 *per cent* and 4 *per cent* respectively. There was a growth of 22 *per cent* and 207 *per cent* in Internal Debt and in Loans and Advances from GoI respectively over the previous year. This record growth of 207 *per cent* was mainly attributed to Loans for External Projects of ₹ 795 crore during 2014-15 which was ₹ 410 crore during the previous year.

1.4 Revenue Receipts

Statement 14 of the Finance Accounts, details the Revenue Receipts of the Government. Revenue Receipts consist of its Own Tax and Non-Tax Revenues, Central Tax transfers and Grants-in-aid from GoI. The trends and composition of Revenue Receipts over the period 2010-15 are presented in ***Appendix 1.3*** and also in **Chart 1.3** and **Chart 1.4** below:



Source: Finance Accounts



Source: Finance Accounts

Revenue Receipts increased at an annual rate of growth of 19 *per cent* from ₹ 45,928 crore in 2010-11 to ₹ 91,327 crore in 2014-15.

On an average, 61*per cent* of the revenue came from State's own resources during the period 2010-15 and the balance came from GoI as State's share of Union Taxes and Duties and Grants-in-aid.

State's own resources consist of Tax Revenue and Non-Tax Revenue. The share of Tax Revenue in Revenue Receipts ranged between 42 and 46 *per cent*, whereas the share of Non-Tax Revenue ranged between 14 and 18 *per cent* during the period 2010-15. However, the share of Own Tax Revenue in Revenue Receipts decreased from 63 *per cent* in 2013-14 to 57 *per cent* in 2014-15.

The trends in Revenue Receipts relative to GSDP are shown in **Table 1.6.**

Table 1.6: Trends in Revenue Receipts relative to GSDP

	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue Receipts (RR) (₹ in crore)	**45,928**	**57,011**	**66,913**	**74,471**	**91,327**
Rate of growth of RR (*per cent)*	29.8	24.1	17.4	11.3	22.6
Rate of growth of State's Own Tax *(per cent)*	26.5	22.3	20.2	9.8	15.5
RR/GSDP (*per cent)*	13.6	13.8	14.2	14.4	15.9
Buoyancy Ratios					
Revenue buoyancy w.r.t. GSDP	1.1	1.1	1.3	1.1	2.1
State's own Tax buoyancy w.r.t. GSDP	1.0	1.0	1.5	1.0	1.4
Revenue buoyancy w.r.t. State's Own Tax	1.1	1.1	0.9	1.2	1.5

Source: Finance Accounts

Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. As GSDP grows, the ability of the Government to mobilise its own Tax Revenue should also increase. Revenue buoyancy, which is directly proportionate to growth of Revenue Receipts and GSDP, widely fluctuated during the period due to fluctuations in the growth rate of Revenue Receipts. It increased to 2.1 in 2014-15 from 1.1 of the previous year, due to decision of GoI to transfer the funds to the State Implementing Agencies through the Consolidated Fund of the State.

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 XIII-FC and MTFPS are given in **Table 1.7** below:

Table 1.7: Tax and Non-Tax Revenue projection and Actuals for 2014-15

(₹ in crore)

	XIII-FC projections	Budget Estimates/ MTFPS	Actuals	Difference between Budget Estimates and Actuals	
				Amount	Per cent
Tax Revenue	32,460	40,655	38,673	(-) 1,982	4.9
Non-Tax Revenue	6,523	14,939	13,229	(-) 1,710	11.4

The Receipts under Tax Revenue and Non-Tax Revenue exceeded the normative assessment made by XIII-FC by 19 *per cent* (₹ 6,213 crore) and 103 *per cent* (₹ 6,706 crore) respectively. However, actual Receipts under Tax Revenue and Non-Tax Revenue were less than BE.

1.4.1.1 Tax Revenue

Taxes on Sales, Trade, etc. (63 *per cent)* were the main sources of the State's Tax Revenue, followed by State Excise (14 *per cent*), Stamps and Registration Fees (8 *per cent*) and Taxes on Vehicles (7 *per cent*). The component wise position of gross collection in respect of major taxes and duties is given in **Table 1.8** and **Chart 1.5** below**:**

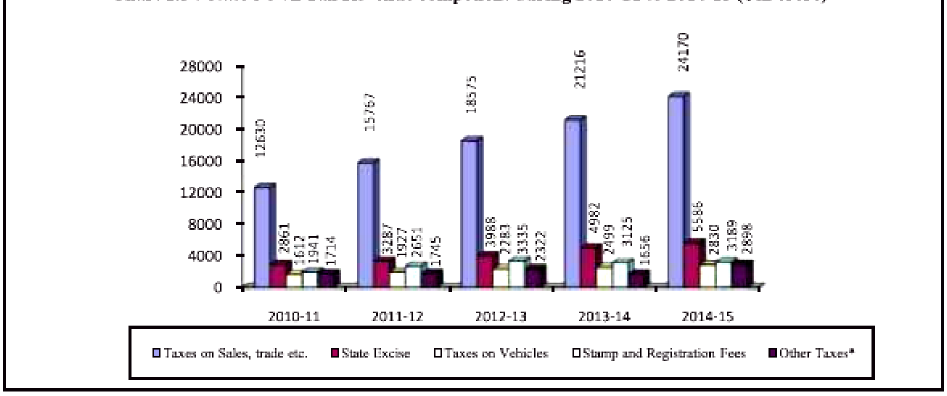
Table 1.8: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15	Rate of increase/ decrease over previous year
Taxes on Sales, Trade etc.	12,630	15,767	18,575	21,216	24,170	13.9
State Excise	2,861	3,287	3,988	4,982	5,586	12.1
Taxes on Vehicles	1,612	1,927	2,283	2,499	2,830	13.2
Stamps and Registration Fees	1,941	2,651	3,335	3,125	3,189	2.0
Land Revenue	222	209	304	338	289	(-) 14.5
Taxes on Goods and Passengers	231	220	249	288	956	231.9
Other Taxes[12]	1,261	1,316	1,769	1,030	1,653	60.5
Total	**20,758**	**25,377**	**30,503**	**33,478**	**38,673**	**15.5**

Source: Finance Accounts for the respective years

Chart 1.5 : State's own Tax Revenue component during 2010-11 to 2014-15 (₹ in crore)



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.**

During 2014-15, the Receipts from Taxes on Sales, Trade, etc. contributed a major share of Tax Revenue (63 *per cent*), and recorded a 14 *per cent* increase over the previous year. Its growth rate was equal to the previous year's growth rate.

During 2014-15, State Excise increased by 12 *per cent* over the previous year. The growth rate of State Excise declined by 13 percentage points from the previous year 2013-14 (25 *per cent)* mainly due to decline in growth rate

[12] Other Taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and taxes on agricultural income.

of receipts under sale of foreign liquors and spirits and services and service fees.

Taxes on Goods and Passengers recorded growth of 232 *per cent* over the previous year by increasing to ₹ 956 crore during 2014-15 from ₹ 282 crore of previous year.

1.4.1.2 Non-Tax Revenue

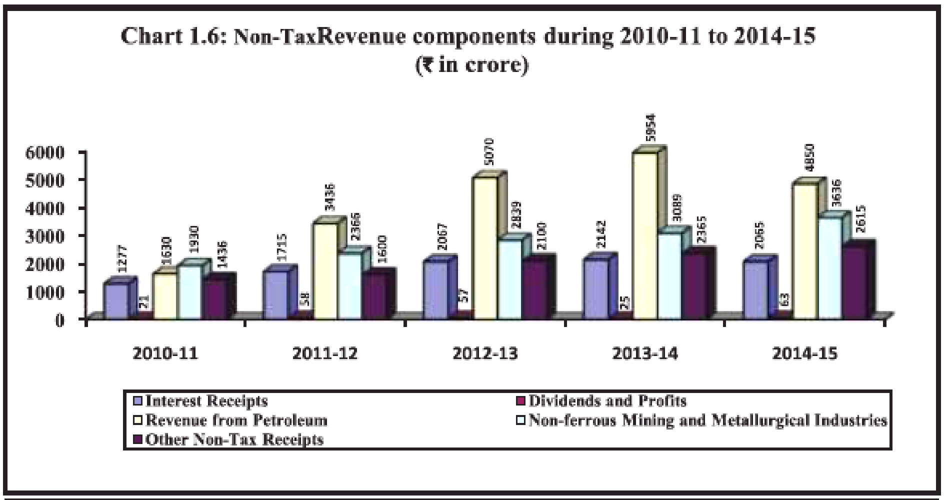
The trends in major constituents of Non-Tax Revenue during the period 2010-15 are shown in **Table 1.9** and **Chart 1.6** below**:**

Table 1.9: Components of Non-Tax Revenue

(₹ in crore)

Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15	Rate of increase/ decrease over the previous year
Interest Receipts	1,277	1,715	2,067	2,142	2,065	(-) 3.6
Dividends and Profits	21	58	57	25	63	152.0
Revenue from Petroleum[13]	1,630	3,436	5,070	5,954	4,850	(-) 18.5
Non-ferrous Mining and Metallurgical Industries	1,930	2,366	2,839	3,089	3,636	17.7
Other Non-Tax Receipts	1,436	1,600	2,100	2,365	2,615	10.5
Total	**6,294**	**9,175**	**12,133**	**13,575**	**13,229**	**(-) 2.5**

Source: Finance Accounts



Non-Tax Revenue (₹ 13,229 crore) which constituted 15 *per cent* of total Revenue Receipts in 2014-15 decreased by 2.5 *per cent* (₹ 346 crore) over the previous year. Petroleum Receipts decreased by ₹ 1,104 crore, due to receipt of less royalty on crude oil. There was marginal decline in Interest Receipts also.

Returns on investment increased from 0.1 *per cent* in 2013-14 to 0.2 *per cent* in 2014-15. Further details are given in ***Paragraph 1.9.3***.

[13] Revenue from crude oil produced in Barmer-Sanchor basin.

1.4.1.3 *Cost recovery from Socio-Economic Services*

The ratio of Non-Tax Revenue Receipts (NTRR) to Non-Plan Revenue Expenditure (NPRE) is considered as an indicator of cost recovery from Socio-Economic Services. The details of recovery of current cost as ratio of NTRR to NPRE in respect of Elementary Education, Medical and Public Health, Water Supply and Sanitation, Major, Medium and Minor Irrigation and Roads and Bridges during 2013-14 and 2014-15 are given in **Table1.10.**

Table 1.10: Cost recovery from Socio-Economic Services

(₹ in crore)

S. No.	Service	2013-14			2014-15		
		NTRR in respective services	NPRE in respective services	Cost Recovery (*per cent*)	NTRR in respective services	NPRE in respective services	Cost Recovery (*per cent*)
1	Elementary Education	27.68	6,458.39	0.43	19.30	7,121.83	0.27
2	Medical and Public Health	65.61	2,664.95	2.46	116.43	2,982.83	3.90
3	Water Supply and Sanitation	254.84	1,836.64	13.88	275.80	2,072.61	13.31
4	Major, Medium and Minor Irrigation	92.49	516.16[14]	17.92	81.41	501.87[14]	16.22
5	Roads and Bridges	4.15	934.27	0.44	7.12	975.79	0.73

Source: Finance Accounts

In Irrigation Sector, receipts declined by 12 *per cent* in 2014-15 from previous year, whereas actual cost recovered decreased by 1.70 percentage points from the previous year. Thus, as against the normative assessment of 42 *per cent* made by XIII-FC for irrigation, actual cost recovered as a percentage worked out to 16.22 *per cent*.

1.4.2 *Grants-in-aid from GoI*

Grants-in-aid from GoI increased from ₹ 6,020 crore in 2010-11 to ₹ 19,608 crore in 2014-15 as shown in **Table 1.11** below**:**

Table 1.11: Grants-in-aid from GoI

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan Grants	1,716	2,901	2,675	3,551	4,527
Grants for State Plan Schemes	2,488	2,416	2,316	2,993	14,885
Grants for Central Plan Schemes	165	166	92	135	196
Grants for Centrally Sponsored Schemes	1,651	1,999	2,091	2,066	-
Total	**6,020**	**7,482**	**7,174**	**8,745**	**19,608**
Rate of increase over previous year	16.8	24.3	(-) 4.1	21.9	124.2
Total grants as a percentage of Revenue Receipts	13.1	13.1	10.7	11.7	21.5

Source: Finance Accounts

Grants-in-aid from GoI increased by 124 *per cent* during 2014-15 over previous year. This was mainly due to receipts of funds for State IAs through Consolidated Fund of the State under State Plan Schemes.

14 Excluding notional adjustment of interest expenditure 2013-14: ₹ 1,055.63 crore and 2014-15: ₹ 1,124.13 crore

1.4.3 Central Tax transfers

The XIII-FC recommended 32 *per cent* share of States in Central Taxes. The share of the State in the net proceeds of Central Tax and net proceeds of Service Tax were fixed at 5.85 *per cent* and 5.95 *per cent*, respectively.

During 2014-15, Central Tax Transfers increased by ₹ 1,144 crore over previous year and constituted 22 *per cent* of Revenue Receipts mainly under Taxes on Income other than Corporation Tax (₹ 807 crore).

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

The Central Government had been transferring a sizeable quantum of funds directly to the State Implementing Agencies (IAs)[15] for the implementation of various schemes/programmes in the social and economic sector. As these 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, were not representing the whole picture.

The Government of India decided that from the year 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 from 2014-15 onwards.

During the year, central funds of ₹ 561.46 crore were transferred directly to the State IAs for implementation of programmes/schemes. Out of this GoI transferred ₹ 138 crore for M.P. Local Area Development, ₹ 113.30 crore for Renewable Energy, ₹ 82 crore for *Pradhan Mantri Swasthya Suraksha Yojana* and ₹ 26.66 crore for Man Power Development. Details of funds directly transferred to State IAs are presented in ***Appendix 1.7.***

1.4.5 Optimisation of grants

Optimisation of **XIII-FC** *grants*

As per recommendations of Thirteenth Finance Commission (XIII-FC), Government of India (GoI) allocated grant-in-aid of ₹ 12,950 crore to GoR which was to be utilised during 2010-15. In pursuance of guidelines of GoI about XIII-FC and terms and conditions laid for release and utilization of Grant in Aid, State Government constituted (June 2010) a High Level Monitoring Committee (HLMC) headed by the Chief Secretary to ensure proper utilisation of grant-in-aid. GoI released ₹ 12,270.80 crore to State Government during 2010-15. Against this, State Government incurred an expenditure of ₹ 12,352.66 crore during XIII-FC period. Details are indicated in **Table 1.12** below:

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

Table 1.12: Transfers recommended and actual release of Grants-in-aid

(₹ in crore)

S. No.	Transfers	Recommendation of the XIII-FC 2010-15	Actual Release during 2010-15	Short (-) / Excess release	Actual Expenditure during 2010-15	Unutilised amount/Excess expenditure (-)
1	2	3	4	(3-4)=5	6	(4-6)=7
(1)	**Local Bodies**					
	(i) Grants to PRIs	3,938.64	3,963.43	24.79	3,963.43	0.00
	(a) General Basic Grant	*2,575.24*	*2,609.27*	*34.03*	*2,609.27*	0.00
	(b) General Performance Grants to PRIs	*1,363.40*	*1,354.16*	*(-) 9.24*	*1,354.16*	0.00
	(ii) Grants to ULBs	1,194.26	1,266.28	72.02	1,266.28	0.00
	(a) General Basic Grant	*780.86*	*791.17*	10.31	*791.17*	0.00
	(b) General Performance Grants to ULBs	*413.40*	*475.11*	61.71	*475.11*	0.00
	(iii) Special Areas Grants	30.90	32.32	1.42	32.32	0.00
	(a) Special Areas Basic Grants	*18.20*	*18.00*	(-) 0.20	*18.00*	0.00
	(b) Special Areas Performance Grants	*12.70*	*14.32*	1.62	*14.32*	0.00
	Total (1)	**5,163.80**	**5,262.03**	**98.23**	**5,262.03**	**0.00**
(2)	**Disaster Relief**					
	(i) Disaster Relief Fund	2,489.30	2,489.27	(-) 0.03	2,489.27	0.00
	(ii) Capacity Building	30.00	18.00	(-) 12.00	16.05	1.95
	Total (2)	**2,519.30**	**2,507.27**	**(-) 12.03**	**2,505.32**	**1.95**
(3)	**Improving Outcome Grants**					
	(i) Improvement in Supply of Justice	268.51	121.94	(-) 146.57	87.87	34.07
	(ii) Incentive for Issuing UIDs	134.90	30.79	(-) 104.11	0.58	30.21
	(iii) District Innovation Fund	33.00	16.50	(-) 16.50	15.13	1.37
	(iv) Improvement of Statistical Systems of State and District Level	33.00	19.80	(-) 13.20	12.93	6.87
	(v) Employee and Pension Database	10.00	10.00	0.00	4.15	5.85
	Total (3)	**479.41**	**199.03**	**(-) 280.38**	**120.66**	**78.37**
(4)	**Environment related grants**					
	(i) Protection of Forests	88.32	88.32	0.00	86.71	1.61
	(ii) Water Sector Management	224.00	56.00	(-) 168.00	0.00	56.00
	Total (4)	**312.32**	**144.32**	**(-) 168.00**	**86.71**	**57.61**
(5)	**Elementary Education**	**1,766.00**	**1,766.00**	**0.00**	**1,766.00**	**0.00**
(6)	**Roads and Bridges**	**1,509.00**	**1,509.00**	**0.00**	**1,508.99**	**0.01**
(7)	**State specific grants**					
	(i) Drinking Water	500.00	339.37	(-) 160.63	474.27	(-) 134.90
	(ii) Irrigation	300.00	264.42	(-) 35.58	291.88	(-) 27.46
	(iii) Public Health Infrastructure Development	150.00	75.17	(-) 74.83	95.97	(-) 20.80
	(iv) Highways	150.00	150.00	0.00	145.49	4.51
	(v) Training of police, prison personnel and home guards	100.00	54.19	(-) 45.81	95.34	(-) 41.15
	Total (7)	**1,200.00**	**883.15**	**(-) 316.85**	**1102.95**	**(-) 219.80**
	Grand Total (1 to 7)	**12,949.83**	**12,270.80**	**(-) 679.03**	**12,352.66**	**(-) 81.86**

Source: XIII-FC Report

Audit test checked records of five Departments (Information Technology and Communication, Home, Medical and Health, Law and Legal Affairs, and

Water Resources Departments), which had major allotment of Grant in Aid. Deficiencies and irregularities revealed are summarized below:

- In Information Technology and Communication Department, against the grant of ₹ 134.90 crore for incentivising citizens at the rate of ₹ 100 per person below the poverty line (BPL) to register for Unique Identification (UID), first installment (₹ 13.49 crore) was released in July 2010, and second installment (₹ 17.30 crore) in March 2015. Thus during the award period 2010-15, grant of ₹ 30.79 crore only was received by State Government.

Audit observed that despite release of ₹ 13.49 crore in July 2010, Department transferred this grant to M/s RAJCOMP Information Services Limited in December 2014, for identification and enrollment of BPL citizens. Moreover, Department did not formulate any process for collection of information of BPL citizens due to which grant was not utilized till November 2014. Out of this grant (₹ 13.49 crore), RAJCOMP actually utilized only ₹ 57.52 lakh, though the State Government sent (13 March 2015) Utilization Certificate for full amount to secure further installment.

Thus, besides non-receipt of grant of ₹ 104.11 crore due to laxity on the part of State Government in identification of BPL citizens, second installment of the grant (₹ 17.30 crore) could also not be utilized, for which the State Government made specific request to GoI (June 2015) for utilising it in 2015-16.

- In Home Department, against the grant of ₹ 100 crore (Para 12.274) for strengthening training infrastructure for various departments such as Police, Home Guards, Jails and Civil Defence under State Specific Need, action plan of ₹ 102.00 crore was approved for Police Department (₹ 62 crore), Civil Defence and Home Guard Department (₹ 20 crore), Jail Department (₹ 15 crore) and State Forensic Laboratory (₹ 5 core). Against this, the GoI released ₹ 54.19 crore during the award period 2010-15 (January 2012: ₹ 26.56 crore and February 2015: ₹ 27.63 crore). The Home Department incurred ₹ 95.34 crore[16] during the period 2011-15. It was noticed that first consolidated Utilisation Certificate of ₹ 28.85 crore was submitted to GoI, as late as 30 May 2014.

Thus, besides non receipt of ₹ 45.81 crore, due to significant delay in utilisation of XIII-FC grant, excess expenditure of ₹ 41.15 crore was also incurred without receipt of further grants.

- In Law and Legal Department, against the Grant-in-aid of ₹ 268.51 crore for improving Justice Delivery in the State by increasing number of court working hours, supporting Lok Adalats, promoting Alternate Dispute Resolution (ADR) and enhancing capacity building in judicial system etc., GoI released grant of ₹ 121.94 crore (₹ 53.70 crore: 2010-11, ₹ 26.85 crore: 2011-12, ₹ 23.80 crore: 2013-14 and ₹ 17.59 crore: 2014-15). Against this,

[16] 2011-12: ₹ 1.52 crore; 2012-13: ₹ 8.72 crore; 2013-14: ₹ 22.90 crore and 2014-15: ₹ 62.20 crore.

utilisation was ₹ 87.87 crore[17] only up to end of financial year 2014-15. Continued and significant balances of unutilised grants at the end of each year of award period shows failure of the department in utilising the grant and non receipt of recommended grant of ₹ 146.57 crore (₹ 268.51 crore - ₹ 121.94 crore). The shortfall in utilisation of grant was mainly in components like operation of morning/evening courts (100 *per cent),* capacity building in judicial system (65.59 *per cent)* and maintenance of Heritage Court Buildings (70.58 *per cent).*

Department stated (May-June 2015) that morning/evening courts could not materialise due to policy matters, grants for capacity building could not be utilised due to non completion of Academy Bhawan leading to non-conducting of national seminar and non-purchase of law books, furniture, legal software etc., grant for heritage court building could not be utilized due to non-conferring of rights of DDO to PWD and slow progress by PWD etc. The reply was not acceptable as there was ample period of five years to utilise the grant. Issues of pursuance and monitoring should have been identified and remedial action should have been taken accordingly. The fact remains that there was non-utilisation and deprival of grant of ₹ 34.07 crore and ₹ 146.57 crore respectively.

- In Medical and Health Department, against the grant of ₹ 150 crore for strengthening of infrastructure in public hospitals including diagnostic equipments and generators, HLMC in its meeting (12 October 2011) approved the working plan of ₹ 150 crore[18] for the period 2011-15. GoI released ₹ 75.17 crore (2011-12: ₹ 37.50 crore and 2013-14: ₹ 37.67 crore). DMHS incurred an expenditure of ₹ 95.97 crore[19] upto 2014-15 and submitted (February 2015) UC of ₹ 74 crore. Thus, due to non utilization of the grants within time and as per approved plan, State Government was deprived of XIII-FC grant of ₹ 74.83 crore.

- In Water Resource Department, against the grant of ₹ 224 crore for Water Sector Management, to meet non salary maintenance of public Major and Medium irrigation and Minor irrigation schemes, GoI released ₹ 56 crore (₹ 28 crore: September 2011 and ₹ 28 crore: January 2012) for the year 2011-12 and no further installments were received by the State Government. Finance Department issued directions (01 April 2011) not to utilize budget provisions (₹ 56 crore) till further orders. However, no orders were issued by Finance Department and the grant received from GoI remained unutilized (March 2015).

Thus, due to laxity in taking timely action within the available period of about four years, led not only to non utilization of the grant of ₹ 56 crore released by GoI in 2011-12 but also deprived the State Government from further grant of ₹ 168 crore.

[17] 2010-11: ₹ 8.82 crore; 2011-12: ₹ 8.95 crore; 2012-13: ₹ 16.84 crore; 2013-14: ₹ 22.92 crore and 2014-15: ₹ 30.34 crore.

[18] 2011-12: ₹ 37.50 crore; 2012-13: ₹ 37.67 crore; 2013-14: ₹ 39.56 crore and 2014-15: ₹ 35.27 crore.

[19] 2011-12: ₹ 7.28 crore; 2012-13: ₹ 17.94 crore; 2013-14: ₹ 39.30 crore and 2014-15: ₹ 31.45 crore.

During 2010-15, it revealed irregularities in non-receipts/deprival of grants of ₹ 539.32 crore* in above departments.

The State Government should monitor release and utilisation of grant by GoI under FC more effectively to ensure that the grants are utilized in effective and timely manner for the intended purposes.

1.4.6 Revenue forgone

Scrutiny of information received from Departments revealed following position about the revenue foregone under various taxes during 2014-15:-

(i) Transport Department waived payment of motor vehicle tax, special road tax, surcharge and lump sum tax of ₹ 1.98 crore on (a) all passenger vehicles of other States coming and going for *Urs* in Ajmer (₹ one crore[20]) and Ramdevra fare in Jaisalmer (₹ 0.93 crore[21]) and (b) Vehicles of St. Jude India Child Care Centres (₹ 0.01 crore[22]), Iskon Food Relief Foundation (₹ 0.03 crore[23]) and *Maa Madhuri Brij Varis Seva Sadan "Apna Ghar*" Bharatpur (₹ 0.01 crore[24]).

(ii) Department of Stamps and Registration issued 43 notifications (July: 12; August: 04; September: 03; October: 03; November: 01; December: 01; January: 03; February: 01 and March: 15) regarding exemption of Stamp Duty on various deeds and documents executed during registration of sale of lands, gift, donations, allotment/sale of lands by local bodies, allotment of shares conversion of lands etc. With a view to ascertain the monetary value of revenue foregone the Department of Stamps and Registrations was asked to give details of the amount waived as a result of aforesaid notifications. However, the Department replied (October 2015) that it was not possible to give the consolidated information as their subordinate circle offices did not maintain the information in a classified manner.

(iii) Department of Mines and Geology waived ₹ 26.30 crore in 1519 cases under "Departmental Dues and Interest on Dues Amnesty scheme 2014" (January 2015) which covered cases of all the dues arising as a result of royalty, penalty etc. in connection with dead rent, royalty excess, mining from borrowed land pertaining to period prior to 31.03.2012.

(iv) Commercial Taxes Department waived ₹ 6.68 crore to 405 beneficiaries under Section 51 of Rajasthan Value Added Tax Act, 2003.

1.5 Capital Receipts

The trends in growth and composition of Capital Receipts during 2010-15 is shown in **Table 1.13** below:

* Information Technology and Communication Department (₹ 104.11 crore), Home Department (₹ 45.81 crore), Medical and Health Department (₹ 74.83 crore), Law and Legal Affairs Department (₹ 146.57 crore) and Water Resources Department (₹ 168 crore).

[20] Notification/ Order No. F.6 (96) Trans./ Tax/Exemp./10 dated 28.04.2014.

[21] Notification/ Order No. F.6 (75) Trans./ Tax/Exemp./08 dated 20.08.2014.

[22] Notification/ Order No. F.6 (64) Trans./ Tax/Exemp./05 dated 15.12.2014.

[23] Notification/ Order No. F.6 (123) Trans./ Tax/Exemp./05 dated 09.02.2015.

[24] Notification/ Order No. F.6 (62) Trans./ Tax/Exemp./10 dated 09.03.2015.

Table 1.13: Trends in growth and composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Receipts (CR)	**8,309**	**7,163**	**11,065**	**14,817**	**19,160**
Miscellaneous Capital Receipts	13	16	8	10	15
Recoveries of Loans and Advances	319	1,229	1,102	316	1,004
Public Debt Receipts	7,977	5,918	9,955	14,491	18,141
Rate of growth of Debt Receipts (*per cent*)	- 9.3	- 25.8	68.2	45.6	25.2
Rate of growth of Non-Debt Receipts (*per cent*)	174.4	275.0	- 10.8	- 70.6	212.6
Rate of growth of GSDP (*per cent*)	27.3	22.4	13.5	10.1	11.0
Rate of growth of CR (*per cent*)	- 6.8	- 13.8	54.5	33.9	29.3

Source: Finance Accounts

1.5.1 Capital Receipts

Capital Receipts (debt and non-debt receipts) of the State increased at an annual growth rate of 23 *per cent* from 2010-11 to 2014-15. They increased by 29 *per cent* during 2014-15 over the previous year.

1.5.2 Recovery of Loans and Advances

Recovery of loans and advances increased by ₹ 688 crore during 2014-15 as compared to previous year, due to more recovery mainly from Ajmer *Vidyut Vitaran Nigam* Limited, Jodhpur *Vidyut Vitaran Nigam* Limited and Jaipur *Vidyut Vitaran Nigam* Limited.

1.5.3 Debt Receipts from internal sources/Public Debt Receipts

During 2014-15, the internal debt receipts i.e. market loans, borrowings from financial institutions, banks, etc. under Public Debt Receipts increased by 21.9 *per cent* (₹ 3,114 crore) over the previous year, of which market loan receipts increased by ₹ 3,500 crore (39.8 *per cent*) over the previous year.

1.5.4 Loans and Advances from GoI

During 2014-15, the receipt of loans and advances from GoI (₹ 795 crore on account of Loans for External Projects) increased by 207 *per cent* (₹ 536 crore) over the previous year, mainly under loans for State/Union Territory Plan Schemes.

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 are given in **Table 1.14:**

Table 1.14: Components of Public Account Receipts

(₹ in crore)

Resources under various heads	2010-11	2011-12	2012-13	2013-14	2014-15
a. Small Savings, Provident Fund, etc.	5,130	5,630	7,171	6,311	7,082
b. Reserve Funds	873	1,638	1,568	2,233	1,724
c. Deposits and Advances	1,07,666	1,14,301	1,40,748	89,436	1,07,067
d. Suspense and Miscellaneous	11	27	43	91	22
e. Remittances	5,810	5,619	7,033	9,908	10,487[25]
Total	**1,19,490**	**1,27,215**	**1,56,563**	**1,07,979**	**1,26,382**

Source: Finance Accounts

Public Debt Receipts increased by ₹ 18,403 crore (17 *per cent*) during 2014-15 over the previous year. The increase was mainly under Deposits and Advances by ₹ 17,631 crore.

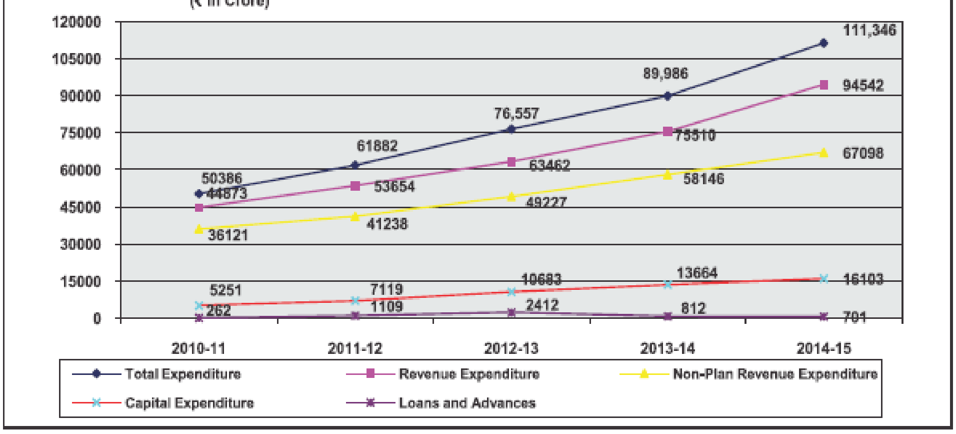
1.7 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance as major expenditure responsibilities are entrusted with 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.

1.7.1 Total Expenditure

Chart 1.7 below, presents the trends in total expenditure over a period of five years (2010-15) and **Chart 1.8** depicts its composition in terms of 'economic classification'.

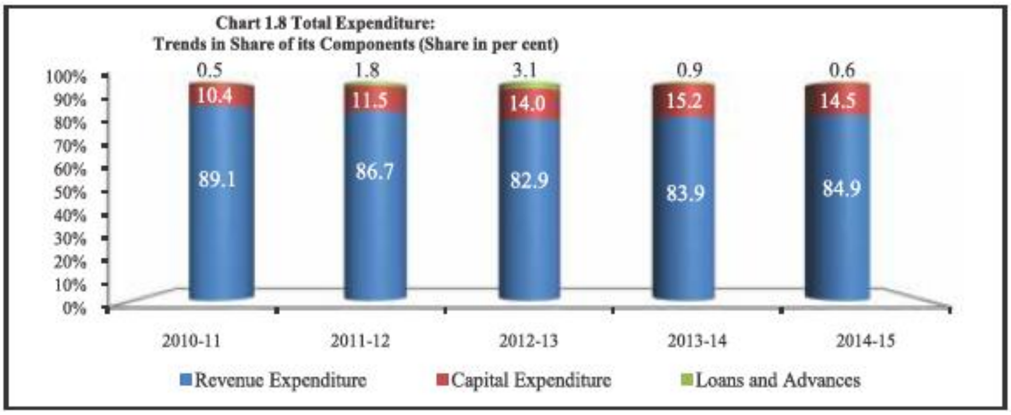
Chart 1.7 Total Expenditure : Trends and Composition
(₹ in Crore)



Source: Finance Accounts

25 It included Cash Remittances between Treasuries and Currency Chests: ₹ 169.84 crore: Public Works Remittances: ₹ 9,992.59 crore and Forest Remittances: ₹ 325.21 crore.

Total expenditure of the State increased at an annual growth rate of 22 *per cent* during 2010-11 to 2014-15. During 2014-15, total expenditure increased by 24 *per cent* over the previous year.



Revenue Expenditure

Revenue Expenditure constitutes a major portion of total expenditure. It 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 85 *per cent* of the total expenditure during 2014-15. It increased at an annual growth rate of 20 *per cent* from ₹ 44,873 crore in 2010-11 to ₹ 94,542 crore in 2014-15. During 2014-15, the revenue expenditure increased by 25 *per cent* (₹ 19,032 crore) over the previous year mainly under General Education (₹ 4,057 crore), Rural Employment (₹ 3,308 crore), Power (₹ 1,896 crore) and Pensions and Other Retirement Benefits (₹ 1,828 crore).

Capital Expenditure

Capital expenditure increased at an annual growth rate of 32 *per cent* from ₹ 5,251 crore in 2010-11 to ₹ 16,103 crore in 2014-15. During 2014-15, capital expenditure increased by 18 *per cent* (₹ 2,439 crore) over the previous year mainly under Capital Outlay on Water Supply and Sanitation (₹ 1,737 crore) and on Roads and Bridges (₹ 479 crore). The percentage share of capital expenditure over total expenditure increased from 10.4 *per cent* in 2010-11 to 14.5 *per cent* during 2014-15.

1.7.2 Balance from Current Revenue[26]

Revenue Receipts (excluding plan assistance received from GoI) of ₹ 76,246 crore (₹ 91,327 crore - ₹ 14,885 crore - ₹ 196 crore) ***(Appendix 1.4)*** exceeded NPRE of ₹ 67,098 crore **(Chart 1.7)** by ₹ 9,148 crore, indicating that plan assistance was not utilised to meet NPRE, which is a positive indicator.

[26] Balance from Current Revenue means 'Revenue Receipts **minus** all Plan Grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the Major Head 2048'.

1.7.3 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.15** below present the trends in the expenditure on these components during 2010-2015.

Table-1.15: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15
Salaries and Wages - Non-Plan Head	13,730	14,829	16,825	19,290	21,466
Salaries and Wages - Plan Head*	840	1,018	770	1,314	2,032
Total Salaries and Wages	14,570 (31.7)	15,847 (27.8)	17,595 (26.3)	20,604 (27.7)	23,498** (25.7)
Interest Payments	7,369 (16.0)	7,892 (13.8)	8,340 (12.5)	9,063 (12.2)	10,463 (11.5)
Expenditure on Pensions	5,151 (11.2)	5,920 (10.4)	6,858 (10.2)	7,801 (10.5)	9,629 (10.6)
Subsidies	2,227 (4.8)	3,200 (5.6)	5,464 (8.2)	6,940 (9.3)	8,626 (9.4)
Total Committed Expenditure	**29,317 (63.8)**	**32,859 (57.6)**	**38,257 (57.2)**	**44,408 (59.6)**	**52,216 (57.2)**
Other Components	15,556 (33.9)	20,795 (36.5)	25,205 (37.7)	31,102 (41.8)	42,326*** (46.3)
Total Revenue Expenditure	**44,873**	**53,654**	**63,462**	**75,510**	**94,542**
Revenue Receipts	**45,928**	**57,011**	**66,913**	**74,471**	**91,327**
Committed Expenditure as percentage of Revenue Expenditure	66.7	61.2	60.3	58.8	55.2

Note: Figures in parentheses indicate percentage to Revenue Receipts.
* Plan Head also includes the Salaries and Wages paid under Centrally Sponsored Schemes.
** Salaries: ₹ 23,020 crore and Wages ₹ 478 crore.
*** Includes expenditure on financial assistance (Grants-in-aid): ₹ 20,084 crore; Grants-in-aid General (Salaries): ₹ 8,245 crore; Transfer to funds: ₹ 1,912 crore; and Maintenance: ₹ 469 crore.

Source: Finance Accounts

The State Government managed to reduce the share of committed expenditure in total Revenue Expenditure from 67 *per cent* in 2010-11 to 55 *per cent* in 2014-15.

1.7.3.1 Salaries and Wages

The expenditure on Salaries and Wages increased at an annual growth rate of 13 *per cent* from ₹ 14,570 crore in 2010-11 to ₹ 23,498 crore in 2014-15. During 2014-15, expenditure on Salaries and Wages increased by 14 *per cent* over previous year. This was 8 percentage points higher than that recommended (6 *per cent*) by XIII-FC[27]. It was also higher than the assessment made by the State Government in MTFPS by ₹ 255 crore**.**

[27] XIII-FC Report Para No. 7.60.

1.7.3.2 Pension payments

- ***General***

The expenditure on overall pension payments increased at an annual growth rate of 17 *per cent* from ₹ 5,151 crore in 2010-11 to ₹ 9,629 crore[28] in 2014-15. During 2014-15, expenditure on pension payments recorded a growth of 23 *per cent* over the previous year due to increase (4.4 *per cent*) in total number of pensioners by 15,440[29]. A comparative analysis of actual pension payments, with the assessment/ projection made by XIII-FC and State Government in MTFPS, shows that actual pension payment (₹ 9,629 crore) exceeded the normative assessment made by XIII-FC by 82 *per cent* but was marginally lower than the assessment made by the State Government in MTFPS by 6.5 *per cent*. The expenditure on pension and other retirement benefits to State Government employees was 10.2 *per cent* of total revenue expenditure.

- ***Contributory Pension Scheme***

The State Government has switched over to the New Pension Scheme with effect from January 2004. In terms of the Scheme, the employee contributes 10 *per cent* of basic pay and dearness allowances, which is matched by the State Government, and the entire amount is transferred to the Public Account under Head of Account '8342 Other Deposits-117 Defined Contribution Pension Scheme' pertaining to All India Services officers and sub head (03) under Head of Account '8011 Insurance and Pension Funds- 106 Other Insurance and Pension Funds' for other State Government employees and thereafter remitted to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank. During the year 2014-15 the State Government received ₹ 364.33 crore towards employees' contributions but contributed ₹ 356.12 crore only as employer's share, resulting a shortfall of ₹ 8.21 crore in respect of both the categories of employees.

1.7.3.3 Interest payments

Interest payments increased at an annual growth rate by 9 *per cent* from ₹ 7,369 crore in 2010-11 to ₹ 10,463 crore in 2014-15 and by 15 *per cent* over the previous year (₹ 9,063 crore). Major components were interest on Internal Debt (₹ 7,146 crore), Interest on Small Savings, Provident Fund etc. (₹ 2,708 crore) and Interest on Loans and Advances from Central Government (₹ 474 crore).

Interest on Internal Debt which included market loans, increased by 20 *per cent* from ₹ 5,972 crore in 2013-14 to ₹ 7,146 crore in 2014-15, mainly on account of increase in market loans by ₹ 10,002 crore (19 *per cent*) and

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[28] It includes a sum of ₹ 8,802.97 crore on account of expenditure on "pension and other retirement benefits" during the year to State Government employees recruited on or before 31 December 2003.

[29] Number of pensioners in 2013-14: 3,51,415 and in 2014-15: 3,66,855.

increase of other Internal Debts by ₹ 2,894 crore (10 *per cent*) over the previous year.

Interest on Small Savings, Provident Fund, etc. also increased by 10 *per cent* from ₹ 2,469 crore during 2013-14 to ₹ 2,708 crore in 2014-15 mainly on account of increase in State Provident Fund by ₹ 2,078 crore (10 *per cent*) and increase in Insurance and Pension Fund by ₹ 904 crore (10 *per cent*) over the previous year.

Interest payments made during the year 2014-15 were ₹ 10,463 crore which remained lower than the projections made in MTFPS (₹ 10,470 crore) and higher than the projections made in XIII-FC (₹ 10,280 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 11.5 *per cent* during the year.

1.7.3.4 Subsidies

In any welfare state, it is not uncommon to provide subsidies/subventions to disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public services to the people. Budgetary support to financial institutions, inadequate returns on investments and poor recovery of user charges from Social and Economic services provided by the Government fall in the category of implicit subsidies. The Explicit Subsidies present a partial picture as these are exclusive of the Implicit Subsidies.

Appendix II of Finance Accounts shows an explicit subsidy of ₹ 8,626 crore during the year which was ₹ 1,716 crore (25 *per cent*) more than previous year (₹ 6,910), mainly in the areas of power (₹ 8,330 crore), crop husbandry (₹ 130 crore) and domestic gas (₹ 125 crore).

Subsidy to Power Sector accounted for 96.6 *per cent* of the total subsidy. During 2014-15, subsidy was given to Power Sector mainly for not increasing of Vidyut rates (₹ 5,895.65 crore[30]); Vidyut Tax (₹ 1,175 crore[31]); Interest on bonds (₹ 760.73 crore[32]) and Financial Restructuring Programme (₹ 441 crore[33]).

Power Sector subsidy increased by 29 *per cent* (₹ 1,870 crore) over previous year (₹ 6,460 crore) due to increase mainly under grant for not increasing of

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[30] (i) Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 2,633.17 crore, (ii) Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 1,660.36 crore and (iii) Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 1,602.12 crore.

[31] (i) Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 500.55 crore, (ii) Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 354.45 crore and (iii) Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 320 crore.

[32] (i) Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 284.65 crore, (ii) Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 247.34 crore and (iii) Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 228.74 crore.

[33] (i) Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 176.40 crore, (ii) Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 132.30 crore and (iii) Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 132.30 crore.

rates by ₹ 634.22 crore[34]; grant for electricity tax by ₹ 612.17 crore and grant for interest on bonds by ₹ 725.79 crore, which counterbalanced decrease in grants by ₹ 120 crore.

Domestic Gas Subsidy and Crop Husbandry Subsidy increased by 8 *per cent* and 148 *per cent* respectively from the previous year. However, Food Distribution Subsidy declined by 97 *per cent* from ₹ 268 crore in 2013-14 to ₹ 7 crore in 2014-15.

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

The quantum of assistance provided by way of grants and loans to local bodies and others during 2010-15, is as under:

Table 1.16: Financial Assistance to Local Bodies etc.

(₹ in crore)

Financial Assistance to Institutions	2010-11	2011-12	2012-13	2013-14	2014-15	
					Allotment	Actual
(A) Local Bodies						
Municipal Corporations and Municipalities	1,130.04	1,339.94	2,255.06	2,324.16	2,450.69	2,450.65
Panchayati Raj Institutions	4,365.15	6,217.95	7,675.24	8,953.21	13,832.42	13,833.28
Total (A)	**5,495.19**	**7,557.89**	**9,930.30**	**11,277.37**	**16,283.11**	**16,283.93**
(B) Others						
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,506.21	2,013.12	2,302.98	2,236.99	1,128.22	1,128.22
Development Agencies	354.18	75.07	118.94	195.36	6.93	6.93
Hospitals and Other Charitable Institutions	117.03	72.50	84.27	124.72	169.72	169.47
Other Institutions	2,743.03	2,618.23	3,781.66	4,929.02	10,747.31	10,740.54[35]
Total (B)	**4,720.45**	**4,778.92**	**6,287.85**	**7,486.09**	**12,052.18**	**12,045.16**
Total (A+B)	**10,215.64**	**12,336.81**	**16,218.15**	**18,763.46**	**28,335.29**	**28,329.09**
Revenue Expenditure	44,873	53,654	63,462	75510	1,05,387	94,542
Assistance as percentage of Revenue Expenditure	23	23	26	25	27	30

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

Financial assistance to Local Bodies increased by ₹ 5,006.56 crore recording a growth of 44 *per cent* over the previous year and the financial assistance to other institutions increased by ₹ 4,559.07 crore, recording a growth of 61 *per cent* over the previous year. Further during the period 2010-15 the overall financial assistance to Local Bodies and Others constituted 23 to 30 *per cent* of their revenue expenditure.

During 2014-15, financial assistance was given mainly to *Sarva Shiksha Abhiyan* (₹ 4,120 crore); National Rural Employment Guarantee Scheme (₹ 3,230 crore); *Panchayat Samitis* for Primary Schools (₹ 3,132 crore); Grants to *Gram Panchayats* under State Finance Commission (₹ 1,763 crore); Grants to *Gram Panchayats* under XIII-FC (₹ 888 crore); Grants to

[34] (i) Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 372.89 crore, (ii) Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 242.01 crore and (iii) Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 19.32 crore.

[35] It included grants given for (i) Education: 4,284.45 crore; (ii) Relief on account of Natural Calamities 1,522.48 crore and (iii) crop Husbandry 1,022.86 crore.

Municipalities/Municipal Councils for Untied Funds (₹ 661 crore); Mid-Day Meal (₹ 566 crore) and Municipalities/Municipal Councils under State Finance Commission (₹ 481 crore).

1.7.5 Major issues relating to Local Bodies

The position of Major issues related to local bodies i.e. *Panchayati Raj* Institutions (PRIs) and Urban Local Bodies (ULBs) is summarised in the following paragraphs:

1.7.5.1 Panchayati Raj Institutions

(i) Introduction

There were 33 *Zila Parishads* (*Panchayat* Cells), 295 *Panchayat Samitis* and 9,894 *Gram Panchayats,* as on 31 March 2015, under administrative control of Secretary Panchayati Raj Department. District Rural Development Authorities, after cancellation of their registration, were also merged in PRIs at district level, as 33 *Zila Parishads* (Rural Development Cells) and placed under administrative control of Secretary, Rural Development Department. Both the Secretaries are under administrative control of Principal Secretary, *Rural Development and Panchayati Raj* Department (RD & PRD). The matters related to audit and accounts of *Zila Parishads (Panchayat Cells), Panchayat Samitis* and *Gram Panchayats* are governed by 'Rajasthan Panchayati Raj Act (RPRA) 1994' and 'Rajasthan Panchayati Raj Rules (RPRR) 1996' while audit and accounts of Zila Parishads (RD Cells) are governed by Accounting Procedure for District Rural Development Agencies/Societies issued by Ministry of Rural Development, Government of India in 1984 and as amended in 2001.

(ii) Devolution

In compliance to 73rd Constitutional Amendment Act, out of 29 functions to be devolved in terms of XI Schedule of the Constitution, initially 28 functions were transferred. Funds and functionaries were transferred in respect of 20 subjects only ***(Appendix 1.11)***. Subsequently, devolution of funds, functions and functionaries of 5 subjects relating to Public Health Engineering Department, Public Works Department and Food and Civil Supply Department were withdrawn temporarily in January 2004 by Department.

(iii) Audit, Accounts and Certification

Section 75 (4) of the RPR Act provides for audit of all accounts of PRIs by the Director, Local Fund Audit Department (DLFAD) under Rajasthan Local Fund Audit Act 1954 and also by CAG, whose audit reports shall be laid before the State Legislature. Besides this mandate, CAG is also empowered with the audit of PRIs under Section 14 of CAG's (DPCs) Act 1971. However, the audit of Zila Parishads (RDC) continues to be done by Chartered

Accountants (CAs) as per provisions contained in accounting procedure prescribed for DRDAs (as amended in 2001) by Government of India, Ministry of Rural Development according to which the accounts are audited and certified by CAs and CAG is the secondary auditor.

As regards certification of accounts of PRIs by the DLFAD, provisions exist in Rule 23 (h) and Rule 25 (XI) of Rajasthan Local Fund Audit, Rules, and Para 4 of the DLFAD Manual 1994.

Under Technical Guidance and Supervision (TG&S) over audit of Local Bodies, the DLFAD regularly obtains guidance from this office. This included Inspection Reports (IRs) of twelve PRIs (ZP: 3; PS:5 and GP: 4) during the period 2010-11 to 2013-14 The examination of these IRs and information given by the DLFAD revealed that no certification of accounts of these PRIs have been done.

Till 31 March 2015, the accounts were being maintained in conventional formats under RPR Rules framed under Rajasthan RPR Act. Meanwhile, simplified Accounting Formats 2009, issued by Ministry of *Panchayati Raj*, GoI, in consultation with the CAG of India, were adopted for mandatory implementation with effect from April 2011, along with model accounting system '*Panchayati Raj* Institution Accounting Software' (PRIA Soft) for data entry and maintenance of eight database formats. The Panchayati Raj Department informed (28 May 2015) that for the year 2014-15, year books of only 03 Zila Parishads, 19 Panchayat Samities and 663 Gram Panchayats have been closed using PRIA Soft.

Thus, the state of accounting in PRIs was not only primitive but was also without certification by the Statutory and Primary Auditor except in case of ZP (RDC) which continued to be audited and certified by the CAs under the provisions of GoI guidelines 2001 (made for DRDAs whose registration was cancelled in 2003 and their merger done in PRIs as ZP (RDC)). It is also noticeable that total financial assistance extended to PRIs during 2014-15 was ₹ 13,833.28 crore of which only the part pertaining to erstwhile DRDAs, was certified by CAs and remaining sum remained to be certified by the Auditor/ Examiner of the Local Fund Audit.

1.7.5.2 Major issues relating to Urban Local Bodies

As on 31 March 2015 there were 7 Municipal Corporations, 34 Municipal Councils and 147 Municipal Boards under administrative control of Principal Secretary, Local Self Government Department (LSGD). DLFAD is the primary auditor and the CAG conducts audit under Section 14 of the DPC Act, 1971.

Director of Local Bodies (DLB), instructed (1 April 2010) all the ULBs to maintain accounts on accrual basis. As per report of the Director, LSGD (10

June 2015) all the ULBs in the State are maintaining accounts on accrual basis. However, as per information furnished (25 May 2015) by the DLFAD accounts on accrual based system are being prepared only by 02 ULBs in Jodhpur division (Sojat and Bhinmal). Thus, the position of maintenance of accounts on accrual basis is not clear.

In compliance to the recommendations in Paragraph 10.160 (ii) of Thirteenth Finance Commission, Section 99A(2) of the Rajasthan Municipal Act, 2009 amended 2011 provided for TG&S over audit of LFAD of ULBs. Under TG&S arrangement the DLFAD regularly obtained guidance from this office. This included Inspection Reports of twelve ULBs (Municipal Corporation: 3; Municipal Council: 4 and Municipal Boards: 5) for the period 2007-14. The examination of these IRs and information furnished by DLFAD revealed that despite provisions contained in Rule 23 (h) of RLFA Rules, no certification of Annual Accounts was being done, due to incomplete maintenance of accounts. It is noticeable that total financial assistance rendered to ULBs during 2014-15 was ₹ 2,450.65 crore.

Article 243W inserted through the 74th Constitutional Amendment Act envisaged devolution of powers and responsibilities to Municipalities in respect of 18 subjects mentioned in XII Schedule of the Constitution. As per information given by DLB (June 2015), functions related to 16 subjects ***(Appendix 1.12)*** were already being performed by ULBs. As regards the remaining 2 functions, 'Water Supply' function is being carried out by 7[36] out of 188 ULBs whereas 'Urban Planning' function is yet to be devolved to ULBs as per notification dated 6 February 2013.

Irregularities in the Accounts of various Bodies and Authorities

(i) As per list in Volume II of the State Budget Manual, Principal Secretary, Urban Development and Housing Department (UDH), Rajasthan Jaipur is the Controlling Officer of Jaipur Development Authority (JDA). Receipts from sale, regularisation and conversion of land and urban assessment fee are deposited in three heads of UDH i.e. 0075-105-07-01, 0029-800-07-03 and 0075-800-03-01 respectively.

As per order (08 December 2010) of Government of Rajasthan (Revenue Department) and orders (31 May 2012 and 21 June 2012) of UDH Department, 20 *per cent* of revenue realised under sale proceeds of land, 40 *per cent* of revenue realised under regularisation and conversion charges and 60 *per cent* of revenue realised under urban assessment fee, were to be deposited in government account in relevant heads. The Statements of audited Annual Accounts of 2014-15 of JDA presented in Rajasthan Legislative Assembly, and as per information obtained from Principal Accountant

[36] Bundi, Chomu, Jaisalmer, Karauli, Nagaur, Nathdwara and Nokha.

General, (A&E), Rajasthan, Jaipur, the position of revenue realised and deposited with State Government during 2014-15 is as follows:

(₹ in crore)

Sale of plot /land			Regularisation and conversion charges			Urban assessment fee (Lease Money)		
Receipts	**GoR's share (20 *per cent*)**	**Actual Amount deposited**	**Receipts**	**GoR's share (40 *per cent*)**	**Actual Amount deposited**	**Receipts**	**GoR's share (60 *per cent*)**	**Actual Amount deposited**
1191.10	238.22	122	114.65	45.86	21.35	149.06	89.44	Nil

Thus, ₹ 230.17 crore (₹ 116.22 crore, ₹ 24.51 crore and ₹ 89.44 crore) was short deposited by JDA in respective heads, indicating non-compliance of government orders.

(ii) Following major irregularities were noticed during follow-up action taken by this office in pursuance of Technical Guidance and Supervision (TG&S) over audit of Director of Local Fund Audit Department (DLFAD) and Financial Attest Audit:

(a) Section 62 of the JDA Act 1982 prescribes the audit of JDA by the Examiner, Local Fund Audit in accordance with the provisions of the Rajasthan Local Fund Audit Act, 1954. As per Section 64 of JDA Act, State Government shall lay annual report including the statement of accounts (prepared and submitted by the JDA) on the table of House of the State Legislature. As per Rule 23 (h) of Rajasthan Local Fund Audit Rules, 1955 framed under Rajasthan Local Fund Audit Act, 1954, the certification as to correctness of the annual accounts is required to be incorporated in the Examiner's Report. This implies that the accounts of JDA were required to be certified by DLFAD.

During the audit of JDA by DLFAD for period 2009-13 (IR 2009-10 and 2010-13), neither certification of accounts was done nor the Audit Certificate was issued by DLFAD, in contravention of aforementioned Rules and Regulations and Codal provisions. 'Statements of audited Annual Accounts' of JDA from 2011-12 to 2014-15 laid before the Rajasthan Legislative Assembly through GoR, revealed that these Accounts were certified by Chartered Accountant (CA). No provision exists in JDA Act for certification by a CA. Further as per JDA Act, the accounts are to be certified by DLFAD, which was not being done.

Examination of audited accounts of JDA by CA, for the period 2011-15, laid before legislature, revealed a number of comments by CA. Some of which are given below:

(i) non-following of applicable accounting standards,

(ii) non-maintenance of fixed assets registers,

(iii) non-conducting of physical verification,

(iv) non-maintenance and reconciliation of various banks and deposit accounts,

(v) non-ascertainment and reporting the quantity and value of the transactions related to land acquired for development works

(vi) lack of internal control and internal checks on accounting of transactions/system of the authority and

(vii) non-ascertainment and reporting of the amount recoverable, reconciliation of receipts, accounting of the payment to the GoR and Jaipur Nagar Nigam for conversion charges/sale proceeds of land treated as development payment being cash accounting etc.

Inspite of above comments by the CA year after year, these shortcomings continue to prevail as of March 2015.

(b) Similarly DLFAD, during audit of other Bodies and Authorities (Jodhpur Development Authority, Rajasthan Housing Board Urban Improvement Trust **(**UIT) Bikaner and Bhiwadi), commented[37] that due to various reasons like 'Annual Accounts doesn't reflect true and fair picture of the Authority', annual accounts were not certified, indicating that DLFAD was unable to certify the accounts.

In absence of certification of Annual Accounts of these bodies, the extent of reliability of figures in their Accounts appears questionable.

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 its effectiveness (assessment of outlay-outcome relationships for selected services) of expenditure.

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) is attached to a particular Sector, if it is below the respective National average.

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S.No	Name of Body/Authorities	IR Period	Comments in DLFAD report
a	Jodhpur Development Authority	(2012-2013 to 2013-2014)	Annual Accounts doesn't reflect true & fair picture of the Authority.
b	Rajasthan Housing Board, Jaipur	(2012-2013)	Annual Accounts not certified.
c	Urban Improvement Trust (UIT), Bikaner	(2008-2013)	It was not possible to certify the Annual Accounts.
d	UIT, Bhiwadi	(2013-2014)	Annual Accounts not certified.

Table 1.17 below**,** analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2014-15.

Table 1.17: Fiscal Priority of the State during 2011-12 and 2014-15

Fiscal Priority by the State	AE/GSDP	DE#/AE	SSE/ AE	ESE/ AE	CE/ AE	Education/ AE	Health/ AE
***General Category States' Average (Ratio) 2011-12**	**15.98**	**65.39**	**36.63**	**28.76**	**13.23**	**17.10**	**4.68**
Rajasthan's Average (Ratio) 2011-12	**14.94**	**69.00**	**38.75**	**30.25**	**11.50**	**18.90**	**5.45**
General Category States' Average (Ratio) 2014-15	**16.49****	**69.12**	**36.50**	**32.61**	**14.01**	**16.23**	**5.04**
Rajasthan's Average (Ratio) 2014-15	**19.38**	**74.49**	**39.40**	**35.09**	**14.46**	**17.44**	**5.80**

* General Category States exclude Puducherry

** General Category States exclude Goa and Puducherry

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure ESE: Economic Sector Expenditure CE: Capital Expenditure

\# Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

Source: (i) For GSDP of Rajasthan, the information was collected from the Directorate of Economics and Statistics, Government of Rajasthan and Finance Accounts (ii) For GSDP of General Category States, the information as available on CSO website as on 31 July 2015 except in case of Kerala, Gujrat where the figure was provided by the PAsG.

Table 1.17 indicates the following:

- The ratio of Aggregate Expenditure (AE) to GSDP in the State is higher (19.38 *per cent*) compared to General Category States (16.49 *per cent*) during 2014-15.
- Development Expenditure as a proportion of AE was higher than General Category States' (GCS) average.
- Social Sector Expenditure as a proportion of AE was higher than average of GCS.
- Economic Sector Expenditure as a proportion of AE was higher than average of GCS.
- Rajasthan has increased the priority accorded to Capital Expenditure during the period 2014-15 as compared to 2011-12. Further, the ratio of Capital Expenditure to AE has been higher than the average ratio of GCS in 2014-15.

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 Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public goods and merit goods[38]. Apart from improving the allocation towards development expenditure[39], 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 total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.18** 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 actuals in the previous years.

Table 1.18: Development Expenditure

(₹ in crore)

Components of Development Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15	
					BE	Actual
a. Development Revenue Expenditure	28,115 (55.8)	34,672 (56.0)	42,701 (55.8)	51,921 (57.7)	78,418 (58.8)	66,674 (59.9)
b. Development Capital Expenditure	5,096 (10.1)	6,915 (11.2)	10,434 (13.6)	13,330 (14.8)	19,798 (15.7)	15,569 (14.0)
c. Development Loans and Advances	262 (0.5)	1,109 (1.8)	2,412 (3.2)	812 (0.9)	518 (0.4)	701 (0.6)
Development Expenditure (a to c)	**33,473 (66.4)**	**42,696 (69.0)**	**55,547 (72.6)**	**66,063 (73.4)**	**98,734 (78.1)**	**82,944 (74.5)**
Rate of Growth of Development Expenditure	9.0	27.6	30.1	18.9		25.6
Figures in parentheses indicate percentage to aggregate expenditure						

Source: Finance Accounts and Budget Documents

Development expenditure comprises Revenue Expenditure, Capital Outlay and Loans and Advances on Socio-Economic Services. As a *per centage* of total expenditure, it increased from 66.4 *per cent* during 2010-11 to 74.5 *per cent* during 2014-15. On an average, 79.8 *per cent* of the development expenditure

[38] *Core public goods* are which all citizens enjoy in common in the sense that each individual's consumption of such goods leads to no subtraction from any other individual's consumption of that goods, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. *Merit goods* are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

[39] 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. Broadly, expenditure on social and economic services constitutes development expenditure, while expenditure on general services is treated as non-development expenditure.

was on revenue account and the balance was on capital account including loans and advances during the period 2010-15.

Capital expenditure on Social Services increased from ₹ 4,551 crore in 2013-14 to ₹ 5,838 crore in 2014-15 with a growth rate of 28 *per cent* and its ratio with total capital expenditure also increased from 33 *per cent* in 2013-14 to 36 *per cent* in 2014-15. Capital expenditure on Economic Services increased from ₹ 8,779 crore in 2013-14 to ₹ 9,731 crore in 2014-15 with a growth rate of 11 *per cent*.

As compared to the previous year, capital outlay on the priority Sectors *viz.* Transport, Irrigation and Flood Control, Energy and Agriculture and Allied Activities was higher in 2014-15 by ₹ 409 crore, ₹ 194 crore, ₹ 291 crore and ₹ 165 crore respectively.

Table 1.19 below, gives details of Capital Expenditure and the components of Revenue Expenditure incurred on the maintenance of the selected Social and Economic services.

Table 1.19: Efficiency of Expenditure Use in Selected Social and Economic Services

(In *per cent*)

Sector	2013-14			2014-15		
	Ratio of Capital Expenditure to Total Expenditure	Revenue Expenditure		Ratio of Capital Expenditure to Total Expenditure	Revenue Expenditure	
		Salaries and Wages	Operation and Maintenance		Salaries and Wages	Operation and Maintenance
(A) Social Services						
General Education	0.42	59.96	Negligible	0.29	52.99	Negligible
Health and Family Welfare	7.09	66.70	0.16	7.50	58.50	0.15
Water Supply, Sanitation, Housing and Urban Development	46.95	25.74	1.94	51.94	26.45	1.75
Total (A)	**12.63**	**43.35**	**0.32**	**15.65**	**41.01**	**0.25**
(B) Economic Services						
Agriculture and Allied Activities	9.83	34.38	0.37	12.10	34.27	0.41
Irrigation and Flood Control	39.18	20.28	9.10	42.50	20.43	12.97
Power and Energy	35.38	0.01	0.00	31.76	Negligible	0.00
Transport	59.62	7.14	60.60	60.17	6.85	54.20
Total (B)	**30.05**	**9.38**	**5.62**	**34.68**	**7.75**	**4.30**
Total (A+B)*	**20.43**	**29.98**	**2.40**	**23.60**	**26.57**	**2.01**

Source: Finance Accounts

*** (Expenditure on Social Services + Expenditure on Economic Services)/Total Expenditure* 100**

Expenditure on Social Services

The share of expenditure on salary and wages in total revenue expenditure decreased from 43.35 *per cent* in 2013-14 to 41.01 *per cent* in 2014-15.

Expenditure on Economic Services

The share of salary and wages expenditure under economic services in total revenue expenditure decreased from 9.38 *per cent* in 2013-14 to 7.75 *per cent* in 2014-15.

Expenditure on Operation and Maintenance

It is important to ensure that adequate funds are allocated to operation and maintenance since assets have to be maintained. The share of operation and maintenance in revenue expenditure on social services and economic services was 2.01 *per cent* in 2014-15. During 2014-15, only 1.51 *per cent* of total revenue expenditure was allocated to operation and maintenance.

The share of operation and maintenance decreased in revenue expenditure on Social Services and Economic Services from 0.32 *per cent* and 5.62 *per cent* in 2013-14 to 0.25 *per cent* and 4.30 *per cent* in 2014-15 respectively. During 2014-15, as per Finance Accounts the State Government booked only ₹ 1,465.19 crore (Revenue: ₹ 1,423.62 crore, Capital: ₹ 41.57 crore) to maintain its public assets.

1.8.3 Plan and Non-Plan Expenditure

Finance Accounts provide further classification of expenditure into Plan and Non-Plan Expenditure. Plan Expenditure normally relates to incremental developmental expenditure on new projects or schemes and involves both Revenue and Capital Expenditure. Non-Plan Expenditure is normally utilised to maintain the level of services already achieved, **Table 1.20** below, presents the growth and composition of Plan and Non-Plan Expenditure over the last five years.

Table 1.20: Growth in Plan and Non-Plan Expenditure

(₹ in crore)

		2010-11	2011-12	2012-13	2013-14	2014-15
Plan	Revenue	8,752	12,416	14,235	17,364	27,444
	Capital	5,231	7,103	10,682	13,676	16,087
	Loan	189	1,051	2,242	664	646
	Total	**14,172**	**20,570**	**27,159**	**31,704**	**44,177**
	Percentage of plan to total expenditure	28	33	35	35	40
Non-Plan	Revenue	36,121	41,238	49,227	58,146	67,098
	Capital	20	16	1	(-) 12	16
	Loan	73	58	170	148	55
	Total	**36,214**	**41,312**	**49,398**	**58,282**	**67,169**
	Percentage of non-plan to total expenditure	72	67	65	65	60
Total Expenditure		**50,386**	**61,882**	**76,557**	**89,986**	**1,11,346**

Source: Finance Accounts

The share of plan expenditure in the total expenditure exhibited an increasing trend during 2011-15, which indicated the productive quality of expenditure. During the period 2010-15, plan expenditure increased by 212 *per cent* from ₹ 14,172 crore in 2010-11 to ₹ 44,177 crore in 2014-15 and non-plan by 85 *per cent* from ₹ 36,214 crore to ₹ 67,169 crore during this period.

The Plan Revenue Expenditure (PRE) and Non-Plan Revenue Expenditure (NPRE) have shown consistent increase over the period 2010-15. PRE increased by 58.1 *per cent* over the previous year which was lower than the projected increase of 119.8 *per cent* in MTFPS for 2014-15. Similarly, NPRE increased by 15.4 *per cent* over previous year which was higher than the projections of 14.2 *per cent* made in MTFPS for 2014-15.

1.8.3.1 Plan Revenue Expenditure

Increase of PRE by ₹ 10,080 crore over the previous year was mainly under Major Heads Rural Employment (₹ 3,308 crore), General Education (₹ 3,027 crore), Other Rural Development Programme (₹ 1,562 crore) and Family Welfare (₹ 1,068 crore). During 2014-15, the ratio of PRE to Revenue Expenditure increased by 6 percentage point over the previous year (23 *per cent*).

1.8.3.2 Non-Plan Revenue Expenditure

Increase in NPRE by ₹ 8,952 crore during the current year was mainly due to Power (₹ 2,006 crore), Interest Payments (₹ 1,400 crore), Pensions and other Retirement Benefits (₹ 1,185 crore), General Education (₹ 1,030 crore), and Social Security and Welfare (₹ 915 crore). NPRE constituted 71 *per cent* of Revenue Expenditure and 60 *per cent* of total expenditure.

Actual NPRE and PRE *vis-à-vis* assessments made by XIII FC and by State Government in MTFPS are given below:

Table 1.21: NPRE and PRE *vis-à-vis* assessments made by XIII FC and MTFPS

(₹ in crore)

	Assessments made by XIII FC	Assessments made by GoR in MTFPS	Actual expenditure
Non-Plan Revenue Expenditure	38,119	69,302	67,098
Plan Revenue Expenditure	Not Applicable	36,085	27,444

Source: Finance Accounts, Budget Documents and Report of XIII FC

Actual NPRE exceeded the normative assessment made by XIII-FC by ₹ 28,979 crore (76 *per cent*). It was, however lower than the assessment made by the State Government in MTFPS by ₹ 2,204 crore (3.2 *per cent*). The actual PRE was also lower than the projections made in MTFPS by ₹ 8,641 crore (23.9 *per cent*).

1.8.4 Major Flagship Programmes/Schemes.

Flagship programmes are being implemented with the aim to build rural and urban infrastructure for providing basic services with the objective of increasing inclusiveness and reducing poverty. The Government of India (GoI) has launched/ revamped and strengthened specific programmes to provide education, healthcare, nutrition, sanitation and social security. The ultimate objective behind the Flagship Programmes/Schemes is to achieve broad-based improvement in the living standards of people.

The GoI approved 17 Major Flagship Programmes in Annual Plan 2014-15. As per information contained in records relating to State Budget, Budget Link Document and Finance Accounts 2014-15, the financial position in respect of 17 Flagship Programme of Central Government in State Plan is summarised below:

Budget provision and actual expenditure in Flagship Programme/Scheme

(₹ in crore)

S. No.	Nature of Flagship Programme/ Scheme	No. of Programmes/ Scheme	Budget Estimate for State Plan	Central Assistance for State Plan	Amount released by GoI	Expenditure	Savings
1	2	3	4	5	6	7	8
1	Central	17	22,091.69	17,246.82	11,870.40	16,679.99	5,411.70

The major shortfall in expenditure (more than 30 *per cent)* against provisions in schemes was witnessed in 11 Flagship Programmes/Schemes as given in **Table 1.22**.

Table 1.22: Major shortfall in Flagship Programme/ Scheme

(₹ in crore)

S. No.	Name of Programme/ Scheme	Budget Provision	Total Expenditure	Shortfall in Expenditure	Shortfall *per cent*
1	Nirmal Bharat Abhiyan (NBA) (75:25)	298.33	186.17	112.16	38
2	National Health Mission (NHM)	2,774.00	1,823.05	950.95	34
3	Backward Region Grant Fund (BRGF) - District Component	335.83	215.05	120.78	36
4	Rajiv Gandhi Panchayat Sashastikaran Yojana (RGPSY)	72.00	15.22	56.78	79
5	Indira Awas Yojana (IAY)	859.55	567.05	292.50	34
6	Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)	4,800.00	3230.01	1,569.99	33
7	Pradhan Mantri Gram Sadak Yojana (PMGSY)	960.00	405.66	554.34	58
8	National Rural Livelihood Mission (NRLM)	238.49	20.51	217.98	91
9	Jawahar Lal Nehru National Urban Renewal Mission (JNNURM)	882.35	209.04	673.31	76
10	Integrated Child Development Service (ICDS)	1,392.61	908.62	483.99	35
11	Accelerated Irrigation Benefit Programme (AIBP)	527.44	295.83	231.61	44
	Total	**13,140.60**	**7,876.21**	**5,264.39**	

Non-utilisation of funds indicated lack of interest and monitoring by the concerned department in execution of major central schemes. Shortfall in utilization by more than 50 *per cent* was observed under four schemes, namely Rajiv Gandhi *Panchayat Sashaktikaran Yojana* (79 *per cent*); *Pradhan Mantri Gram Sadak Yojana* (58 *per cent*); National Rural Livelihood Mission (91 *per cent*) and Jawahar Lal Nehru National Urban Renewal Mission (76 *per cent*). Planning Department (Monitoring) intimated (July and August 2015) that monitoring of flagship programme was not done as State Government did not declare any of the central/state programme/scheme as flagship programme during the year 2014-15.

1.9 Financial Analysis of Government Expenditure and Investment

In post-FRBM framework, the State is expected to keep its fiscal deficit at low 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 its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

1.9.1 Financial results of Irrigation Projects

The financial results of 6 major and 11 medium irrigation projects (***Appendix 1.8***), completed with a capital outlay of ₹ 6,052.94 crore at the end of March 2015, revealed that revenue realised (₹ 47.60 crore) from these projects during 2014-15 was only 0.8 *per cent* of the capital expenditure. This was not even sufficient to cover the direct working expenses. After meeting working and maintenance expenditure (₹ 228.80 crore) and interest charges (₹ 572.52 crore), the projects suffered a net loss of ₹ 753.72 crore.

Indira Gandhi Nahar Project (IGNP) is the largest irrigation project under execution in Rajasthan and various stages of it have been completed over the years. At the end of March 2015, the capital expenditure on IGNP was ₹ 4,600.34 crore. During 2014-15, the revenue realised from IGNP was ₹ 16.99 crore comprising only 0.37 *per cent* of the capital expenditure. This revenue was negligible (2.93 *per cent*) even with reference to total working and maintenance expenditure incurred (₹ 132.15 crore) and the interest charges (₹ 446.95 crore). The project suffered a net loss of ₹ 562.11 crore.

Gang Canal is the second largest irrigation project in the State. At the end of March 2015, the capital expenditure on Gang Canal was ₹ 552.03 crore. During 2014-15, the revenue realised from Gang Canal was ₹ 4.29 crore, which was not sufficient to cover the working and maintenance expenditure (₹ 21.69 crore) and interest charges (₹ 52.69 crore). The project suffered a net loss of ₹ 70.09 crore.

The main reason for huge losses on these projects is low water charges prevailing since past 5 years without revision. The irrigation department stated that this was a policy decision of the State Government.

1.9.2 Incomplete projects

The department-wise information, pertaining to incomplete projects as on 31 March 2015, is as follows:

Table 1.23: Department-wise profile of incomplete projects

(₹ in crore)

Department	Total no. of income-plete projects	Original sanctioned cost of all incomplete projects	Original estimated cost of 44 projects which were revised		Revised cost of 44 Income-plete projects	Cost Overrun of 44 projects which were revised	Cumulative actual expenditure of all incomplete projects as on 31.3.2015
			No.	Amount			
Water Resources Department /Projects	50	4,224.78	19	978.02	4,155.11	3,177.09	3,367.50
Public Works Department/ Project	76	1,525.68	9	118.87	200.81	81.94	906.75
Public Health Engineering Department	73	20,432.80	16	4,280.96	6,459.33	2,178.37	6,892.70
Total	**199**	**26,183.26**	**44**	**5,377.85**	**10,815.25**	**5,437.40**	**11,166.95**

Source: Finance Accounts

As per the information furnished by the State Government, there were 199 incomplete projects (more than ₹ 10 crore each) as on 31 March 2015, on which an amount of ₹ 11,167 crore was blocked. Of these, 45 projects (₹ 9,682.93 crore) were incomplete for the past 5 to 21 years out of which cost of 26 incomplete projects increased by 98 *per cent* i.e. from ₹ 4,308 crore (initial cost) to ₹ 8,545 crore. Thus, the total cost overrun was ₹ 5,437 crore, of which cost of *Narmada* Jalore Project alone increased by 431 *per cent* (₹ 2,013.96 crore) from ₹ 467.53 crore to ₹ 2,481.49 crore. The amount blocked (₹ 11,166.95 crore) in all the incomplete projects/works was 10 *per cent* of the cumulative capital outlay (₹ 1,08,971.29 crore) of the State.

No expenditure was incurred in 12 projects (total project cost more than ₹ 10 crore each) during 2014-15 as detailed in **Table 1.24**. The amount spent up to March 2014 and the cumulative expenditure up to March 2015 remained same ₹ 70.67 crore.

Table 1.24: No expenditure on incomplete projects during 2014-15

(₹ in crore)

S. No.	Name of Project	Year of Commissioning	Original sanctioned cost	Cumulative actual exp. as on 31 March 2015
	Projects of Water Resources Department			
1.	Ahmedi	2007-08	18.97	0.01
2.	Dohari Minor	2012-13	21.30	0.04
3.	Hadmatiya	2012-13	13.23	2.53
4.	BBSC RD 115 to 118.59 km (MIS-X)	2013-14	15.31	0.00
5.	BBSC RD 118.59 to 120.84 km (MIS-XI)	2013-14	14.22	0.00
	Projects of Public Works Department			
6.	Construction of Government Girls' College and Hostel in Bayana	2011-12	10.64	0.02
7.	Construction of ROB on Dholpur SWM GGC Mathura Road (SH 1) at Km. 230	2007-08	10.00	21.57
8.	Ras Kamos Nagelav Jethana Mangliwas Road	NA	20.00	15.38
9.	H.L Bridge on Khari River at Ramthala Bajta Ghatiyali Naphakera Road	2009-10	12.01	8.64
10.	Construction of CD Work on Banas River on SH 37 A to Botunda Rajmahal Deoli (VR- 23)	2012-13	20.83	17.21
11.	ROB Sri Mahaveerji L.C. no. 195 WCR	2011-12	18.77	0.10
	Projects of Public Health Engineering Department			
12.	Reorganisation of UWSS Hanumangarh Phase II	2013-14	16.29	5.17
	Total		**191.57**	**70.67**

Source: Finance Accounts

It would be seen from above table that though five projects of Water Resources Department were commissioned in 2007-08, 2012-13 and 2013-14, the expenditure incurred was negligible (₹ 2.58 crore) against the sanctioned cost of ₹ 83.03 crore.

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

1.9.3 Investment and returns

As on 31 March 2015, Government invested ₹ 27,909.59 crore in 43 Government Companies (₹ 26,423.44 crore), 7 Statutory Corporations (₹ 764.34 crore), 2 Rural Banks (₹ 73.69 crore), 25 Joint Stock Companies (₹ 140.65 crore) and Cooperative Banks and Societies (₹ 507.47 crore). The above investment included ₹ 19.37 crore in non-working Statutory Corporations and ₹ 10.83 crore in non-working Government Companies. The average return on this investment was 0.1 to 0.4 *per cent* during the last four years while the Government paid an average interest of 7.3 to 7.7 *per cent* on its borrowings **(Table 1.25)**, so return on investment of the State is very low.

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

Table 1.25: Returns on Investment

Investment/Returns/Cost of Borrowings	2010-11	2011-12	2012-13	2013-14	2014-15
Investment at the end of the year (₹ in crore)	11,112.16	13,920.78	18,753.33	23,518.00	27,909.59
Returns (₹ in crore)	20.76	57.58	57.18	24.60	63.33
Returns *(per cent)*	0.2	0.4	0.3	0.1	0.2
Average rate[40] of interest on Government borrowings *(per cent)*	7.7	7.7	7.4	7.3	7.5
Difference between interest rate and returns *(per cent)*	7.5	7.3	7.1	7.2	7.3

Source: Finance Accounts

Net investment of the State Government in Government Companies, Rural Banks and Cooperative Banks and Societies was ₹ 4,391.59 crore during 2014-15. Out of this, ₹ 3,959.21 crore[41] was invested in loss making five Statutory Corporations/Government Companies mainly 4 power companies. Government had invested ₹ 24,093.30 crore (86 *per cent* of total investment) in 5 power companies as on 31 March 2015.

The investment of State Government included ₹ 26,412.60 crore in 40 working Government Companies, of which only seven companies declared dividend aggregating to ₹ 60.31 crore against an investment of ₹ 514.83 crore.

40 See glossary at page 166 for method of calculation.

41 (i) Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 1,041.10 crore; (ii) Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 988.46 crore; (iii) Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 968.15 crore; (iv) Rajasthan *Rajya Vidyut Utpadan Nigam* Limited: ₹ 881.50 crore and (v) Rajasthan State Road Transport Corporation Jaipur: ₹ 80 crore.

The total investment in 2 Statutory Corporations, 18 Government Companies and 6 Joint Stock Companies, amounted to ₹ 25,012.63 crore and their accumulated losses amounted to ₹ 73,650.73 crore, out of which five power companies accumulated losses ₹ 71,899.49 crore[42].

In view of the huge losses of some of the State-owned Public Sector Undertakings, Government may consider reviewing their working so as to reduce losses and make appropriate strategy for their strengthening and yielding returns. It is pertinent to note that despite major losses accounted for by the power companies the State Government continues to invest significantly in them at very low rate of return which otherwise should have been revived and strengthened by imbibing financial restructuring plan.

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 is observed that no such road map was drawn by the Government in respect of six non-working Statutory Corporations/ Government Companies[43].

1.9.4 Departmental Commercial Undertakings

Activities of quasi-commercial nature are also performed by the departmental undertakings of certain Government departments. The department-wise position of the investment made by the Government up to the year for which *pro forma* accounts are finalised, net profit/loss as well as return on capital invested in these undertakings are given in ***Appendices 1.9 and 3.4***. It is observed that an amount of ₹ 13,875.22 crore had been invested by the State Government in 10 undertakings at the end of financial year up to which their accounts were finalised. Of these, only 2 undertakings could earn net profit amounting to ₹ 22.38 crore during 2013-14 and remaining 8 undertakings incurred accumulated loss of ₹ 11,032.00 crore, continuously for more than five years.

1.9.5 Loans and Advances by State Government

In addition to investments in Cooperative Societies, Corporations and Companies, Government have also been providing loans and advances to many of these institutions/organisations. **Table 1.26** presents the outstanding loans and advances as on 31 March 2015 and Interest Receipts *vis-à-vis* interest payments during the last three years.

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[42] (i) Jaipur *Vidyut Vitaran Nigam* Limited: ₹ 23,096.51 crore; (ii) Ajmer *Vidyut Vitaran Nigam* Limited: ₹ 23,250.87 crore; (iii) Jodhpur *Vidyut Vitaran Nigam* Limited: ₹ 22,590.33 crore; (iv) Rajasthan *Rajya Vidyut Prasaran Nigam* Limited: ₹ 1,584.53 crore and (v) Rajasthan *Rajya Vidyut Utpadan Nigam* Limited: ₹ 1,377.25 crore.

[43] (i) Rajasthan Land Development Corporation, Jaipur: (₹ 19.36 crore), (ii) Rajasthan State Mandi Development Corporation, Jaipur: (₹ 0.65 lakh), 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).

Table 1.26: Average interest received on loans advanced by Government

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2012-13	2013-14	2014-15	
			BE	Actual
Opening Balance	**3,198**	**4,508**	**4,958**	**5,004**
Amount advanced during the year	2,412	812	518	701
Amount repaid during the year	1,102	316	151	1,004
Closing Balance	**4,508**	**5,004**	**5,325**	**4,701**
Net addition	1,310	496	367	(-) 303
Interest Receipts	150	143	-	129
Interest Receipts as *per cent* to outstanding Loans and Advances	3.9	3.0	-	2.7
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government.	7.4	7.3	-	7.5
Difference between interest payments and interest Receipts (*per cent*)	(-) 3.5	(-) 4.3	-	(-) 4.8

Source: Finance Accounts

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

Out of total loans and advances of ₹ 4,701 crore, loans and advances of ₹ 2,560 crore (54 *per cent*) were given to Power Projects. The amount of loans and advances disbursed during the year decreased from ₹ 812 crore in 2013-14 to ₹ 701 crore in 2014-15. Of total amount of loans advanced during the year, ₹ 275 crore were transferred to Social Services and ₹ 426 crore to Economic Services.

During current year, major portion of loan was advanced to Jaipur Metro Rail Corporation Limited (₹ 216 crore), Jaipur City Transport Services Limited (₹ 51 crore) under Social Sector and to Jaipur *Vidyut Vitaran Nigam* Limited (₹ 94 crore), Construction of Godowns under Food Storage and Warehousing (₹ 90 crore), Jodhpur *Vidyut Vitaran Nigam* Limited (₹ 71 crore), Ajmer *Vidyut Vitaran Nigam* Limited (₹ 71 crore), *Tilam Sangh* (₹ 35 crore) and Rajasthan State Road Transport Corporation Limited (₹ 25 crore) under Economic Sector. Regarding repayment of loan, it was seen that more than ₹ 68 crore of loans were not repaid by some institutions (***Appendix 1.10***) for the last 12 years or more.

1.9.6 Adverse balances under DDR Heads

Adverse balances 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 2015, there were 72 cases in 14 Major Heads[44] amounting to ₹ 439.64 crore of adverse balances under Debt, Deposit and Remittances

[44] Loans to Government Servants (44 cases: ₹ 2.35 crore), Insurance and Pension Funds (2 cases: ₹ 417.92 crore), State Provident Funds (1 case: ₹ 0.01 crore), Deposits of Local Funds (2 cases: ₹ 0.56 crore), Loans and Advances from Central Government (7 cases: ₹ 12.24 crore), 4 Major Heads under Loans and Advances given by the State Government (4 cases: ₹ 0.05 crore), Other Deposits (1 case: ₹ 0.02 crore), Civil Deposits (1 case: ₹ 0.05 crore), Suspense Account (6 cases: ₹ 3.18 crore), Security Deposits Made by Government (1 case: ₹ 0.52 crore), and Cash Remittance and adjustments between officers rendering accounts to the same Accounts Officer (3 cases: ₹ 2.74 crore).

(DDR) heads. The adverse balances were mainly under Pension Funds of employees of Municipalities/Municipal councils (₹ 417.92 crore) under 'Insurance and Pension Fund', Disbursement of Rajasthan State *Utpadan Nigam* Limited (₹ 0.02 crore) and Disbursement of Rajasthan State *Vidyut Prasaran Nigam* Limited (₹ 0.56 crore) under 'Deposits of Local Fund', Remittance to Treasury (₹ 0.71 crore) and Adjustable heads by Division (₹ 2.03 crore) under 'Cash Remittance and adjustments between officers rendering accounts to the same Accounts Officers' and Loans to Government Servants (₹ 2.35 crore).

1.9.7 Resource availability of the State under Public Private Partnership Projects

Public Private Partnership (PPP) is an arrangement between government or statutory entity and 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, established (July 2007) by Government of Rajasthan in Planning Department, is the nodal agency to coordinate efforts of the State Government for development of infrastructure sector involving PPPs, to function as the secretariat of Empowered Committee on Infrastructure Development (ECID) and to act as repository of all information relating to PPPs in the State. The Administrative Departments are required to submit their proposals to the PPP cell to seek in-principle approval of ECID.

As per information furnished (July 2015) by the PPP cell, 174 projects involving ₹ 15,460.39 crore, have been taken up during the period 1995-2015 under different sectors. Of these, 130 projects (₹ 9,789.39 crore) were completed and 44 projects (₹ 5,671.00 crore) were under progress as on 31 March 2015**.** Besides, 155 projects involving ₹ 35,484.85 crore relating to Roads, Urban Infrastructures, Power, Water, Social and Other Sectors have been planned for future. The resources of Participating Agencies for PPP was ₹ 812.01 crore as per proposed Plan Outlay of Modified Budget 2014-15.

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

(₹ in crore)

S. No.	Sector	Completed		On going		Planed for future	
		No.	Cost	No.	Estimated Cost	No.	Estimated Cost
1.	Road	50	3,365.64	11	4,640.45	132	22,445.00
2.	Urban Infrastructure	17	349.22	6	351.76	16	10,575.85
3.	Power	3	5,473.32	2	415.81	3	712.00
4.	Water	1	46.00	-	-	2	1,700.00
5.	IT	1	54.01	-	-	-	-
6.	Social	47	372.50	20	191.19	1	10.00
7.	Other	11	128.70	5	71.79	1	42.00
	Total	**130**	**9,789.39**	**44**	**5,671.00**	**155**	**35,484.85**

Source: Planning Department, GoR

It is worthwhile to mention that the numbers of projects completed during the year in respect of Road (50), Urban Infrastructure (17), and Other sectors (11) are significantly less than the position of projects completed (57, 21, and 34 respectively) during the previous year 2013-14. Planning (PPP) Department clarified (14 August 2015) that certain roads under Road Sector are being constructed by Rajasthan State Road Development Construction Corporation Limited and as such no longer falling under the purview of PPP, certain projects under Urban Infrastructure Sector have been categorised as work in progress at the level of Administrative Department and exclusion of certain projects under Other sectors from completed projects after review at administrative level.

Scrutiny of budget documents of 2014-15 revealed that the State Government did not give details of figures and information regarding investment made in PPP projects in the previous year nor the revenue generated against resources of the State Government was ascertainable (both by the Private sector and Government). For the current year the documents also do not reveal distinctively and separately the estimated investment to be made by the Private and Government sector in connection with PPP projects involving the State Government.

1.9.8 Environment and Health, Water Conservation and Building and Other Construction Welfare Cess

- ***Irregularities in operation and maintenance of fund created for receipt of Environment and Health Cess***

Cesses are levied by the Government for being utilised for a specific purpose. For the purpose of transparency, the cess proceeds are transferred to an earmarked development/welfare fund.

In budget speech of 2008-09 (point No 196) it was proposed to levy an environment and health cess on Mineral Rights for the protection and improvement of environment and health and maintenance of ecological balance, specially in those areas of state where minerals are being mined. Accordingly, Provision was made in the Finance Act, 2008 (Act No. 11 of 2008) for levy of environment and health cess, to give effect to the financial proposals of the State Government for the year 2008-09 under Section 16. Section 17 of the Act provided that proceeds of the cess levied, be credited to the consolidated fund of the state. Further, as per Rule 13 (2) of Rajasthan Environment and Health Cess Rules 2008, the amount realized on account of cess was to be transferred from time to time to the Public Deposit Account of Rajasthan Environment and Health Care Fund, created by the State Government. Provision for the environment and health Cess was made under Receipt Head 0853-800-(02). Inspector General, Registration and Stamp, was entrusted with the collection and deposit of this cess up to 27 January 2015. Thereafter, the work was entrusted to Mines and Geology Department. A separate head “8229-200-07 Reforms in Environment Mining areas and Health Fund" was created in the State Budget 2011-12.

Position of the cess collected, transferred and expenditure made therefrom during last five years under the head 0853-800-(02)[01], as intimated by Directorate, Mines and Geology (August 2015) is summarised below:

(₹ in crore)

Year of collection	Opening balance	Receipt	Total receipts	Expenditure	Closing balance
2010-11	100.85	61.85	162.70	-	162.70
2011-12	162.70	66.84	229.54	20.86	208.68
2012-13	208.68	47.30	255.98	9.95	246.03
2013-14	246.03	58.60	304.63	13.65	290.98
2014-15	290.98	65.92	356.90	7.12	349.78
Total		**300.51**		**51.58**	

The scrutiny of information/records revealed following irregularities:

(i) The account head was created for the first time in the year 2011-12. Receipts collected on cess (₹ 24.71 crore), were transferred to public account in the year 2013-14. This leads to the conclusion that revenue receipts were not transferred from the consolidated fund to the public account till 2012-13 which was in contravention of the Rule 13 (2) of Rajasthan Environment and Health Cess Rules, 2008.

(ii) As per Finance Accounts 2014-15, the closing balance in 'Reforms in Environment Mining Areas and Health Fund' in public account was ₹ 3.94 crore. This varies significantly with the closing balance of ₹ 349.78 crore shown by the department in the information provided to audit.

(iii) As seen from the figures provided by the department, the expenditure incurred over the period 2010-15 comprised only 17 *per cent* of total funds allocated. Thus, though a cess was levied and collected for improvement in mining areas, no effort was made to undertake any activity for the same.

As informed by the Directorate of Mining, ₹ 16.69 crore and ₹ 35 crore were transferred to the Director, Public Health, Medical and Health Department during the years 2012-13 and 2014-15 respectively. However no expenditure was incurred on medical facilities in mining areas and the entire amount was surrendered.

- ***Delay in transfer of Rajasthan Building and Other Construction Workers Welfare Fund and less utilization of Fund.***

The Government of India (GoI) enacted The Building and Other Construction workers (Regulation of Employment and Conditions of Services) Act,1996 (Act) which provides for constitution of the 'State Building and Other Construction Workers Welfare Board (Board)' for formulating and implementing various welfare schemes for construction workers. To augment the resources of the Board, the Central Government enacted the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act) and Building and Other Construction Workers Welfare Cess Rules, 1998. Section 3 of the Cess Act provides for levy of cess at a rate not exceeding two *per cent* but not less than one *per cent* of total cost of construction of projects. This cess would be applicable on all establishments whether Central Government or State

Government Departments/organisations or Semi Government or private organisations.

To implement provisions of the Act, Government of Rajasthan framed 'The Rajasthan Building and Other Construction Workers (Regulation of employment and conditions of service) Rules 2009' (State Rules). As per Labour and Employment Department's circular dated 09 July 2010, the amount collected from cess shall be transferred to the Board within 30 days of its collection. Further, Rule 43 of the State Rules envisages that soon after coming in to force of these Rules, Board may constitute a Fund called "The Rajasthan Building and Other Construction Workers Welfare Fund" which will be credited with the grant or loan or advances, contribution of beneficiaries and all sums received by the Board from such other sources as may be decided by the Central or State Government.

In exercise of the Powers conferred under Section 57 and 58 of the Rules, the Board announced (2010-15) various schemes for welfare of Building and Other Construction Workers.[45]

It was seen that the cess collected and expenditure incurred under the schemes was as given below:

(₹ in crore)

S. No.	Year	Cess collected	Fund received by the Board from Government	Expenditure incurred under the schemes	*Percentage* of expenditure
1	2010-11	85.52	0.50	0.04	8.00
2	2011-12	154.01	10.00	2.20	22.00
3	2012-13	173.83	229.03	11.71	5.11
4	2013-14	251.95	173.83	25.07	14.42
5	2014-15	277.35	251.94	31.05 (Approx.)	12.32
	Total	**942.66**	**665.30**	**70.07**	**(Average) 10.53**

It is observed that the cess collected was not transferred to the Board within the period prescribed in the Rules. The cess collected in 2010-11 and 2011-12 was transferred to Board in 2012-13 and thereafter the funds were transferred in subsequent year of collection. The Board intimated (July 2015) that cess amounting to ₹ 277.36 crore for the year 2014-15 was deposited with the government under revenue head 0230-800-(06) and after reconciliation with Accountant General, the proposal will be submitted to Finance Department for transferring the amount in the PD account of the Board.

It was seen that the Board utilised only ₹ 70 crore during a five year period (2010-15) on welfare schemes for workers. Department attributed (July 2015) reasons for less expenditure to lesser number of beneficiaries and to lack of awareness among beneficiaries in the initial years. An analysis of expenditure incurred during 2014-15 revealed that there was balance of ₹ 942.66 crore at the end of 2014-15 including sum of ₹ 277.35 crore during 2014-15. Against these funds, only a sum of ₹ 29.25 crore was incurred for schemes on (i) assistance due to accident (ii) assistance for marriage, (iii) education

[45] 1. Aid for death in case of General or accident/injury 2. Marriage assistance 3. Education assistance (scholarship) 4. Maternity Assistance 5. Medical reimbursement for serious illness 6. Cash prize to meritorious students 7. Cycle disbursement schemes and 8. National Health Insurance Schemes.

scholarship and (iv) cycle distribution. The numbers of beneficiaries out of applicants were also on lower side i.e. about 37 *per cent*, 15 *per cent*, 37 *per cent* and 48 *per cent* for schemes on (i) assistance due to accident (ii) assistance for marriage, (iii) education scholarship and (iv) cycle distribution respectively. This showed lack of awareness not only in initial years as admitted by the department but also in recent year.

It is also pertinent to note that as per Rule 43 of State Rules the board was required to constitute a fund by name "The Building and Other Construction Worker's Welfare Funds". It was observed that Fund was not being operated distinctly as Welfare Fund in the Public Account, but kept in PD Account not bearing interest under Deposit and Advances in the Public Account.

- ***Non-utilisation of Water Conservation Cess levied by the Government for Water Conservation in the State – ₹ 841.82 crore***

Cess is levied by government for a specific purpose, till the time the government gets enough money for that purpose. The proceeds, being meant and earmarked for the defined purposes, should be kept in a separate fund, with distinct accounting to ensure that it is incurred for the specific purposes without disturbing other financial resources.

Pursuant to the Budget Speech (Revised) 2009-10, provisions were made in 'Rajasthan Finance Act, 2009' for levy of Water Conservation Cess (Cess) on the energy consumed at the rate of ten paisa per unit for the purpose of Water Conservation in the State. The cess was intended to provide financial resources for construction of water harvesting structures, both for collecting the run off as well as for ground water recharge and educating and sensitizing people to initiate and sustain the habit of conserving water in day to day life.

Accordingly, a provision was made in 'Rajasthan Electricity (Duty) Act, 1962', to collect cess with effect from 8 July 2009. Cess was to be deposited under Revenue Head-0043-800-04 under control of Commercial Tax Department.

It was revealed that cess of ₹ 841.82 crore[46] was realised during the period 2009-15 and of this, ₹ 777.47 crore[47] was deposited under revenue head by three electricity distribution companies (Ajmer, Jaipur and Jodhpur). It was noticed that collected cess was not deposited regularly in the relevant head by the distribution companies. Jaipur *Vidyut Vitran Nigam* Limited, Jaipur stated (July 2015) that as it was passing through financial crisis, therefore liabilities could not be met well in time.

Minutes of the Finance Department (24 May 2011) revealed that policy modalities for utilization of cess in various works were to be identified. However, the information regarding the guideline/regulation framed, fund established, its utilization etc. were not provided to audit by Finance Department (September 2015). It was seen that neither the fund was established nor any expenditure incurred. Further, there was no proper

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[46] 2009-10: ₹ 59.62 crore, 2010-11: ₹ 129.38 crore, 2011-12: ₹ 140.90 crore, 2012-13: ₹ 153.73 crore, 2013-14: ₹ 170.89 crore and 2014-15: ₹ 187.30 crore.

[47] 2009-10: ₹ 39.73 crore, 2010-11: ₹ 116.89 crore, 2011-12: ₹ 62.89 crore, 2012-13: ₹ 229.68 crore, 2013-14: ₹ 157.95 crore; and 2014-15: ₹ 170.33 crore.

accounting of the Cess collected. No monitoring mechanism had been established for watching and ensuring timely deposit of the Cess collected and its utilization for the set objectives.

The mingling of the Cess with regular revenue receipts is fraught with the consequence of understating Revenue Expenditure and Revenue Deficit. During 2014-15, a sum of ₹ 187.30 crore was collected as cess and deposited as revenue in Consolidated Fund. Since the collected amount was not transferred to the Public Account, Revenue Expenditure for 2014-15 was understated by ₹ 187.30 crore.

Non-utilisation of the money collected as a result of Cess meant for water conservation in a State which is suffering from water crisis and depletion of ground water recharging, is indicative of poor management of available resources.

1.10 Assets and Liabilities

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 2015, compared with the corresponding position on 31 March 2014. 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 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 1.27**:

Table 1.27: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2013-14	2014-15	*Percent* increased			2013-14	2014-15	*Percent* increased
Consolidated Fund		**87,329.76**	**1,00,510.54**	**15.09**	**Consolidated Fund**		**97,887.19**	**1,13,671.65**	**16.13**
a	Internal Debt	80,580.93	93,476.44	16.00	a	Gross Capital Outlay	92,883.17	1,08,971.29	17.32
b	Loans and Advances from GoI	6,748.83	7,034.10	4.23	b	Loans and Advances	5,004.02	4,700.36	(-) 6.07
Contingency Fund		**200.00**	**500.00**	**150.00**					
Public Account		**44,020.51**	**48,384.93**	**9.91**	**Public Account**		**25.61**	**68.45**	**167.28**
a	Small Savings, Provident Funds, etc.	29,265.67	32,247.42	10.19	a	Advances	2.89	5.74	98.62

Liabilities					Assets				
		2013-14	2014-15	*Percent* increased			2013-14	2014-15	*Percent* increased
b	Deposits	12,153.97	13,565.10	11.61	b	Remittance	-	-	
c	Reserve Funds	2,598.67	2,570.63	(-) 1.08	c	Suspense and Miscellaneous	22.72	62.71	176.01
d	Remittances	2.20	1.78	(-) 19.09	**Cash balance (including investment in Earmarked Fund)**		**10,446.44**	**8,949.28**	(-) 14.33
					Total		**1,08,359.24**	**1,22,689.38**	**13.22**
					Deficit in Revenue Account		**23,191.03**	**26,706.09**	15.16
Total		**1,31,550.27**	**1,49,395.47**	**13.57**	**Total**		**1,31,550.27**	**1,49,395.47**	**13.57**

Source: Finance Accounts

During 2014-15, the assets increased by 13 *per cent*, while the liabilities increased by 14 *per cent* over the previous year.

1.10.2 Fiscal Liabilities

The outstanding fiscal liabilities of the State increased from ₹ 99,285 crore in 2010-11 to ₹ 1,47,609 crore at the end of 2014-15, which showed an average annual growth of 11 *per cent*.

The trends in Fiscal Liabilities relative to GSDP are shown in **Table 1.28**.

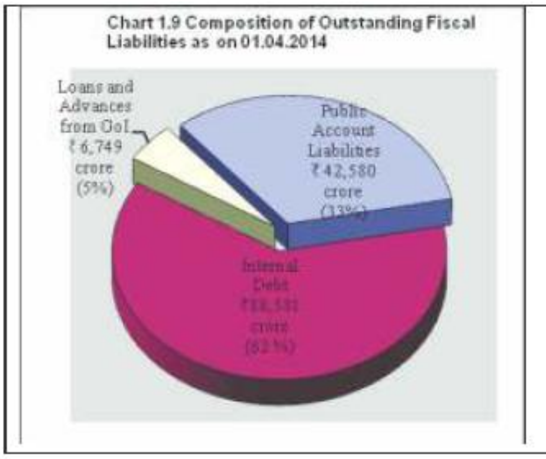
Table 1.28: Fiscal Liabilities- Basic Parameters

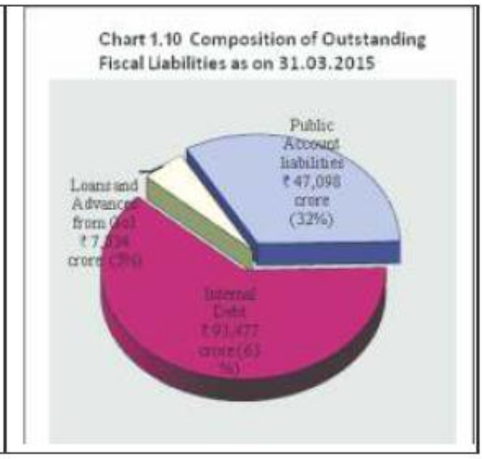
(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Fiscal Liabilities	99,285	1,06,560	1,17,809	1,29,910	1,47,609
Rate of Growth	8.5	7.3	10.6	10.3	13.6
Fiscal Liabilities as a percentage of					
GSDP	29.3	25.7	25.1	25.1	25.7
Revenue Receipts	216.2	186.9	176.1	174.4	161.6
Own Resources	367.0	308.4	276.3	276.1	284.4

Source: Finance Accounts

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 2014-15, fiscal liabilities increased by 14 *per cent* (₹ 17,699 crore) over the previous year due to increase in Internal Debt by 16 *per cent* (₹ 12,896 crore), Public Account Liabilities by 11 *per cent* (₹ 4,518 crore) and Loans and Advances from GoI by 4 *per cent* (₹ 285 crore).

During 2014-15, fiscal liabilities (total outstanding debt) to GSDP ratio at 25.69 per cent was lower than the norm (36.5 per cent[48]) recommended by XIII-FC and MTFPS projections (25.78 per cent) for the year. These liabilities stood at 1.62 times the revenue receipts and 2.95 times the State's own resources at the end of 2014-15.

During 2014-15, annual incremental borrowings[49] (₹ 17,699 crore) were higher than the ceilings fixed by the GoI (₹ 17,035 crore) as per recommendations of XIII-FC.

1.10.3 Cash balances and investment of cash balances

Table 1.29 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.29: Cash balances and Investment of Cash balances

(₹ in crore)

	Increase/ Decrease (-)	Opening balance on 1 April 2014	Closing balance on 31 March 2015
(a) General Cash Balance			
Cash in Treasuries	-	0.05	0.05
Deposits with Reserve Bank	22.74	6.67	29.41
Remittances in transit - Local	2.17	(-) 0.37	1.80
Total	24.91	**6.35**	**31.26**
Investments held in Cash Balance investment account	(-) 1,368.98	8,997.56	7,628.58
Total (a)	**(-) 1,344.07**	**9,003.91**	**7,659.84**
(b) Other Cash Balances and Investments			
Cash with departmental officers viz, Public Works Department Officers, Forest Department Officers, District Collectors	(-) 0.07	1.07	1.00
Permanent advances for contingent expenditure with departmental officers	(-) 0.26	3.52	3.26
Investment of earmarked funds	(-) 15.76	1,437.94	1,285.18
Total (b)	**(-) 153.09**	**1,442.53**	**1,289.44**
Grand total (a)+ (b)	**(-) 1,497.16**	**10,446.44**	**8,949.28**

Source: Finance Accounts

The State Government's cash balances at the end of the current year amounted to ₹ 8,949 crore showing decrease of ₹ 1,497 crore (14 *per cent*) from the previous year. Surplus cash balance was mainly due to market borrowings of ₹ 12,300 crore raised during 2014-15.

[48] XIII-FC Report **(Annexure 9.1).**

[49] 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.

- ***Investment of cash balances***

Para 7.123 of XIII-FC suggested that there should be a directed effort by States with large balances towards utilising their existing cash balances before resorting to fresh borrowings, as many States had cash balances exceeding the total expenditure for one month. While States require some float for smooth expenditure, accumulation of cash beyond a level, can be treated as inefficient management, as it would lead to 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 balances[50], market loans raised and budgeted expenditure is given in **Table 1.30**.

Table 1.30: Position of cash balances, market loans and budgeted expenditure

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Cash balance as on 1 April	2,361.65	6,087.76	9,785.11	12,886.72	10,446.44
Cash balance as on 31 March	6,087.76	9,785.11	12,886.72	10,446.44	8,949.28
Investment of cash balance in GoI Treasury Bills/Securities	5,708.51	9,307.62	12,127.66	8,997.40	7,628.42
Market loan raised	6,180	4,500	8,041	8,800	12,300
Total budgeted expenditure	51,036	60,524	71,956	90,440	1,26,470
Average monthly budgeted expenditure	4,253	5,044	5,996	7,537	10,539

Source: Finance Accounts and Budget Documents

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 2014-15, a sum of ₹ 7,628.42 crore was invested in GoI Treasury Bills/Securities, which earned an interest of ₹ 777.96 crore. Further, ₹ 1,285.18 crore was also invested in earmarked funds.

1.10.4 Transactions under Reserve Funds

According to Para 4.5 of State Budget Manual of Government of Rajasthan, Reserves and Reserve Funds are created for specific and well defined purposes in the accounts of the State Government (Public Account). These funds are fed 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 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.

[50] 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.

- ***Operative Reserve Funds***

As on 31 March 2015, there were 22 Reserve Funds in Public Accounts containing ₹ 2570.63 crore[51], which included a sum of ₹ 362.17 crore in 3 interest bearing funds. During 2014-15, a sum of ₹ 1,735.23 crore was credited to the Reserve Funds of the state which mainly included State Disaster Response Fund (₹ 789.77 crore), State Roads and Bridges Fund (₹ 280 crore) and Guarantee Redemption Fund (₹ 663.37 crore).

State Government was required to pay interest of ₹ 6.72 crore (conservatively estimated at 7.5 *per cent* representing the average interest rate on Ways and Means Advances) on ₹ 89.58 crore lying in other interest bearing funds as on 31 March 2014. It was however, observed that the same was not paid.

- ***Inoperative Reserve Funds***

As per Finance Account 2014-15, five Reserve Funds (₹ 4.24 crore) were inactive for more than five years. Of these, one fund[52] (₹ 0.20 crore) was interest bearing and four funds[53] (₹ 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 size of the Fund for the years 2010-15 fixed by the XIII FC was ₹ 3,319 crore[54], 75 *per cent* of which was to be contributed by the GoI and 25 *per cent* by the State Government.

During 2014-15, the GoI and the State Government contributed their shares. As on 31 March 2015, the balance in SDRF was ₹ 288.02 crore (including interest paid by Government on un-invested amount during 2014-15: ₹ 31.10 crore) after setting off the expenditure (₹ 1,570.57 crore) for disaster relief operations.

1.10.4.2 Guarantee Redemption Fund

The State Government had set up a Guarantee Redemption Fund in 1999-2000. In terms of the guidelines of the Reserve Bank of India (RBI) which administers the Fund, the corpus of the Fund is to be gradually increased to the desirable level of 5 *per cent* of outstanding guarantees. The Guarantee Redemption Fund had a balance of ₹ 1,723.79 crore as on 31 March 2015, which was 1.8 *per cent* of outstanding guarantees (₹ 94,577.81 crore).

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[51] It included (i) State Disaster Response Fund: ₹ 288.02 crore; (ii) Guarantee Redemption Fund: ₹ 1,723.79 crore; (iii) Resource Development Fund: ₹ 180.89 crore; (iv) State Road and Bridges Fund: ₹ 221.29 crore and (v) Water Works under Depreciation Reserve Fund: ₹ 73.94 crore.

[52] (i) Departmental Management Scheme of *Jhamar Kotra* Rock Phosphate: ₹ 20.45 lakh.

[53] (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: ₹ 4.02 crore and (iv) Government Security Redemption Fund: ₹ 0.18 lakh.

[54] 2010-11: ₹ 600.66 crore, 2011-12: ₹ 630.69 crore, 2012-13: ₹ 662.22 crore, 2013-14: ₹ 695.33 crore and 2014-15: ₹ 730.10 crore.

No amount was reimbursed from this Fund during the year. During 2014-15 State Government received ₹ 617.89 crore Guarantee Commission against the receivable amount of ₹ 618.82 crore. This amount was booked under Miscellaneous Receipts and an amount of ₹ 615.83 crore was transferred in Guarantee Redemption Fund.

1.10.4.3 Consolidated Sinking Fund

The XII FC had recommended that State Government should create a Consolidated Sinking Fund to be administered by the RBI for the amortisation of all loans. In terms of the guidelines of the RBI, States are required to contribute to the Consolidated Sinking Fund a minimum of 0.5 *per cent* of their outstanding liabilities as at the end of the previous year. The Government of Rajasthan had created a Consolidated Sinking Fund in 2006-07 and thereafter closed this Fund in 2007-08.

1.10.5 Contingent liabilities

- ***Status of Guarantees***

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

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 1.31: Guarantees given by the Government of Rajasthan

(₹ in crore)

Guarantees	2012-13	2013-14	2014-15
Maximum amount guaranteed	1,13,340	1,40,526	1,61,918
Outstanding amount of guarantees	75,546	85,911	94,578
Maximum amount guaranteed to total Revenue Receipts (in *per cent*)	169.4	188.7	177.3

Source: Finance Accounts

During 2014-15 Government received guarantee commission of ₹ 617.89 crore against receivable of ₹ 618.82 crore. The outstanding guarantees were 104 *per cent* of the Revenue Receipts of the Government. No guarantee was invoked during 2014-15.

The outstanding guarantees increased by 10 *per cent* from ₹ 85,911 crore in 2013-14 to ₹ 94,578 crore in 2014-15. The outstanding guarantees mainly pertained to five Power Companies (₹ 86,979 crore), two Urban Development and Housing (₹ 3,243 crore), one Road and Transport (₹ 1,727 crore) and seven Co-operatives (₹ 1,442 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.

- **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 guarantee loans availed of by various sectors of the State Government including Zila Parishads/ Companies/Corporations. These sectors borrow funds from the market/financial institutions for implementation of various State Plan programmes, projected outside the State Budget. Although, State Government projects that fund for these programmes, would be met out of the resources mobilized by these Companies/Corporations/Zila Parishads outside the State budget. In reality the borrowings of many of these concerns are repaid by State Government and ultimately turn out to be the liabilities of the State Government termed, as 'off budget borrowings' though not permissible under Article 293(3). According to recommendation of XIII FC, the Government of India (GoI) fixed (February 2014) the net borrowing ceiling of ₹ 17,035 crore for the State for financial year 2014-15.

The Rural Development and Panchayati Raj Department (RDPRD), informed (July 2015) that till 2014-15, the State Government provided guarantees for payment of principal amount of loans of ₹ 3,948.66 crore obtained by Zila Parishads, from Housing Urban Development Corporation (HUDCO) for construction of dwelling units for EWS families in Rural areas under Chief Minister BPL Housing Scheme. It was revealed from the sanctions, that a sum of ₹ 491.45 crore (₹ 249.73 crore on account of principal and ₹ 241.72 crore as interest) was paid by the State Government against these guarantees during 2014-15 to Zila Parishads.

However, Statement No. 20 of Finance Accounts 2014-15 revealed that a sum of ₹ 251 crore (instead of ₹ 249.73 crore) was paid by Zila Parishads to HUDCO towards principal for these guarantees. RDPRD intimated (August 2015) that as per information furnished by HUDCO, the difference of ₹ 1.27 crore was due to adjustment of outstanding loans against various Zila Parishads. However, details of outstanding loan, delay in payment and imposition of penal interest, if any, etc. was awaited from the RDPRD.

During 2014-15, to the opening balances of ₹ 2520.44 crore, guarantees of ₹ 600.64 crore were added and guarantees of ₹ 251.00 crore were cleared, leaving a balance of ₹ 2870.08 crore at the end of 2014-15.

Thus, by resorting to off budget borrowing of ₹ 491.45 crore during 2014-15 towards principal and interest on behalf of Zila Parishads to HUDCO under Major Head 2515-196-25 "Other Rural Development Programme Assistance to Zila Parishads/District Level Panchayats- Rural BPL Awas" for meeting the plan expenditure, the State Government incurred contingent liability of ₹ 2,870.08 crore in the event of non-payment by the ultimate borrower.

Besides this, the GoR had also raised borrowings of ₹ 17,699 crore during 2014-15 which crossed the ceiling limit of ₹ 17,035 crore fixed by the GoI. After including off budget borrowings, the net borrowings comes to ₹ 18,049 crore during 2014-15, which were 6 *per cent* above the ceiling fixed by the GoI.

1.10.6 Analysis of Borrowings of Government

The Public Debt of the State Government increased by 45 *per cent* from ₹ 69,278 crore in 2010-11 to ₹ 1,00,511 crore in 2014-15. It increased by 15 *per cent* over the previous year. Details are given below in **Table 1.32:**

Table 1.32: Outstanding Borrowings during 2010-15

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
(a) Internal Debt					
Market Loans	35,448	38,551	44,209	51,384	61,386
Loans from National Bank for Agriculture and Rural Development	3,323	3,947	4,553	5,422	6,482
Special Securities issued to National Small Savings Fund of the Central Government	22,656	21,518	20,767	20,022	20,126
Loans from other Institutions	470	441	444	3,753	5,483
Total (a)	**61,897**	**64,457**	**69,973**	**80,581**	**93,477**
(b) Loans and Advances from the Central Government					
Non-Plan Loans	67	60	55	49	44
Loans for State/Union Territory Plan Schemes	7,163	7,052	6,789	6,690	6,980
Other Plan Loans	151	137	137	10	10
Total (b)	**7,381**	**7,249**	**6,981**	**6,749**	**7,034**
Total Borrowings (a + b)	**69,278**	**71,706**	**76,954**	**87,330**	**1,00,511**
Rate of Growth	7.2	3.5	7.3	13.5	15.1

Source: Finance Accounts

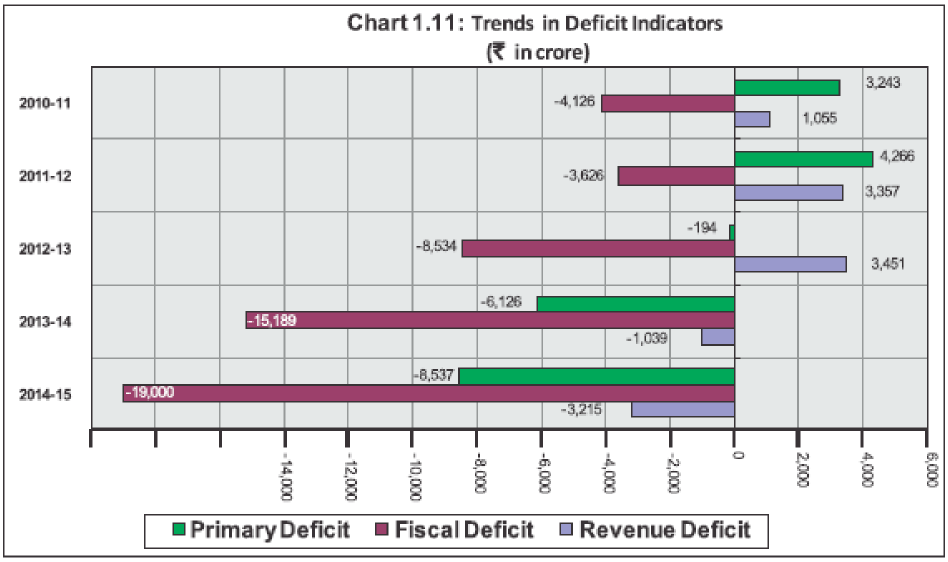
The outstanding borrowings and internal debt have shown a progressive increase over the period 2010-15, while loans and advances from the central government showed decreasing trend upto 2010-14 and thereafter increase by ₹ 285 crore during 2014-15 over the previous year. The share of market loans to total borrowing increased from 51 *per cent* in 2010-11 to 61 *per cent* in 2014-15. The market borrowings recorded increase of 19.5 *per cent* over previous year which was higher than average growth rate of 18.3 *per cent* during 2011-15.

1.11 Fiscal Imbalances

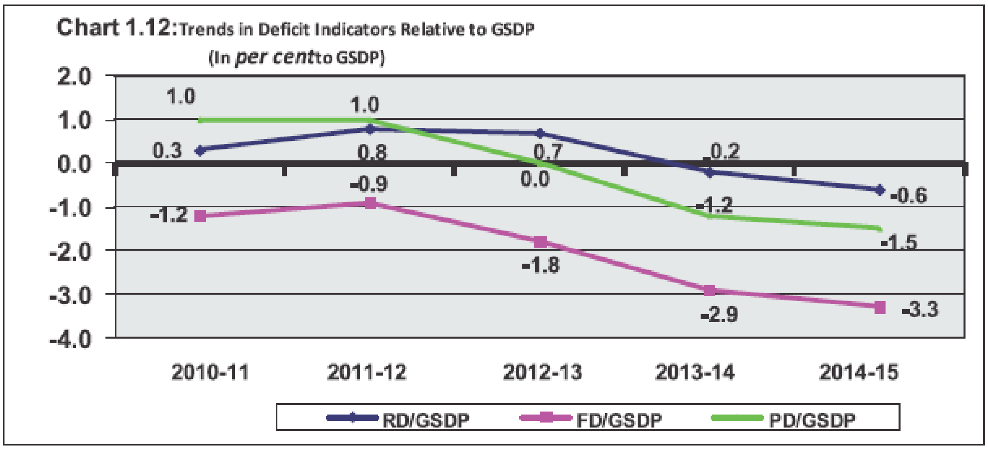
Three key fiscal parameters - Revenue Deficit, Fiscal Deficit and Primary Deficit - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature 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 2014-15.

1.11.1 Trends in Deficits

Charts 1.11 and **1.12** present the trends in deficit indicators over the period 2010-15.



Source : Finance Accounts



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. During 2014-15, revenue deficit (₹ 3,215 crore) increased by ₹ 2,176 crore over the previous year. During 2014-15, against the growth rate of 22.6 *per cent* of Revenue Receipts, the growth rate of Revenue Expenditure was 25.2 *per cent*. This issue is discussed in detail in **Paragraph 1.2.1**.

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 1.33:**

Table: 1.33: Fiscal deficit and its parameters

(₹ in crore)

Period	Non-debt Receipts	Total Expenditure	Fiscal Deficit	Fiscal Deficit as *per cent* of		
				GSDP	Non-debt Receipts	Total Expenditure
2010-11	46,260	50,386	4,126	1.22	8.9	8.2
2011-12	58,256	61,882	3,626	0.88	6.2	5.9
2012-13	68,023	76,557	8,534	1.82	12.6	11.2
2013-14	74,797	89,986	15,189	2.93	20.3	16.9
2014-15	92,346	1,11,346	19,000	3.31	20.6	17.1

Source: Finance Accounts

Fiscal deficit as a percentage of GSDP, non-debt receipts and total expenditure was least in 2011-12. During 2014-15, fiscal deficit increased mainly on account of increase in capital expenditure and Revenue deficit.

Fiscal deficit as a percentage of GSDP increased from 2.93 per cent (2013-14) to 3.31 per cent (2014-15) which was higher than the target of 3 per cent as prescribed under FRBM Act, 2005 as amended (March 2011 and September 2011). After containing fiscal deficit regularly within the limit for the years 2010-11 to 2013-14 as prescribed under FRBM Act, State Government has crossed the target of 3 per cent.

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 further increased from ₹ 6,126 crore in 2013-14 to ₹ 8,537 crore in 2014-15.

1.11.1.4 Non-plan Revenue Deficit

Non-Plan Revenue Deficit represents the difference between NPRE and State's own resources. During 2014-15, the Non-Plan Revenue Deficit of ₹ 15,196 crore (22.6 *per cent* of NPRE) exceeded the normative assessment of Non-Plan Revenue Surplus ₹ 864 crore (2.3 *per cent* of NPRE) made by XIII FC.

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

Table 1.34 presents item-wise net disbursement/outflow financing pattern of fiscal deficits of the State during 2009-10 to 2014-15 along with receipts and disbursements during the year 2014-15.

Table 1.34: Components of fiscal deficit and its item-wise financing pattern

(₹ in crore)

		Net disbursements/outflows					2014-15		
		2009-10	2010-11	2011-12	2012-13	2013-14	Receipts	Disburse-ments	Net
(a) Decomposition of Fiscal Deficit									
1	Revenue Deficit/ Surplus (-)	4,747	(-) 1,055	(-) 3,357	(-) 3,451	1,039	91,327	94,542	3,215
2	Net Capital Expenditure	5,166	5,238	7,103	10,675	13,654	15	16,103	16,088
3	Net Loans and Advances	386	(-) 57	(-) 120	1,310	496	1,004	701	(-) 303
	Total (a)	**10,299**	**4,126**	**3,626**	**8,534**	**15,189**	**92,346**	**1,11,346**	**19,000**
(b) Financing Pattern of Fiscal Deficit									
1	Market Borrowings	6,112	4,837	3,103	5,658	7,175	12,300	2,298	10,002
2	Loans from GoI	(-) 142	(-) 94	(-) 131	(-) 268	(-) 232	795	509	286
3	Special Securities Issued to National Small Saving Funds	(-) 560	(-) 553	(-)1,138	(-) 751	(-) 745	1,347	1,243	104
4	Ways and Means	-	-	-	-	-	-	-	-
5	Loans from Financial Institutions	442	470	594	610	4,178	3,699	910	2,789
6	Small Savings, Provident Fund etc	2,145	2,841	2,767	2,164	2,521	7,082	4,100	2,982
7	Deposits and Advances	1,274	885	1,096	3,416	(-) 421	1,07,067	1,05,658	1,409
8	Suspense and Miscellaneous	(-) 14	(-) 49	12	(-) 3	12	22	62	(-) 40
9	Remittances	(-) 1	-	-	29	(-) 6	10,487	10,488	(-) 1
10	Reserve Funds	(-)1,761	(-) 485	1,020	781	267	1,724	1,752	(-) 28
	Total (b)	**7,495**	**7,852**	**7,323**	**11,636**	**12,749**	**1,44,523**	**1,27,020**	**17,503**
11	Increase (-)/ Decrease (+) in Cash Balance (a-b)	2,804	(-)3,726	(-)3,697	(-)3,102	2,440			1,497
12	Overall Deficit (b+11)	10,299	4,126	3,626	8,534	15,189			19,000

* Not applicable in case of summing of receipts and disbursements for 2014-15 being cumulative of (a+b) and not indicative of actual cash balances

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. Decomposition 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 by the State Government continued to finance a major portion of fiscal deficit. Its share in financing fiscal deficit increased from 47 *per cent* in 2013-14 to 53 *per cent* in 2014-15. During 2014-15, the fiscal deficit of ₹ 19,000 crore was mainly met from Market Borrowings (₹ 10,002 crore), Loans from Financial Institutions (₹ 2,789 crore), Small Savings and

Provident Funds etc. (₹ 2,982 crore), Deposits and Advances (₹ 1,409 crore) and Cash Balance (₹ 1,497 crore). The Market Borrowings and the Small Savings, Provident Fund etc, increased by 19.5 *per cent* and 10.2 *per cent* respectively over the previous year; raising the interest burden in future.

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) indicates 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.

The bifurcation of the primary deficit **(Table 1.35)** 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 1.35: Primary deficit/surplus- Bifurcation of factors

(₹ in crore)

Year	Non-debt Receipts (NDR)	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	NDR *vis-à-vis* Primary Revenue Expenditure	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2010-11	46,260	37,504	5,251	262	43,017	(+) 8,756	(+) 3,243
2011-12	58,256	45,762	7,119	1,109	53,990	(+) 12,494	(+) 4,266
2012-13	68,023	55,122	10,683	2,412	68,217	(+) 12,901	(-) 194
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

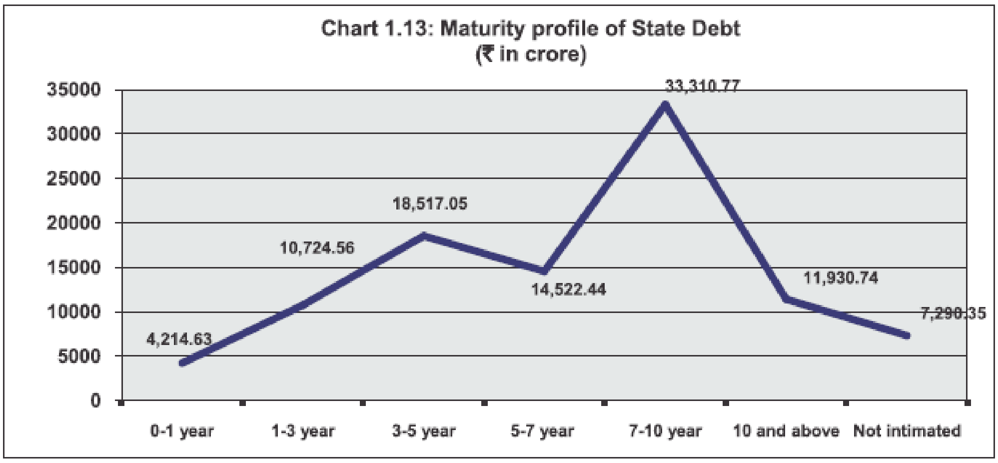
Source: Finance Accounts

The share of capital expenditure in primary expenditure which was 12 *per cent* in 2010-11, increased to 16 *per cent* in 2014-15. The non-debt receipts increased by ₹ 17,549 crore against an increase of ₹ 19,960 crore in primary expenditure during 2014-15 over the previous year. This resulted in increase of primary deficit by ₹ 2,411 crore. The Primary Revenue Expenditure and Capital Expenditure increased by ₹ 17,632 crore (26.5 *per cent*) and ₹ 2,439 crore (17.8 *per cent*) respectively over the previous year, while disbursement of Loans and Advances decreased by ₹ 111 crore (13.7 *per cent*) from the previous year. During 2014-15, the non-debt receipt was less than the primary expenditure resulting in a primary deficit.

1.12 Debt Management

(i) Debt Profile

The Maturity Profile of State Debt as on 31 March 2015 is as follows:



Source: Finance Accounts

As per data shown in **Chart 1.13**, the maturity profile in respect of ₹ 7,290.35 crore was not clearly defined. There would be a bunching of repayments in 1-3 years (₹ 10,724.56 crore), 3-5 years (₹ 18,517.05 crore) and 5-7 years (₹ 14,522.44 crore). In terms of maturity profile, around 33 *per cent* of the total public debt (₹ 33,310.77 crore) at the end of the year belonged to a maturity bracket of 7 to 10 years. A well thought out debt repayment strategy will have to be worked out by the Government to ensure that no additional borrowings which mature in these critical years, are made.

(ii) Debt sustainability

Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also indicates 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 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 1.36** analyses the debt sustainability of the State according to these indicators for a period of five years beginning 2010-11.

Table 1.36: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2010-11	2011-12	2012-13	2013-14	2014-15
Outstanding debt[55]	69,278	71,706	76,954	87,330	1,00,511
Debt/GSDP (in *per cent*)	20.5	17.3	16.4	16.9	17.5
Debt/Revenue Receipt (in *per cent*)	150.8	125.8	115.0	117.3	110.1
Burden of Interest Payments (IP/RR per cent)	16	14	12	12	11
Sufficiency of Non-debt Receipts (Resource Gap)	6,173	500	(-) 4,908	(-) 6,655	(-) 3,811
Net Availability of Borrowed Funds	383	(-) 617	2,908	3,038	7,236

The outstanding debt of the State increased by 45 *per cent* from ₹ 69,278 crore in 2009-10 to ₹ 1,00,511 crore in 2014-15.

55 It includes Internal Debt and Loans & Advances from GoI.

- ***Sufficiency of non-debt receipts***

For debt stability and its sustainability, the incremental non-debt receipts of the State should be adequate 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.

The persistent negative non-debt receipts (resource gap) gap was negative during 2012-15 indicating the non-sustainability of debt.

- ***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 in debt redemption.

The net fund available from borrowing for current operations after providing for interest and repayment increased from ₹ 3,038 crore in 2013-14 to ₹ 7,236 crore in 2014-15.

- ***Interest burden***

The ratio of interest payments to revenue determines the debt sustainability of the State. During 2014-15, interest payments constituted 11 *per cent* of Revenue Receipts of the State.

1.13 Conclusions and Recommendations

For the second consecutive year, the State Government was unable to achieve its target of attaining zero revenue deficit framed under the FRBM Act. During the year 2014-15, the revenue deficit increased to ₹ 3,215 crore from ₹ 1,039 crore in 2013-14. The State Government failed to contain the fiscal deficit within the limit of 3 *per cent* of GSDP, as laid down in FRBM Act and at the end of 2014-15, the fiscal deficit was ₹ 19,000 crore (3.31 *per cent* of GSDP). Further, the primary deficit (₹ 8,537 crore) also increased by ₹ 2,411 crore over the previous year.

With a view to generate a revenue surplus of ₹ 738 crore, the State Government in its BE had projected revenue expenditure of ₹ 1,05,387 crore and revenue receipts of ₹ 1,06,125 crore during 2014-15. It was observed that the actual expenditure was ₹ 94,542 crore (10.3 *per cent* less than estimates) and actual receipts were ₹ 91,327 crore (13.9 *per cent* less than estimates) during the year leading to revenue deficit. The outstanding debt showed a steady increase over the years, from ₹ 99,285 crore at the end of 2010-11 to ₹ 1,47,609 crore at the end of 2014-15 which as percentage of GSDP was 25.7 *per cent* in 2014-15 and was well within the target of 36.5 *per cent* fixed under the FRBM Act. However, annual incremental borrowings (₹ 17,699 crore) were higher than the ceilings fixed by the GoI (₹ 17,035 crore).

Revenue receipts of the State increased steadily from ₹ 45,928 crore in 2010-11 to ₹ 91,327 crore in 2014-15. The growth in revenue receipts during the year 2014-15 was 22.6 *per cent* (₹ 16,856 crore) as compared to 11.3 *per cent* in previous year. This was mainly on account of 124.2 *per cent* (₹ 10,863 crore) growth of Grant-in-aid from GoI in 2014-15 as compared to 21.9 *per cent* in the previous year because of transfer of significant funds under CSS to the Implementing Agencies through the Consolidated Fund of the State as per policy decision of GoI. The share of tax revenue to revenue receipts declined from 45.2 *per cent* in 2010-11 to 42.3 *per cent* in 2014-15.

While overall revenue expenditure of the State increased by 111 *per cent* from ₹ 44,873 crore in 2010-11 to ₹ 94,542 crore in 2014-15, its share in total expenditure declined from 89.1 to 84.9 *per cent.* However, during 2014-15, there was 25 *per cent* growth in revenue expenditure as compared to previous year's growth of 19 *per cent,* which indicates deficiencies in control over expenditure. The Non Plan Revenue Expenditure (NPRE) also increased consistently over the period from ₹ 36,121 crore in 2010-11 to ₹ 67,098 crore in 2014-15 and stood at 71 *per cent* of revenue expenditure after recording growth of 15 *per cent* over the previous year. The expenditure on salaries, interest payments, pensions and subsidies increased by 78 *per cent* from ₹ 29,317 crore in 2010-11 to ₹ 52,216 crore in 2014-15. During the current year, it recorded growth of 18 *per cent* over the previous year.

The estimation of expenditure and receipts for containing fiscal parameters within the desirable limits should be more realistic and it should be endeavour of the State Government to contain the expenditure as envisaged within the budget estimates. Regular control over expenditure and management of receipts are required.

Various types of cess are levied by the Government for specific purposes and objectives. For the purpose of transparency, their proceeds are transferred to an earmarked fund. Irregularities were noticed in implementation and follow up action regarding certain cess imposed by the State Government for various objectives.

Upto the year 2014-15, a sum of ₹ 300.51 crore was collected under Environmental and Health cess which was levied in Budget Speech 2008-09. However, this was not transferred from Consolidated Fund to the Public Account till 2012-13 and only a sum of ₹ 51.58 crore was spent till end of 2014-15.

Rajasthan Building and Other Construction Workers Welfare Fund was established under 'Rajasthan Building and Other Construction Workers (Regulation of employment and conditions of service) Rules 2009' and a sum of ₹ 942.66 crore was collected by State Government. However, only a sum of ₹ 70 crore was spent during 2010-15. The transfer of the cess by the State Government to the Board was also beyond stipulated period during those years.

Levy of Water Conservation Cess was imposed through 'Rajasthan Finance Act 2009'. During the period 2009-15, a sum of ₹ 841.82 crore was realised towards cess by three electricity distribution companies. However, neither the fund was created nor expenditure incurred out of this.

Retention of receipts from various cesses in Consolidated Fund/Public Accounts for a long period is fraught with the consequence of understating the Revenue expenditure and Revenue Deficit.

State Government may ensure proper collection of cess and its timely transfer to the earmarked funds and utilise it for intended purposes.

A review of revenue deposited in Consolidated Fund through sale, regularisation and conversion of land and urban assessment fee by JDA alongwith annual accounts of JDA revealed that ₹ 230.17 crore during 2014-15 were short deposited in Consolidated Fund of the State under respective heads. This was in violation of orders (08 December 2010) of Government of Rajasthan (Revenue Department) and orders (31 May 2012 and 21 June 2012) of UDH Department, according to which 20 *per cent* of revenue realised under sale proceeds of land, 40 *per cent* of revenue realised under regularisation and conversion charges and 60 *per cent* of revenue realised under urban assessment fee, were to be deposited in government account in relevant heads.

On the basis of recommendation of XIII-FC, State Government entrusted (February 2011) Technical Guidance and Supervision (TGS) to CAG over audit of Local Bodies.

In pursuance of TGS, we reviewed the status of preparation of accounts and their certification in all Local Bodies. It was seen that till March 2015, the accounts in PRIs were mainly being maintained in conventional formats as per RPR Rules. The State Government failed to ensure GoI's directions that w.e.f. April 2011, accounts be maintained as per simplified accounting formats 2009 by using model accounting system '*Panchayati Raj* Institution Accounting Software' (PRIA Soft). The status of switching over of Accounting in ULBs to accrual system was also not ascertainable and clear.

The TGS revealed that accounts of various Local Bodies including PRIs, ULBs, JDA, RHB etc. by DLFAD had in general not been certified.

The accounting system in the Local Bodies needs to be strengthened. State Government may ensure timely preparation and submission of accounts and their certification.

In pursuance of recommendations of XIII-FC (2010-15), the GoI allocated Grant in Aid of ₹ 12,950 crore to GoR. However, there was actual release of ₹ 12,270.80 crore against which the State Government incurred an expenditure ₹ 12,352.66 crore. Test check of records of five Departments (Information Technology and Communication, Home, Medical and Health, Law and Legal Affairs, and Water Resources Departments) receiving significant Grant in Aid revealed irregularities in its release and utilization including non receipts/ deprival of grant of ₹ 539.32 crore.

The State Government should monitor release and utilisation of grant by GoI under FC more effectively to ensure that the grants are utilised in effective and timely manner for the intended purposes.

During 2014-15, Government invested ₹ 4,391.59 crore in Government Companies, Statutory Corporations and Cooperative Institutions etc. Out of this, a sum of ₹ 3,959.21 crore was invested in five loss making Statutory Corporations/Government Companies, including four Power Companies and Rajasthan State Road Transport Corporation. Though during the last five years, the State Government invested ₹ 18,376.02 crore, the average return by way of dividend on the investment in Government Companies and Statutory Corporations was less than 0.5 *per cent*, whereas, the Government paid up to 7.7 *per cent* interest on an average on its borrowings during 2010-15.

It would be advisable for the State Government to ensure better value for money in investment, otherwise high cost borrowed funds will continue to be invested in projects with low financial returns.