

CHAPTER 1

FINANCES OF THE STATE GOVERNMENT

Profile of Chhattisgarh

Chhattisgarh State, located in the central part of India, is the 10th largest State in terms of geographical area (1,35,191sq.km)¹ and the 16th largest State by population (2.55 crore). The State's population had increased from 2.08 crore in 2001 to 2.55 crore in 2011(provisional figures) recording a decadal growth of 22.59 *per cent*, as indicated in **Appendix 1.1 (Part-A)**. The percentage of population living below poverty line was 39.93², which is more than the all-India average of 21.92. The Gross State Domestic Product (GSDP) of Chhattisgarh in 2013-14 at current price was ₹ 1,85,060 crore. The State's literacy rate was 71.04 *per cent* (81.45 *per cent* male and 60.59 *per cent* female) as per 2011 census, which was less than all-India average of 74.04 *per cent* (82.14 *per cent* male and 65.46 *per cent* female). General Data relating to the State is given in **Appendix 1.1 (Part-A)**. At current prices the per capita income of the State was ₹ 58,297 during 2013-14.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognized final goods and services produced within the State in a given period. 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 trend in the annual growth of India's GDP at current prices is as indicated below:

GSDP at factor cost at current prices

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
India's GDP (₹ in crore)	61,08,903	72,48,860	83,91,691	93,88,876	104,72,807
Growth rate of GDP (percentage)	15.18	18.66	15.77	11.88	11.54
State's GSDP (₹ in crore)	99,364	1,19,420	1,44,382 ^P	1,63,461 ^Q	1,85,060 ^A
Growth rate of GSDP (percentage)	2.47	20.18	20.90	13.21	13.21

(Source: Website of the Ministry of Statistics and Programme Implementation, Government of India as on 1 August 2014.)
(A-advanced estimates, Q-quick estimates, P-provisional estimates)

The GSDP of Chhattisgarh State grew at the rate of 13.21 *per cent* during 2013-14 against the Thirteenth Finance Commission (ThFC) projection of 12.50 *per cent* for the year. The GSDP growth rate of Chhattisgarh was higher than the GDP growth rate of India during 2010-11 to 2013-14. Tertiary sector continued to be the dominant source of GSDP and it accounted for 40.47 *per cent* of the GSDP during 2013-14. Out of the remaining 59.53 *per cent* of GSDP, 29.61 *per cent* was contributed by Primary sector and 29.92 *per cent* by Secondary Sector. The sector wise data relating to GSDP of the State is given in **Appendix 1.2**.

¹ Figures provided by Department of Economic and Statistics, Government of Chhattisgarh.
² Below Poverty Line as per press note- July 2013 of Planning Commission BPL 2011-12 by Tendulkar Methodology.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Chhattisgarh during the year 2013-14. It analyses the significant changes in the major fiscal aggregates in relation to the previous year keeping in view the overall trends during the last few years. The structure and form of Government Accounts have been explained in *Appendix 1.1 Part (B)* and the layout of the Finance Accounts is depicted in *Appendix 1.1 Part (C)*. This analysis has been made based on Finance Accounts of the State and information obtained from the Government.

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

1.1.1 Summary of fiscal transaction in 2013-14

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2013-14) *vis-à-vis* the previous year (2012-13), while *Appendix 1.4 (Part A and B)* presents details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.1: Summary of Fiscal Operations in 2013-14

(₹ in crore)

Receipts			Disbursement				
Section-A-Revenue	2012-13	2013-14	Section-A-Revenue	2012-13	2013-14		
					Non-Plan	Plan	Total
Revenue Receipts	29,578.09	32,050.26	Revenue Expenditure	26,971.84	19,109.80	13,749.77	32,859.57
Tax Revenue	13,034.21	14,342.71	General Services	6,649.31	7,773.26	77.89	7,851.15
Non-Tax Revenue	4,615.95	5,101.17	Social Services	11,456.42	4,553.35	9,728.75	14,282.10
Share of Union Taxes/Duties	7,217.60	7,880.22	Economic Services	8,011.66	5,812.80	3,943.13	9,755.93
Grants from Government of India	4,710.33	4,726.16	Grants-in-Aid and contributions	854.45	970.39	0.00	970.39
Section- B- Capital							
Miscellaneous Capital Receipts	2.39	7.64	Capital Outlay	4,919.33	-0.74	4,574.93	4,574.19
Recoveries of Loans and Advances	1,542.01	1,637.27	Loans and Advances Disbursed	1,888.79	9.58	1,308.95	1,318.53
Inter-State Settlement	1.53	5.14	Inter-State Settlement	(-) 0.80			5.30
Public Debt Receipts	2,057.73	3,931.89	Repayment of Public Debt	1,039.29			689.65
Contingency Fund	0.00	0.00	Contingency Fund	0.00			0.00
Public Account Receipts	39,579.40	45,867.54	Public Account Disbursement	38,526.62			43,434.15
Opening Cash Balance	2,700.86	2,116.94	Closing Cash Balance	2,116.94			2,735.29
Total	75,462.01	85,616.68	Total	75,462.01			85,616.68

(Source: Finance Accounts of the State Government 2013-14)

The significant changes during 2013-14 as compared to the previous year are as under:

- Revenue Receipts increased by ₹ 2,472 crore (eight *per cent*) from previous year. The increase was due to increase in Own Tax Revenue (OTR) by ₹ 1,309 crore (10 *per cent*), Non-Tax Revenue (NTR) by ₹ 485 crore (11 *per cent*) and State's share of Union taxes and duties by ₹ 663 crore (nine *per cent*) over the previous year. However, the Grants-in-Aid (GIA) from the Government of India (GOI) increased marginally by ₹ 16 crore (0.34 *per cent*) over the previous year.
- Against the normative assessment of Own Tax Revenue (₹ 12,735.43 crore) and Non-Tax Revenue (₹ 2,811.44 crore) made by the ThFC the actual Own Tax and Non-Tax Revenue of the State were ₹ 14,342.71 crore (112.62 *per cent*) and ₹ 5,101.17 crore (181.44 *per cent*) respectively. Thus, the actual collection of OTR and NTR were higher than the normative projection made by the ThFC.
- During 2013-14, Revenue Expenditure (RE) increased by ₹ 5,888 crore (22 *per cent*) over the previous year due to increase in expenditure on General Services by ₹ 1,202 crore (18 *per cent*), Social Services by ₹ 2,826 crore (25 *per cent*) and Economic Services by ₹ 1,744 crore (22 *per cent*).
- Capital Outlay decreased by ₹ 345 crore (seven *per cent*) over the previous year mainly due to decrease in capital expenditure under the heads: Capital Outlay on civil aviation, housing, information and broadcasting, medical and public health, power projects, tourism, urban development, village and small industries, water supply and sanitation and welfare of SC, ST and OBC.
- While Recovery of Loans and Advances increased by ₹ 95 crore (six *per cent*), the disbursement of Loans and Advances decreased by ₹ 570 crore (30 *per cent*) during the year.
- Public Debt receipts (₹ 3,931.89 crore) during the current year increased by ₹ 1,874 crore mainly due to Market Borrowing of ₹ 3,000 crore during 2013-14. Repayment of Public Debt (₹ 689 crore) decreased by ₹ 350 crore during the current year as compared to the previous year's repayment of ₹ 1,039.29 crore.
- Public Account receipts and disbursements increased by ₹ 6,288 crore and ₹ 4,908 crore respectively over the previous year. Thus, the net Public Account receipts increased by ₹ 1,380 crore.
- The net impact of the above transactions was increase of ₹ 618 crore in the cash balance at the end of 2013-14 over the previous year.

1.1.2. Review of the fiscal position

In compliance with the recommendations of Twelfth Finance Commission (TFC), the Government of Chhattisgarh enacted its Fiscal Responsibility and Budget Management Act, 2005 (FRBM Act), as amended in September 2011

with a view to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability and greater transparency in fiscal operations of the Government and conduct of fiscal policy in a Medium Term Fiscal Framework.

The Thirteenth Finance Commission (ThFC) has prescribed a Fiscal Consolidation map, which required the States that incurred zero revenue deficit or achieved revenue surplus in 2007-08 should eliminate revenue deficit by 2011-12 and maintain revenue balance or attain a surplus thereafter. Further, the General Category States that attained a zero revenue deficit or a revenue surplus in 2007-08 should achieve a fiscal deficit of three *per cent* of GSDP by 2011-12 and maintain such thereafter. The State was also required to amend its FRBM Act to conform to the fiscal reform path. During 2007-08 the State of Chhattisgarh had revenue surplus of ₹ 3,039 crore.

The State Government passed the Chhattisgarh Fiscal Responsibility and Budget Management (Amendment) Act, 2011 in September 2011. According to the Act, the State Government:

- shall maintain zero revenue deficit every year upto 2014-15, beginning from the financial year 2011-12,
- shall maintain actual fiscal deficit as three *per cent* of GSDP every year, beginning from 2010-11 upto 2014-15,
- shall maintain total outstanding debt as a certain *per cent* of the GSDP and
- shall not assume additional Total Liabilities in excess of five *per cent* of GSDP for any financial year beginning from 2011-12.

Major fiscal variables provided in the budget based on recommendations of the ThFC and as targeted in the FRBM Act of the State are presented in **Table 1.2**.

Table 1.2 : Major Fiscal Variables for 2013-14

(₹ in crore)

Fiscal variables	2013-14				
	ThFC Targets	Targets as prescribed in FRBM Act	Targets as per Budget	Projections in MTFPS	Actuals
Revenue Deficit (-)/ Surplus (+)	0.00	0.00	(+) 2,428.67	(+) 2,428.67	(-) 809.31
Fiscal Deficit (-)/ Surplus (+)	To maintain Fiscal Deficit of three <i>per cent</i> of GSDP	To maintain Fiscal Deficit of three <i>per cent</i> of GSDP	(-) 5,145.28	(-) 5,145.28	(-) 5,057.28 (2.73 <i>per cent</i> of GSDP)
Outstanding Debt as <i>per cent</i> of GSDP	23.50	23.50	Not given in budget	14.16	13.46

(Source: FRBM Act documents, ThFC Report, Budget documents and Finance Accounts 2013-14 of the State)

As evident from **Table 1.2**, state had Revenue Deficit of ₹ 809.31 crore during 2013-14 as against ThFC and FRBM target of zero revenue deficit. The projection in Budget Estimate and Medium Term Fiscal Policy Statement (MTFPS) was for Revenue Surplus of ₹ 2,428.67 crore during 2013-14.

The increase in Revenue Expenditure by ₹ 5,888 crore (22 per cent) during 2013-14, was more than increase in Revenue Receipts by ₹ 2,472 crore (eight per cent), which led to the position of Revenue Deficit.

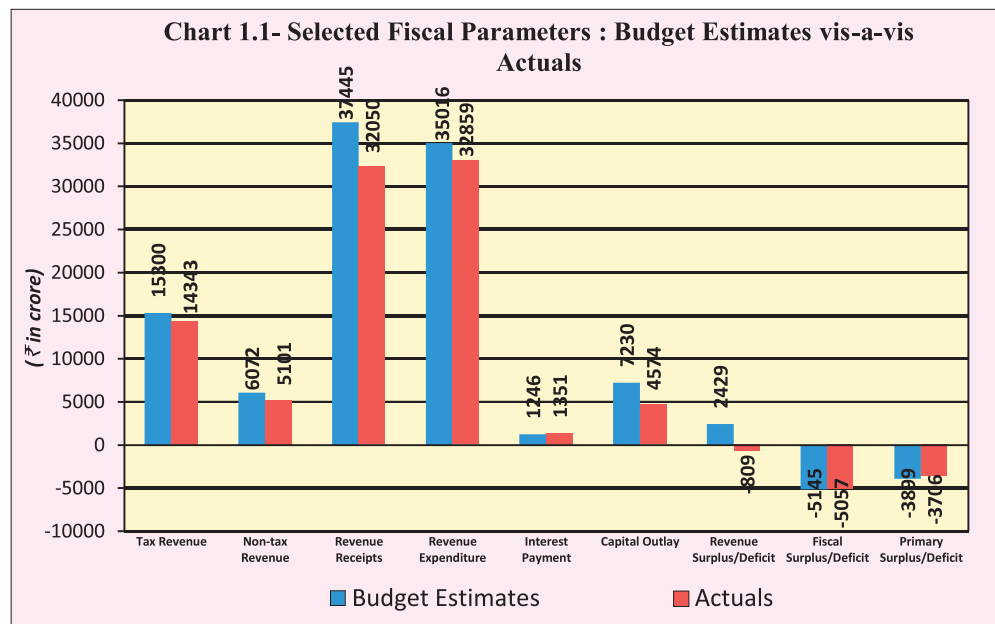
The Fiscal Deficit during 2013-14 (₹ 5,057 crore) increased by ₹ 2,402 crore from ₹ 2,655 crore in 2012-13 due to shift from position of revenue surplus of ₹ 2,606 crore in the year 2012-13 to position of Revenue Deficit of ₹ 809 crore in 2013-14.

The total outstanding debt as a per cent of GSDP at 13.46 per cent was within the ThFC targets (23.50 per cent) and targets as prescribed in FRBM disclosures (14.16 per cent).

1.1.3 Budget Estimates and Actual

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

The details of Budget Estimates *vis-à-vis* actuals for the year 2013-14 are given in **Appendix 1.5**, **Chart 1.1** presents a comparative analysis of Budget Estimates and actuals for some important fiscal parameters.



(Source: Finance Accounts of the State Government 2013-14 and Budget Estimate 2013-14 of the State)

The above chart shows that during the year 2013-14 actual receipts and expenditure, except interest payment were less than Budget Estimates prepared by the State Government for 2013-14.

The shortfall in actual Revenue Receipts by ₹ 5,395 crore (14 per cent) was mainly due to less receipt of Own Tax and Non-Tax Revenues by ₹ 1,928

crore (nine *per cent*) and Grants-in-Aid from GOI by ₹ 2,753 crore (37 *per cent*) than the BE.

The decrease in Revenue Expenditure (by ₹ 2,157 crore) was due to less expenditure of ₹ 1,524 crore (10 *per cent*) under Social Services and ₹ 980 crore (nine *per cent*) under Economic Services against BE.

The Capital Expenditure of the State was less than BE by ₹ 2,656 crore was due to less expenditure on Social Services by ₹ 835 crore and on Economic Services ₹ 1,780 crore, which is a matter of concern for the State.

1.1.4 Gender Budgeting

Gender Budget of the State disclose the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partially. Separate volume of Gender Budget was submitted along with the Budget (2013-14) giving the details of budget provision relating to women and girls in various schemes. As per Gender Budget document, schemes relating to Gender Budget were bifurcated in two categories - (1) schemes in which 100 *per cent* budget provision were related to women, and (2) schemes in which atleast 30 *per cent* of budget provision were related to women.

During 2013-14, budget provision were made in 16 departments³ (category - 1:32 schemes and category - 2:107 schemes) for benefit of women.

The details of Budget Estimates as per Gender Budget document, provision of fund as per Appropriation Account and actual expenditure in respect of some schemes are given in **Appendix 1.6**

- As per Gender Budget 2013-14, the estimated provision for 24 schemes detailed in **Appendix 1.6** was ₹ 667.99 crore, as against which ₹ 804.94 crore was actually provided and expenditure of ₹ 879.75 crore was incurred.
- Entire provision of ₹ 5.80 crore for the National Programme for Education of Girls at Elementary Level (NPEGEL) scheme remained unspent during 2013-14 due to non-implementation of the scheme in the State as envisaged in Gender Budget

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

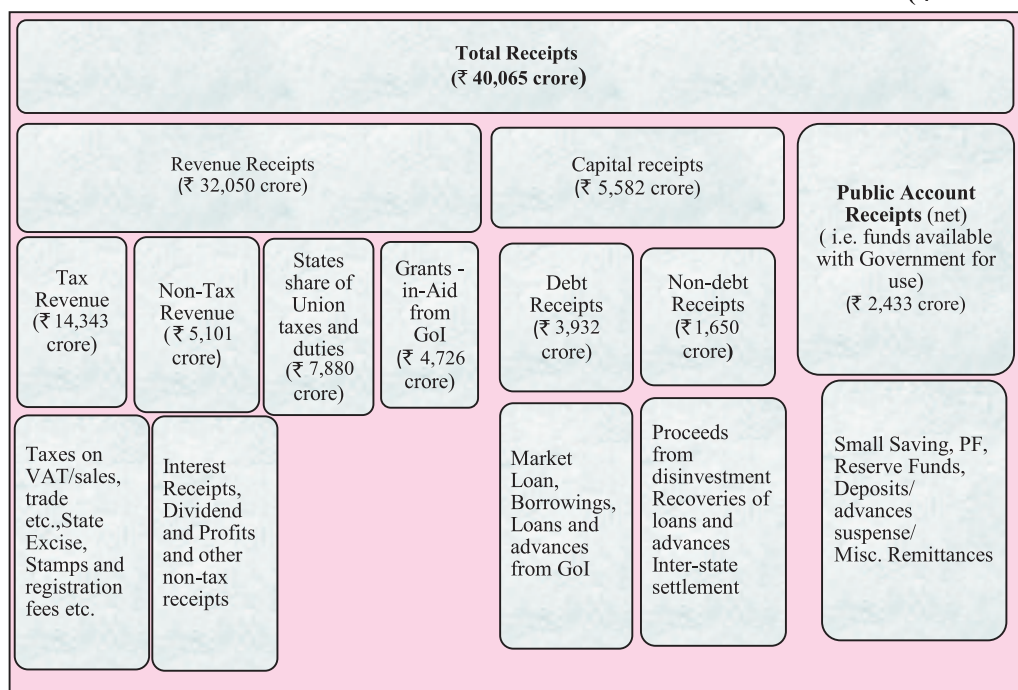
Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of Own Tax Revenue, Non-Tax Revenue, State's share of Union taxes and duties and Grants-in-Aid from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and

³ Agriculture Department, Animal Husbandry, Food and Civil supply Department, Forest Department, Higher Education Department, Labor Department, Medical Education Department, Panchayat and Rural Development, Public Health and Family Welfare Department, School Education, Social Welfare Department, Sports and Youth Welfare, Technical Education and Manpower Department, Tribal Welfare Department, Village Industries Department, Women and Child Development Department.

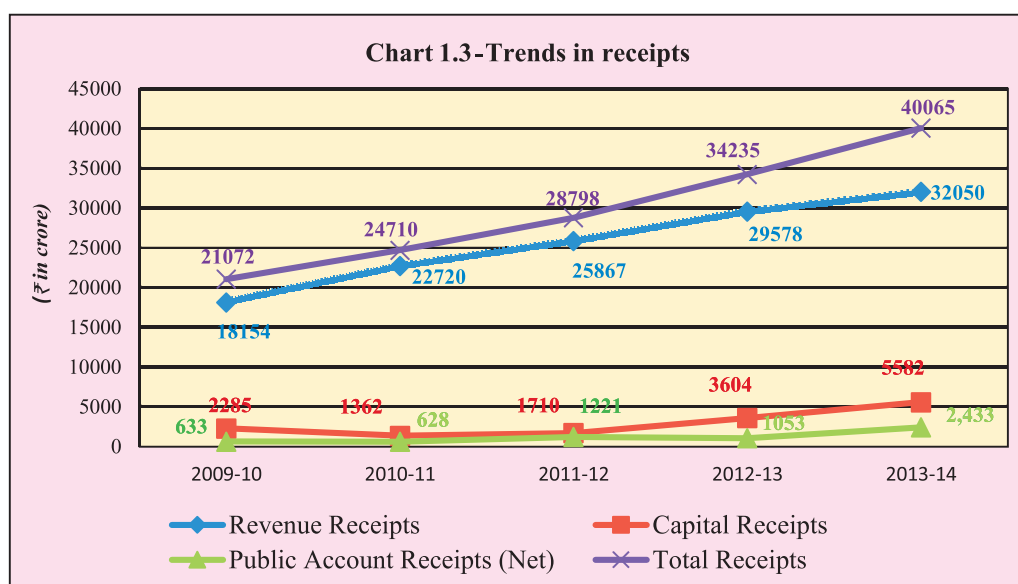
advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GOI. Besides the funds available in the Public Accounts after disbursement is also utilized by the Government to finance its deficit. **Table 1.1** (at page no. 2) presents the receipts and disbursements of the State during the year 2013-14 as recorded in its Annual Finance Accounts. Flow chart showing the components and sub-components of resources during the year 2013-14 is given in **Chart 1.2**, **Chart 1.3** depicts the trend in various components of the receipts of the State during the period 2009-10 to 2013-14.

Chart 1.2- Flowchart of components and sub-components of resources of the State

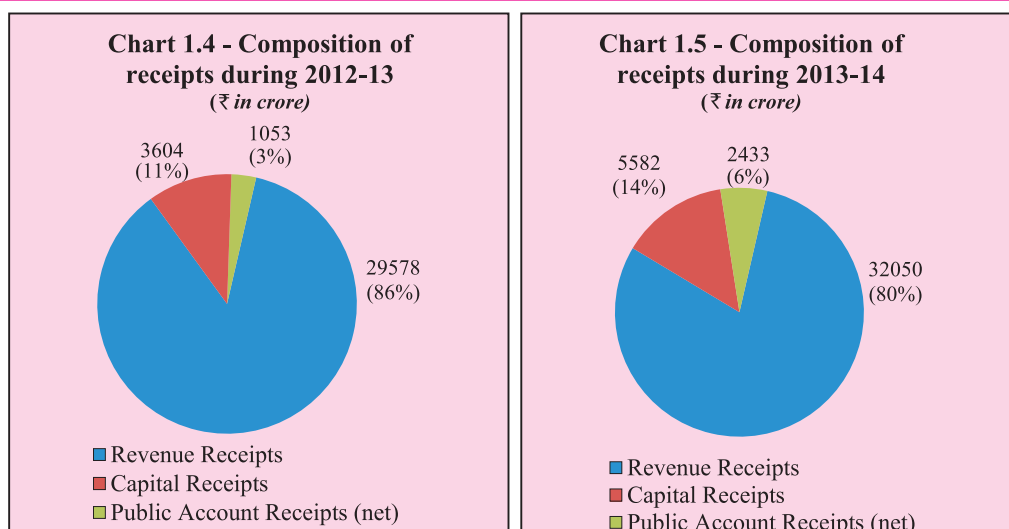
(₹ in crore)



(Source : Finance Accounts 2013-14)



(Source : Finance Accounts of the respective years)



(Source : Finance Accounts 2012-13 and 2013-14)

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

- The total receipts of the State increased from ₹ 21,072 crore in 2009-10 to ₹ 40,065 crore in 2013-14 due to increase in Revenue Receipts by ₹ 13,896 crore, Capital Receipts by ₹ 3,297 crore and Net Public Account Receipts by ₹ 1,800 crore.
- Share of Revenue Receipts to Total Receipts fluctuated between 89 per cent and 94 per cent during 2009-14. It decreased from 94 per cent in 2011-12 to 89 per cent in 2012-13 and 85 per cent in 2013-14 due to comparatively higher growth of Capital Receipts and Public Account Receipts (net).
- The Debt Capital Receipts increased by 91 per cent in 2013-14 due to increase in Internal Debt over the previous year.
- Net Public Account Receipts increased from ₹ 1,053 crore in 2012-13 to ₹ 2,433 crore in 2013-14.

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies⁴ for implementation of various schemes/programmes in social and economic sectors, which are recognized as critical. In the present mechanism, these funds are not routed through the State Budget/ State Treasury System. Hence, expenditure of these funds has not been mentioned in the Finance Accounts of the State. As such, the Annual Finance Accounts do not provide a complete picture of the resources of the State. To present the holistic picture on availability of aggregate resources, funds directly transferred to State Implementing Agencies are presented in **Table 1.3**.

⁴ State Implementing Agencies include any organization/institution including Non-Governmental Organisation which is authorised by the State Government to receive the funds from the Government of India for implementing specific programmes in the State.

During 2013-14, central funds of ₹ 4,046.30 crore were transferred directly to the State Implementing Agencies as against ₹ 4,497.58 crore in 2012-13, a decrease in direct transfer of funds of ₹ 451.28 crore (10 per cent) over the previous year. The status of the funds directly transferred to the major State Implementing Agencies by the GOI during 2013-14 in respect of some of the major programmes are presented in **Table 1.3**.

Table 1.3: Funds transferred directly to the major State Implementing Agencies
(₹ in crore)

Name of the Programme	Implementing Agency in the State	Funds released by the Government of India (unaudited figures)			
		2011-12	2012-13	2013-14	Increase (+)/ decrease (-) over previous year
Mahatma Gandhi National Rural Employment Guarantee Scheme	Chief Executive Officer ZilaPanchayat	1,638.56	2,031.36	1,446.02	(-) 585.34 (-29)
Sarva Shiksha Abhiyaan (SSA)	Mission Director, Rajiv Gandhi Shiksha Mission	698.70	850.16	767.00	(-) 83.16 (-10)
Rural Housing – Indira AwasYojna	Chief Executive Officer Zilla Panchayat	258.32	167.94	503.27	335.33 (200)
National Rural Health Mission (NRHM & JIIT) Centrally Sponsored	Mission Director, National Rural Health Mission	362.72	217.82	264.82	47 (22)
Rashtriya Madhyamik Shiksha Abhiyaan (RMSA)	Mission Director, Rajiv Gandhi Shiksha Mission	344.70	308.97	186.93	(-) 122.04 (-40)
National Rural Drinking Water Programme	Executive Engineer, Public Health Engineering	139.06	168.23	119.81	(-) 48.42 (-29)
National Food Security Mission	SAMETI	56.25	52.67	79.46	26.79 (51)
Integrated Water Shed Management Programme (IWMP)	Chief Executive Officer Zilla Panchayat	91.00	9.73	30.05	20.32 (209)
Aajeevika – Swarna Jayanti Gram Swarajgar Yojana SGSY/NRLM	District Rural Development Agencies	66.18	92.99	37.66	(-) 55.34 (- 60)

(Source: Appendix-VII of Finance Accounts 2013-14).

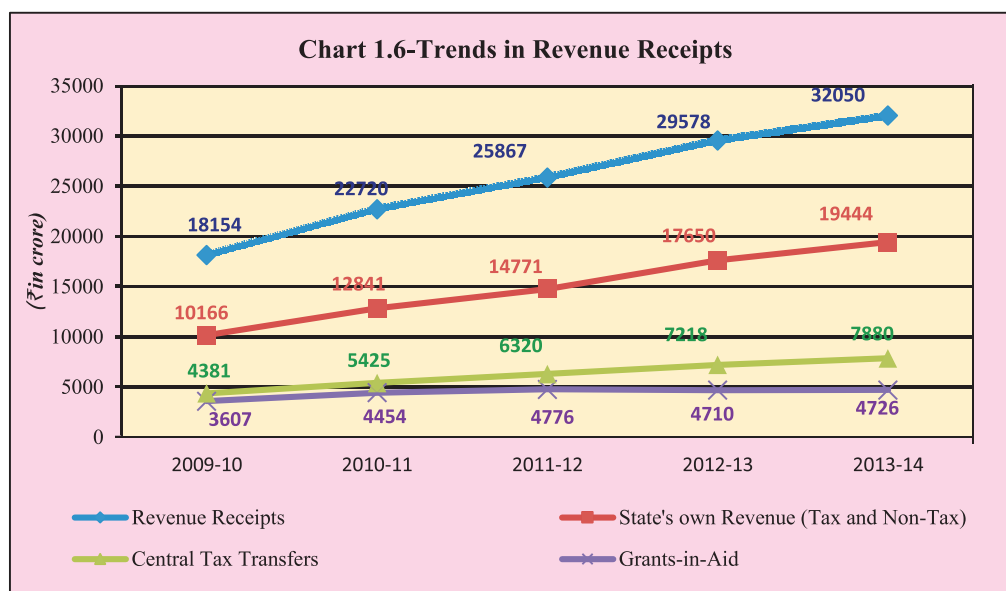
Figures shown in brackets indicates change in per cent.

The amount of unspent balances lying with the Implementing Agencies, which remained outside the Government accounts and overlapping of schemes were not ascertainable.

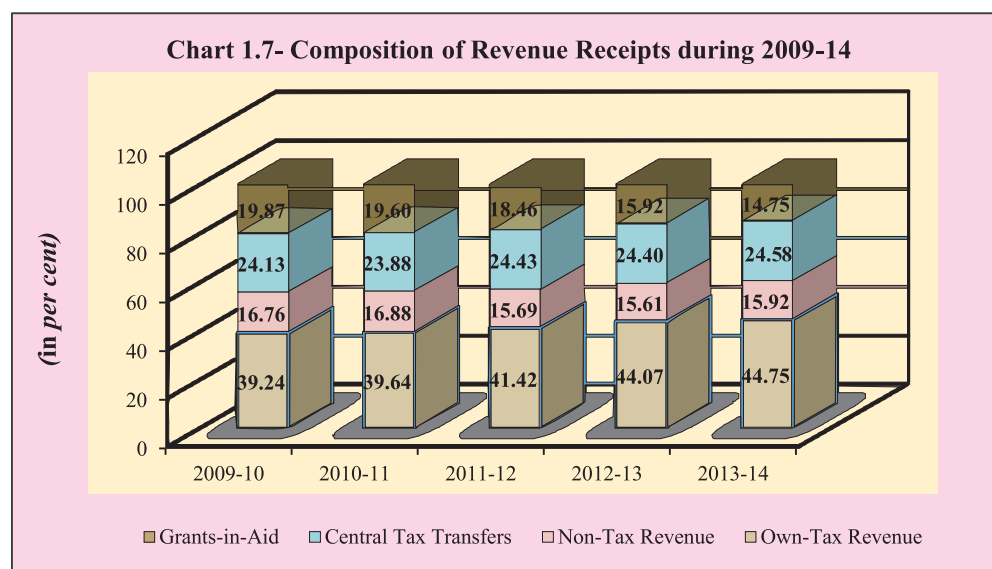
Direct transfers of funds from the GOI to State Implementing Agencies run the risk of improper utilisation of funds by these agencies. Unless uniform accounting practices are followed by all these agencies, with proper documentation and timely reporting of expenditure to the State Government and the Accountant General (A&E), Chhattisgarh, it would be difficult to monitor the end use of these direct transfers.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's 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 2009-14 is depicted in **Appendix 1.3, Charts 1.6 and 1.7** respectively.



(Source : Finance Accounts of the respective years)



(Source : Finance Accounts of the respective years)

It is evident from the charts that:

- Revenue receipts showed progressive increase from ₹ 18,154 crore in 2009-10 to ₹ 32,050 crore in 2013-14 and increased by eight *per cent* (₹ 2,472 crore) during 2013-14 over the previous year.
- While 61 *per cent* of the revenue receipts during 2013-14 came from the State's own resources comprising of tax and non-tax revenue, the central tax transfers and GIA together contributed the remaining 39 *per cent*.
- An increase of 10 *per cent* (₹ 1,309 crore) in tax revenue, 11 *per cent* (₹ 485 crore) in non-tax revenue, nine *per cent* (₹ 662 crore) in State's share of Union taxes and duties from GOI and 0.34 *per cent* (₹ 16 crore) in GIA from GOI during 2013-14 resulted in overall increase of eight *per cent* (₹ 2,472 crore) in the revenue receipts during 2013-14 over the previous year.

The trend in revenue receipts relative to GSDP is presented in **Table-1.4**.

Table 1.4: Trends in Revenue Receipts relative to GSDP

	(₹ in crore)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts (RR) (₹ in crore)	18,154	22,720	25,867	29,578	32,050
Rate of growth of RR (<i>per cent</i>)	15.90	25.15	13.86	14.35	8.36
State's own tax	7,123	9,005	10,712	13,034	14,343
Rate of growth of State's own tax (<i>per cent</i>)	8.03	26.42	18.96	21.68	10.04
Gross State Domestic Product ⁵ (₹ in crore)	99,364	1,19,420	1,44,382 ^P	1,63,461 ^Q	1,85,060 ^A
Rate of Growth of GSDP	2.47	20.18	20.90	13.21	13.21
RR/GSDP (<i>per cent</i>)	18.27	19.03	17.92	18.09	17.32
Buoyancy Ratios⁶					
Revenue Buoyancy with respect to GSDP	6.44	1.25	0.66	1.09	0.63
State's own tax revenue Buoyancy with reference to GSDP	3.25	1.31	0.91	1.64	0.76

(Source : Finance Accounts of the respective years)

A- Advance estimates, Q-Quick estimates and P-Provisional estimates

- The growth rate of Revenue Receipts showed fluctuating trends ranging between 8.36 and 25.15 *per cent* during the period of 2009-10 to 2013-14. In 2013-14, the lowest growth rate (8.36 *per cent*) was registered in last five years.
- Revenue buoyancy, which is directly proportionate to growth of revenue receipts and GSDP, showed an oscillating trend. Revenue buoyancy ratio, which was highest at 6.44 in 2009-10 decreased to 1.25 in 2010-11 and 0.66 in 2011-12 due to higher growth rate of GSDP. However, it reached its lowest level at 0.63 in 2013-14 due to decline in growth rate of Revenue Receipt (8.36 *per cent*) as compared to previous year (14.35 *per cent*).
- State's own tax revenue buoyancy also fluctuated during 2009-14 due to fluctuation of growth of tax revenue and the buoyancy ratio, which was at its highest at 3.25 in 2009-10, decreased to 1.31 in 2010-11 and 0.91 in 2011-12. However, it reached to its lowest level at 0.76 in 2013-14 from 1.64 in 2012-13.
- The growth rate of GSDP of Chhattisgarh recorded variation from 2.47 *per cent* to 20.90 *per cent* during the years 2009-10 to 2013-14. The GSDP grew by 13.21 *per cent* in 2013-14.

1.3.1 State's Own Resources

As the State's share in central taxes and GIA is determined on the basis of recommendations of the Finance Commission, the State's performance in

⁵ The GSDP figures have been changed from previous year. The GSDP figures were shown as ₹ 1,17,978 crore during 2010-11, ₹ 1,39,515 crore during 2011-12 and ₹ 1,60,118 crore during 2012-13. Therefore, the Buoyancy figures have also been changed.

⁶ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.6 percentage points, if the GSDP increases by one *per cent*.

mobilisation of resources was assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2013-14 *vis-à-vis* assessment made by Thirteenth Finance Commission and budget estimates are given in **Table 1.5** and **Table 1.6**.

Table 1.5: Tax Revenue and Non-Tax Revenue

(₹ in crore)

	ThFC. Projection	Budget Estimates	FRBM disclosures	Actual
State's Own Tax Revenue	12,735	15,300	15,300	14,343
State's Non-Tax Revenue	2,811	6,072	6,072	5,101

(Source : Finance Accounts 2013-14, FRBM documents, Budget books and ThFC report).

Table 1.6: Growth Rate of Tax/Non-Tax Revenue between 2009-14

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Own Tax Revenue	7,123	9,005	10,712	13,034	14,343
Rate of Growth (<i>per cent</i>)	8.03	26.42	18.96	21.68	10.04
Non-Tax Revenue	3,043	3,836	4,058	4,616	5,101
Rate of Growth (<i>per cent</i>)	38.19	26.06	5.81	13.74	10.51

(Source : Finance Accounts of the respective years)

The State's Own Tax Revenue during the current year was higher by ₹ 1,608 crore than the projection made by ThFC (₹ 12,735 crore) but was less by ₹ 957 crore than the normative assessment made in BE (₹ 15,300 crore). The main reason for shortfall against BE was less collection of stamps and registration fees, taxes on sales, trade etc., taxes on goods and passengers and taxes on vehicles. The actual collection under these heads was ₹ 990.24 crore, ₹ 7,929.51 crore, ₹ 945.44 crore and ₹ 651.07 crore against the budget estimate of ₹ 1,150.00 crore, ₹ 8,436.00 crore, ₹ 1,192.00 crore and ₹ 731.38 crore respectively.

Similarly, the State's Non-Tax Revenue was less than the BE and FRBM disclosures by ₹ 971 crore but exceeded the ThFC projection by ₹ 2,290 crore.

1.3.1.1 Own Tax Revenue

The gross figures of collection of major taxes and duties during the last five financial years is given in **Table 1.7**.

Table 1.7: Sector-wise components of own tax revenue

(₹ in crore)

Components of Own Tax Revenue	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage increase during 2013-14 over previous year
1	2	3	4	5	6	7
Taxes on sales, trades etc.	3,712	4,841	6,006	6,929	7,930	14
State Excise	1,188	1,506	1,597	2,486	2,549	3
Taxes on Vehicles	352	428	502	592	651	10
Stamps and Registration Fees	583	786	846	952	990	4

1	2	3	4	5	6	7
Land Revenue	160	247	271	234	226	-3
Taxes on Goods and Passengers	696	675	826	954	945	-1
Other Taxes ⁷	432	522	664	887	1052	18
Total	7,123	9,005	10,712	13,034	14,343	
Growth Rate (in per cent)	8.03	26.42	18.96	21.68	10.04	

(Source: Finance Accounts of the respective years)

The growth rate of Own Tax Revenue (OTR) during 2009-14 showed an oscillating trend and ranged between eight to 26 *per cent*. Moreover, the growth rate of tax revenue decreased from 21.68 *per cent* in 2012-13 to 10.04 *per cent* in 2013-14. The increase of tax revenue by ₹ 1,309 crore during 2013-14 (₹ 14,343 crore) over previous year (₹ 13,034 crore) was mainly due to increase in receipts under taxes on sales, trades etc. (₹ 1,001 crore), taxes and duties on Electricity (₹ 160 crore), State excise (₹ 63 crore) and taxes on vehicles (₹ 59 crore).

1.3.1.2 Non-Tax Revenue

The details of composition of non-tax revenue receipts are shown in **Table 1.8**.

Table 1.8: Composition of Non-Tax Revenue

(₹ in crore)

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14	per cent increase over previous year
Interest Receipts	220.70	170.95	216.57	243.13	380.90	57
Dividends and Profits	0.44	4.30	0.46	2.19	14.21	549
Other non-tax receipts	2,821.86	3,660.07	3,841.45	4,370.63	4,706.06	8
Total Non-Tax Revenue	3,043.00	3,835.32	4,058.48	4,615.95	5,101.17	11

(Source : Finance Accounts of the respective years)

During 2013-14, the interest receipts decreased from ₹ 220.70 crore in 2009-10 to ₹ 170.95 crore in 2010-11 and again increased every year to ₹ 380.90 crore in 2013-14. The Dividends and Profits showed fluctuating trend and ranged between ₹ 0.44 crore to ₹ 14.21 crore during the period 2009-10 to 2013-14. However, the other Non-Tax Revenue receipts increased from ₹ 2,822 crore in 2009-10 to ₹ 4,706 crore during 2013-14.

The total Non-Tax Revenue receipts increased by ₹ 2,058 crore from ₹ 3,043 crore in 2009-10 to ₹ 5,101 crore in 2013-14. The Non-Tax Revenue increased by 11 *per cent* (₹ 485 crore) during 2013-14 over the previous year mainly due to increase in receipts under Minor Irrigation by ₹ 161 crore, Non-Ferrous Mining and Metallurgical Industries by ₹ 98 crore, Forestry and Wild Life by ₹ 42 crore and Other Social Services by ₹ 52 crore.

The main reasons for increase of Non-Ferrous Mining and Metallurgical Industries' revenue were attributable to deposit of advance Royalty, increase in use of Mineral Metals in Government and semi Government works and more receipt as per Metal Storage Rules.

⁷ Other Taxes- hotel receipts, taxes on income and expenditure, taxes and duties on electricity and taxes and duties on services and commodities.

The non-ferrous mining and metallurgical industries (₹ 3,236 crore) contributed 63 *per cent* of total Non-Tax Revenue (₹ 5,101 crore). The growth of the non-ferrous mining and metallurgical industries (₹ 98 crore) was 20 *per cent* of the total growth of Non-Tax Revenue (₹ 485 crore) during 2013-14.

1.3.2 Cost of Collection of Tax

The gross collection of major taxes and expenditure on collection during the financial years 2011-12 to 2013-14 is given in **Table 1.9**.

Table-1.9: Cost of collection of taxes and duties

Heads of revenue	Year	Gross collection (₹ in crore)	Expenditure on collection of revenue (₹ in crore)	Percentage of expenditure on collection	All-India average percentage of previous years
VAT /Taxes on sales, trade etc.	2011-12	6,006.25	40.63	0.68	0.75
	2012-13	6,928.65	37.42	0.54	0.83
	2013-14	8,894.01	41.40	0.47	0.73
Taxes on vehicles	2011-12	502.19	10.00	1.99	3.71
	2012-13	591.75	10.73	1.81	2.96
	2013-14	655.35	7.48	1.14	4.17
State excise	2011-12	1,596.97	52.06	3.26	3.05
	2012-13	2,485.68	46.63	1.88	2.98
	2013-14	2,578.19	53.22	2.06	2.96
Stamps and Registration fees	2011-12	845.82	20.75	2.45	1.60
	2012-13	951.65	17.27	1.81	1.89
	2013-14	989.35	13.87	1.40	3.25

(Source: Information furnished by the Revenue Audit wing of the AG (Audit))

It can be seen from the **Table 1.9** that during 2013-14, the percentage of cost of collection in respect of VAT/taxes on sales, trade etc., taxes on vehicle, and stamps and registration decreased in comparison to the previous years. The cost of collection of State Excise increased in the year 2013-14 in comparison to 2012-13. However, during 2013-14, the percentage of expenditure on collection of VAT/taxes on sales, trade etc., taxes on vehicles, state excise and stamps and registration fees was less than the all India average for the same.

1.3.3 Grants-in-Aid from Government of India

The trend of release of Grants-in-Aid from GOI under Non-plan, State plan, Central Plan and Centrally Sponsored schemes is shown in **Table 1.10**.

Table 1.10 : Grants-in-Aid from GOI

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1	2	3	4	5	6
Non-Plan Grants	1,482.20	1,397.45	1,545.07	1,227.29	1,415.78
Grants for State Plan Schemes	1,429.42	2,169.91	1,930.51	2,112.69	2,121.47
Grants for Central Plan Schemes	71.84	47.95	61.75	107.28	43.34
Grants for Centrally Sponsored Schemes	623.28	838.58	1,238.88	1,263.07	1,145.57
Total	3,606.74	4,453.89	4,776.21	4,710.33	4,726.16

1	2	3	4	5	6
Percentage increase over previous year	38.25	23.49	7.24	(-) 1.38	0.34
Total grants as a percentage of Revenue Receipts	19.87	19.60	18.46	15.93	14.75
Revenue Receipts	18,154	22,720	25,867	29,578	32,050

(Source : Finance Accounts of the respective years)

- During 2013-14, Grants-in-Aid from GOI stood at ₹ 4,726.16 crore, which was ₹ 4,710.33 crore in 2012-13.
- Non-Plan grants from GOI increased from ₹ 1,227 crore in 2012-13 to ₹ 1,416 crore in 2013-14 mainly due to increase in Performance grants to Panchayati Raj Institutions (by 123 *per cent*) and grants for improvement in pay scales of University and College teachers (by 100 *per cent*).
- The State Plan grants increased marginally from ₹ 2,113 crore in 2012-13 to ₹ 2,121 crore in 2013-14 due to increase in Block grants by 24 *per cent*.
- Grants for Central Plan Schemes decreased by 60 *per cent* in 2013-14 in comparison to 2012-13. The decrease in Grants for Centrally Sponsored Schemes was ₹ 117 crore in 2013-14 as compared to previous year.
- No Debt relief was received by the State during 2013-14 under Debt Consolidation and Relief Facility.

1.3.4 Central Tax Transfers

During 2013-14, the Central Tax Transfers (CTT) was ₹ 7,880 crore as against ₹ 7,218 crore during 2012-13. The CTT of the State increased by ₹ 662 crore (nine *per cent*) during 2013-14 over the previous year. The increase was mainly under Service tax (by ₹ 230 crore), Taxes on income other than corporation tax (by ₹ 193 crore), Union excise duties (by ₹ 93 crore), Corporation tax (by ₹ 58 crore) and Customs (by ₹ 86 crore). The CTT constituted 25 per cent of Revenue Receipt of the State during 2013-14.

1.3.5 Optimisation of the Thirteenth Finance Commission grants

To improve the various organs of the State Government, the ThFC recommended grants for the State Governments. As per Statement No. 11 of Finance Accounts 2013-14, the State Government received Finance Commission Grants of ₹ 1,191.55 crore (₹ 1,063.30 crore under major head 1601-01-104-Grants under the proviso to Art.275(1) of the Constitution– Finance Commission Grants and ₹ 128.25 crore under major head 1601-01-109-Grants towards contribution to State Disaster Response Fund). The position of utilisation of the ThFC grants under various heads are given in **Table 1.11**.

Table 1.11 :Optimisation of Thirteenth Finance Commission grants for the year 2013-14

(₹ in crore)

Major Head and nomenclature	Total Provision in Budget	Status				Percentage of unutilised amount
		Surrender	Expenditure	Savings(+) Excess(-)	Total unutilised amount	
1	2	3	4	5	6=3+5	7
REVENUE ACCOUNT						
2014-Administration of Justice	25.37	0.00	17.38	7.99	7.99	31.49
2054-Treasury and Accounts	1.85	0.63	1.22	0.00	0.63	34.05
2055-Police	1.65	0.02	1.02	0.61	0.63	38.18
2202-General Education	194.00	0.00	194.00	0.00	0.00	0.00
2203-Technical Education	9.00	5.96	3.08	(-) 0.04	5.92	65.78
2205-Art and Culture	4.55	0.00	2.56	1.99	1.99	43.74
2217-Urban Development	164.07	50.93	113.15	(-) 0.01	50.92	31.04
2406-Forestry and Wildlife	105.08	8.21	96.89	(-) 0.02	8.19	7.79
2515-Other Rural Development Programmes	462.70	86.44	376.26	0.00	86.44	18.68
3054-Roads & Bridges	96.00	96.00	0.00	0.00	96.00	100.00
3454-Census Surveys and Statistics	25.03	21.22	3.82	(-) 0.01	21.21	84.74
CAPITAL ACCOUNT						
4059-Capital outlay on Public Works	76.76	10.50	49.89	16.37	26.87	35.01
4202-Capital outlay on Education, Sports, Art and Culture	6.70	0.00	4.47	2.23	2.23	33.28
4210-Capital outlay on Medical and Public Health	32.20	0.00	2.88	29.32	29.32	91.06
4216-Capital outlay on Housing	62.50	62.50	0.00	0.00	62.50	100.00
4217-Capital outlay on Urban Development	137.50	137.50	0.00	0.00	137.50	100.00
4235- Capital outlay on Social Security and Welfare	37.50	37.50	0.00	0.00	37.50	100.00
4406-Capital outlay on Forestry and Wildlife	15.65	2.68	10.56	2.41	5.09	32.52
Total	1,458.11	520.09	877.18	60.84	580.93	39.84

(Source: Detailed Appropriation Accounts for the year 2013-14)

It is evident from the table that :-

- Out of total provision of ₹ 1,458.11 crore, an amount of ₹ 877.18 crore, constituting 60 *per cent* of total amount was utilised and ₹ 580.93 crore (40 *per cent*) was either surrendered (₹ 520.09 crore) or lapsed to the Government account (₹ 60.84 crore) at the end of 2013-14. Thus, the Government could not utilize 40 *per cent* (₹ 580.93 crore) of the funds provided on the recommendations of the ThFC.
- During 2013-14, complete utilization of funds received through Grant-in-Aid as per recommendations of the 13th Finance Commission was made under one major head 2202-General Education.
- However, no fund was utilized under the major head 3054- Roads and Bridges, 4216-capital outlay on housing, 4217-capital outlay on urban development and 4235-capital outlay on social security and welfare. In the remaining cases, the percentage of savings ranged between 7.79 *per cent* and 91.06 *per cent*. The savings were attributed mainly due to non-receipt of administrative sanction, non-release of fund by GOI, and non-implementation of scheme.

1.4 Capital Receipts

Capital Receipts consist of Miscellaneous Capital Receipts, recovery of Loans and Advances, Inter-State Settlement and Public Debt Receipts. The trends and composition of Capital Receipts during 2009-14 is depicted in **Table 1.12** and **Appendix 1.3**.

Table 1.12: Trends in growth and composition of Capital Receipts

Sources of State's Receipts	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Receipts (CR)	2,284.99	1,361.56	1,710.01	3,603.66	5,581.94
Miscellaneous Capital Receipts	2.31	2.56	3.93	2.39	7.64
Recovery of Loans and Advances	992.43	561.16	1,282.53	1,542.01	1,637.27
Inter-State Settlement	3.04	2.65	2.21	1.53	5.14
Total – Non-Debt Capital Receipts	997.78	566.37	1,288.67	1,545.93	1,650.05
Rate of growth of Non-Debt Capital Receipts	85.92	-43.24	127.53	19.96	6.74
Public Debt Receipts	1,287.21	795.19	421.34	2,057.73	3,931.89
Rate of growth of Public Debt Capital Receipts	233.18	-38.22	-47.01	388.38	91.08
Rate of growth of GSDP	2.47	20.18	20.90	13.21	13.21
Rate of growth of CR (per cent)	147.56	-40.41	25.59	110.74	54.90

(Source : Finance Accounts of the respective years)

It is evident from the **Table 1.12** that Capital Receipts of the State increased by ₹ 3,297 crore from ₹ 2,285 crore in 2009-10 to ₹ 5,582 crore in 2013-14. The increase of ₹ 1,978 crore in Capital Receipts in 2013-14 over the previous year was mainly due to increase in public debt receipts by ₹ 1,874 crore. Further, Public Debt Receipts increased due to significant increase in Market Loan from ₹ 1,500 crore in 2012-13 to ₹ 3,000 crore in 2013-14.

1.4.1 Recoveries of Loans and Advances

Recoveries of Loans and Advances increased from ₹ 992 crore during 2009-10 to ₹ 1,637 crore in 2013-14. Recovery of loans aggregating ₹ 708 crore and interest thereon was overdue as of March 2014.

During the year fresh loans (interest free) were disbursed to Chhattisgarh Infrastructure Development Corporation (₹ 9.58 crore) from which recovery of earlier loan of ₹ 136.11 crore was pending. Moreover, loan of ₹ 1.00 crore was granted to Chhattisgarh Civil Supplies Corporation without finalizing the terms and conditions of loan.

1.4.2 Debt receipts from internal sources

The State raises funds from the internal market to fulfill its resource gap and to meet the capital expenditure. The internal debt decreased from ₹ 1,064 crore in 2009-10 to ₹ 592 crore in 2010-11 and thereafter to ₹ 365 crore in 2011-12. Thereafter it increased to ₹ 2,041 crore in 2012-13 and to ₹ 3,917 crore in 2013-14. In the year 2013-14, the contributor in internal debt were market loans (₹ 3,000 crore), Loan raised from National Bank for Agriculture and Rural Development (₹ 674 crore) and National Small Savings Fund (₹ 243 crore).

1.4.3 Loans and Advances from Government of India (GOI)

Loans and advances from GOI decreased continuously during the period 2009-14, from ₹ 223 crore in 2009-10 to ₹ 15 crore in 2013-14. In the year 2013-14, loans and advances of ₹ 12 crore were received for State Plan schemes. No fresh loans were received for Central Plan schemes and Centrally Sponsored schemes during 2013-14.

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc. which do not form part of the Consolidated Fund of the State are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the Government for use. The Net Public Account Receipts and its composition over the period 2009-14 is depicted in Table 1.13.

Table 1.13: Net Public Account Receipts and its composition

(₹ in crore)					
Resources under various heads	2009-10	2010-11	2011-12	2012-13	2013-14
Net Public Account Receipts⁸					
a. Small Savings Provident Fund etc.	294.37	328.97	307.76	293.47	265.40
b. Reserve Funds	344.86	21.60	208.75	530.88	402.11
c. Suspense and Miscellaneous	127.92	(-)111.03	22.40	(-)28.58	44.93
d. Remittances	(-) 111.84	33.68	96.10	(-) 64.17	(-)98.03
e. Deposits and Advances	(-)22.46	355.25	585.95	521.18	1,818.98
f. Closing Overdraft from Reserve Bank of India	0.00	0.00	0.00	0.00	0.00
Total Public Account Receipts (Net)	632.85	628.47	1,220.96	1,052.78	2,433.39

(Source : Finance Accounts of the respective years)

The Net Public Account Receipts (PAR) (total PAR *minus* total Public Account Disbursement) showed fluctuating trend during 2009-10 to 2013-14 and ranged between ₹ 628 crore and ₹ 2,433 crore. The net PAR increased by ₹ 1,380.61 crore from ₹ 1,052.78 crore in 2012-13 to ₹ 2,433.39 crore in 2013-14. The increase in Net PAR during the year was mainly due to increase in Deposits and Advances, Suspense and Miscellaneous and Remittances. However, the Net Public Account Receipts decreased in Reserve Funds and Small Savings Provident Fund etc.

1.6 Application of Resources

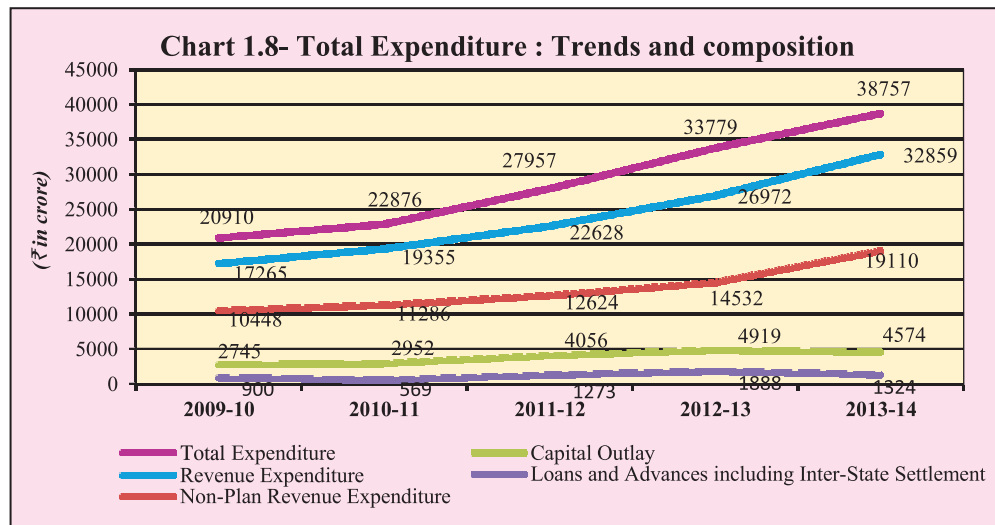
Analysis of the allocation of expenditure at the State Government level assumes significance since responsibility for incurring of major expenditure are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at

⁸ Net public Accounts Receipts = Public Account Receipts-Disbursement and Suspense and Miscellaneous and Reserve fund figures depicted after excluding Investment figures.

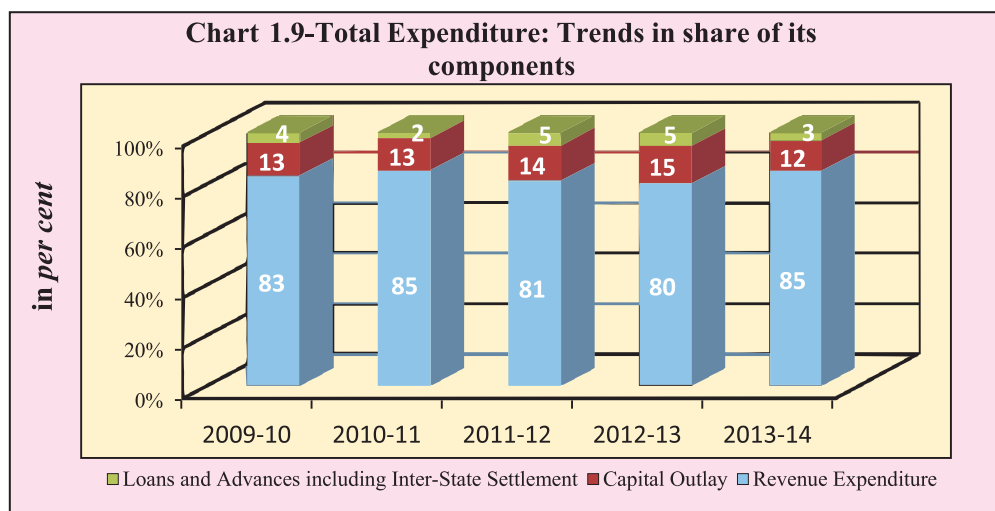
the cost of expenditure especially expenditure directed towards development and social sectors.

1.6.1 Growth and composition of expenditure

Chart-1.8 presents the trends in total expenditure⁹ over a period of last five years (2009-14) and its composition both in terms 'economic classification' and 'expenditure by activities' are depicted respectively in **Chart 1.8** and **Chart 1.9**.



(Source : Finance Accounts of the respective years)



(Source : Finance Accounts of the respective years)

The status of total expenditure incurred and its composition during the years 2009-10 to 2013-14 are given below in **Table 1.14**.

⁹ Total expenditure does not include Public Debt repayment

Table-1.14: Total expenditure and its composition

	2009-10	2010-11	2011-12	2012-13	2013-14
Total Expenditure (₹ in crore)	20,910	22,876	27,957	33,779	38,757
Rate of Growth (in per cent)	21.39	9.40	22.21	20.82	14.74
Revenue Expenditure (₹ in crore)	17,265	19,355	22,628	26,972	32,859
(Percentage to Total Expenditure)	(83)	(85)	(81)	(80)	(85)
Of which Non Plan Revenue Expenditure (₹ in crore)	10,448	11,286	12,624	14,532	19,110
Capital Expenditure (₹ in crore)	2,745	2,952	4,056	4,919	4,574
(Percentage to Total Expenditure)	(13)	(13)	(14)	(15)	(12)
Loans and Advances* (₹ in crore)(Percentage to Total Expenditure)	900 (04)	569 (02)	1,273 (05)	1,888 (05)	1,324 (03)
State's GSDP (₹ in crore)	99,364	1,19,420	1,44,382 ^P	1,63,461 ^Q	1,85,060 ^A
Growth rate of GSDP (Percentage)	2.47	20.18	20.9	13.21	13.21

(Source: Finance Accounts)(A=Advanced Q= Quick and P=Provisional figures),

*Includes Inter State Settlement

- The Total Expenditure (TE) comprising Revenue Expenditure, Capital Expenditure and Loans and Advances including Inter-State Settlement increased from ₹ 20,910 crore in 2009-10 to ₹ 38,757 crore in 2013-14.
- The increase of ₹ 4,978 crore in TE in 2013-14 over the previous year was mainly due to increase of ₹ 5,887 crore (22 per cent) in Revenue Expenditure.
- However, there was decrease of ₹ 345 crore (seven per cent) in Capital Expenditure and ₹ 564 crore (30 per cent) in Loans and Advances including Inter-State Settlement.
- The growth rate of TE showed an oscillating trend and ranged between nine and 22 per cent during 2009-14. The growth rate of Total Expenditure decreased from 21 per cent in 2012-13 to 15 per cent in 2013-14.
- The Total Expenditure was 21 per cent of GSDP during 2013-14.
- Of the TE during 2013-14, Revenue Expenditure constituted 85 per cent while Capital Expenditure constituted 12 per cent. Loans and Advances disbursed constituted only three per cent of the TE.
- Non-Plan Revenue Expenditure constituted 49 per cent of the TE in the year 2013-14 as compared to 43 per cent in 2012-13.

1.6.2 Revenue Expenditure

The Revenue Expenditure is incurred to maintain the current level of services and make payment for past obligations and as such, does not result in any addition to the State's infrastructure and services network. The Revenue Expenditure as a percentage of total expenditure increased from 83 in 2009-10 to 85 in 2010-11 and thereafter the downfall began and it decreased to 80 per cent during 2012-13 but it once again increased to 85 per cent in 2013-14. The Revenue Expenditure constituted 18 per cent of GSDP during 2013-14. The Revenue Expenditure was ₹ 32,859 crore during 2013-14 of which ₹ 19,110 crore (58 per cent) was on Non-Plan components and ₹ 13,749 crore (42 per cent) was on Plan components.

1.6.2.1 Plan Revenue Expenditure

During 2013-14, Plan Revenue Expenditure (PRE) was ₹ 13,749 crore in comparison to the budget estimate of ₹ 15,546 crore. The share of PRE as a percentage of the total revenue expenditure ranged from 39 *per cent* to 46 *per cent* during 2009-10 to 2013-14. The PRE during 2013-14 increased by 11 *per cent* (₹ 1,309 crore) as compared to 2012-13 mainly due to increase of expenditure under Education, Sports, Art and Culture (25 *per cent*), Social Welfare and Nutrition (62 *per cent*) and Health and Family Welfare (28 *per cent*).

1.6.2.2 Non-Plan Revenue Expenditure

During 2013-14, the Non-Plan Revenue Expenditure (NPRE) was ₹ 19,110 crore as against the budget estimate of ₹ 19,470 crore. The share of NPRE as a percentage of the total revenue expenditure ranged from 54 *per cent* to 61 *per cent* during 2009-10 to 2013-14. During 2013-14, the NPRE increased by ₹ 4,578 crore (32 *per cent*) over the previous year mainly due to increase in the expenditure under Agriculture And Allied Activities (₹ 1872 crore), Administrative Services (₹ 453 crore), Pension And Miscellaneous General Services (₹ 340 crore) and Transport (₹ 328 crore).

1.6.3 Expenditure on salaries, interest payments, pension payments and subsidies

The expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.15** and **Chart 1.10** present the trends of expenditure on these components during 2009-14.

Table 1.15: Components of expenditure on Salary and wages, Salary paid through Grants-in-Aid, Interest Payments, Pension and subsidies

(₹ in crore)

Components	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actuals
Salaries & Wages	5,646.29 (31.10)	6,362.92 (28.01)	7,382.61 (28.54)	7,686.52	10,381.94	9137.19 ¹⁰
Non-Plan Head	4,016.30	4,338.28	4,893.18	5,018.01	NA*	6,267.88
Plan Head**	1,629.99	2,024.64	2,489.43	2,668.51	NA	2,869.31
Salary paid through Grants-in-Aid	133.71 (0.74)	708.33 (3.12)	897.27 (3.47)	1,280.34	NA	1,749.32
Interest Payments	1,094.86 (6.03)	1,198.38 (5.27)	1,193.20 (4.61)	1,153.49	1,246.43	1,350.53
Expenditure on Pensions	1,233.76 (6.80)	1,810.33 (7.97)	1,877.87 (7.26)	2,412.14	2,504.70	2,751.87
Subsidies	1,994.30 (10.99)	1,763.83 (7.76)	1,870.93 (7.23)	1,790.83	2,273.44	3,155.53
Total	10,102.92	11,843.79	13,221.88	14,323.32		18,144.44

(Source : Finance Accounts of the respective years)

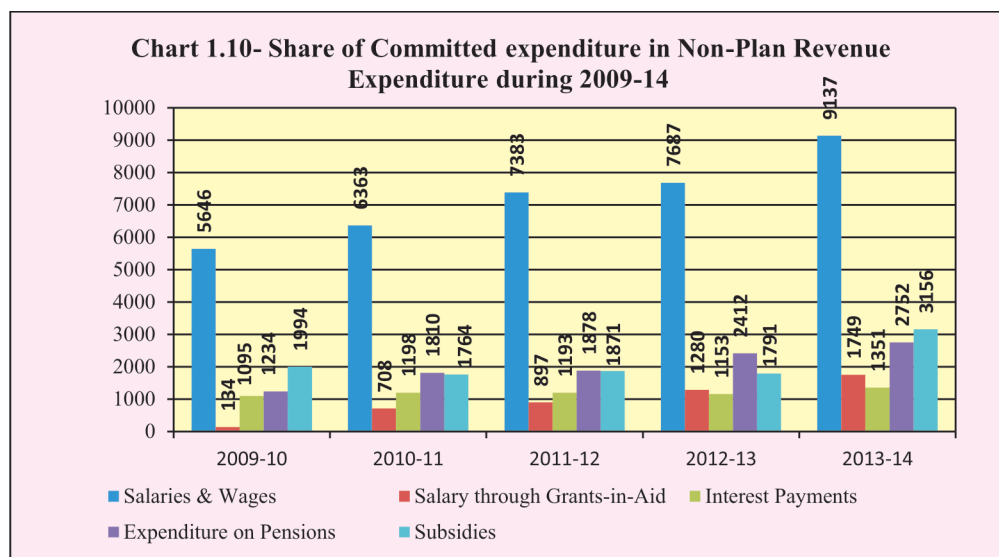
Figures in the brackets indicate percentage to R Receipts

* Bifurcation is not available in Budget estimates.

** Head also includes the salaries and wages paid under Centrally Sponsored Schemes.

¹⁰

It includes Salary- ₹ 8,558.69 crore and Wages - ₹ 578.50 crore.



(Source : Finance Accounts of the respective years)

The total expenditure on Salary and Wages, Salary paid through GIA, Interest Payment, Pension and Subsidy increased by ₹ 3,821 crore from ₹ 14,323 crore in 2012-13 to ₹ 18,144 crore in 2013-14 and constituted 55 *per cent* of Revenue Expenditure (₹ 32,859 crore) and 57 *per cent* of Revenue Receipts (₹ 32,050 crore). The component-wise analysis is given in subsequent paragraphs:

Expenditure on Salary and Wages

- The expenditure on Salaries and Wages during current year increased by ₹ 1,450 crore from ₹ 7,687 crore in 2012-13 to ₹ 9,137 crore in 2013-14. The salary paid out of GIA¹¹ increased by ₹ 469 crore from ₹ 1,280 crore in 2012-13 to ₹ 1,749 crore in 2013-14.
- The expenditure on Salary and Wages during the year was less by 12 *per cent* (₹ 1,245 crore) than the assessment made by the State Government in its budget estimate (₹ 10,382 crore) during the year 2013-14.
- The Revenue Expenditure on Salary and Wages (₹ 8,431 crore) during the year was higher by 21 *per cent* (₹ 1,480 crore) than the provisions made in the FRBM Act (₹ 6,951 crore) during the year 2013-14.
- The expenditure on Non-plan salary (₹ 6,102 crore) in 2013-14 exceeded the projections of the ThFC (₹ 4,578 crore) by 33 *per cent* (₹ 1,524 crore).

Expenditure on pension

- The expenditure on pension increased by 14 *per cent* (₹ 340 crore) from ₹ 2,412 crore in 2012-13 to ₹ 2,752 crore in 2013-14.

¹¹ Salaries paid to various institutions under Education, Sports, Art and Culture, Agriculture and allied activities and Rural Development through Grants- in-Aid.

- The details of number of pensioners who are drawing pension from the treasuries/banks/departmental authorities as reported by the State Government are shown below :

Table 1.16: Details of Pensioners during 2011-12 and 2012-13

Categories of Pensioners	Total Number of pensioners as on 31 March 2013	Total Number of pensioners as on 31 March 2014	Increase(+)/Decrease (-) in number of pensioners	per cent increase(+)/decrease(-)
Superannuation pensioners	48,919	50,077	(+) 1,158	(+)0.02
Family pensioners	28,974	16,866	(-)12,108	(-) 42
Ex-legislative members	229	78	(-) 151	(-) 66
High Court Judges	18	10	(-) 08	(-) 44
Total	78,140	67,031¹²	(-) 11,109	(-) 14

- The expenditure on pension (₹ 2,751.87 crore) was eight *per cent* of the total Revenue Expenditure (₹ 32,859.57 crore) and 14 *per cent* of Non-Plan Revenue Expenditure (₹ 19,109.81) and consumed nine *per cent* of the total Revenue Receipts (₹ 32,050.26 crore).
- The expenditure on pension payment exceeded the projections made by the State Government in its Budget Estimate (₹ 2,504.70 Crore) for 2013-14 by 10 *per cent* (₹ 247 crore).
- As per the projection made by the ThFC the expenditure on pension payments was to be ₹ 1,310 crore at the end of 2013-14. However, the actual payment on pension during 2013-14 was ₹ 2,752 crore which exceeded the ThFC norms by ₹ 1,442 crore.

Interest payment

- Interest payment comprising interest charges on internal debts, small savings, provident funds, loans raised from GOI and other obligations marginally increased by 17 *per cent* (₹ 197.04 crore) from ₹ 1,153.49 crore in 2012-13 to ₹ 1,350.53 crore in 2013-14.
- The interest payments (₹ 1,351 crore) were within the projection made by the ThFC (₹ 2,453 crore) but ₹ 105 crore (eight *per cent*) more than the assessment made by the State Government in its budget estimates and FRBM disclosures (₹ 1,246 crore) for the year 2013-14. The interest payments was 4.11 *per cent* of total Revenue Expenditure and 4.22 *per cent* of Revenue Receipts during the year.

Expenditure on subsidies

- During 2013-14, Government of Chhattisgarh paid ₹ 3,155.53 crore as subsidy.
- The details of subsidies provided by the State Government during 2009-14 are shown in **Table 1.17**.

¹²

This information is in respect of only 23 out of 28 Treasuries in the state.

Table 1.17: Details of Subsidies provided by Government during 2009-14

(₹ in crore)

Head	2009-10	2010-11	2011-12	2012-13	2013-14
Social Welfare and Nutrition	1,288.78	886.73	950.51	722.30	1,754.23
Crop Husbandry	41.00	40.07	46.36	75.45	300.45
Fisheries	0.47	0.75	0.60	1.30	1.36
Forestry and Wild Life	10.00	10.00	8.10	15.05	15.03
Food Storage and Warehousing	406.61	488.65	383.67	395.24	463.71
Co-operation	46.00	83.07	95.32	103.14	111.85
Minor Irrigation	10.62	11.01	10.88	0.00	0.00
Power	150.10	202.10	321.10	426.13	443.76
Village and Small Industries	39.26	37.71	52.52	44.27	41.61
Industries	1.46	3.72	1.87	7.95	20.41
Administrative Services	0.00	0.00	0.00	0.00	0.39
Rural Development	0.00	0.00	0.00	0.00	2.73
Total	1,994.30	1,763.81	1,870.93	1,790.83	3,155.53

(Source : Finance Accounts of the respective years)

- It is evident from the **Table 1.17** that the expenditure on subsidies increased by ₹ 1,365 crore from ₹ 1,791 crore in 2012-13 to ₹ 3,156 crore in 2013-14. Expenditure on subsidies during 2013-14 constituted 10 per cent of the total Revenue Receipts as well as 10 per cent of total Revenue Expenditure. The main components of subsidy payments during the year were social welfare and nutrition (₹ 1,754 crore), food storage and warehousing (₹ 464 crore) and power (₹ 444 crore).
- Government incurred subsidy expenditure of ₹ 1,742.61 crore on *Mukhyamantri Khadyanya Sahayata Yojna* during 2013-14. The increase of subsidy expenditure on this scheme was ₹ 1,026.15 crore, which represents increase of 143 per cent over previous year.
- Implicit subsidies on cost of freebies as Grants-in-Aid (in kind), is given in **Table 1.18**:

Table 1.18: Details of Implicit Subsidies provided by the State Government during 2013-14

(₹ in crore)

Name of the Department	Scheme Name	Total
Food and consumer protection	Free Salt supply scheme	7.00
School Education	Free supply of School Dress to Students	39.87
School Education	Free Supply of School dress to Tribal Primary Girls Students	27.12
School Education	Free supply of School dress to SC girl students of primary class	3.35
School Education	Free provision of cycle to High School students	48.30
Communication	Free provision of Laptop and Tablet to students	28.00
Agriculture	Free supply of certified Seeds and Fertilizer to lease holder farmers of forest villages	8.40
School Education	Free provision of School Books	66.19
	Total	228.23

(Source : Statement No. 8 of Finance Accounts 2013-14)

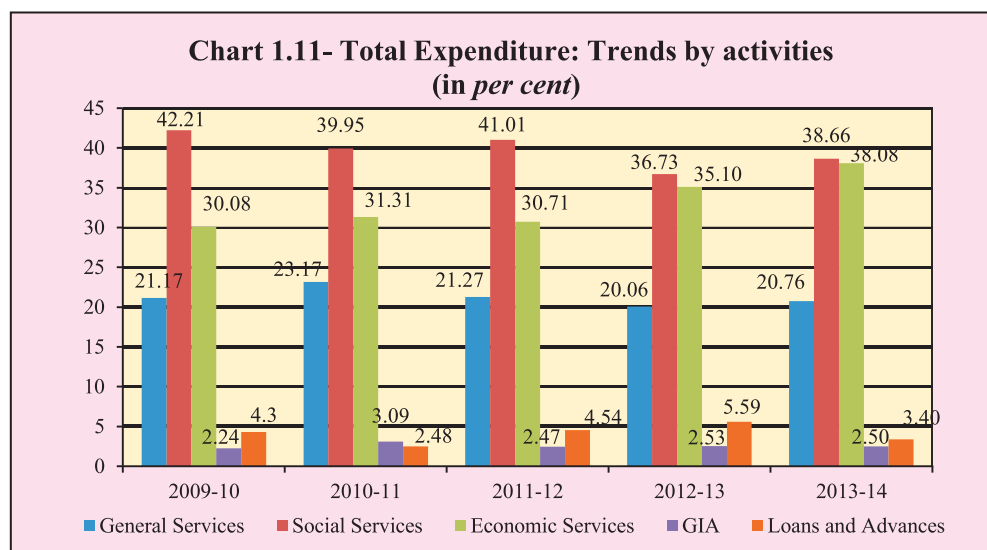
It is evident from the **Table 1.18** that during 2013-14 the Government incurred expenditure of ₹ 228 crore for providing free books, school dress, cycle, laptops and tablets, electricity, agricultural pumps, seeds, fertilizers, salt and rice to the targeted beneficiaries.

1.6.4 Capital Expenditure

- Capital Expenditure decreased by seven *per cent* (₹ 345 crore) during 2013-14 over the previous year mainly due to decrease in expenditure under Capital outlay on Power projects (by 97 *per cent*), Urban development (by 84 *per cent*) and Water Supply and Sanitation (by 66 *per cent*).
- The Capital Outlay, Loans and Advances including Inter-State Settlement stood at 12 *per cent* and three *per cent* of the total expenditure respectively.

1.6.5 Trends in expenditure by activities

In terms of activities, total expenditure could be considered as being composed of expenditure on general services (including interest payments), social and economic services, GIA and Loans and Advances. Relative share of these components in total expenditure showed inter-variations in its components as detailed in **Chart 1.11**.



(Source : Finance Accounts of the respective years)

- The percentage of expenditure on General services increased marginally from 20.06 *per cent* in 2012-13 to 20.76 *per cent* in 2013-14. The percentage of expenditure on Social services increased from 36.73 *per cent* in 2012-13 to 38.66 *per cent* in 2013-14 while in the case of Economic services it increased from 35.10 *per cent* to 38.08 *per cent* during the same period.
- The percentage of expenditure on Grants-in-Aid decreased marginally from 2.53 *per cent* in 2012-13 to 2.50 *per cent* in 2013-14 while that of Loans and Advances decreased from 5.59 *per cent* to 3.40 *per cent* during the same period.

1.6.6 Financial Assistance by 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 the current and previous years is presented in **Table 1.19**.

Table 1.19: Financial assistance to Local Bodies etc.

(₹ in crore)

Financial assistance to institutions	2009-10	2010-11	2011-12	2012-13	2013-14
Educational Institutions (Aided schools, aided colleges, Universities etc.)	83.90	144.82	163.07	223.27	242.42
Power/energy	65.05	101.05	149.56	672.81	254.67
Agriculture	26.50	37.50	56.50	71.00	77.39
Urban Local Bodies	577.71	905.50	1,268.53	2,055.21	2,002.56
<i>Panchayat Raj Institutions</i>	1,520.71	1,835.92	2,811.71	3,897.95	4,954.99
Other Institutions	478.25	376.43	158.21	123.61	118.70
Total	2,752.12	3,401.22	4,607.58	7,043.85	7,650.73
Revenue Expenditure	17,265	19,355	22,628	26,972	32,859
Assistance as percentage of RE	15.94	17.57	20.36	26.12	23.28

(Source: Finance and Appropriation Accounts)

It is evident from the **Table 1.19** that the financial assistance to Local Bodies and other institutions¹³ increased steadily from ₹ 2,752 crore in 2009-10 to ₹ 7,651 crore in 2013-14. The financial assistance to Local Bodies and other institutions increased by nine *per cent* in 2013-14 as compared to previous year. During 2013-14, the financial assistance was given by the Government mainly to *Panchayat Raj Institutions* (65 *per cent*) and Urban Local Bodies (26 *per cent*).

1.7 Quality of Expenditure

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

1.7.1 Adequacy of public expenditure

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

Table 1.20 analyses the fiscal priority of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during 2013-14, taking 2010-11 as base year.

¹³ Educational institutions, power/energy, agriculture, co-operatives, other scientific research.

Table 1.20: Fiscal Priority of the State in 2010-11 and 2013-14*(in per cent)*

Fiscal Priority by the State	AE/ GSDP	DE[#] /AE	SSE/ AE	CE/AE	Education / AE	Health/ AE
Average (Ratio) 2010-11 of						
General Category States	15.78	65.09	36.88	13.49	17.48	4.37
Chhattisgarh	17.64	73.69	40.23	15.39	19.17	3.70
Average (Ratio) 2013-14 of						
General Category States	15.92	66.45	37.56	13.62	17.20	4.51
Chhattisgarh	20.94	76.73	38.65	11.80	18.32	4.01
AE : Aggregate Expenditure, DE : Development Expenditure, SSE : Social Sector Expenditure, CE : Capital Expenditure (Capital Account only) # Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure, Development Loans and Advance disbursed.						

- The State of Chhattisgarh spent a higher proportion of its GSDP as Aggregate Expenditure (AE) in 2010-11 and 2013-14 in comparison to the average of General Category States.
- Development Expenditure as well as Social Sector Expenditure as a proportion of Aggregate Expenditure in Chhattisgarh was more than the General Category State's average during 2010-11 and 2013-14.
- During 2010-11, the ratio of Capital Expenditure to AE in Chhattisgarh was more in comparison to General Category State's average but it was less in 2013-14.
- Although the State has given more priority to the education sector as compared to the General Category States average in the year 2010-11 and 2013-14 but the proportion of expenditure of the Aggregate expenditure has decreased in 2013-14 in comparison to 2010-11.

The State has accorded less priority to the health sector as compared to the General Category States average in the year 2010-11 and 2013-14.

1.7.2 Efficiency of expenditure use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods¹⁴. Apart from improving the allocation towards Development Expenditure¹⁵ particularly in

¹⁴Core public goods are goods which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. Merit goods are commodities that the public sector provides free or at subsidized 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 subsidized 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, sanitation etc.

¹⁵ 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 are categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure 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 the better would be the quality of expenditure.

Table 1.21 presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year and the previous years.

Table 1.21: Development expenditure

(₹ in crore)

Components of Development Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14
Development Revenue Expenditure	12,447 (60)	13,401 (59)	16,037 (57)	19,468 (58)	24,038 (62)
Development Capital Expenditure	2,668 (13)	2,899 (13)	4,014 (15)	4,794 (14)	4,392 (11)
Development Loans and Advances	887 (04)	557 (02)	1,259 (05)	1,882 (06)	1,309 (03)
Total Development Expenditure	16,002 (77)	16,857 (73)	21,310 (76)	26,144 (77)	29,739 (77)
Aggregate Expenditure (RE+CE+L&A)	20,910	22,876	27,957	33,779	38,757

Figures in brackets indicate percentage to aggregate expenditure

(Source: Finance Accounts)

- It can be seen from **Table 1.21** that the Development Expenditure comprising of Revenue and Capital Expenditure and Loans and Advances for socio-economic services increased from ₹ 16,002 crore in 2009-10 to ₹ 29,739 crore in 2013-14.
- Development Expenditure as a percentage of Aggregate Expenditure showed an oscillating trend that ranged between 73 *per cent* and 77 *per cent* during the period 2009-10 to 2013-14.
- The Total Development Expenditure increased by ₹ 3,595 crore (14 *per cent*) during 2013-14 over the previous year due to increase in Development Revenue Expenditure by ₹ 4,570 crore (23 *per cent*). However, decrease was registered in Development Capital Expenditure by ₹ 402 crore (eight *per cent*) and Loans and Advances by ₹ 573 crore (30 *per cent*).

1.7.3 Expenditure on selected Social and Economic Services

Table 1.22 provides the details of Capital Expenditure and the components of Revenue Expenditure incurred on the maintenance of the selected Social and Economic Services.

Table 1.22: Efficiency of expenditure use in selected Social and Economic Services
(in per cent)

Social/Economic Infrastructure	2012-13			2013-14		
	Ratio of CE to TE	In RE the share of		Ratio of CE to TE	In RE the share of	
		ME	S &W		ME	S&W
Social Services (SS)						
Total Social Services <i>Of which</i>	2.81	1.69	34.82	1.79	2.23	33.34
General Education	0.51	1.70	36.71	0.65	1.35	44.78
Public Health and Family Welfare	0.51	0.66	62.42	0.33	0.66	62.14
Water Supply Sanitation and Housing and Urban Development	1.23	2.88	9.85	0.22	4.06	10.76
Economic Services (ES)						
Total Economic Services <i>of which</i>	11.38	5.46	21.00	9.55	6.18	18.72
Agriculture and Allied Activities	0.25	1.22	29.18	0.23	0.76	21.70
Irrigation and Flood Control	4.90	6.70	73.39	4.35	5.50	75.55

(Source: Finance Accounts)

TE: Total Expenditure in the concerned sector; CE: Capital Expenditure in the concerned sector; ME: Maintenance Expenditure; RE: Revenue Expenditure in the concerned sector; S&W: Salaries and Wages

It is evident from **Table 1.22** that :

- The share of Capital Expenditure on social services to total expenditure decreased from 2.81 *per cent* in 2012-13 to 1.79 *per cent* in 2013-14 due to decrease of the Capital Expenditure on social services from ₹ 950.62 crore in 2012-13 to ₹ 691.96 crore in 2013-14.
- While the share of expenditure on salaries in Revenue Expenditure under social services decreased from 34.82 to 33.34 *per cent*, the maintenance expenditure increased from 1.69 to 2.23 *per cent* during the year 2013-14.
- The share of Capital Expenditure on economic services to total expenditure decreased from 11.38 *per cent* in 2012-13 to 9.55 *per cent* in 2013-14 due to decrease of the Capital Expenditure on economic services from ₹ 3,843.34 crore in 2012-13 to ₹ 3,699.81 crore in 2013-14.
- The share of salaries under Revenue Expenditure on economic services decreased from 21 *per cent* to 18.72 *per cent* while that of maintenance expenditure increased from 5.46 *per cent* to 6.18 *per cent* respectively during the year.

1.8 Financial analysis of Government expenditure and investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also to meet its capital expenditure/investment (including Loans and Advances) requirements. In addition, in a transition to complete dependence on market-based resources, the State Government needs to initiate measures to earn adequate 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 the broad financial analysis of investments and other Capital Expenditure undertaken by the Government during the current year vis-à-vis previous years.

1.8.1 Incomplete projects

The department-wise information of projects (costing ₹ 10 crore and above), which were scheduled for completion up to 31 March 2014, is given in **Table 1.23**.

Table 1.23: Department-wise profile of Incomplete Projects

(₹ in crore)

Department	Incomplete Projects			
	Number of Incomplete projects	Estimated cost	Total cost of incomplete projects after revision of estimated cost	Cumulative expenditure as on 31 March 2014
Public Works	40	996.33	1,136.78	765.32
Water Resources	126	8,170.53	9,396.63	3,432.48
Total	166	9,166.86	10,533.41	4,197.80

(Source: Finance Account 2013-14)

The blocking of funds on incomplete works impinges negatively on the quality of expenditure. All the 166 projects (estimated cost ₹ 9,166.86 crore) were due for completion upto 31 March 2014, but remained incomplete resulting in blockade of ₹ 4,197.80 crore incurred on these works. Delay in completion of project works increases the risk of cost escalation. Besides, due to delay in completion of these projects the intended benefits from the projects could not be achieved.

1.8.2 Investment and Returns

As of 31 March 2014, Government had invested ₹ 1,866.44 crore in Statutory Corporations, Government Companies, Rural Banks, Joint Stock Companies and Co-operative Institutions and Local Bodies (**Table-1.24**). The average return on this investment was 0.76 *per cent* while the Government paid an average interest of 6.12 *per cent* on its borrowings during 2013-14. The return from investment was negligible. Continued use of borrowed funds to fund investments, which do not have sufficient financial returns will lead to an unsustainable financial position. The Government may ensure proper justification for investment of high cost funds.

Table 1.24: Return on investment

Investment/Return/Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year* (₹ in crore)	251.67	259.92	1,194.38	1,916.18	1,866.44
Return on investment (₹ in crore)	0.44	4.30	0.46	2.19	14.21
Return on investment (<i>per cent</i>)	0.17	1.65	0.04	0.11	0.76
Average rate of interest on Govt. borrowing (<i>per cent</i>)	7.13	7.34	7.08	6.34	6.12
Difference between interest rate and return (<i>per cent</i>)	6.96	5.69	7.04	6.23	5.36

(*The investment at the end of the year does not include un-apportioned investment between Madhya Pradesh and Chhattisgarh)

Out of ₹ 1,866.44 crore invested upto 2013-14, ₹ 1,662.49 crore were invested in Government Companies, ₹ 146.62 crore in Co-operative Institutions and

Local Bodies, ₹30.42 crore in Statutory Corporations, ₹ 24.31 crore in Rural Banks and ₹ 2.60 crore in Joint Stock Companies.

1.8.3 Loans and Advances given by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organizations. **Table 1.25** presents the outstanding loans and advances as on 31 March 2014 and interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.25: Average interest received on loans advanced by the State Government

(₹ in crore)			
Quantum of Loans/Interest Receipts/ Cost of Borrowings	2011-12	2012-13	2013-14
Opening balance	1,535.64	1,517.88	1,864.72 ¹⁶
Amount advanced during the year	1,268.74	1,888.79	1,318.53
Amount repaid during the year	1,282.53	1,542.01	1,637.27
Closing Balance	1,521.85	1,864.66	1,545.99
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	1,094.48	1,864.66	1,544.99
Net addition	(-)13.79	342.78	(-) 318.74
Interest receipts	62.79	8.27	274.43
Interest Receipts as a <i>percentage</i> to outstanding Loans and Advances	4.11	0.44	17.75
Interest payments as a <i>percentage</i> to outstanding fiscal liabilities of the State Government.	7.08	6.34	6.12
Difference between Interest Receipts and Interest Payments (<i>per cent</i>)	(-)2.97	(-) 5.90	11.63

(Source : Finance Accounts)

At the end of March 2014, the Government had outstanding loans and advances of ₹ 1,545.99 crore of which loans for general services, social services and economic services were ₹ 162.69 crore, ₹ 860.60 crore and ₹ 532.39 crore respectively. The outstanding loans and advances were offset by recovery of ₹ 9.69 crore of loans advanced to Government servants. The interest received against these loans and advances during 2013-14 was 17.75 *per cent* (₹ 274 crore) as against 0.44 *per cent* (₹ eight crore) in the previous year.

1.8.4 Cash balances and investment of cash balances

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

¹⁶ Change in opening balance due to proforma correction made in Finance Accounts

Table 1.26: Cash balances and investment of cash balances

(₹ in crore)

	Opening balance as on 1 April 2013	Closing balance as on 31 March 2014
(a) General Cash Balances		
(1) Cash in treasuries	0.00	0.00
(2) Deposits with Reserve Bank	(-)1,767.11	(-) 46.71
(3) Remittances in transit	0.00	0.00
Total (1+2+3)	(-)1,767.11	(-) 46.71
(4) Investment held in 'Cash Balance Investment Account'	2,619.56	1,527.49
Total (a)- General Cash Balances (1+2+3+4)	852.45	1,480.78
(b) Other Cash Balances and Investments		
(1) Cash with the Departmental Officers viz. Forest Public Works Departments, Military Secretary to the Governor	116.56	9.63
(2) Permanent advances for contingent expenditure with Departmental Officers	0.31	0.31
(3) Investment of Earmarked Funds	1,147.62	1,244.57
Total (b) Other Cash Balances and Investments (1+2+3)	1,264.49	1,254.51
Total (a) and (b)	2,116.94	2,735.29

(Source: Finance Account 2013-14)

The cash balance of the State at the end of the year was ₹ 2,735 crore which was 29 *per cent* more as compared to previous year. Surplus cash balance was mainly due to raising of market borrowings of ₹ 3,000 crore raised during 2013-14.

The State had maintained the required minimum cash balance of ₹ 0.72 crore with the Reserve Bank of India (RBI). Intermittently surplus cash balance was invested by the State Government in short term deposits of Government Treasury bills and securities and earned an interest of ₹ 97.80 crore during the year 2013-14, which was less by ₹ 36.76 crore as compared to the previous year.

1.9 Assets and Liabilities

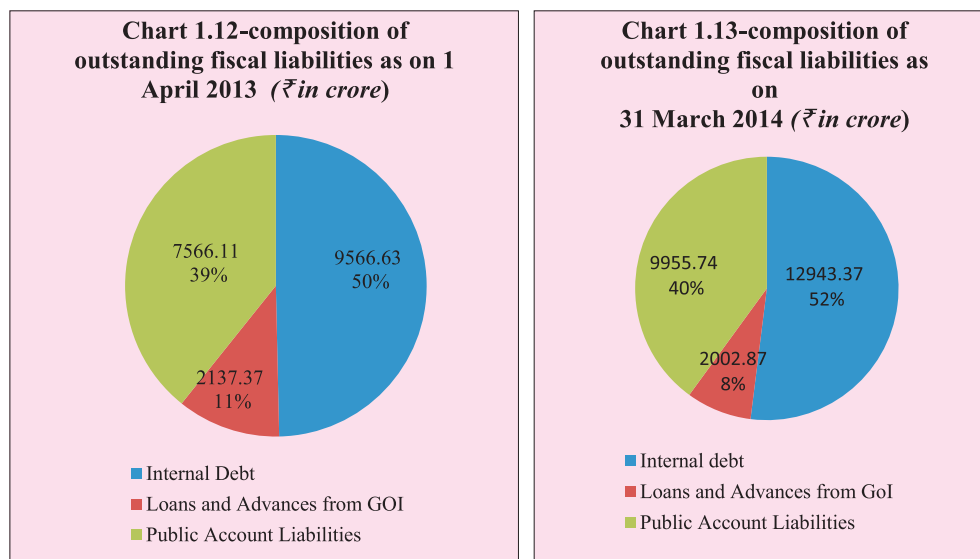
1.9.1 Growth and Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4 (part B)** provides an abstract of such liabilities and the assets as on 31 March 2014 compared with the corresponding position as on 31 March 2013. While the liabilities in **Appendix 1.4 (part B)** consist mainly of internal borrowings, loans and advances from the GOI, receipts from the public account and reserve funds, the assets comprise mainly of capital outlay, loans and advances given by the State Government and cash balances.

While the growth rate of the liabilities increased from 12.80 *per cent* in 2012-13 to 28.04 *per cent* in 2013-14, the growth rate of assets decreased from 16.92 *per cent* to 14.54 *per cent* during the same period.

1.9.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4** and the composition of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Chart 1.12 and 1.13**.



There are two sets of liabilities namely public debt and other liabilities. Public debt consists of the internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund - Capital Account. It includes market loans, special securities issued to RBI and loans and advances from GOI. The Constitution of India provides that the State may borrow within the territory of India upon the security of its Consolidated Fund within such limits as may from time to time be fixed by an Act of the Legislature and give guarantees within such limits as may be fixed by the Legislature. Other liabilities or fiscal liabilities, which are a part of the Public Account, includes deposits under the small savings scheme, provident funds and other deposits.

While the Internal debts as percentage of fiscal liabilities marginally increased from 50 per cent to 52 per cent the Public Account liabilities also marginally increased from 39 per cent to 40 per cent over the previous year. However the outstanding loans and advances from GOI decreased from 11 per cent in 2012-13 to eight per cent in 2013-14.

The fiscal liabilities of the State, the ratio of these liabilities to GSDP and revenue receipts are brought out in **Table 1.27**.

Table 1.27: Fiscal Liabilities – Basic Parameters

	2009-10	2010-11	2011-12 ¹⁷	2012-13	2013-14
Fiscal liabilities (₹ in crore)	15,937	16,581	17,103	19,268	24,902
Rate of growth of Fiscal liabilities (in per cent)	7.79	4.06	3.15	12.66	29.24
Fiscal liabilities/GSDP (in per cent)	16.10	13.88	11.85	11.79	13.46
Fiscal liabilities/ Revenue receipts (in per cent)	87.77	72.98	66.11	65.14	77.70
State's GSDP (₹ in crore)	99,364	1,19,420	1,44,382 ^P	1,63,461 ^Q	1,85,060 ^A

(Source: Finance Accounts)

(A=Advanced, Q= Quick and P= Provisional)

- The overall fiscal liabilities of the State during the year increased by 56 per cent (₹ 8,965 crore) from ₹ 15,937 crore in 2009-10 to ₹ 24,902 crore in 2013-14.
- The growth rate of fiscal liabilities was 29 per cent during 2013-14 as against 13 per cent in 2012-13.
- The fiscal liabilities at the end of 2013-14 represented 78 per cent of the revenue receipts during the year as against 65 per cent during 2012-13.
- During 2013-14, the outstanding debt to GSDP ratio stood at 13.46 per cent which was within the projection made (14.16 per cent) in FRBM disclosures.

1.9.3 Transactions under Reserve Fund

Reserves and Reserve Funds are created for specific and well defined purposes in the accounts of the State Government (Public Account).

As per Statement 19 of Finance Accounts, 16 Reserve Funds have been created and maintained in the accounts of the State Government. As on 31 March 2014, closing balance of these Reserve Funds was ₹ 2,827.44 crore. Out of these, two new Reserve Funds, *Adhosaranchana Vikas Upkar Nidhi* and *Paryavaran Upkar Nidhi* have been created this year.

One Reserve Fund, *Gramin Vikas Nidhi*, which was constituted in 2001-02 for providing employment in rural areas, had a cumulative balance of ₹ 115.70 crore¹⁸ as on 31 March 2014. No transaction has been made from this fund since inception.

Analysis of transactions of State Disaster Response Fund and Sinking Fund are detailed below :

¹⁷ Figures of 2011-12 changed due to pro-forma adjustments made in Finance Accounts and change in GSDP figures.

¹⁸ Year wise receipt of Gramin Vikas Nidhi- 2001-02 = ₹ 2.25 crore, 2002-03= ₹ 2.50 crore, 2003-04= ₹ 0.41 crore, 2004-05= ₹ 4.11 crore, 2005-06= ₹ 5.09 crore, 2006-07= ₹ 6.91 crore, 2007-08= ₹ 27.59 crore, 2008-09 = ₹ 11.60 crore, 2009-10= ₹ (-) 7.54 crore, 2010-11= ₹ 12.00 crore, 2011-12= ₹ 15.00 crore, 2012-13= ₹ 17.78 crore, 2013-14 = ₹ 18.00 crore

State Disaster Response Fund

As per recommendation of ThFC, State Government constituted a State Disaster Response Fund (SDRF) in 2010-11. During 2013-14, the opening balance in SDRF was ₹ 464.89 crore. During the year, there were receipts and disbursements of ₹ 171.44 crore and ₹ 135.95 crore respectively from the fund, leaving a closing balance of ₹ 500.38 crore.

Sinking Fund

The Government constituted a Sinking Fund during 2006-07 for open-market loans. The fund was to be utilized as an amortization fund for redemption of the outstanding internal debt and public account liabilities beginning from the year 2011-12. However, no amount has been utilized by the Government till 2013-14. The balance in the Sinking Fund (investment account) in 2013-14 was ₹ 1,246.94 crore. During 2013-14, the Government contributed ₹ 100 crore against the minimum contribution of ₹ 96.34 crore i.e. 0.5 per cent of outstanding liabilities (₹ 19,268 crore) at the end of 2012-13.

1.9.4 Status of guarantees – contingent liabilities

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

The State Legislature has not passed any law under Article 293 of the Constitution laying down the limits within which Government may give guarantee on security of Consolidated Fund of the State as of March 2014. However, the FRBM Act of the State includes a provision that the State Government shall not give new guarantees in excess of 1.5 per cent of Gross State Domestic Product in nominal terms or 0.5 per cent on risk-weighted basis in a year whichever is lower.

The maximum amount for which guarantee was given by the State and outstanding guarantees for the last three years are given in **Table-1.28**.

Table 1.28: Guarantees given by the Government of Chhattisgarh

(₹ in crore)			
Guarantees	2011-12	2012-13	2013-14
Maximum amount guaranteed	7,079.29	6,605.49	7,571.99
Outstanding amount of guarantees	2,637.40	2,694.90	3,358.27
Revenue Receipts	25,867.00	29,578.09	32,050.26
Percentage of maximum amount guaranteed to total revenue receipts	27.37	22.33	23.63

(Source : Finance Accounts of the respective years)

As recorded in Statement 9 of the Finance Accounts, guarantees of ₹ 3,358.27 crore were outstanding at the end of March 2014. Out of which, the guarantees given to Co-operatives (₹ 1,500.77 crore), Power (₹ 1,667.03 crore), Housing and Urban Development (₹ 93.69 crore), State Financial Corporation (₹ 93.02 crore) and others (₹ 3.76 crore) were outstanding as on 31 March 2014. The outstanding amount of guarantees in the nature of contingent

liabilities was about 10 *per cent* of the total Revenue Receipts of the State. The new guarantees were within the prescribed limit in the FRBM Act.

To provide for sudden discharge of State's obligations on guarantees, the Twelfth Finance Commission recommended that States should set up a Guarantee Redemption Fund through earmarked guarantee fees. However, the State Government had decided not to form Guarantee Redemption Fund in view of their grading the guarantees as "lower side of high risk". No Guarantee was invoked during the year.

1.9.5 Analysis of Borrowings of Government

The details of public debt during 2013-14 is presented in **Table 1.29**.

Table 1.29: Details of Public Debt during 2013-14

(₹ in crore)

Nature of Borrowings	Opening Balance as on 1st April 2013	Receipts	Repayment	Closing Balance 31st March 2014	Net increase (+) decrease (-)
Market Loans	3,236.05	3,000.00	156.01	6,080.04	2,843.99
Compensation and other bonds	193.37	--	48.32	145.05	(-) 48.32
Loans from Financial Institutions	759.64	674.62 ¹⁹	94.97	1,339.29	579.65
Special Securities Issued to National Small Savings Fund	5,377.57	242.68	241.26	5,378.99	1.42
Loans and Advances from Central Government	2,137.37	14.59	149.09	2,002.87	(-)134.50
Total	11,704.00	3,931.89	689.65	14,946.24	3,242.24

(Source : Finance Account 2013-14)

During 2013-14, the State Government has raised borrowing of ₹ 3,931.89 crore and discharged ₹ 689.65 crore towards its repayment. Analysis of market borrowings and other borrowings during 2013-14 is as detailed below:

Loans from Financial Institutions

The Government had borrowed an amount of ₹ 674.62 crore from the financial institutions viz. National Bank for Agriculture and Rural Development (₹ 674.39 crore), National Co-operative Development Corporation (₹ 0.23 crore) and made repayment of ₹ 94.97 crore during 2013-14. The outstanding balance of loans from Financial Institutions increased by ₹ 579.65 crore (76.30 *per cent*) from ₹ 759.64 crore in 2012-13 to ₹ 1,339.29 crore in 2013-14.

Loans from Special Securities Issued to National Small Savings Fund

The Government has constituted National Small Savings Fund (NSSF) during 1999-2000 for the purpose of release of loans out of small savings collections. The State Government had received an amount of ₹ 242.68 crore and repaid

¹⁹ Includes loan obtained from National Bank for Agriculture and Rural Development (₹ 674.39 crore) and National Co-operative Development Corporation (₹ 0.23 crore).

₹ 241.26 crore during 2013-14. The outstanding balance of loans from NSSF increased by ₹ 1.42 crore (0.03 *per cent*) from ₹ 5,377.57 crore in 2012-13 to ₹ 5,378.99 crore in 2013-14. The Government paid interest of ₹ 481.98 crore during 2013-14.

Market Loans

The year wise position of market loans for the period from 2009-10 to 2013-14 is given in **Table 1.30**.

Table 1.30: Overall position of market loans during 2009-14

(₹ in crore)

Year	Opening Balance of Market loan	Market loans raised during the year	Market loans repaid during the year	Closing Balance	Net Increase (+) / Decrease (-)	Percentage of increase over the previous year
2009-10	2,297.90	700.02	250.18	2,747.74	449.84	19.58
2010-11	2,747.74	0.00	235.02	2,512.72	(-)235.02	(-)08.55
2011-12	2,512.72	0.00	313.14	2,199.58	(-)313.14	(-)12.46
2012-13	2,199.58	1,500.00	463.53	3,236.05	1,036.47	47.12
2013-14	3,236.05	3,000.00	156.01	6,080.04	2,843.99	87.88

(Source : Finance Accounts)

It is evident from **Table 1.30** that the outstanding balances of market loans at the end of the years 2012-13 and 2013-14 was as high as ₹ 3,236.05 crore and ₹ 6,080.04 crore due to raising of market loans of ₹ 1,500 crore and ₹ 3,000 crore during these years.

1.10 Debt Management

1.10.1 Debt profile

Apart from the magnitude of debt of the State Government, it is important to analyze various indicators that determine the debt sustainability²⁰ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization²¹; sufficiency of non-debt receipts²²; net availability

²⁰ Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that a rise in fiscal deficit should match with the increase in capacity to service the debt.

²¹ A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

²² Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be

of borrowed funds²³; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities.

1.10.2 Debt Sustainability

Debt sustainability refers to the State's ability to maintain a constant debt-GSDP ratio over a period of time. Thus it implies State's ability to service the debt.

Table 1.31 analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2011-12.

Table 1.31: Debt Sustainability: Indicators and Trends (₹ in crore)

Indicators of Debt Sustainability	2011-12	2012-13	2013-14
Debt Stabilization (Quantum Spread +Primary Deficit)	1,752	41	(-) 2,340
Sufficiency of incremental Non-debt Receipts (Resource Gap)	(-) 1,211	(-) 1,854	(-) 2,405
Net Availability of Borrowed Funds	(-) 672	(+) 1,012	(+) 4,283
Burden of Interest Payments (Interest Payment/Revenue Receipts Ratio)	4.61	3.90	4.22
Fiscal liabilities/GSDP (in per cent)	12.26	12.03	13.46

(Source : Finance Accounts of the respective years)

The trends in **Table-1.31** reveals that the quantum spread together with the primary deficit was positive during the period 2011-13 but it turned into negative during 2013-14. The ratio of fiscal liabilities to GSDP increased from 12.03 *per cent* in 2012-13 to 13.46 *per cent* in 2013-14.

The sufficiency of incremental non-debt receipts (resources gap) was negative during the period 2011-12 to 2013-14 which showed that the incremental non-debt receipts were inadequate to finance incremental primary expenditure and incremental interest burden.

The net availability of borrowed funds after repayment of principal and interest increased from (-) ₹ 672 crore in 2011-12 to ₹ 4,283 crore in 2013-14. During 2013-14, the Government repaid ₹ 4,678 crore (principal and interest on account of internal debt of ₹ 540 crore, GOI loans of ₹ 149 crore and also discharged other obligations of ₹ 3,989 crore) which were less than the total receipts of ₹ 10,310 crore (internal debt ₹ 3,917 crore, GOI loans of ₹ 15 crore and other obligation of ₹ 6,378 crore) resulting in net availability of funds of ₹ 4,283 crore (42 *per cent* of total borrowings) for productive/capital expenditure.

Maturity profile of the State Debt due for repayment in future by the State is shown in the **Table 1.32**.

significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

²³ 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 indicating the net availability of borrowed funds.

Table 1.32: Maturity Profile of the State Debt

(₹ in crore)

Years	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage to total debt
0-5	4,224.98	4,182.47	4,252.03	3,914.35	4,207.57	28
6-10	3,333.13	3,351.11	3,115.08	3,204.48	7,937.95	53
11-15	1,987.75	2,039.44	1,958.45	3,312.46	1,674.14	11
16-20	1,150.28	1,164.79	1,012.50	802.49	658.63	04
20 and above	316.25	378.91	347.50	470.22	467.95 ²⁴	03
Total	11,012.39	11,116.72	10,685.56	11,704.00	14,946.24	

(Source : Finance Accounts of the respective years)

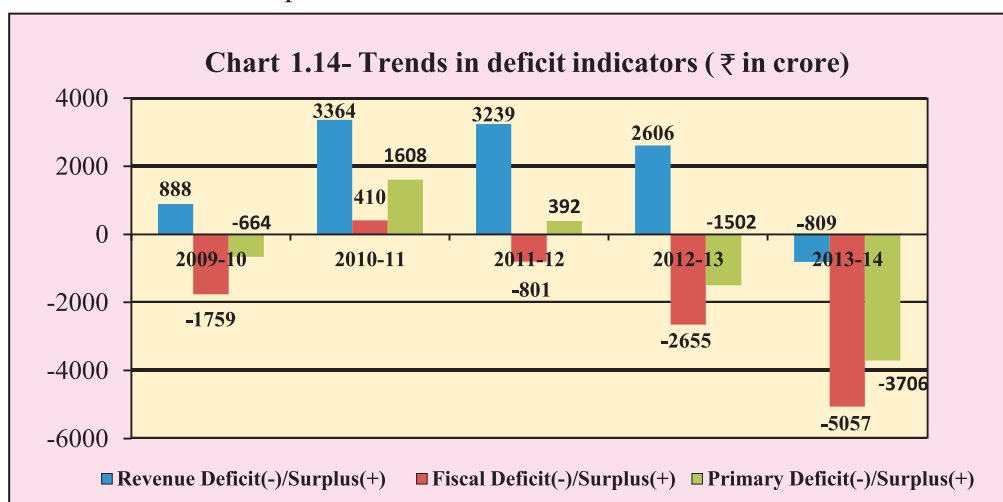
In terms of maturity profile, redemption of 28 *per cent* of the State Debt will be taking place in the next five years. Hence, with greater awareness of future debt payments, the Government will be in a position to ensure that fresh borrowings do not have to be paid back in those years where maximum repayment is due.

1.11 Fiscal Imbalances

Three key fiscal parameters – revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied, are important pointers to its fiscal health strength. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act for the financial year 2013-14.

1.11.1 Trends in Deficits

Chart 1.14, Chart 1.15 and Table 1.33 present the trends in deficit indicators over the period 2009-14.



(Source : Finance Accounts of the respective years)

²⁴ Includes ₹ 310.23 crore the details of maturity year of which was not available and taken as loan amount allocated to Madhya Pradesh but repaid by Chhattisgarh.

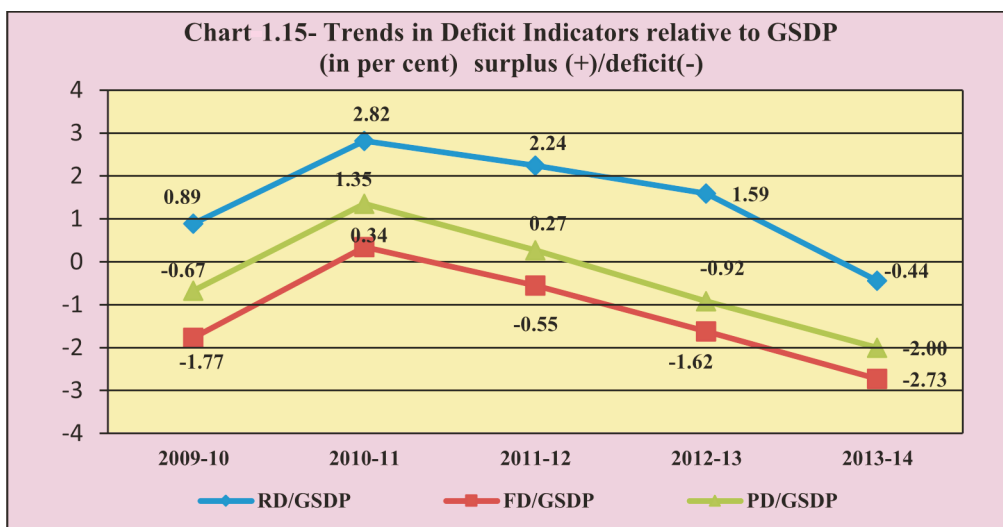


Table 1.33:Trends in deficit

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue deficit (-)/surplus (+)	(+)888	(+)3,364	(+)3,239	(+)2,606	(-) 809
Fiscal deficit (-) / surplus (+)	(-)1,759	(+)410	(-)801	(-)2,655	(-)5,057
Primary deficit (-)/ surplus (+)	(-)664	(+)1,608	(+)392	(-)1,502	(-) 3,706

(Source : Finance Accounts of the respective years)

The State had revenue deficit of ₹ 809 crore in current year (2013-14), whereas it had revenue surplus during 2009-13 with inter-variations. The downfall of revenue surplus commenced in 2011-12 with decrease of four *per cent* (₹ 125 crore) which further decreased by 20 *per cent* (₹ 633 crore) and stood at ₹ 2,606 crore during 2012-13. With sharp decrease of 131 *per cent* (₹ 3,415 crore), the revenue surplus of previous year turned into revenue deficit of ₹ 809 crore during 2013-14. The Revenue Surplus/Deficit as a percentage of GSDP decreased from 1.59 in 2012-13 to (-) 0.44 in 2013-14.

The fiscal deficit which represents the total borrowings of the Government and its total resource gap stood at ₹ 1,759 crore in 2009-10 but it turned into fiscal surplus of ₹ 410 crore during 2010-11. Thereafter it again turned into fiscal deficit of ₹ 801 crore in 2011-12 which increased to ₹ 2,655 crore in 2012-13 and further increased to ₹ 5,057 crore in 2013-14. The ratio of fiscal deficit to GSDP was 2.73 *per cent* which was within the limits of three *per cent* prescribed in the ThFC and FRBM Act.

Due to increase in fiscal deficit by 90 *per cent* and interest payment by 17 *per cent*, the primary deficit increased from ₹ 1,502 crore in 2012-13 to ₹ 3,706 crore in 2013-14.

1.11.2 Components of fiscal deficit and its financing pattern

The fiscal deficit is the total borrowing requirement of the State and is the excess of Revenue Expenditure and Capital Expenditure including Loans and Advances over Revenue and non-debt Capital Receipts. Decomposition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet

its requirements of funds over and above the revenue and non-debt receipts. The financing pattern of the fiscal deficit is reflected in the **Table 1.34**.

Table 1.34 : Components of Fiscal Deficit and its Financing Pattern*(₹ in crore)*

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1	2	3	4	5	6
Decomposition of Fiscal Deficit					
Revenue Deficit(-)/Surplus(+)	888.22	3,363.79	3,239.33	2,606.25	(-) 809.31
Net Capital Expenditure	(-)2,742.61	(-)2,948.95	(-)4,052.47	(-)4,916.94	(-)4,566.55
Net Loans and Advances ²⁵	95.39	(-) 5.08	11.97	(-)344.45	318.58
Total	(-)1,759.00	409.76	(-)801.17	(-)2,655.14	(-)5,057.28
Financing Pattern of Fiscal Deficit*					
Market Borrowings	449.85	(-)235.03	(-)313.14	1,036.47	2,843.99
Loans from GOI	106.83	67.38	(-)85.15	(-)152.37	(-)134.50
Special Securities Issued to NSSF	146.33	373.47	13.00	15	1.42
Loans from Financial Institutions	(-)67.36	(-)101.49	(-)45.86	119.34	531.33
Small Savings PF etc	294.37	328.97	307.76	293.47	265.40
Deposits and Advances	(-)22.47	355.26	585.94	521.18	1,818.98
Suspense and Miscellaneous	512.00	(-)2,129.58	1,758.77	(-)1,107.52	(-)1,243.93
Remittances	(-)111.83	33.68	96.10	(-)264.11	(-) 98.03
Others ²⁶	244.91	(-) 28.08	58.90	332.15	305.16
Total	1,552.63	(-)1,335.42	2,376.32	793.61	4,289.82
Overall Surplus(+)/Deficit(-)	(-)206.37	(-)925.66	1,575.15	(-)1,861.53	(-)767.46
Total	1,759.00	(-)409.76	801.17	2,655.14	5,057.28

*All these figures are net of disbursements/outflows during the year

(Source : Finance Accounts of the respective years)

It is evident that during 2013-14, market borrowings raised by the State Government continued to finance a major portion of fiscal deficit. Its share in financing fiscal deficit was 56 *per cent* during 2013-14 as compared to 39 *per cent* during previous year.

1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit²⁷ 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.

The bifurcation of the primary deficit (**Table 1.35**) indicates the extent to which the deficit has been on account of enhancement in Capital Expenditure

²⁵ It includes inter-State settlement.

²⁶ It includes Contingency Fund and Reserve Fund .

²⁷ Primary revenue deficit defined as gap between non-interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

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	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure ²⁸	Primary revenue deficit (-)/ surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2009-10	19,151	16,170	2,745	900	19,815	(+) 2,981	(-) 664
2010-11	23,286	18,157	2,952	569	21,678	(+) 5,129	(+) 1,608
2011-12	27,156	21,435	4,056	1,273	26,764	(+) 5,721	(+) 392
2012-13	31,124	25,819	4,919	1,888	32,626	(+) 5,305	(-) 1,502
2013-14	33,699	31,508	4,574	1,318	37,408	(+) 2,191	(-) 3,709

(Source : Finance Accounts of the respective years)

- During 2009-14, non-debt receipts increased by ₹ 14,548 crore (76 per cent) from ₹ 19,151 crore in 2009-10 to ₹ 33,699 crore in 2013-14 against an increase of primary revenue expenditure from ₹ 16,170 crore to ₹ 31,508 crore (95 per cent) during the same period.
- State had primary surplus during the years 2010-11 and 2011-12. However, it turned into primary deficit of ₹ 1,502 crore during 2012-13, which further increased to ₹ 3,709 crore during 2013-14. In other words, non-debt receipts of the State were not enough to meet the primary expenditure requirements in the revenue account during 2012-13 and 2013-14.

1.12 Conclusion and Recommendations

Review of fiscal position

- The growth of Gross State Domestic Product during 2013-14 was 13.21 per cent against the Thirteenth Finance Commission norm of 12.50 per cent.
The Government should ensure achievement of Thirteenth Finance Commission norms.
- The fiscal position of the State had declined in terms of the key parameters. As per laid down targets of Thirteenth Finance Commission and Fiscal Responsibility and Budget Management Act, State had to maintain zero revenue deficit during the year. However, the revenue surplus of previous year turned into revenue deficit of ₹ 809 crore during 2013-14.

²⁸ Primary revenue expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

- Fiscal deficit during 2013-14 also increased to ₹ 5,057 crore. However, State managed to keep fiscal deficit relative to Gross State Domestic Product (2.73 *per cent*) below the targets laid down under Thirteenth Finance Commission (three *per cent*) and Fiscal Responsibility and Budget Management Act (three *per cent*).

The Government should make efforts to maintain revenue deficit within the targets prescribed by Thirteenth Finance Commission and Fiscal Responsibility and Budget Management Act.

Transfer of funds to the State Implementing Agencies

- Government of India transferred ₹ 4,046.30 crore during 2013-14 directly to State Implementing Agencies for implementation of various schemes. Due to direct transfer of GOI funds to the State Implementing Agencies outside the State Budget, the Annual Accounts do not provide a complete picture of the resources of the State.

A system should be put in place to ensure proper accounting and monitoring of the use of funds directly transferred by the Government of India to the State Implementing Agencies.

Resource mobilization

- State's Own Tax Revenue during the current year (₹ 14,343 crore) was less than the Budget Estimate (₹15,300 crore). The Non-tax Revenue was also less than the Budget Estimate by ₹ 971 crore.

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

Expenditure management and fiscal priorities

- The Revenue Expenditure continued to be a dominant (85 *per cent*) component of the total expenditure during 2013-14. Capital Expenditure during the year constituted 12 *per cent* of the total expenditure and decreased by seven *per cent* (₹ 345 crore) over the previous year.

The State may consider enhancing Capital Expenditure as a proportion of total expenditure in order to create the assets to stimulate growth.

- The State Government had invested ₹ 1,866.44 crore upto the end of March 2014 and the outstanding loans and advances due for recovery was ₹ 1,545.99 crore. The average return on Governments investments and outstanding loans was only 0.76 *per cent* and 17.75 *per cent* respectively while the Government paid an average interest rate of 6.12 *per cent* on its borrowings during 2013-14.

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

Incomplete projects

- Expenditure of ₹ 4,198 crore incurred on 166 incomplete projects in Departments of Public Works and Water Resources remained unfruitful as of 31 March 2014.

Government should take initiative to get the incomplete projects completed to avoid time and cost overrun.

Management of liability

- The Fiscal liabilities at the end of the current year worked out to ₹ 24,902 crore which was 13.46 *per cent* of Gross State Domestic Product as compared to ₹ 19,268 crore (11.79 *per cent* of GSDP) during previous year.

The Government should continue to maintain the ratio of fiscal liabilities to GSDP at prescribed level in future.