

CHAPTER I

FINANCES OF THE UNION TERRITORY GOVERNMENT

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The Union Territory (UT) of Puducherry is located on the east coast of India and extends over an area of 490 sq.km. The UT consists of four regions, namely, Puducherry, Karaikal, Mahe and Yanam, geographically separated from each other. The UT is administered under the provisions of the Government of Union Territories Act, 1963. The UT's population increased from 9.74 lakh in 2001 to 12.48 lakh in 2011, recording a decadal growth rate of 28.1 *per cent*. The percentage of population below the poverty line was 7.7, which was lower than the all-India average of 29.5. The UT's Gross State Domestic Product (GSDP) in 2014-15, at current price, was ₹ 25,819 crore¹. The UT's literacy rate increased from 81.24 *per cent* (as per 2001 census) to 85.80 *per cent* (as per 2011 census). The per capita income of the UT stands at ₹ 1,60,466. General data relating to the UT is given in **Appendix 1.1**.

Gross State Domestic Product

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

Table 1.1: Trend of growth of GDP and GSDP

	2010-11	2011-12	2012-13	2013-14	2014-15
India's GDP (₹ in crore)	72,48,860	83,91,691	93,88,876	1,04,72,807	1,15,09,810*
Growth rate of GDP (percentage)	18.66	15.77	11.88	11.54	--
UT's GSDP (₹ in crore)	13,092	14,661 (Revised Estimate)	16,795 (Provisional)	21,077 (Quick Estimate)	25,819 (Advance Estimate)
Growth rate of GSDP (percentage)	6.40	11.98	14.56	25.50	22.50

(Source : GSDP in Puducherry-Directorate of Economics and Statistics, Puducherry;
India's GDP-Information from Ministry of Statistics and Programme Implementation and Accountants
General)

*Excludes GSDP of Andaman and Nicobar Islands, Chandigarh and Goa

¹ Advance Estimate

The terms and abbreviations used in this Report are listed in the Glossary at Page No. 74

1.1 Introduction

This Chapter provides a broad perspective of the finances of the Government of the UT of Puducherry during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the last five years. The structure of Government Accounts and the layout of the Finance Accounts are shown in **Appendix 1.1 Part B and Part C**. The methodology adopted for the assessment of the fiscal position of the UT is given in **Appendix 1.2**. A time series data on the UT Government finances is given in **Appendix 1.3**.

1.1.1 Summary of Current Year's Fiscal Transactions

Table 1.2 presents the summary of the UT Government's fiscal transactions during the current year (2014-15) *vis-à-vis* the previous year (2013-14), while **Appendix 1.4 - Part A** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2 : Summary of Current Year's Fiscal Operations

(₹ in crore)

Receipts	2013-14	2014-15	Disbursements	2013-14	2014-15		
Section-A: Revenue					Non Plan	Plan	Total
Revenue receipts	4,308	4,758	Revenue expenditure	4,483	3,246	1,554	4,800
Tax revenue	1,904	1,993	General services	1,235	1,363	54	1,417
Non-tax revenue	1,193	1,300	Social services	1,661	717	1,114	1,831
Share of Union Taxes/ Duties	Nil	Nil	Economic services	1,582	1,158	386	1,544
Grants from the Government of India	1,211	1,465	Grants-in-aid and Contributions	5	8	Nil	8
Section-B: Capital							
Miscellaneous Capital Receipts	Nil	Nil	Capital expenditure	362	13	601	614
Recoveries of Loans and Advances	3	2	Loans and Advances disbursed	1	1	Nil	1
Public Debt receipts	750	704	Repayment of Public Debt	204	117	66	183
Contingency Fund	Nil	Nil	Contingency Fund	Nil			Nil
Public Account receipts	910	982	Public Account disbursements	709	*	*	845
Opening Cash Balance	1,020	1,232	Closing Cash Balance	1,232			1,235
Total	6,991	7,678	Total	6,991			7,678

(Source: Finance Accounts of respective years); * Bifurcation of Plan and Non-Plan not available.

Following are the significant changes during 2014-15 as compared to the previous year 2013-14:

- Revenue receipts increased by ₹ 450 crore due to increase in Tax Revenue, Non-Tax revenue and release of additional grants by GoI of ₹ 89 crore, ₹ 107 crore and ₹ 254 crore respectively.

- Revenue expenditure increased by ₹ 317 crore due to more expenditure on General Services (₹ 182 crore), Social Services (₹ 170 crore) and Grants-in-aid (GIA) and contribution (₹ three crore), offset by less expenditure on Economic Services (₹ 38 crore).
- Capital expenditure increased by ₹ 252 crore during the year and it was 11.34 *per cent* of the aggregate expenditure.
- Public Account receipts and disbursements increased by ₹ 72 crore and ₹ 136 crore respectively during 2014-15.

1.1.2 Review of the fiscal situation

As UT of Puducherry was not covered under Finance Commission, Fiscal Responsibility and Budget Management (FRBM) Act was not enacted. However, fiscal road map based on the principles of GoI's FRBM Act had been prepared and approved by GoI. The target prescribed in the fiscal road map and target proposed in the budget are given in **Table 1.3**:

Table 1.3: Comparison of fiscal variable with road map for 2014-15

Fiscal variables	Target proposed in the fiscal road map	Target proposed in the budget	Actuals
Revenue deficit(-) / surplus (+) (₹ in crore)	(-) 103.98	(+) 133.85	(-) 42.03
Fiscal deficit / GSDP (<i>per cent</i>)	3.90	Nil	2.54
Ratio of total outstanding debt of the Government to GSDP (<i>per cent</i>)	30.27	Not available	27.23

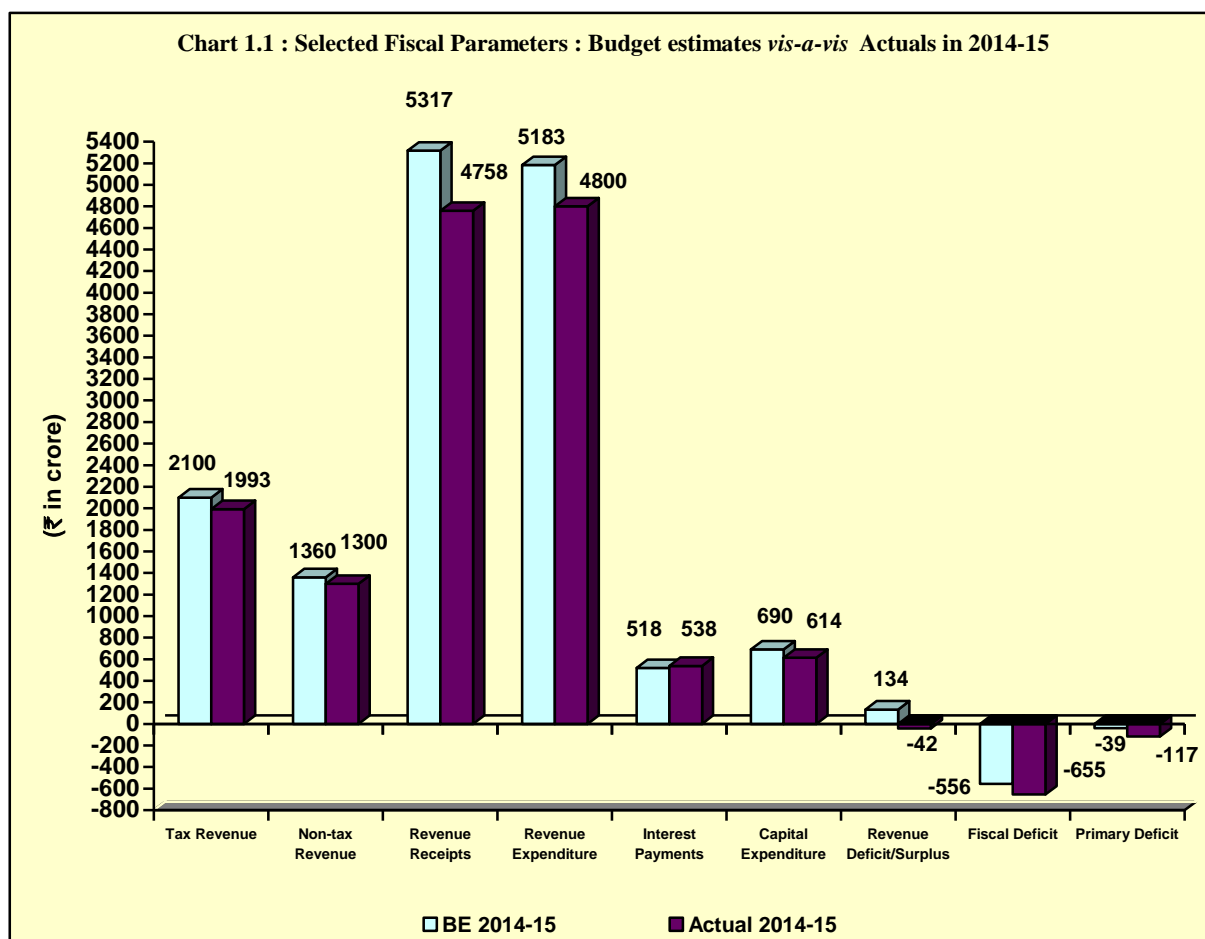
(Source: Finance Accounts, fiscal road map and budget documents)

As against the target proposed in the fiscal road map for revenue deficit of ₹ 103.98 crore, UT Government's revenue deficit was ₹ 42.03 crore which was 0.16 *per cent* of GSDP. The outstanding fiscal liabilities to GSDP were 27.23 *per cent* as against 30.27 *per cent* envisaged in the fiscal road map.

1.1.3 Budget estimates and actuals

The Budget papers presented by a State/UT Government provide description of the estimated revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the budget estimates are indicative of non-attainment of the desired fiscal objectives.

Chart 1.1 presents the budget estimates and actuals for some important fiscal parameters.



(Source: Finance Accounts and budget documents)

The actual revenue receipts were less by ₹ 559 crore as compared to the budget estimates, due to less receipts of tax revenue (BE : ₹ 2,100 crore; Actual receipts : ₹ 1,993 crore), non-tax revenue (BE: ₹ 1,360 crore; Actual receipts: ₹ 1,300 crore) and GIA from GoI (BE : ₹ 1,857 crore; Actual receipts: ₹ 1,465 crore). The revenue expenditure and capital expenditure were less by ₹ 383 crore and ₹ 76 crore respectively than the budget estimates. Lower revenue expenditure as compared to the budget estimates was mainly due to less expenditure on General Services; water supply, sanitation, housing and urban development under Social Services and agriculture and allied activities, rural development and energy under Economic Services. Similarly, less capital expenditure was also noticed on health and family welfare and water supply, sanitation, housing and urban development under Social Services and agriculture and allied activities, irrigation and flood control, energy and other general economic services under Economic Services.

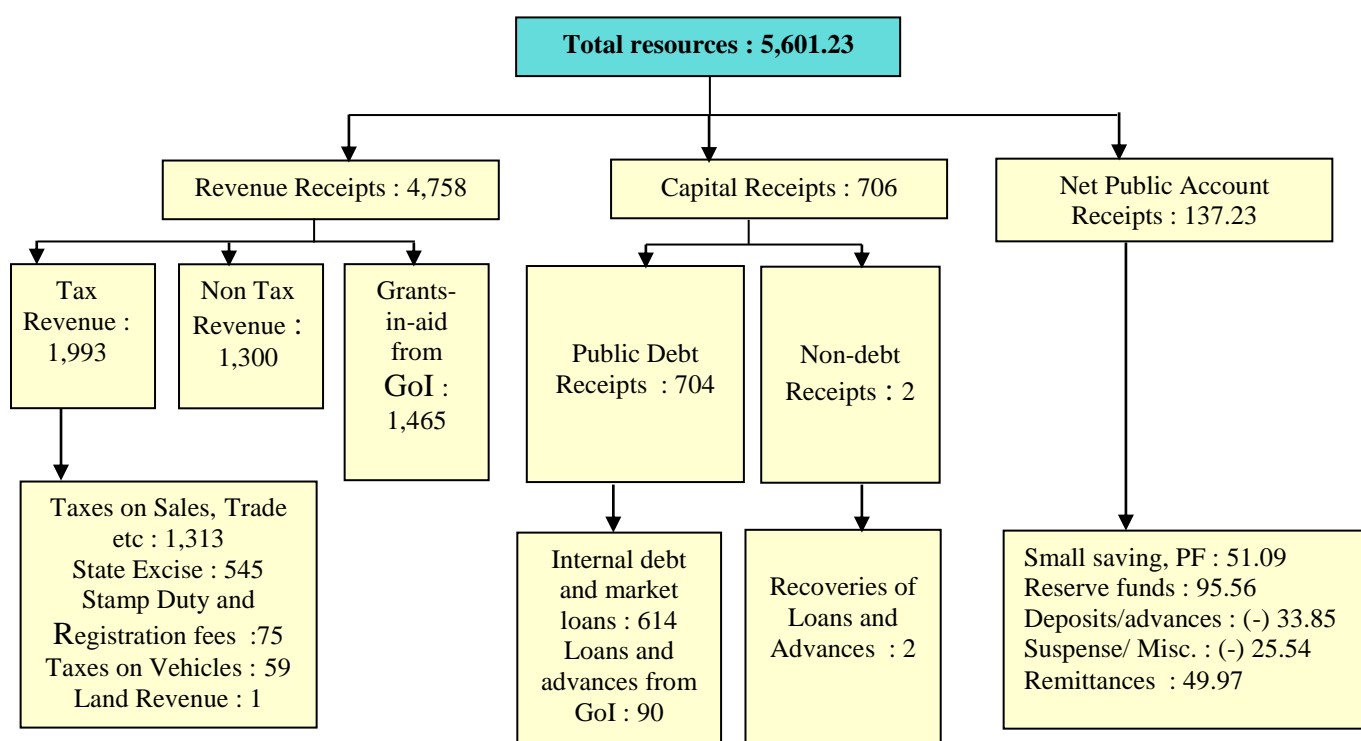
The gap between the estimates and actuals of some of the parameters indicated that either the estimates were not realistic or there was under performance.

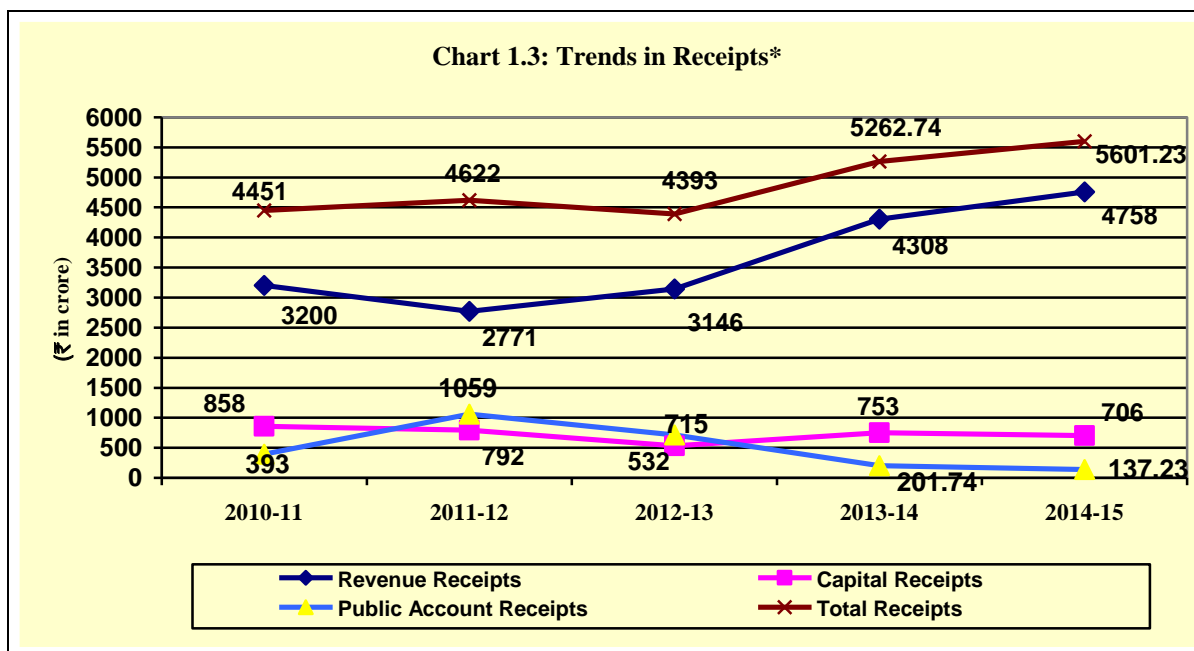
1.2 Resources of the Union Territory

1.2.1 Resources of the Union Territory as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute resources of the Government. Revenue receipts consist of tax revenues, non-tax revenues and GIA from GoI. Capital receipts comprise miscellaneous capital receipts such as recoveries of loans and advances, debt receipts from internal sources (market loans), loans and advances from GoI as well as accruals from the Public Account. **Chart 1.2** presents the receipts and disbursements of the UT during the current year as recorded in its Annual Finance Accounts, while **Chart 1.3** depicts the trends in various components of the receipts during 2010-15. **Chart 1.4** depicts the composition of resources during the current year.

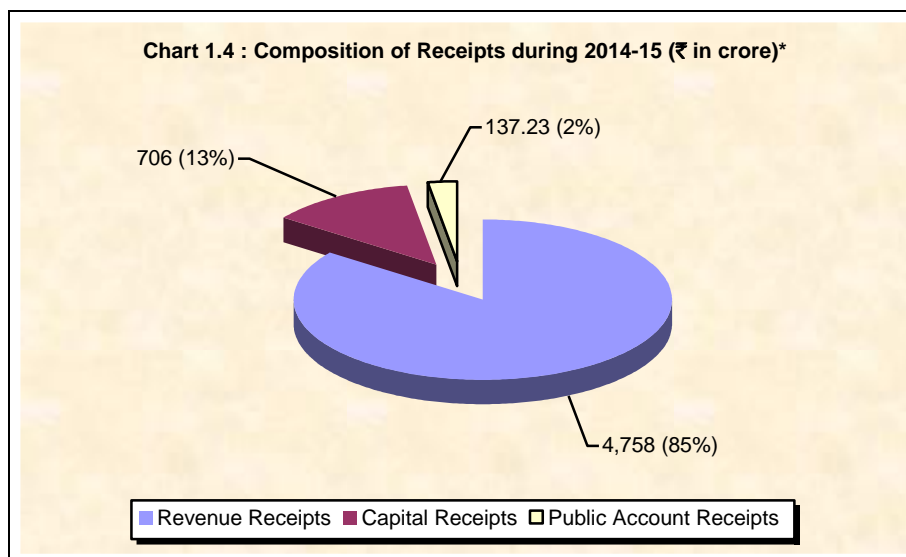
The following flow **Chart 1.2** shows the components and sub-components of resources. (All figures are ₹ in crore)





(Source: Finance Accounts of respective years);

* Total Receipts includes Net Receipts under Public Account



(Source: Finance Accounts of respective years)

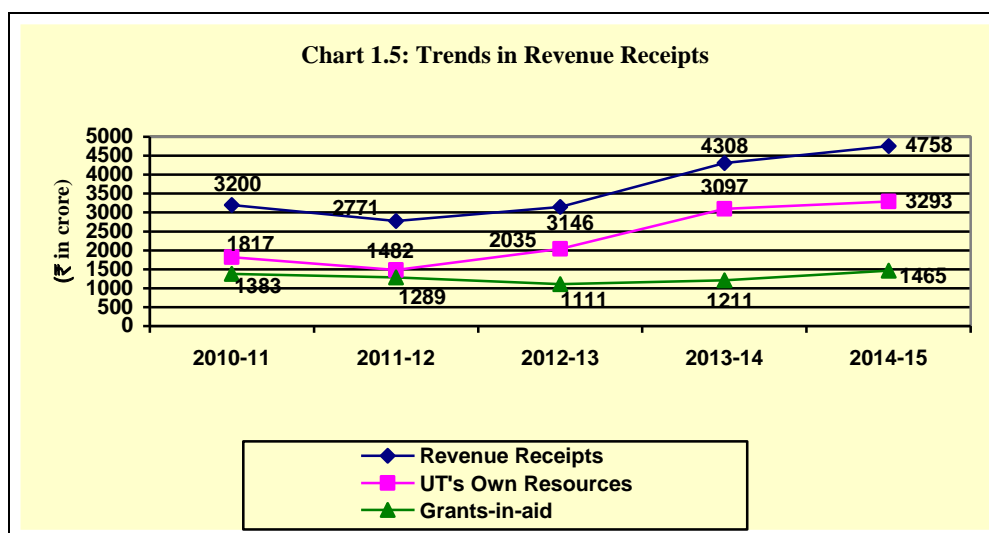
* Total Receipts includes Net Receipts under Public Accounts

Major part of the UT's receipts consist of revenue receipts (85 per cent) followed by capital receipts (13 per cent).

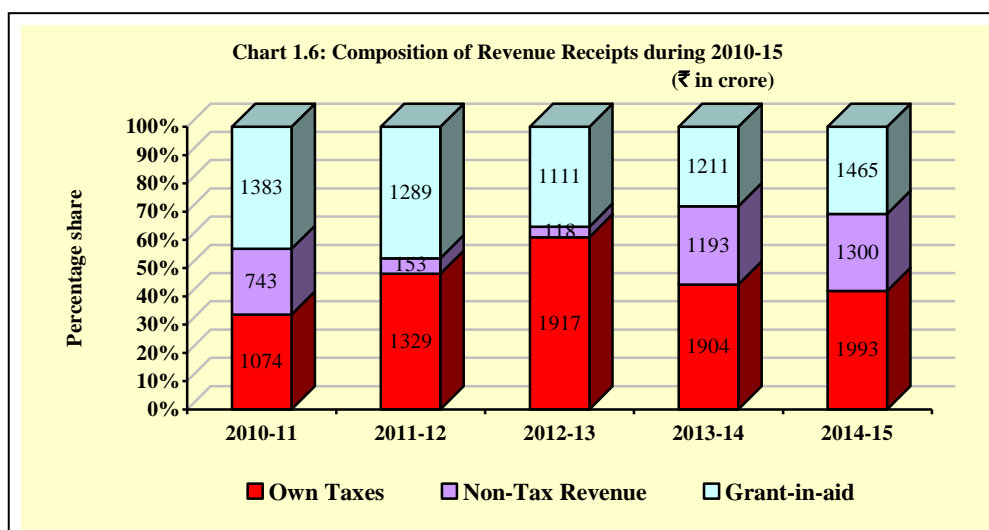
Total receipts increased by ₹ 338.49 crore over the previous year mainly due to increase in revenue receipts.

1.3 Revenue Receipts

Statement-14 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the UT's own tax and non-tax revenues and GIA from GoI. The trends and composition of revenue receipts over the period 2010-15 are presented in **Appendix 1.3** and depicted in **Charts 1.5** and **1.6** respectively.



(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

Revenue receipts of UT increased by ₹ 450 crore (10.44 per cent) over the previous year. Tax revenue, Non-Tax revenue and GIA from GoI increased by ₹ 89 crore, ₹ 107 crore and ₹ 254 crore respectively. The share of GIA from GoI constitutes about 31 per cent of revenue receipts.

The trends of revenue receipts relative to GSDP are presented in **Table 1.4** below:

Table 1.4: Trends in Revenue Receipts relative to GSDP

	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue Receipts (RR) (₹ in crore)	3,200	2,771	3,146	4,308	4,758
Rate of growth of RR (<i>per cent</i>)	12.64	(-)13.41	13.53	36.94	10.44
UT's own taxes (₹ in crore)	1,074	1,329	1,917	1,904	1,993
Rate of growth of own taxes (<i>per cent</i>)	23.73	23.74	44.24	(-) 0.68	4.67
GSDP ² growth (<i>per cent</i>)	6.40	11.98	14.56	25.50	22.50
Buoyancy Ratios					
RR/GSDP ² (<i>per cent</i>)	24.44	18.90	18.73	20.44	18.43
Revenue buoyancy with reference to GSDP ² (ratio)	1.98	(-)1.12	0.93	1.45	0.46
UT's own tax buoyancy with reference to GSDP ² (ratio)	3.71	1.98	3.04	(-) 0.03	0.21

(Source: Finance Accounts of respective years)

The GSDP, at the current prices, was estimated to increase from ₹ 21,077 crore in 2013-14 to ₹ 25,819 crore in 2014-15, representing growth of 22.50 *per cent*. While rate of growth of revenue receipts was 10.44 *per cent* in 2014-15, growth of own taxes was only 4.67 *per cent* during the year.

The buoyancy ratio indicates elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. As against growth rate of GSDP of 22.50 *per cent*, the growth rate of own taxes was 4.67 indicating that growth of own taxes was not proportionate to the growth rate of GSDP. While the revenue buoyancy with reference to GSDP decreased from 1.45 in 2013-14 to 0.46 in 2014-15, UT's own tax buoyancy with reference to GSDP turned positive and stood at 0.21 during the year.

1.3.1 Union Territory's Own Resources

The UT's performance in mobilisation of resources was assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The UT's actual tax and non-tax revenue for the year 2014-15 *vis-à-vis* target proposed in the fiscal road map and budget estimates are given in **Table 1.5**.

Table 1.5: Tax and Non-tax revenue *vis-à-vis* budget estimates and target proposed in the fiscal road map

	Target proposed in the fiscal road map	Budget estimate	Actuals
Tax revenue	3,021	2,100	1,993
Non-tax revenue	138	1,360	1,300

(Source: Budget documents, Finance Accounts and details furnished by the Department)

² Revised, Provisional, Quick estimates and Advance Estimate of GSDP ₹ 14,661 crore, ₹ 16,795 crore, ₹ 21,077 crore and ₹ 25,819 crore, have been adopted for the years 2011-12, 2012-13, 2013-14 and 2014-15 respectively

The actual tax revenue was less by ₹ 1,028 crore (34 per cent) and ₹ 107 crore (5.10 per cent) than target proposed in the fiscal road map and budget estimate respectively. While non-tax revenue was less by ₹ 60 crore (4.4 per cent) than budget estimates, it was more by ₹ 1,162 crore than fiscal road map target.

1.3.1.1 Tax revenue

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

Table 1.6: Components of UT's Tax resources

Revenue Head						(₹ in crore)
	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+)/ decrease (-) over previous year
Taxes on Sales, Trade, etc.	595	750	1,287	1,256	1,313	(+) 4.54
State Excise	379	447	504	512	545	(+) 6.45
Taxes on Vehicles	48	54	52	52	59	(+) 13.46
Stamp Duty and Registration fees	51	77	73	83	75	(-) 9.64
Land Revenue	1	1	1	1	1	Nil
Total	1,074	1,329	1,917	1,904	1,993	(+) 4.67

(Source: Finance Accounts of respective years)

The UT's tax revenue increased by ₹ 89 crore (4.67 per cent) in 2014-15 over the previous year mainly due to increase in collection under taxes on Sales and Trade (₹ 57 crore).

1.3.1.2 Non-tax revenue

The components of non-tax receipts are given in **Table 1.7**:

Table 1.7: Components of UT's Non-tax receipts

Revenue Head						(₹ in crore)
	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+)/ decrease (-) over previous year
Interest receipts	37	35	35	62	91	(+) 47
Dividends and Profits	5	4	1	6	2	(-) 67
Other non-tax receipts	701	114	82	1,125	1,207	(+) 7
Total	743	153	118	1,193	1,300	(+) 9

(Source: Finance Accounts of respective years)

The Non-tax revenue receipts increased from ₹ 1,193 crore in 2013-14 to ₹ 1,300 crore in 2014-15. While interest receipts increased by ₹ 29 crore,

dividends and profits decreased by ₹ four crore. Only one company viz., Pondicherry Distilleries Limited declared dividends during 2014-15.

1.3.1.3 Grants-in-aid from GoI

The GIA received from GoI for the years 2010-11 to 2014-15 are given in **Table 1.8**.

Table 1.8: GIA from GoI

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan grants	1,123.11	926.07	525.38	513.50	513.00
Grants for UT's Plan scheme	207.44	266.61	546.59	663.69	803.44
Grants for CSS	52.24	96.01	38.80	33.32	148.36
Total	1,382.79	1,288.69	1,110.77	1,210.51	1,464.80
Percentage of increase over previous year	3.92	(-) 6.81	(-)13.81	8.98	21.01
Total grant as a percentage of revenue receipts	43.21	46.50	35.31	28.10	30.79

(Source: Finance Accounts of respective years)

GIA received from GoI as a percentage over previous year increased by 21.01. The total grant as a percentage of revenue receipts increased from 28.10 in 2013-14 to 30.79 in 2014-15.

During the year, more grants (₹ 139.75 crore) were received for UT's Plan scheme as compared to previous year.

1.4 Capital Receipts

Public debt receipts, recoveries of loans and advances and miscellaneous capital receipts are the capital receipts of the UT Government. The trends in growth of capital receipts for the period from 2010-11 to 2014-15 are given in **Table 1.9**.

Table 1.9 : Growth of capital receipts

(₹ in crore)

Source of receipts	2010-11	2011-12	2012-13	2013-14	2014-15
Capital receipts	858	792	532	753	706
Miscellaneous capital receipts	Nil	Nil	Nil	Nil	Nil
Recovery of loans and advances	4	4	3	3	2
Public Debt receipts	854	788	529	750	704
Rate of growth of Public debt receipts (<i>per cent</i>)	29.59	(-) 7.73	(-) 32.87	41.78	(-)6.13
Rate of growth of non-debt capital receipts (<i>per cent</i>)	(-) 89.47	Nil	-25	Nil	(-) 33.33
Rate of growth of GSDP (<i>per cent</i>)	6.40	11.98	14.56	25.50	22.50
Rate of growth of capital receipts (<i>per cent</i>)	23.10	(-) 7.69	(-) 32.83	41.54	(-) 6.24

(Source: Finance Accounts of respective years)

The capital receipts decreased by ₹ 47 crore mainly due to decrease in Public Debt receipts.

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account and are not subject to vote by the UT Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use. Public Account Receipts for the period from 2010-11 to 2014-15 are given in **Table 1.10**.

Table 1.10 – Trends in growth and composition of Public Account Receipts

(₹ in crore)

Resources under various heads	2010-11	2011-12	2012-13	2013-14	2014-15
Public Account Receipts	392.85	1,058.58	715.17	910.80	981.76
a) Small savings, Provident Fund, etc.	233.27	246.41	257.16	266.34	289.93
b) Reserve Fund	8.28	11.87	28.53	50.00	95.56
c) Deposits and advances	89.93	323.49	259.70	269.59	195.80
d) Suspense and miscellaneous	(-) 365.13	28.92	(-) 143.10	5.43	(-) 2.49
e) Remittance	426.50	447.89	312.88	319.44	402.96

(Source: Finance Accounts of respective years)

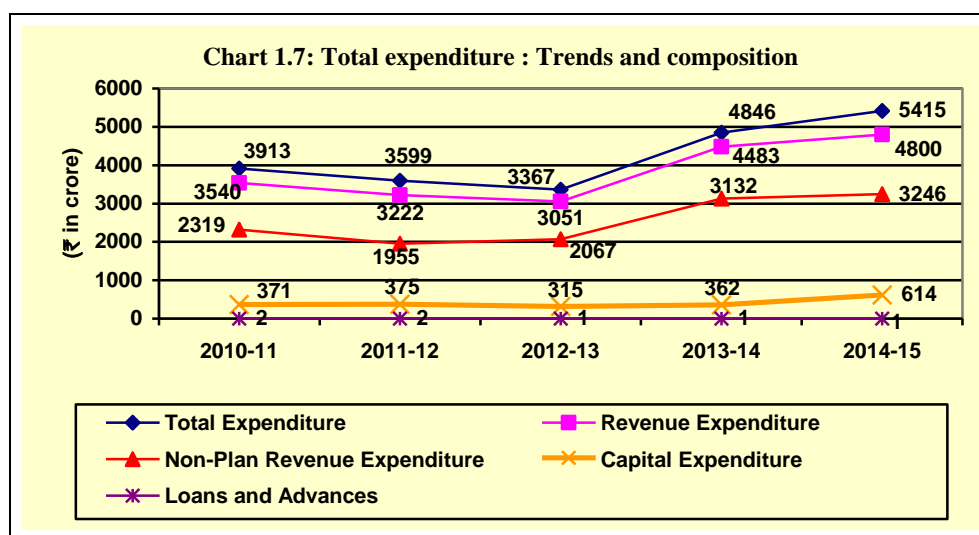
The Public Account Receipts increased from ₹ 910.80 crore in 2013-14 to ₹ 981.76 crore in 2014-15.

1.6 Application of Resources

Analysis of the allocation of expenditure at the UT Government level assumes significance since major expenditure responsibilities are entrusted with them. In view of budgetary constraints in raising public expenditure that too financed by deficit or borrowings, it is important to ensure that the ongoing fiscal correction and consolidation process are not at the cost of development expenditure.

1.6.1 Growth and Composition of Expenditure

Chart 1.7 presents the trends of total expenditure over a period of five years (2010-15). Its composition in terms of ‘economic classification’ and ‘expenditure by activities’ is depicted respectively in **Charts 1.8 and 1.9**.

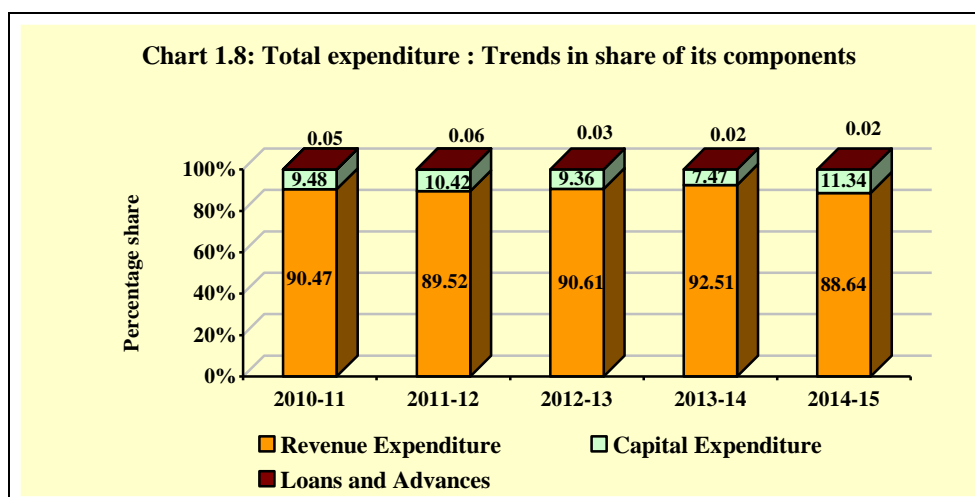


(Source: Finance Accounts of respective years)

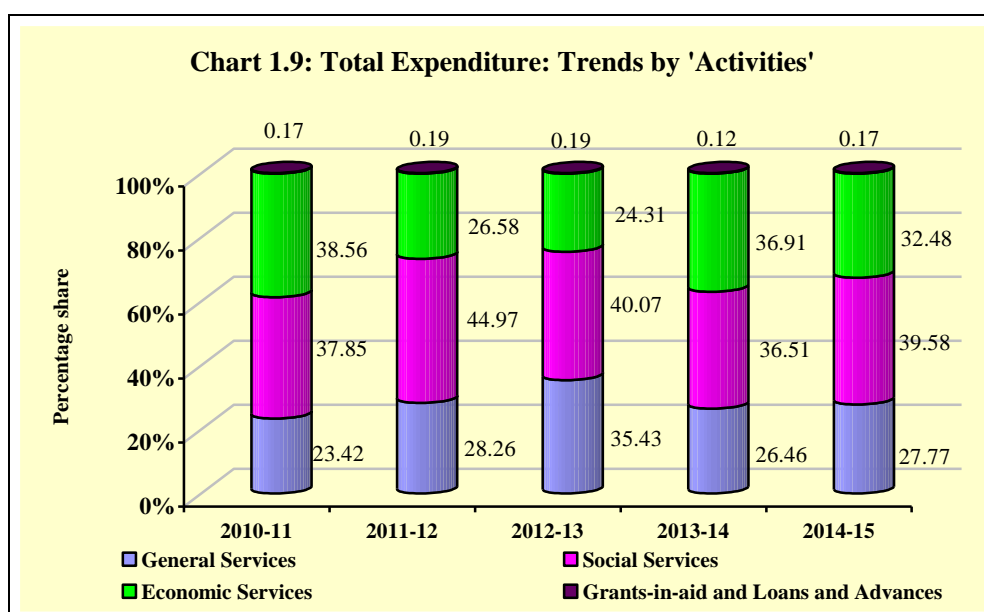
Total expenditure³ of the UT increased by 11.74 per cent from ₹ 4,846 crore in 2013-14 to ₹ 5,415 crore in 2014-15. The revenue expenditure increased by ₹ 317 crore (7.07 per cent) and the capital expenditure increased by ₹ 252 crore (69.61 per cent) during 2014-15 when compared to last year.

Revenue expenditure was 88.64 per cent of the total expenditure, of which, 67.63 per cent was the Non-Plan component. The capital expenditure accounted for 11.34 per cent of the total expenditure in 2014-15.

³ Total expenditure includes revenue expenditure, capital expenditure and disbursement of loans and advances



(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

During 2014-15, expenditure on General Services, Social Services and Economic Services was 27.77, 39.58 and 32.48 *per cent* of the total expenditure respectively. While the expenditure on General Services and Social Services increased by 17.23 and 21.14 *per cent* respectively over the previous year, the expenditure on Economic Services decreased by 1.67 *per cent*.

1.6.2 Revenue expenditure

Revenue expenditure increased by ₹ 317 crore as compared to previous year, it constitutes 88.64 *per cent* of total expenditure of ₹ 5,415 crore during the year. Revenue deficit stood at 0.16 *per cent* of GSDP.

1.6.3 Committed Expenditure

The committed expenditure of the UT Government on the revenue account mainly consists of interest payments, expenditure on salaries and pensions and subsidies. **Table 1.11** presents the trends of expenditure on these components during 2010-15 and **Chart 1.10** presents the share of committed expenditure in Non-Plan revenue expenditure on salaries, interest payments and pension during 2012-15.

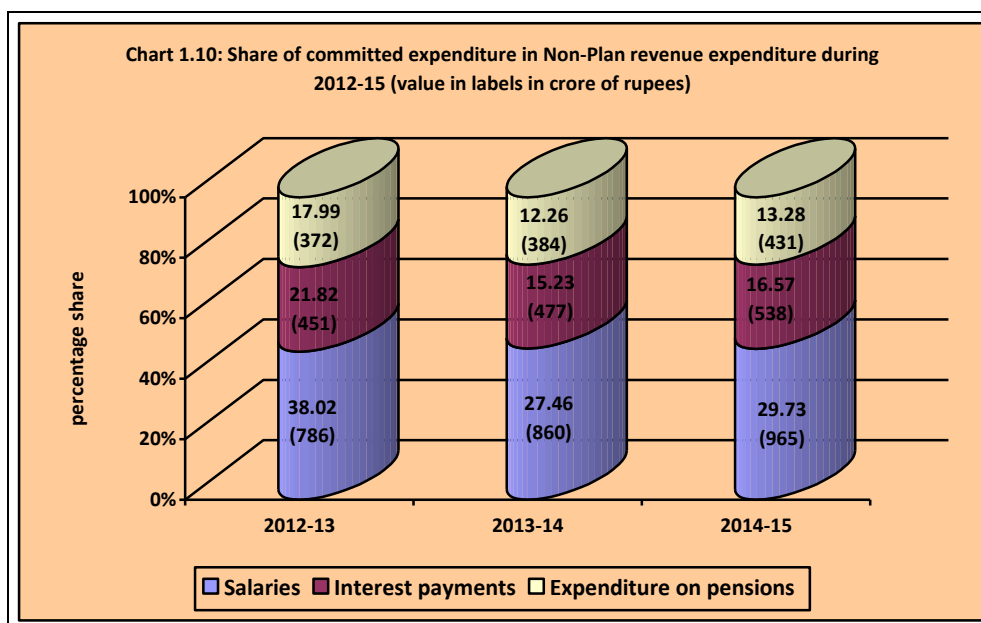
Table-1.11: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15
Salaries, of which	987 (31)	956 (34)	1,063 (34)	1,172 (27)	1,332 (28)
Non-Plan Head	731	706	786	860	965
Plan Head**	256	250	277	312	367
Interest Payments	331 (10)	390 (14)	451 (14)	477 (11)	538 (11)
Expenditure on Pension	254 (8)	296 (11)	372 (12)	384 (9)	431 (9)
Subsidies	82 (3)	88 (3)	53 (2)	129 (3)	144 (3)
Total	1,654 (52)	1,730 (62)	1,939 (62)	2,162 (50)	2,445 (51)

Figures in bracket indicate percentage to revenue receipts
 ** Plan head also includes the salaries paid under Centrally Sponsored Schemes

(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

The committed expenditure (₹ 2,445 crore) increased continuously from 2010-11 to 2014-15 and constituted around 51 *per cent* of revenue receipts and revenue expenditure during 2014-15.

Expenditure on salaries under Non-Plan and Plan during the current year was ₹ 965 crore and ₹ 367 crore respectively. During 2014-15, expenditure on salary increased by ₹ 160 crore, as a percentage of revenue receipts, it was around 28.

Pension payments increased by around 12 *per cent* from ₹ 384 crore in 2013-14 to ₹ 431 crore in 2014-15 and it stood around nine *per cent* of revenue receipts.

Interest payments increased by ₹ 61 crore (around 13 *per cent*) in 2014-15 over the previous year. The interest payments in 2014-15 were about 11 *per cent* of the total revenue receipts.

Subsidies (around three *per cent* of revenue receipts in 2014-15) represent the expenditure booked under the object head ‘Subsidies’ under Welfare of Scheduled Castes, Social Security and Welfare, Crop Husbandry, Animal Husbandry, Fisheries, Food Storage and Warehousing, Minor Irrigation, Village and Small Industries, Tourism and other General Economic Services.

1.6.4 Financial Assistance by UT Government to Local Bodies and other Institutions

The Panchayati Raj system in Puducherry is governed by the provisions of the Pondicherry Village and Commune Panchayat Act, 1973 which has devolved several powers to Village and Commune Panchayats. The legislation was further amended in 1994, so as to conform to the 73rd amendment to the Constitution. In Puducherry, there are five Municipalities, 10 Commune Panchayats and 98 Village Panchayats. The quantum of assistance provided by way of grants and loans to Local Bodies and others during the current year relative to the previous years is presented in **Table 1.12**.

Table 1.12: Financial Assistance to Local Bodies etc.

(₹ in crore)					
Financial Assistance to Institutions	2010-11	2011-12	2012-13	2013-14	2014-15
(1)	(2)	(3)	(4)	(5)	(6)
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	32.55	25.15	28.09	37.08	50.56
Municipalities	58.95	48.37	23.43	44.89	43.98
Panchayati Raj Institutions	14.54	30.91	3.75	18.36	12.14
Development Agencies and Autonomous Bodies	421.94	302.86	263.03	348.59	459.75

(1)	(2)	(3)	(4)	(5)	(6)
Co-operatives	25.86	30.42	35.32	32.63	68.72
Other Institutions*	5.28	6.75	6.43	5.75	25.49
Total	559.12	444.46	360.05	487.30	660.64
Assistance as percentage of revenue expenditure	16	14	12	11	14

(Source: Information furnished by the Director of Accounts and Treasuries, Puducherry)

* Welfare societies and religious institutions

Financial assistance extended to Local Bodies and other institutions increased from ₹ 487.30 crore in 2013-14 to ₹ 660.64 crore in 2014-15. The increase was mainly due to more financial assistance given to Development Agencies and Autonomous Bodies.

1.7 Quality of Expenditure

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

1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to the social and economic infrastructure are largely assigned to State/UT Governments. Enhancing human development levels requires the States/UTs to step up their expenditure on key Social Services like education, health, etc. **Table 1.13** analyses the fiscal priority (percentage of expenditure category to aggregate expenditure) of the UT Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year and compares the fiscal priority given to different categories of expenditure of the UT of Puducherry in 2011-12 and 2014-15.

Table 1.13: Fiscal Priority of the UT in 2011-12 and 2014-15

Fiscal Priority of the UT		AE/ GSDP	DE/AE	SSE/AE	CE/AE	ESE/AE	Expenditure on Education, Sports, Art and Culture/AE	Expenditure on Health and Family Welfare/AE	Per capita expenditure on Education, Sports, Art and Culture (in ₹)	Per capita expenditure on Health and Family Welfare (in ₹)
Puducherry (Percentage)	2011-12	24	72	45	10	27	14	9	3,923	2,685
	2014-15	21	72	40	11	32	12	8	5,304	3,534
AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; CE: Capital Expenditure; ESE: Economic Sector Expenditure Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed										

(Source: (1) Directorate of Economics and Statistics, Puducherry and (2) Finance Accounts for Expenditure figures)

The Aggregate expenditure as a percentage to GSDP decreased from 24 in 2011-12 to 21 in 2014-15. This reflects stagnancy in adequacy of expenditure.

While the percentage of expenditure on Education, Sports, Art and Culture and Health and Family Welfare to Aggregate expenditure decreased marginally during 2014-15, the percentage of expenditure on Development expenditure to Aggregate expenditure remained at 72.

Per capita expenditure on Education, Sports, Art and Culture and per capita expenditure on Health and Family Welfare increased from ₹ 3,923 and ₹ 2,685 in 2011-12 to ₹ 5,304 and ₹ 3,534 in 2014-15 respectively.

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 UT Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods (refer **Glossary**). Apart from improving the allocation towards development expenditure (refer **Glossary**), the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and the proportion of revenue expenditure being incurred on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.14** depicts the trends in development expenditure relative to the aggregate expenditure of the UT during 2010-11 to 2014-15, **Table 1.15** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services during 2013-14 and 2014-15.

Table-1.14: Development Expenditure

(₹ in crore)

Components of Development Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15
Development Expenditure (a to c)	2,990.21 (76)	2,575.35 (72)	2,168.24 (64)	3,558.19 (73)	3,902.36 (72)
a. Development Revenue Expenditure	2,670.63 (68)	2,249.43 (63)	1,907.25 (57)	3,243.06 (67)	3,375.71 (62)
b. Development Capital Expenditure	319.58 (8)	325.92 (9)	260.99 (8)	315.13 (6)	526.65 (10)
c. Development Loans and Advances	Nil	Nil	Nil	Nil	Nil

(Source: Finance Accounts of respective years); Figures in bracket indicate percentage of aggregate expenditure

Table 1.15 –Efficiency of Use in Selected Social and Economic Services

(Percentage)

Social/Economic Infrastructure	2013-14		2014-15	
	Share of CE to TE	In RE, the share of S&W	Share of CE to TE	In RE, the share of S&W
Social Services (SS)				
General Education	2.35	74.90	2.23	72.99
Health and Family Welfare	2.77	63.06	2.19	62.31
Water Supply, Sanitation and Housing and Urban Development	25.16	21.91	28.50	23.16
Total (SS)	6.12	42.62	14.57	37.33
Economic Services (ES)				
Agriculture and Allied Activities	7.64	21.90	5.65	24.45
Irrigation and Flood Control	45.06	58.49	63.94	62.69
Power and Energy	6.97	7.40	5.50	9.08
Transport	63.50	49.48	61.11	39.49
Total (ES)	11.56	12.67	12.18	14.16
Total (SS+ES)	8.86	28.01	13.50	30.19
TE: Total Expenditure on the sector/services concerned; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages				

(Source: Finance Accounts and figures furnished by the Director of Accounts and Treasuries for wages)

Development expenditure increased by ₹ 344.17 crore from ₹ 3,558.19 crore in 2013-14 to ₹ 3,902.36 crore in 2014-15. However, development

expenditure as a percentage of aggregate expenditure marginally decreased from 73 in 2013-14 to 72 in 2014-15. The development capital expenditure, as a percentage of Aggregate expenditure increased from 6 in 2013-14 to 10 in 2014-15.

Expenditure on Social Services

The capital expenditure on Social Services as a percentage of total expenditure increased substantially from 6.12 in 2013-14 to 14.57 in 2014-15. While the share of capital expenditure in the total expenditure under General Education and Health and Family Welfare decreased marginally, the share of Water Supply, Sanitation, Housing and Urban Development increased from 25.16 *per cent* in 2013-14 to 28.50 *per cent* in 2014-15. The share of salaries and wages in the revenue expenditure on Social Services decreased from 42.62 *per cent* in 2013-14 to 37.33 *per cent* in 2014-15.

Expenditure on Economic Services

The capital expenditure on Economic Services, as a percentage of total expenditure on Economic Services, increased from 11.56 in 2013-14 to 12.18 in 2014-15. The share of salaries and wages in the revenue expenditure on Economic Services increased from 28.01 *per cent* in 2013-14 to 30.19 *per cent* in 2014-15.

1.8 Financial Analysis of Government Expenditure and Investments

The UT is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to dependence on market based resources, the UT Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds, rather than bearing the same on its budget in the form of implicit subsidies. This section presents information on incomplete projects and a broad financial analysis of investments by the Government during the current year *vis-à-vis* the previous years.

1.8.1 Incomplete projects

The information pertaining to incomplete projects in the Public Works Department as on 31 March 2015 is given in **Table 1.16**.

Table 1.16: Profile of incomplete projects

(₹ in crore)

Department	No. of incomplete Projects*	Expenditure during the year	Cumulative expenditure as on 31.3.2015
Public Works Department	12	5.23	20.14

(Source: Finance Accounts)

* Only those projects which were scheduled to be completed before 31 March 2015 are included

Failure to complete the projects on time leads to escalation of project costs and delayed accrual of the projects' benefits to the society at large. Further, delays also result in postponement of revenue realisation from the projects.

1.8.2 Investment and returns

As of March 2015, Government invested ₹ 711.53 crore in 14 Government Companies and one Statutory Corporation and ₹ 287.40 crore in 351 Co-operative Institutions (Table 1.17).

Table 1.17: Return on Investment

Investment/Return/Cost of Borrowings	2010-11	2011-12	2012-13	2013-14	2014-15
Investment at the end of the year (₹ in crore)	910.91	948.87	960.09	981.85	998.93
Return (₹ in crore)	4.84	3.51	1.01	6.30	1.63
Return (per cent)	0.5	0.4	0.1	0.6	0.2
Average rate of interest on Government borrowings (per cent)	7.8	7.8	8.0	7.7	7.9
Difference between interest rate and return (per cent)	7.3	7.4	7.9	7.1	7.7

(Source: Finance Accounts of respective years)

Though the average rate of interest on UT Government's borrowings was 7.9 per cent, the average rate of return on investment was only around 0.4 per cent during 2010-15.

1.8.3 Loans and advances by UT Government

During 2014-15, Government did not provide any loans and advances to any institution/organisation. Table 1.18 presents the outstanding loans and advances as on 31 March 2015 and interest receipts vis-à-vis interest payments during the last three years.

Table-1.18: Outstanding loans and interest received on loans and advances by the UT Government

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2012-13	2013-14	2014-15
Opening Balance	16.09	14.12	12.41
Amount advanced during the year	1.45	1.30	1.45
Amount repaid during the year	3.42	3.01	2.44
Closing Balance	14.12	12.41	11.42
Net increase (+)/ decrease (-)	(-) 1.97	(-) 1.71	(-) 0.99
Interest Receipts	2.64	2.46	2.48
Interest receipts as percentage of outstanding Loans and advances	17.47	18.55	20.81
Interest payments as percentage of outstanding fiscal liabilities of the UT Government	7.67	7.28	7.65
Difference between interest payments and interest receipts (<i>per cent</i>)	9.80	11.27	13.16

(Source: Finance Accounts of respective years)

The quantum of loan advanced increased from ₹ 1.30 crore in 2013-14 to ₹ 1.45 crore in 2014-15 and repayments of loan by the loanees decreased from ₹ 3.01 crore in 2013-14 to ₹ 2.44 crore in 2014-15. The total amount of ₹ 1.45 crore advanced during the year was only loans and advances given to Government servants.

1.8.4 Cash balance and investment of cash balances

Table 1.19 shows the cash balance and investment of cash balances for 2013-14 and 2014-15.

Table-1.19: Cash balance and investment of cash balance

(₹ in crore)

	Opening balance on 1 April 2014	Closing balance on 31 March 2015
(1)	(2)	(3)
(a) General cash balance :		
(i) Cash in treasuries	Nil	Nil
(ii) Deposit with RBI	0.15	0.15
(iii) Deposits with other banks	Nil	Nil
(iv) Local remittances	Nil	Nil
Total	0.15	0.15
(v) Investment held in cash balance investment account	1,143.14	987.88
General Cash balance – Total (a)	1,143.29	988.03

(1)	(2)	(3)
(b) other cash balances and investments :		
(vi) Departmental cash balances	0.20	0.41
(vii) Permanent Imprest	1.65	1.53
(viii) Investment out of earmarked funds	86.92	244.92
Total (b)	88.77	246.86
Grand Total (a) + (b)	1,232.06	1,234.89

(Source: Finance Accounts of respective years)

The cash balance increased from ₹ 1,232.06 crore in 2013-14 to ₹ 1,234.89 crore in 2014-15. During the year, the cash balance investment was ₹ 987.88 crore.

1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4 – Part B** gives an abstract of such liabilities and assets as on 31 March 2015, compared with the corresponding position on 31 March 2014. While the liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the UT Government and cash balances. The ratio of cumulative assets to liabilities as on 31 March 2015 was 0.86 indicating that assets were not sufficient to meet the liabilities.

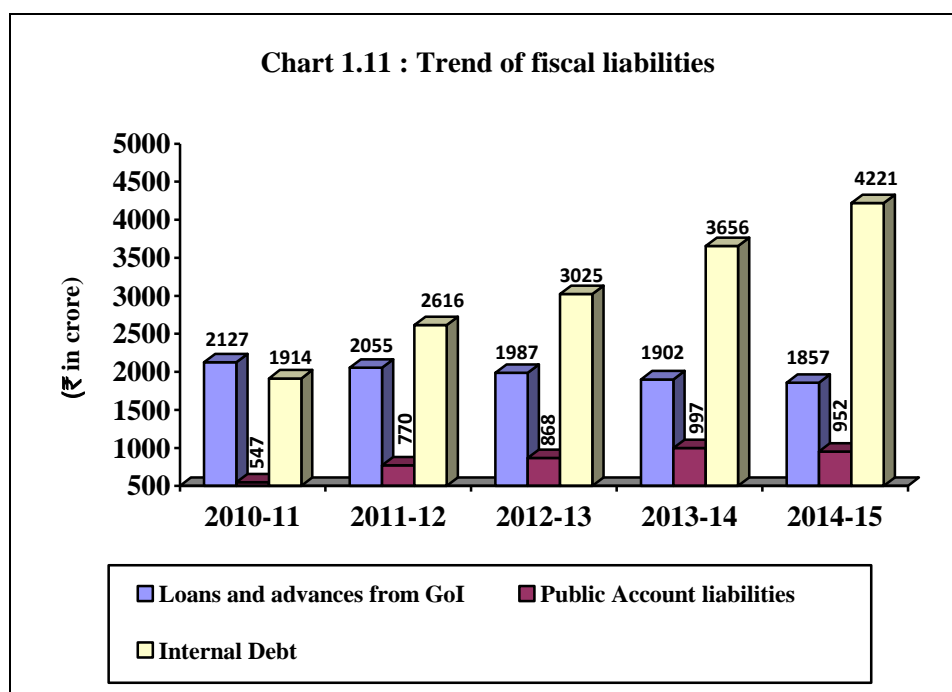
1.9.2 Fiscal Liabilities

Fiscal liabilities are internal debt, loans and advances from GoI and the Public Account liabilities comprising small savings and provident fund, reserve funds and deposits. The trends in outstanding fiscal liabilities of the UT are presented in **Appendix 1.3**. The composition of fiscal liabilities for the period 2011-15 is presented in **Chart 1.11** and the trends of fiscal liabilities relative to revenue receipts and GSDP are presented in **Table 1.20** below:

Table 1.20: Trend of fiscal liabilities

	2010-11	2011-12	2012-13	2013-14	2014-15
Fiscal liabilities (₹ in crore)	4,588	5,441	5,880	6,555	7,030
ROG of fiscal liabilities (per cent)	18.03	18.59	8.07	11.48	7.25
Percentage of revenue receipts	143	196	187	152	148
Percentage of GSDP	35	37	35	31	27

(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

The outstanding fiscal liabilities have shown a steady increase from ₹ 4,588 crore in 2010-11 to ₹ 7,030 crore in 2014-15. The fiscal liabilities at the end of 2014-15 represented 148 *per cent* of revenue receipts (₹ 4,758 crore) during the year.

While internal debts which constituted 56 *per cent* in 2013-14 increased to 60 *per cent* in 2014-15, loans and advances from GoI decreased from 29 to 26 *per cent* of the fiscal liabilities during the same period. The Public Account liabilities also decreased marginally from ₹ 997 crore in 2013-14 to ₹ 952 crore in 2014-15. The fiscal liabilities represented about 27 *per cent* of GSDP during 2014-15.

1.9.3 Contingent liabilities

Status of guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the UT Government in case of defaults by borrowers for whom the guarantees have been extended.

Guarantees for the purpose of Administration of Union Territories, prior to the amendment of the Union Territories Act on 6 September 2001, were given by GoI under Article 292 of the Constitution of India. In the event of the guarantees being invoked, the payment would initially be charged to the Consolidated Fund of India and the amount subsequently recovered from the Government of the UT. Consequent to amendment of the UT Act on 6 September 2001 and issue of its notification by the Government of India on 10 May 2006, the Government of UT of Puducherry is empowered to give guarantees. As per Statement No.9 of the Finance Accounts, the maximum amount for which guarantees were given by UT Government and GoI on behalf of the UT and outstanding guarantees for the last three years are given in **Table 1.21**.

Table-1.21: Guarantees given by the Government of India on behalf of the UT of Puducherry

Guarantees	2012-13	2013-14	2014-15
Maximum amount guaranteed (₹ in crore)	20.98	20.98	37.50
Outstanding amount of guarantees (₹ in crore)	5.25	4.95	27.80
Percentage of maximum amount guaranteed to total Revenue receipts	0.67	0.49	0.79

(Source: Finance Accounts of respective years)

As a percentage of revenue receipts, the maximum amount guaranteed increased from 0.49 in 2013-14 to 0.79 in 2014-15. No guarantee was invoked during any of the three years.

1.10 Debt Management

Apart from the magnitude of debt of the UT Government, it is important to analyse various indicators that determine the debt sustainability of the UT. This section assesses the sustainability of debt of the UT Government in terms of debt stabilisation, sufficiency of non-debt receipts, net availability of

borrowed funds⁴, burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of the UT Government's debts.

Table 1.22 indicates the debt sustainability of the UT for a period of three years beginning from 2012-13.

Table 1.22: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2012-13	2013-14	2014-15
Debt [#] /GSDP (percentage)	30.14	26.37	23.54
Sufficiency of Non-debt receipts (Resource Gap)	606	(-) 317	(-) 120
Net availability of borrowed funds	(-) 12	198	(-) 63
Burden of Interest Payments (IP/RR Ratio)	0.14	0.11	0.11
Maturity profile of internal debt and GoI loans (in years)			
0 – 1	203 (4.05)	212.74 (3.83)	221.63 (3.65)
1 – 3	424 (8.46)	448.60 (8.07)	819.99 (13.49)
3 – 5	756 (15.08)	1,114.87 (20.06)	1,279.76 (21.06)
5 – 7	1,168 (23.30)	1,426.65 (25.67)	1,467.49 (24.14)
7 and above	2,461 (49.11)	2,345.40 (42.20)	2,279.63 (37.50)
		9.96* (0.17)	9.96* (0.16)
Outstanding Public debt as on 31 March 2015			6,078.46

(Source: Finance Accounts of respective years)

Figures in bracket represents percentage to total outstanding Public Debt.

[#]Excluding Public Account liability

*Maturity profile not available due to non-receipt of terms and conditions from Ministry of Finance, New Delhi

A falling Debt-GSDP ratio can be considered as leading towards stability. The UT's Debt-GSDP ratio has been gradually decreasing from 2012-13 onwards and stood at 23.54 *per cent* during 2014-15. The resource gap (the difference between incremental total expenditure and incremental non-debt receipts) stood at (-) ₹ 120 crore in 2014-15.

The burden of interest payment, which was 14 *per cent* of the Revenue receipts in 2012-13, has decreased to 11 *per cent* in 2014-15. The maturity profile of the UT Government's Public debt indicates that nearly 62.34 *per cent* of the total Public debt is repayable within next seven years, while 37.66 *per cent* of loans are required to be repaid after seven years.

⁴ 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

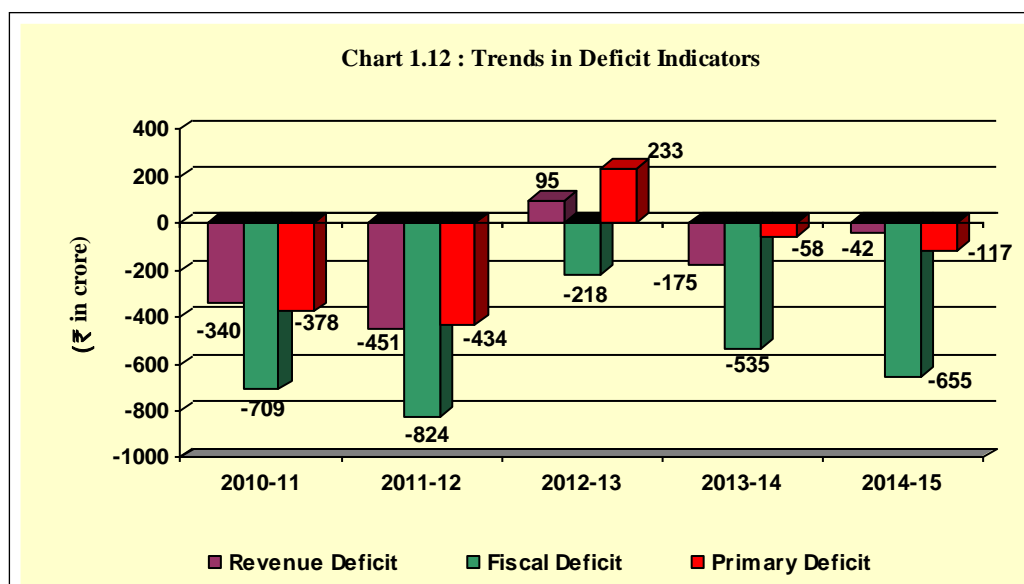
Bunching of repayments in any particular year would cause financial stress to that year's budget. The maturity profile of the UT's debt indicates a year-on-year increase in its repayment burden. In UT, the greater portion of repayments would happen between the 3rd and 7th years from borrowings and beyond seven years. Government could face challenges in order to meet the liabilities at that time.

1.11 Fiscal Imbalances

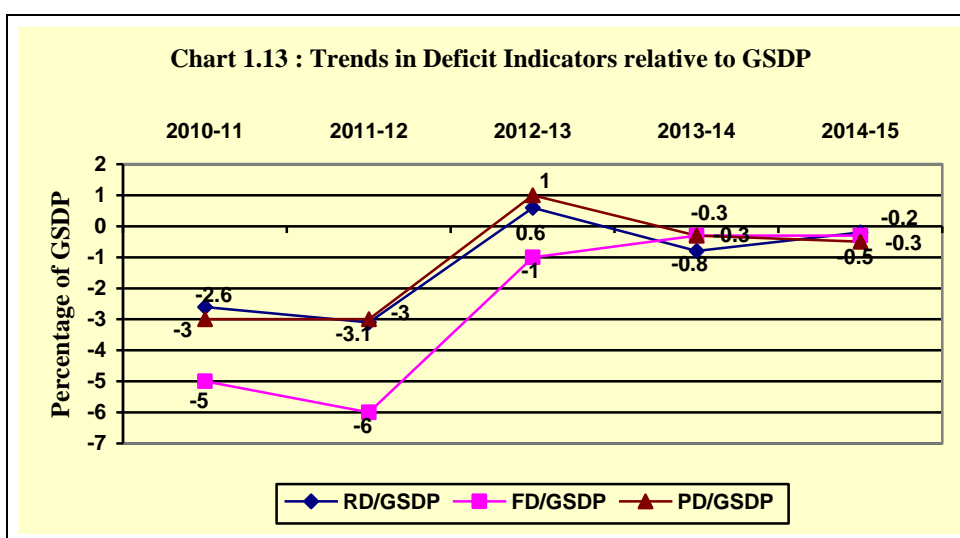
Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal soundness or imbalances in the finances of the UT Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature 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 are applied, are important pointers to its fiscal health. This section presents the trends, nature, magnitude and manner of financing these deficits.

1.11.1 Trends in Deficits

Charts 1.12 and 1.13 present the trends in deficit indicators over the period 2010-15.



(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

Revenue deficit indicates the excess of revenue expenditure over revenue receipts. The revenue deficit of ₹ 175 crore during 2013-14 decreased to ₹ 42 crore in 2014-15. The fiscal deficit increased from ₹ 535 crore in 2013-14 to ₹ 655 crore in 2014-15. The primary deficit also increased from ₹ 58 crore in 2013-14 to ₹ 117 crore in 2014-15.

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.23**.

Table 1.23: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Split up of Fiscal Deficit		(-) 709	(-)824	(-) 218	(-) 535	(-) 655
1	Revenue Deficit(-)/Surplus(+)	(-) 340	(-)451	(+) 95	(-) 175	(-) 42
2	Net Capital Expenditure	(-) 371	(-)375	(-) 315	(-) 362	(-) 614
3	Net Loans and Advances	(+) 2	(+)2	(+) 2	(+) 2	(+) 1
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	677	703	409	630	566
2	Loans from GoI	30	(-) 72	(-) 69	(-) 84	(-) 46
3	Small Savings, PF etc.	42	19	14	33	51
4	Deposits and Advances	(-) 41	203	71	80	(-) 34
5	Suspense and Miscellaneous	(-) 365	25	(-)132	6	(-) 25
6	Remittances	(-) 24	5	17	32	50
7	Reserve Funds	8	12	29	50	96
	Total	327	895	339	747	658
8	Overall Surplus/Deficit (cash balance)**	(-) 382	71	121	212	3

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

** Increase in cash balance shown as (+) and decrease in cash balance is shown as (-)

(Source: Finance Accounts of respective years)

The fiscal deficit increased by ₹ 120 crore during 2014-15 which was due to revenue deficit and more capital expenditure. The increase in fiscal deficit, along with increase in interest payments by ₹ 61 crore, led to primary deficit of ₹ 117 crore during the year. The UT has been increasingly relying on market borrowings for financing its fiscal deficit.

1.11.3 Quality of Deficit/Surplus

The bifurcation of the primary deficit (Table 1.24) would indicate the extent to which the deficit was on account of enhancement in capital expenditure which may have been desirable to improve the productive capacity of the UT's economy.

Table 1.24: Primary Deficit/Surplus – Bifurcation of Factors

(₹ in crore)

Year	Revenue Receipts	Recovery of Loans and Advances	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances disbursed	Primary Expenditure	Primary Revenue Deficit (-) / Surplus (+)	Primary Deficit (-) / Surplus (+)
(1)	(2)	(3)	(4 (2+3))	(5)	(6)	(7)	(8 (5+6+7))	(9 (2-5))	(10 (4-8))
2010-11	3,200	4	3,204	3,209	371	2	3,582	(-) 9	(-) 378
2011-12	2,771	4	2,775	2,832	375	2	3,209	(-) 61	(-) 434
2012-13	3,146	3	3,149	2,600	315	1	2,916	546	233
2013-14	4,308	3	4,311	4,006	362	1	4,369	302	(-)58
2014-15	4,758	2	4,760	4,262	614	1	4,877	496	(-) 117

(Source: Finance Accounts of respective years)

As non-debt receipts were not enough to meet the primary expenditure, primary deficit increased from ₹ 58 crore in 2013-14 to ₹ 117 crore in 2014-15. Primary revenue surplus increased from ₹ 302 crore in 2013-14 to ₹ 496 crore in 2014-15.

1.12 Conclusion

High share of Revenue Expenditure in total expenditure: The Revenue Expenditure of ₹ 4,800 crore during 2014-15 constituted 88.64 per cent of total expenditure. The committed expenditure such as salaries, pension and interest payments constituted around 51 per cent of Revenue Receipts and Revenue Expenditure.

Inadequate priority to Development Expenditure: Development Expenditure increased by ₹ 344 crore from ₹ 3,558 crore in 2013-14 to ₹ 3,902 crore in 2014-15. However, Development Expenditure as

a percentage of Aggregate Expenditure marginally decreased from 73 in 2013-14 to 72 in 2014-15.

Low return on investments: As of 31 March 2015, Government invested ₹ 998.93 crore in Government Companies and Co-operative Institutions. Though the average rate of interest on UT Government's borrowings was 7.9 *per cent*, the average rate of return on investments was around 0.4 *per cent* during 2010-15.

High ratio of fiscal liabilities to GSDP: The outstanding fiscal liabilities increased from ₹ 4,588 crore in 2010-11 to ₹ 7,030 crore in 2014-15. The fiscal liabilities constituted about 27 *per cent* of GSDP in 2014-15.