

Chapter I

Finances of the State Government

Profile of the State

Rajasthan is the largest State of India in terms of geographical area (342.24 thousand square kilometres) and eighth in terms of population. It is located in the north-western part of the country. The population of the State¹ increased from 6.41 crore in 2007 to 7.35 crore in 2016, recording a decadal growth of 14.7 per cent (*Appendix 1.1*), as against the General Category States average of 11.9 per cent. The percentage of population below the poverty line was 14.7 per cent which was less than the All India average of 21.9 per cent. The Gross State Domestic Product (GSDP) in 2016-17 at current prices was ₹ 7,49,692 crore (advance estimates). The literacy rate increased from 60.4 per cent (2001 census) to 66.1 per cent (2011 census), which was 6.9 percentage points below All India average of 73 per cent during the corresponding period. During 2016-17, per capita income of the State stood at ₹ 1,01,967 as compared to the General Category States per capita income of ₹ 1,14,650. The state profile is given in *Appendix 1.1*.

Gross State Domestic Production (GSDP)

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

Table 1.1: Annual growth rate of GSDP at current prices

Year	2012-13	2013-14	2014-15	2015-16	2016-17
India's GDP [#] (₹ in crore)	99,44,013	1,12,33,522	1,24,45,128	1,36,82,035	1,51,83,709
Growth rate of GDP (percentage)	13.8	13.0	10.8	9.9	11.0
State's GSDP* (₹ in crore)	4,93,007 [§]	5,48,391 [§]	6,06,465 [§]	6,72,707 [§]	7,49,692 ^{&}
Growth rate of GSDP (percentage)	13.5	11.2	10.6	10.9	11.4

Sources: # Press release of Ministry of Statistics and Programme Implementation on 1.8.2017

* Directorate of Economics and Statistics, Government of Rajasthan

The growth rate of GSDP was 13.5 per cent during 2012-13, which decreased to 10.6 per cent in 2014-15 and showed an increasing trend since then and was 11.4 per cent during 2016-17.

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

[§] Revised Estimates.

[&] Advance Estimates.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Rajasthan (GoR) during 2016-17 and analyses the changes observed in the major fiscal aggregates in relation to that of the previous year, keeping in view the overall trends during last five years. The annual accounts of GoR consist of Finance Accounts and Appropriation Accounts. The formats of Finance Accounts, introduced from 2009-10 and revised in 2015 are divided into two volumes (Volume I contains the summarised financial statements and Volume II presents detailed financial statements). This is summarised in *Appendix 1.2 (Part A) and Appendix 1.2 (Part B)*.

This chapter is structured in four parts.

- Summary of Fiscal Operations gives an overview of the Fiscal Situation, comparison of budget estimates and actuals achieved, review of Gender budgeting and Major project/policy initiatives and status of action taken.

(Paragraph 1.2)

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

(Paragraphs 1.3 to 1.6)

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

(Paragraphs 1.7 to 1.9)

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

(Paragraphs 1.10 to 1.12)

1.2 Summary of Fiscal Operations in 2016-17

Table 1.2 below presents the summary of the State Government's fiscal operations during current year (2016-17) *vis-à-vis* previous year (2015-16), while *Appendix 1.4* provides an abstract of receipts and disbursements as well as overall fiscal position during the current year.

Table 1.2: Summary of Fiscal Operations in 2016-17

(₹ in crore)

	Receipts		Disbursements		
	2015-16	2016-17		2015-16	2016-17
Section-A: Revenue					
Tax Revenue	42,712.92	44,371.66	General Services	31,016.27	39,203.26
Non-Tax Revenue	10,927.87	11,615.57	Social Services	43,348.49	49,371.68
Share of Union Taxes/ Duties	27,915.93	33,555.86	Economic Services	31,874.38	38,565.14
Grants-in-aid from Government of India	18,728.40	19,482.91	Grants-in-aid and Contributions	0.10	0.06
Total Section-A Revenue Receipts	1,00,285.12	1,09,026.00	Total Section-A Revenue Expenditure	1,06,239.24	1,27,140.14

Receipts			Disbursements		
	2015-16	2016-17		2015-16	2016-17
Section-B: Capital and others					
Miscellaneous Capital Receipts	24.34	27.84	Capital Outlay	21,985.26	16,979.72
Recoveries of Loans and Advances	1,447.33	1,713.53	Loans and Advances disbursed	36,602.25	12,965.45
Public Debt Receipts*	60,998.17	43,888.85	Repayment of Public Debt*	4,959.04	5,014.57
Contingency Fund	-	-	Contingency Fund	-	-
Public Account Receipts ²	1,46,910.29	1,56,044.35	Public Account Disbursements ²	1,40,431.47	1,48,885.50
Opening Cash Balance	8,949.28	8,397.27	Closing Cash Balance	8,397.27	8,112.46
Total Section-B Receipts	2,18,329.41	2,10,071.84	Total Section-B Disbursements	2,12,375.29	1,91,957.70
Grand Total (A + B)	3,18,614.53	3,19,097.84	Grand Total (A + B)	3,18,614.53	3,19,097.84

Source: Finance Accounts for the respective years

*Excluding net transaction under Ways and Means advances and overdraft

Detailed analysis and trend analysis of the fiscal operations are discussed in subsequent paragraphs in this chapter and the salient features of fiscal operations in 2016-17 are given below:

- Revenue Receipts grew by ₹ 8,740.88 crore (8.7 per cent) over the previous year. This was due to increase in Share of Union Taxes/Duties: ₹ 5,639.93 crore (20.2 per cent); Own Tax Revenue: ₹ 1,658.74 crore (3.9 per cent); Grants-in-aid from Government of India: ₹ 754.51 crore (4.0 per cent) and Non-Tax Revenue: ₹ 687.70 crore (6.3 per cent). However, the Revenue Receipts were lower than the projections made in the Medium Term Fiscal Policy Statement (MTFPS) 2016-17 by ₹ 14,225 crore.
- Revenue Expenditure increased by ₹ 20,900.90 crore (19.7 per cent) under General Services Sector by ₹ 8,186.99 crore (26.4 per cent); Economic Services Sector by ₹ 6,690.76 crore (21.0 per cent) and Social Services Sector by ₹ 6,023.19 crore (13.9 per cent). However, Revenue Expenditure was lower than the MTFPS projections for the year by ₹ 4,913 crore.
- Capital Outlay decreased by ₹ 5,005.54 crore (22.8 per cent) due to decreased in Economic Services Sector by ₹ 5,220.22 crore (33.6 per cent) and General Services Sector by ₹ 3.98 crore (0.9 per cent) which was counterbalanced by increase in Social Services Sector by ₹ 218.66 crore (3.6 per cent).
- Public Debt Receipts (excluding Ways and Means advances and overdraft) decreased by ₹ 17,109.32 crore (28.0 per cent), while Repayment of Public Debt marginally increased by ₹ 55.53 crore.

² The figures of Public Account Receipts/Disbursements are shown on gross basis in Table 1.2, while in other tables/paragraphs, they are shown on net basis.

- Public Account Receipts and Disbursements increased by ₹ 9,134.06 crore (6.2 per cent) and ₹ 8,554.03 crore (6.0 per cent) respectively.
- Cash balance declined by ₹ 284.81 crore (3.4 per cent).

1.2.1 Review of the fiscal situation

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

Review of fiscal situation of the state, revealed the following points:

(i) According to Section 6(a) of FRBM Act, the State Government was to achieve Zero Revenue Deficit from financial year 2011-12 and thereafter maintain it or attain revenue surplus. Besides this, the XIV-FC also recommended balancing of receipt and expenditure on revenue account.

The State Government maintained the revenue surplus only during 2011-12 and 2012-13 and thereafter there was revenue deficit during four consecutive year upto 2016-17, despite high projections in the Budget Estimates (BE). The position of revenue surplus/deficit is summarised below:

(₹ in crore)							
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	
BE	(+) 353	(+) 928	(+) 1,026	(+) 738	(+) 557	(+) 198*	(-) 8,802**
RE	(+) 443	(+) 772	(-) 2,505	(-) 4,220	(-) 5,232	(-) 8,838*	(-) 17,838**
Actual	(+) 3,357	(+) 3,451	(-) 1,039	(-) 3215	(-) 5,954	(-) 9,114*	(-) 18,114**

*without impact of UDAY³, **with impact of UDAY

It is seen from the table that formulation of BEs for 2013-14 to 2016-17 was deficient as there was regular and significant fall in RE and actual. Moreover, the BEs of 2016-17 do not appear to be formulated keeping in view the trends of REs and actuals during 2013-16.

The State Government was unable to achieve projected revenue surplus during 2016-17, as the actual revenue expenditure declined to ₹ 1,27,140 crore against ₹ 1,32,053 crore in BE i.e. 3.72 per cent (₹ 4,913 crore) whereas the actual revenue receipt declined steeply to ₹ 1,09,026 crore against ₹ 1,23,251 crore in BE i.e. 11.54 per cent (₹ 14,225 crore). Thus, steeper fall in revenue receipts than budgeted was the reason for the revenue deficit. It would be seen that difference of these two parameters has appeared as revenue deficit. Significant decline was witnessed in revenue receipts: (i) Taxes on sales, trade etc. were ₹ 28,558 crore against BE ₹ 34,515 crore, (ii) Stamp and Registration Fees were ₹ 3,053 crore against BE ₹ 4,200 crore (iii) Taxes and Duties on Electricity were ₹ 738 crore against BE ₹ 2,000 crore, (iv) Royalty

³ Ujwal DISCOM Assurance Yojana (UDAY) is the financial turnaround and revival package for electricity distribution companies (DISCOMs) initiated by the Government of India with the intent to find a permanent solution to the financial mismanagement.

on Petroleum were ₹ 2,332 crore against BE ₹ 3,500 crore and (v) Non-ferrous Mining and Metallurgical Industries generated ₹ 4,234 crore against BE ₹ 5,200 crore. The major areas showing decline in revenue expenditure compared to the BE were (i) Rural Employment where the expenditure was ₹ 2,718 crore against the BE ₹ 4,680 crore and (ii) Power where the expenditure was ₹ 16,842 crore compared to BE ₹ 17,847 crore.

It is noteworthy that the three areas of receipts i.e. Taxes on sales, trade etc; Royalty on Petroleum and Stamp and Registration Fees showed significant decline against BE during last two years as shown below:

(₹ in crore)

Particular of Receipts	2015-16			2016-17		
	BE	Actual	Increase/Decrease (in percent)	BE	Actual	Increase/Decrease (in percent)
Taxes on sales, trade etc.	30,500	26,345	(-)13.6	34,515	28,558	(-) 17.3
Royalty on Petroleum	6,575	2,342	(-) 64.4	3,500	2,332	(-) 33.4
Stamp and Registration Fees	4,200	3,234	(-) 23.0	4,200	3,053	(-) 27.3

The above position indicates that the state's budget formulation seems to be optimistic.

(ii) Section 6 (b) of the FRBM Act, envisaged achieving of fiscal deficit of 3 per cent of GSDP by financial year 2011-12 and thereafter to maintain the said ratio or reduce it. Besides, the XIV-FC also recommended (Paragraph 14.64) anchoring of the fiscal deficit of the state to annual limit of 3 per cent of GSDP.

The following table shows position of BE and actual of fiscal deficit-GSDP ratio at the end of 2016-17:

	Budget Estimates	Revised Estimates	Actual
2015-16	2.99 (Without UDAY)	3.62 (Without UDAY) 9.99 (With UDAY)	3.41 (Without UDAY) 9.36 (With UDAY)
2016-17	3.00 (Without UDAY) 5.62 (With UDAY)	3.37 (Without UDAY) 6.36 (With UDAY)	3.19 (Without UDAY) 6.18 (With UDAY)

It is observed that the fiscal deficit-GSDP ratio crossed the limit prescribed by FRBM Act and XIV-FC for the third consecutive year 2016-17. It is noteworthy that even after excluding impact of UDAY the fiscal deficit-GSDP ratio 3.19 per cent in 2016-17 exceeded prescribed limit of 3.0 per cent. The fiscal deficit-GSDP ratio is 6.18 per cent against the estimated 5.62 per cent, if the borrowing under UDAY is taken into account. It is also noteworthy that BE for fiscal deficit (with UDAY) of 2016-17 were prepared taking into account borrowings of ₹ 20,133 crore whereas the actual borrowings were ₹ 22,372 crore during 2016-17.

(iii) The XIV-FC inter-alia recommended measures for fiscal environment and fiscal consolidation roadmap for the States. These included (a) providing statutory ceiling on the sanction of new capital works to an appropriate multiple of the annual budget provision, (b) replacing the existing FRBM Act with a debt ceiling and Fiscal Responsibility Legislation under Article 293(1).

It was observed that none of the above recommendations has so far been adopted by the State Government. The fact remains that recommendations on the above measures remained to be implemented despite lapse of more than two years of the XIV-FC period i.e. 2015-20. Despite substantial amendment in FRBM Act, 2005 through Rajasthan Gazette notification dated 09 April 2016, GoR did not include major recommendations of XIV-FC on Fiscal Environment and Fiscal Consolidation Roadmap of the States.

(iv) As per the provisions of Section 8 of the FRBM Act, GoR constituted a Public Expenditure Review Committee (PERC) (February 2006) consisting of five members with professional expertise in the fields of Finance, Management, Planning, Administration, Accounts and Audit and Law. PERC decided (May 2006) that the committee should meet at least once in three months. However, no meeting was held during 2016-17 due to non-availability of Ex-officio Members.

(v) The State Government amended (April 2016) the provisions of Section 6(c) of the FRBM Act to prescribe the limit of total outstanding debt upto 36.5 per cent of GSDP for the financial year 2016-17.

The DEBT-GSDP ratio was 34.01 during 2016-17, which was within the limit fixed in revised FRBM Act.

1.2.2 Budget Estimates, Revised Estimates and Actual

The budget papers presented by the State Government provide projections or estimations of receipts and expenditure for a particular fiscal year. The importance of accuracy in the estimation of receipts and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the BE are indicative of non-attainment/non-optimisation of the desired fiscal objectives due to various reasons, some within the control of the government and some beyond its control. State Government presented its Revised Estimates (RE) of financial year 2016-17 along with BE of 2017-18 on 8 March 2017, a day after the second supplementary (7 March 2017).

A comparison of Actual with BE and Revised estimates (RE) for the year 2016-17 is given in **Table 1.3** below and detailed comparison in **Appendix 1.6**.

Table 1.3: Budget Estimates, Revised Estimates and Actual for the year 2016-17

(₹ in crore)					
Fiscal parameters	Budget Estimates	Revised Estimates	Actuals	Difference between Actuals and BE	Difference between Actuals and RE
1	2	3	4	5 (4-2)	6 (4-3)
Tax Revenue	53,300	46,986	44,372	(-) 8,928	(-) 2,614
Non-Tax Revenue	14,084	12,469	11,615	(-) 2,469	(-) 854
State's share of Union Taxes and Duties	31,478	33,556	33,556	2,078	0
Grants-in-aid from GoI	24,389	23,417	19,483	(-) 4,906	(-) 3,934
Revenue Receipts	1,23,251	1,16,428	1,09,026	(-) 14,225	(-) 7,402
Revenue Expenditure	1,32,053	1,34,266	1,27,140	(-) 4,913	(-) 7,126
Interest Payments	17,527	17,734	17,677	150	(-) 57
Capital Expenditure	23,421	18,517	16,980	(-) 6,441	(-) 1,537
Revenue Deficit(-) / Surplus (+)	(-) 8,802	(-) 17,838	(-) 18,114	(-) 9,312	(-) 276
Fiscal Deficit (-)	(-) 43,147	(-) 47,651	(-) 46,318	(-) 3,171	(-) 1,333
Primary Deficit (-)	(-) 25,620	(-) 29,917	(-) 28,641	(-) 3,021	-

Source: Finance Accounts and Budget Documents

Analysis of the important parameters is given below:

1.2.2.1 Revenue Receipts

Revenue Receipts were lower by ₹ 14,225 crore (12 per cent) and ₹ 7,402 crore (6 per cent) over BE and RE respectively. The Revenue Receipts was lower than BE and RE due to lesser collection of Tax Revenue⁴ and Non-Tax Revenue of GoR and Grants-in-aid from GoI. In most of the components of Tax Revenue Receipts, except Taxes on Goods and Passengers and Other Taxes and Duties on Commodities and Services (OTDCS), the receipts were lower than projections made in BE and RE. Non-Tax Revenue Receipt was also below the projection made in BE and RE, due to less receipt of royalty from Petroleum.

1.2.2.2 Revenue Expenditure

Revenue Expenditure at ₹ 4,913 crore (4 per cent) and ₹ 7,126 crore (5 per cent) was less than the BE and RE respectively. The revenue expenditure decreased as compared to BE mainly due to decline in expenditure by ₹ 1,962 crore under 'Rural Employment'; ₹ 1,005 crore under 'Power'; ₹ 707 crore under 'General Education'; ₹ 626 crore under 'Crop Husbandry'; ₹ 594 crore under 'Other Rural Development Programmes'; ₹ 562 crore under 'Special Programmes for Rural Development'; ₹ 291 crore under 'Family Welfare' and ₹ 247 crore under 'Medical and Public Health' which was counterbalanced by increase of ₹ 987 crore under 'Relief on account of Natural Calamities'. In all the above components of Revenue Expenditure, the actuals were also lower than projection made in RE.

1.2.2.3 Deficit

The revenue deficit⁵ (with UDAY) stood at ₹ 18,114 crore which was higher than the projections made in BE and RE of ₹ 8,802 crore and ₹ 17,838 crore respectively. The fiscal deficit⁶ (with UDAY) stood at ₹ 46,318 crore which was higher than the projection in BE (₹ 43,147 crore) but lower than the RE (₹ 47,651 crore). Further, against primary deficit⁷ as projected in the BE and RE of ₹ 25,620 crore and ₹ 29,917 crore respectively, actual primary deficit stood at ₹ 28,641 crore, which was higher than the BE but lower than the RE. Accordingly the FRBM targets as forecasted were not be achieved. **Table 1.4** details of the deficit in BE/RE vis-a-vis actuals during 2016-17:

Table 1.4: Position of deficits in the context of BE/RE and Actual

(₹ in crore)

Type of Deficit	Without UDAY			With UDAY		
	BE	RE	Actual	BE	RE	Actual
Revenue Deficit/ Surplus	198	(-) 8,838	(-) 9,114	(-) 8,802	(-) 17,838	(-) 18,114
Fiscal Deficit	(-) 23,014	(-) 25,279	(-) 23,946	(-) 43,147	(-) 47,651	(-) 46,318
Primary Deficit	(-) 5,487	(-) 7,545	(-) 6,269	(-) 25,620	(-) 29,917	(-) 28,641

⁴ State Tax Revenue decreased by ₹ 8,928 crore and State's share of Union Taxes and Duties increased by ₹ 2,078 crore compared to BE and State Tax Revenue decreased by ₹ 2,614 crore compared to RE.

⁵ Revenue Deficit = Revenue Expenditure - Revenue Receipts.

⁶ Fiscal Deficit = Revenue Expenditure + Capital Expenditure + Net Loan and Advances - Revenue Receipts - Miscellaneous Capital Receipts.

⁷ Primary Deficit = Fiscal Deficit - Interest payments.

1.2.2.4 Capital Expenditure

During 2016-17, the capital expenditure was ₹ 6,441 crore (28 per cent) and ₹ 1,537 crore (8 per cent) lower than BE and RE respectively. The capital expenditure decreased compared to BE mainly due to decline in expenditure under Capital Outlay on Roads and Bridges: ₹ 1,843 crore; Water Supply and Sanitation: ₹ 1,248 crore; Urban Development: ₹ 891 crore; Medical and Public Health: ₹ 747 crore; Public Works: ₹ 306 crore; Roads and Transport: ₹ 300 crore; Crop Husbandry: ₹ 280 crore; Major Irrigation: ₹ 275 crore and Other Social Services: ₹ 187 crore. In all above components of Capital Expenditure, the actuals were also lower than projection made in the RE.

1.2.3 Gender Budgeting

Gender Responsive Budgeting (GRB) is a means to ensure that public resources are allocated in an equitable way to satisfy the most pressing needs of specific gender groups. During the Budget speech of 2009-10, GoR announced preparation of GRB which would enable gender based budget analysis of each department. Accordingly, a High Level Committee (HLC) was formed (August 2009) under the chairmanship of the Chief Secretary and a Gender Cell was formed (September 2009) in the Department of Women and Child Development. One of the functions and objectives of GRB was consolidating budget schemes and facilitating integration of gender analysis in the Government Budget. Further, during August 2010, Gender Desks were also constituted in various Departments for implementation of various GRB initiatives. Besides, the State Government decided (August, 2011) to include Gender Budget Statement (GBS) in the new Integrated Financial Management System (IFMS) for preparation of BE from the financial year 2012-13.

The Budget Controlling officers of the specified departments are required to provide information in the format given by the Finance Department to prepare the annual GBS. This format requires classification of plan schemes/programmes targeted at women into following four categories.

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

The details of category wise allocation and actual expenditure during 2012-17 are given in table below:

Table: Gender budgetary allocations and actuals during 2012-17

		(₹ in crore)				
Year		Category 'A'	Category 'B'	Category 'C'	Category 'D'	Total
2012-13	BE	2,227.59	15,514.36	255.87	209.71	18,207.53
	Actual expenditure	3,371.83	10,334.31	475.07	129.01	14,310.22
	Actual in per cent of BE	151.4	66.6	185.7	61.5	78.6
2013-14	BE	3,262.82	18,832.71	980.81	60.62	23,136.96
	Actual expenditure	5,020.62	11,190.07	657.65	329.79	17,198.13
	Actual in per cent of BE	153.9	59.4	67.1	544.0	74.3

Year		Category 'A'	Category 'B'	Category 'C'	Category 'D'	Total
2014-15	BE	4,241.11	21,143.72	2,887.26	38.49	28,310.58
	Actual expenditure	5,767.98	18,329.41	1,093.63	1,315.92	26,506.94
	Actual in <i>per cent</i> of BE	136.0	86.7	37.9	3418.9	93.6
2015-16	BE	5,963.18	30,381.26	2,264.05	42.63	38,651.12
	Actual expenditure	7,814.04	20,263.82	2,176.33	49.76	30,303.95
	Actual in <i>per cent</i> of BE	131.0	66.7	96.1	116.7	78.4
2016-17	BE	5,771.71	37,876.75	3,251.84	40.64	46,940.94
	Actual expenditure	3,524.88	23,211.34	2,450.84	89.69	29,276.75
	Actual in <i>per cent</i> of BE	61.1	61.3	75.4	220.7	62.4

It is evident from the table that the total expenditure against Gender Budgeting decreased from 78.6 *per cent* to 62.4 *per cent* during 2012-17. Further, where the average expenditure in 'A' category schemes was 143.1 *per cent* of budget estimates during 2012-16, it was just 61.1 *per cent* during 2016-17.

Test check of five schemes (classified under category 'A' with 100 *per cent* gender budget allotment and exceeding ₹ 10 crore) in Women and Child Development Department, Rural Development and Panchayati Raj Department (RD&PRD) and Secondary Education Department revealed the following irregularities:

(i) ***Women and Child Development Department***

(a) ***Mission Gramya Shakti (MGS)*** aims to strengthen women Self Help Groups (SHGs), through clustering, capacity building and handholding of SHGs and link with livelihood promotion programmes for woman empowerment. It was observed that no expenditure was incurred during 2016-17 against budget provision of ₹ 16.60 crore. The Director, Women Empowerment informed (August 2017) that the scheme could not be implemented due to non-approval of work plan of MGS by the Finance Department. No expenditure was incurred under the scheme. This was pointed out in the CAG's Audit Reports on the State Finances for the years 2013-16.

(b) ***Rajeev Gandhi Kishori Balika Empowerment Scheme (SABLA)*** aims at empowering Adolescent Girls of 11 to 18 years by improving their nutritional and health status, life skills and vocational skills.

It was observed that only ₹ 0.37 crore (0.37 *per cent*) was incurred against budget allocation of ₹ 101.36 crore during 2016-17 due to non implementation of supplementary nutrition scheme.

(ii) ***Rural Development and Panchayati Raj Department***

(a) ***National Rural Livelihood Mission (NRLM)*** funded by GoI is being implemented by Rajasthan Grameen Aajeevika Vikas Parishad-RAJEEVIKA (RGAVP) which was established under administrative control of RD&PRD in October 2010. RGAVP aims at creating financially sustainable and effective institutional platform of the rural poor. It was observed that during 2016-17, only ₹ 24.73 crore was spent against allocation of ₹ 118.10 crore under this scheme due to non receipt of funds from GoI.

(b) **Indira Awas Yojana (IAY)** is designed to enable Below Poverty Line (BPL) households identified by the community through Gram Sabhas, to build their houses or to get house sites with financial and technical assistance from the Government.

It was observed that during 2016-17, only ₹ 132.06 crore spent against allocation of ₹ 830.90 crore under IAY. The Department intimated (August 2017) that less expenditure was incurred due to implementation of *Pradhan Mantri Awaas Yojana* instead of IAY.

(iii) **Secondary Education Department**

Under the plan scheme of "**Cycle distribution to girl students of class IX**" in Government schools of urban and rural areas, only a sum of ₹ 23.58 crore (27.74 per cent) was spent against the allotment of ₹ 85 crore during 2016-17. The Department intimated (July 2017) that the amount could not be utilized due to delay (in May 2017) in supply of cycles.

Thus, there was nil expenditure in one gender based scheme and in the remaining four schemes the expenditure ranged between 0.37 and 27.74 per cent, which indicated lack of emphasis on the implementation of gender budgeting.

1.2.4 Major project/policy initiatives and the status of action taken on Budget Speech 2016-17

While presenting budget for the year 2016-17 in March 2016, the State Government announced several projects/policies. The major policy initiatives and the status of action taken on them as intimated (May-August 2017) by the concerned departments are summarised in the following table:

Para No. of Budget speech	Name of Department	Brief of announcements made in Budget speech	Status of follow up action taken by the Department
29	Public Health and Engineering	Phase-II of Jaipur-Bisalpur water supply project will be executed at the cost of ₹ 1,945 crore in view of increased demand of drinking water due to expansion of Jaipur city.	No expenditure was incurred during 2016-17. The Department informed (August 2017) that the work of Detailed Project Report (DPR) and reservation of additional demand of drinking water in Bisalpur Dam were under process. It was also intimated that the project will be taken up after Sanction of loan from Japan International Cooperation Agency and issuance of Financial/Administrative/Technical Sanction. The fact remains that the reservation of additional demand of water has not been done and tendering process was not started till August 2017.
30.	Public Health Engineering	DPRs have been prepared to overcome water supply problem in selected districts of the State. These projects will be started with financing from multinational financing institutions. Projects are as under: (i) For Rajsamand district- work of ₹ 1,064 crore in phase-I for bringing water from Devas-III to Rajsamand lake.	(i) No expenditure was incurred during 2016-17. The Department informed (August 2017) that the Inter Departmental High Power Committee has not been approved proposals in DPR due to uncertainty of availability of water in Devas dam.

Para No. of Budget speech	Name of Department	Brief of announcements made in Budget speech	Status of follow up action taken by the Department
		<p>(ii) Projects costing ₹ 459.64 crore and ₹ 481.32 crore for benefiting 188 villages of Chohtan tehsil and 308 villages of Gudamalani tehsil of Barmer respectively.</p> <p>(iii) Kumbharam lift project will be executed in Jhunjhunu District at the cost of ₹ 624.85 crore to provide drinking water for Surajgarh town and 190 villages and 69 <i>Dhanis</i> of Surajgarh, Chirawa and Buhana tehsil.</p> <p>(iv) To solve drinking water problem of 94 villages and 504 <i>Dhanis</i> of Udaipurwati area, the project at the cost of ₹ 644.93 crore will be executed.</p>	No expenditure was incurred during 2016-17. Preparation of revised DPR and debt sustainability certificate as per GoI instructions (March 2017) was under process. Thus, due to delay in administrative process the work was not started (August 2017).
31.	Water Resources	A dam would be constructed on Battisa Nallah to solve problem of drinking water in Sirohi district at a cost of ₹ 213 crore.	<p>No expenditure was incurred during 2016-17. Administrative and Financial sanction of ₹ 228.05 crore was issued (July 2016) by the Department for the construction work.</p> <p>Land acquisition and land clearance from forest department were under process.</p> <p>Due to non-acquisition of land and non-clearance from forest department, the work could not be started despite financial sanction.</p>
60.	Devashtan	Development works of 12 major religious and cultural places ⁸ will be undertaken in phased manner at the cost of ₹ 35 crore.	<p>Action on final DPR of Khatushyamji-Sikar, Diggimalpura-Tonk, Pushkar and Budha Pushkar-Ajmer and Baneshwar dham- Dungarpur were being taken.</p> <p>In respect of Shri Mehandipur Balaji, final DPR was approved and Implementing agency was instructed for further action.</p> <p>Thus, developmental works of religious and cultural places of could not be started due to non finalising DPRs.</p>
72.	Industries	Rajasthan Start up policy -2015 has been implemented in the State. Financial assistance will be provided to young entrepreneurs for establishment of their own enterprises, for this a provision of ₹ 10.85 crore has been proposed.	<p>Government of Rajasthan made budget provision of ₹ 10.85 crore against which no expenditure was incurred during the year. However, Rajasthan State Industrial Development and Investment Corporation Limited (RIICO) intimated (June 2017) that a sum of ₹ 0.45 crore was allotted and ₹ 0.93 crore (un-audited) has been incurred during 2016-17.</p> <p>Further, only 22 proposals of ₹ 1.91 crore were sanctioned during 2016-17.</p>
94	Agriculture	Construction works of 2.32 lakh metric ton capacity warehouses by Rajasthan State Warehouse Corporation at a cost of ₹ 162 crore.	Rajasthan State Warehousing Corporation intimated (July 2017) that only 20 per cent of works of warehouses at Raisinghnagar and Gharsana have been completed. Tendering process for

⁸ Khatushyamji-Sikar, Diggimalpura-Tonk, Chauthmata ka Barwara-Sawaimadhpor, Matrikundiya-Chittorgarh, Mehandipur Balaji-Karauli, Baneshwar dham-Dungarpur, Ramdevra Laghurwa-Jaisalmer, Salasar Hanumanji-Churu, Pushkar and Budha Pushkar-Ajmer, Roopnarayanji temple, Charbhujaji temple-Rajsamand and Magra Merwara area.

Para No. of Budget speech	Name of Department	Brief of announcements made in Budget speech	Status of follow up action taken by the Department
			construction works of warehouses at Ramgarh in Alwar and Anoopgarh in Sri Ganganagar were under process.
166	Technical Education	Technical University will be established in Bikaner.	No expenditure was incurred during 2016-17. 30 acre land has been identified and the District Collector has been requested for the allotment of land. Further, the proposal was under consideration for administrative approval.
186	Medical Education	Increase of 350 MBBS seats in Medical College Ajmer, Udaipur and Kota (100 seats each) and Jhalawar (50 seats) during ensuing years on which approximate expenditure of ₹ 420 crore will be incurred.	Principal, Medical College, Udaipur and Ajmer intimated (June 2017) that no amount has been allotted during 2016-17. Medical college Kota intimated that during 2016-17 an amount of ₹ 7.50 crore was allotted but no expenditure was incurred.
203	Local Self Government	DPR will be prepared to develop Jaipur and Udaipur cities in the form of Smart Cities which were among twenty cities of the country declared by Government of India as Smart Cities in the phase-I. A provision of ₹ 400 crore was proposed for the ensuing year.	Grants in aid of ₹ 316 crore was sanctioned during 2015-16 and 2016-17 in favour of Jaipur Smart City Limited against which expenditure of only ₹ 6.43 crore was made up to March 2017. Total project cost for 46 projects was ₹ 2,401 crore however, only four projects costing ₹ 18 crore were completed up to June 2017. Grants in aid of ₹ 316 crore was sanctioned during 2015-16 and 2016-17 in favour of Udaipur Smart City Limited against which expenditure of only ₹ 5.78 crore was incurred up to March 2017. Total project cost for 79 projects was ₹ 1,221 crore however, only five projects of ₹ 3.34 crore were completed upto June 2017.
204	Local Self Government	Thirty Seven cities ⁹ of the State have been included in fourth Phase of Rajasthan Urban Infrastructure Development Project (RPIDP) for the development of basic amenities viz: water distribution, sewerage, drainage etc. This scheme will be implemented at a cost of ₹ 4,200 crore.	No expenditure was incurred during 2016-17. RUIDP intimated that loan is likely to be sanctioned by Asian Development Bank (ADB) in 2017-18 and DPR will be prepared in December 2017, thereafter, tender would be invited and work order would be issued in March 2018.

The slow pace in follow up action and laxity in starting the works is indicative of lack of monitoring and pursuance of initiatives announced by the Hon'ble Chief Minister during budget speech.

⁹ Jobner, Chomu, Sambhar-Phulera district Jaipur, Bandikui district Dausa, Deeg, Kaman district Bharatpur, Khetri, Mandawa, Nawalgarh district Jhunjhunu, Pilibanga district Hanumangarh, Sardarshahar, Ratangarh district Churu, Aburoad district Sirohi, Bari district Dholpur, Nimbahera district Chittorgarh, Balotra district Pali, Fatehpur, Laxmangarh district Sikar, Kuchaman, Ladnu, Makarana, Didwana district Nagaur, Shri Dungargarh, Nokha district Bikaner, Rajgarh district Alwar, Suratgarh district Sri Ganganagar and Sirohi, Pratapgarh, Banswara, Dugarpur, Jalore, Barmer, Jaisalmer, Jhalawar, Karauli, Rajsamand and Dausa.

1.3 Resources of the State

Resources of the State as per the Annual Finance Accounts

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

Components and sub-components of resources

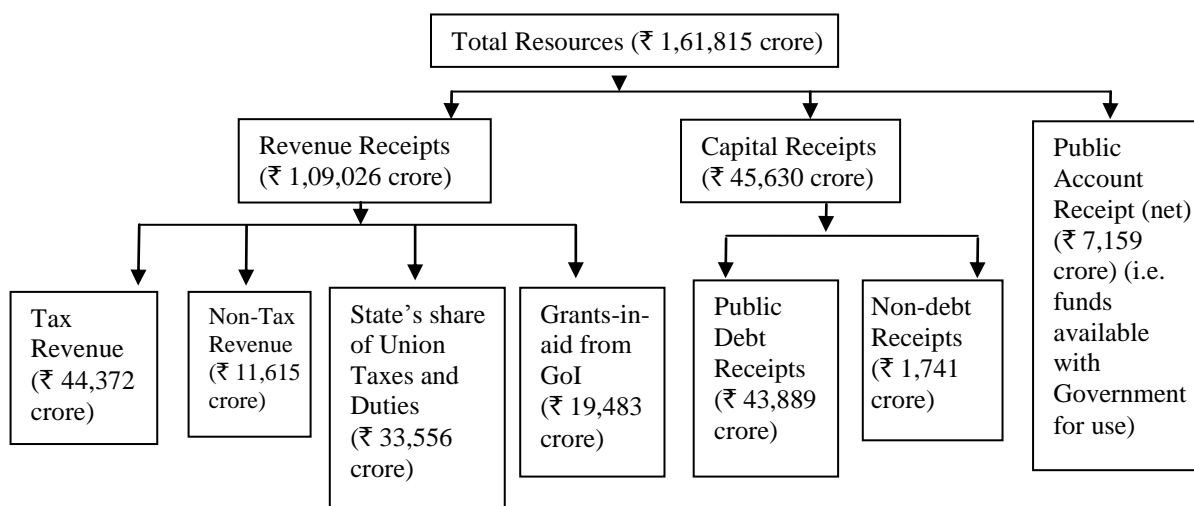
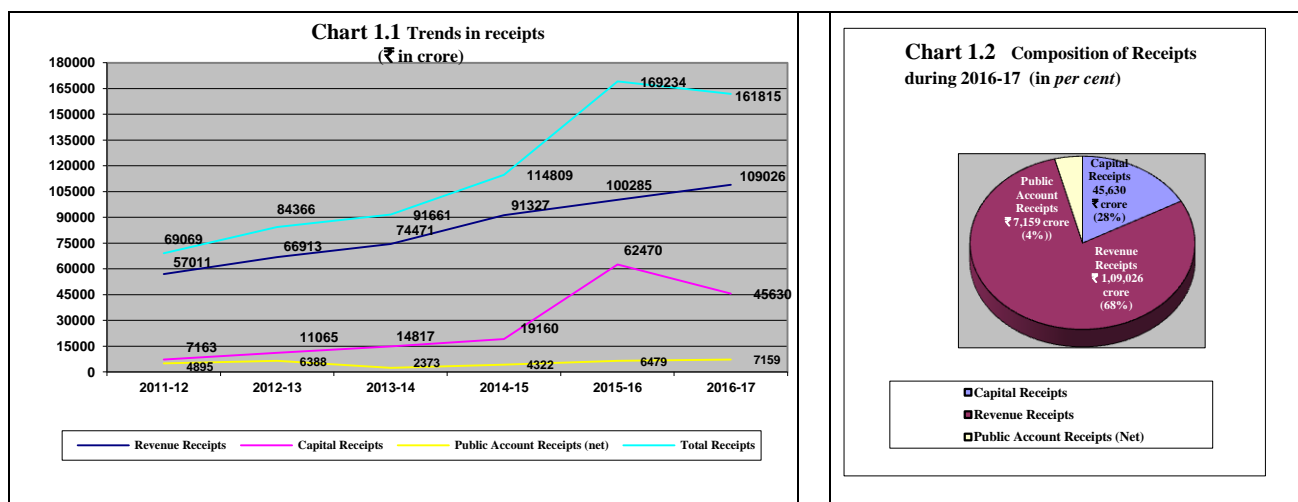


Chart 1.1 depicts the trends in various components of the receipts of the State during 2011-17 and **Chart 1.2** depicts the composition of resources of the State during the current year.



Source: Finance Accounts

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

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

During 2011-12 to 2016-17, total receipts (excluding Contingency Fund Receipts) increased from ₹ 69,069 crore in 2011-12 to ₹ 1,61,815 crore in 2016-17, recording average annual growth rate of 27 per cent. However, during 2016-17 it decreased by ₹ 7,419 crore (4 per cent) compared to previous year.

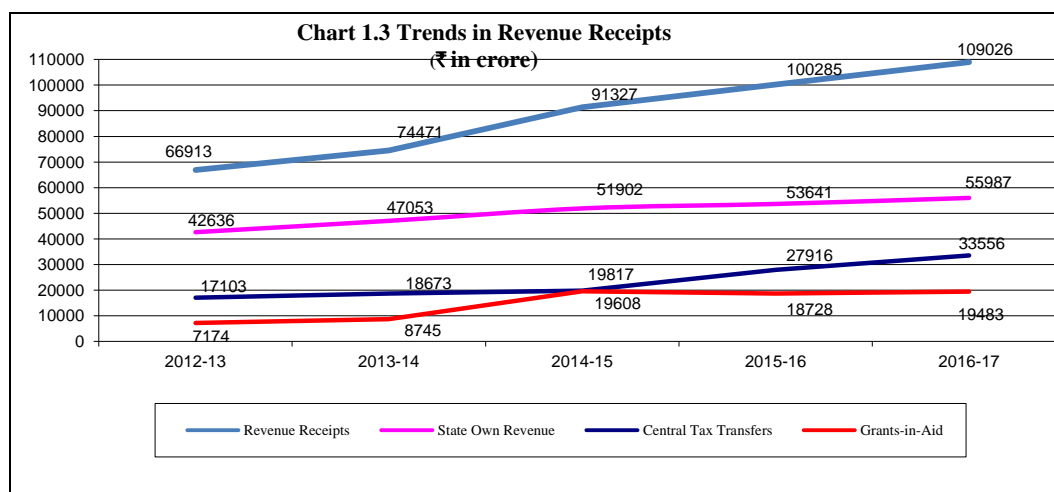
The share of revenue receipts in total receipts was 68 per cent during the year 2016-17. Further details of Revenue Receipts are given in **Paragraph 1.4**.

Public Account Receipts which refer to receipts for which the Government acts as a banker/trustee for the public money, accounted for 4 per cent of total receipts during 2016-17. Net receipts of Public Account (₹ 7,159 crore) were mainly from Small Savings, Provident Funds, etc. (₹ 3,380 crore).

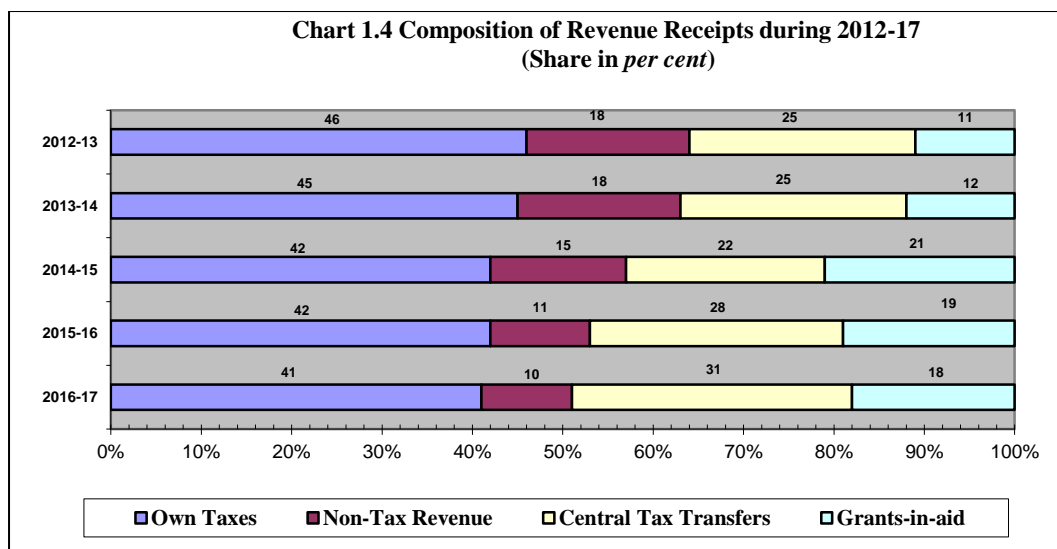
Capital Receipts increased from ₹ 7,163 crore in 2011-12 to ₹ 45,630 crore in 2016-17 with an average annual growth rate of 107 per cent during the period and also accounted for 28 per cent of total receipts during 2016-17. However, during 2016-17 it decreased by ₹ 16,840 crore (27 per cent) compared to previous year. Public Debt Receipts, which are the main constituents of Capital Receipts, decreased by ₹ 17,109 crore from the previous year. Internal Debt and Loans and Advances from GoI are the two components of the Public Debt Receipts and constituted 92 per cent and 8 per cent respectively, of the Total Public Debt Receipts. There was a growth of 98 per cent in Loans and Advances from GoI and declined Internal Debt by 32 per cent compared to previous year. This declined growth of 32 per cent in internal debt was mainly decrease of issue of Non-statutory Liquidity Ratio Bonds and forfeited Bonds of ₹ 17,678 crore under UDAY during 2016-17 from the previous year.

1.4 Revenue Receipts

Statement 14 of the Finance Accounts, details the Revenue Receipts of the Government. Revenue Receipts consist of the Governments 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 2012-17 are presented in **Appendix 1.3** and also in **Chart 1.3** and **Chart 1.4** below:



Source: Finance Accounts



Source: Finance Accounts

Revenue Receipts increased at an annual growth rate of 16 *per cent* from ₹ 66,913 crore in 2012-13 to ₹ 1,09,026 crore in 2016-17.

On an average, 57 *per cent* of the revenue came from the State's own resources during the period 2012-17 and the balance came from GoI as the State's share of Union Taxes and Duties and Grants-in-aid.

The share of Tax Revenue in Revenue Receipts ranged between 41 and 46 *per cent*, whereas the share of Non-Tax Revenue ranged between 10 and 18 *per cent* during 2012-17. However, the share of Non Tax Revenue in Revenue Receipts decreased from 11 *per cent* in 2015-16 to 10 *per cent* in 2016-17.

The trends in Revenue Receipts relative to GSDP are shown in **Table 1.5**.

Table 1.5: Trends in Revenue Receipts relative to GSDP

	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue Receipts (RR) (₹ in crore)	66,913	74,471	91,327	1,00,285	1,09,026
Rate of growth of RR (<i>per cent</i>)	17.4	11.3	22.6	9.8	8.7
Rate of growth of State's Own Tax Revenue (<i>per cent</i>)	20.2	9.8	15.5	10.4	3.9
RR/GSDP (<i>per cent</i>)	13.6	13.6	15.1	14.9	14.5
Buoyancy Ratios					
Revenue buoyancy with respect to GSDP	1.3	1.0	2.1	0.9	0.8
State's own Tax buoyancy with respect to GSDP	1.5	0.9	1.5	1.0	0.3
Revenue buoyancy with respect to State's Own Tax	0.9	1.2	1.5	0.9	2.2

Source: Finance Accounts

Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. As GSDP grows, the ability of the Government to mobilise its own Tax Revenue should also increase. Revenue buoyancy, which is directly proportionate to growth of Revenue Receipts and GSDP, widely fluctuated during the period due to fluctuations in the growth rate of Revenue Receipts. It decreased to 0.8 in 2016-17 from 0.9 of the previous year. It is to mention that in 2016-17 the

GoI transferred more funds directly to State Implementing Agencies compared to previous year.

1.4.1 State's own resources

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

The State's actual Tax and Non-Tax Revenue *vis-a-vis* assessment made by XIV-FC and MTFPS are given in **Table 1.6** below:

Table 1.6: Tax and Non-Tax Revenue projection and Actual for 2016-17

	XIV-FC projections	BE/ MTFPS	Actual	Difference between Budget Estimates and Actual	
				(₹ in crore)	
				Amount	per cent
Tax Revenue	62,521	53,300	44,372	(-) 8,928	16.75
Non-Tax Revenue	18,843	14,084	11,615	(-) 2,469	17.53

The Receipts under Tax Revenue and Non-Tax Revenue were less by 29.03 *per cent* (₹ 18,149 crore) and 38.36 *per cent* (₹ 7,228 crore) respectively than the normative assessment made by XIV-FC and were also less than BE.

1.4.1.1 Tax Revenue

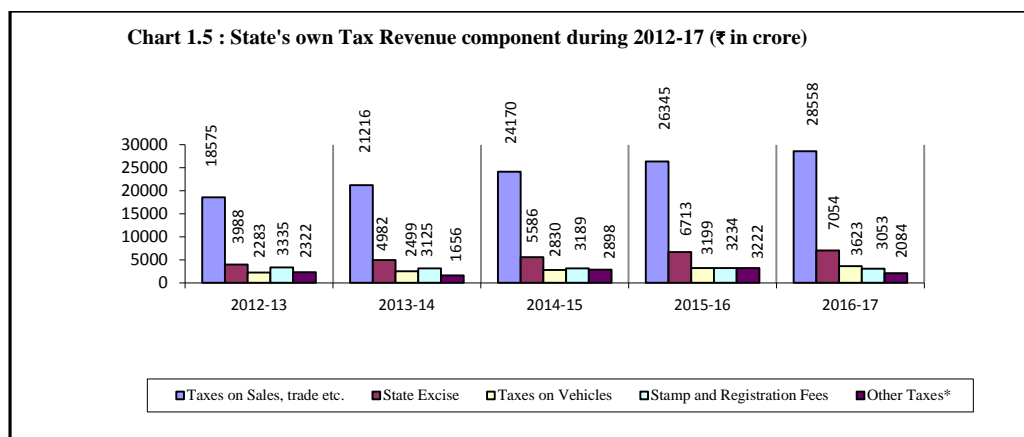
Taxes on Sales, Trade, etc., (64 *per cent*) were the main sources of the State's Tax Revenue, followed by State Excise (16 *per cent*), Taxes on Vehicles (8 *per cent*) and Stamps and Registration Fees (7 *per cent*). The component wise position of gross collection in respect of major taxes and duties is given in **Table 1.7** and **Chart 1.5** below:

Table 1.7: Components of State's Own Tax Revenue

Revenue Head	(₹ in crore)					
	2012-13	2013-14	2014-15	2015-16	2016-17	Increase/ decrease during 2016-17 over previous year (in per cent)
Taxes on Sales, Trade etc.	18,575	21,216	24,170	26,345	28,558	8.4
State Excise	3,988	4,982	5,586	6,713	7,054	5.1
Taxes on Vehicles	2,283	2,499	2,830	3,199	3,623	13.3
Stamps and Registration Fees	3,335	3,125	3,189	3,234	3,053	(-) 5.6
Land Revenue	304	338	289	272	315	15.8
Taxes on Goods and Passengers	249	288	956	848	803	(-) 5.3
Other Taxes ¹²	1,769	1,030	1,653	2,102	966	(-) 54.0
Total	30,503	33,478	38,673	42,713	44,372	3.9

Source: Finance Accounts for the respective years

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



Source: Finance Accounts for the respective years

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

During 2016-17, the Receipts from Taxes on Sales, Trade, etc., contributed a major share of Tax Revenue (64 per cent) and recorded 8 per cent increase over the previous year. The rate of growth of Taxes on Sales, Trade, etc., declined by one percentage point from the previous year's growth rate of 9 per cent.

During 2016-17, State Excise increased by 5 per cent over the previous year. The growth rate of State Excise declined by 15 percentage points from the previous year 2015-16 (20 per cent). This was due to decline in growth rate of receipts under sale of Malt Liquor, Opium, Hemp and Other Drugs Services and Service Fees.

Taxes on Stamps and Registration Fees (₹ 3,053 crore) in 2016-17 decreased by 6 per cent compared to previous year (₹ 3,234 crore) and Taxes on Goods and Passengers (₹ 803 crore) in 2016-17 also decreased by 5 per cent compared to previous year (₹ 848 crore).

1.4.1.2 Non-Tax Revenue

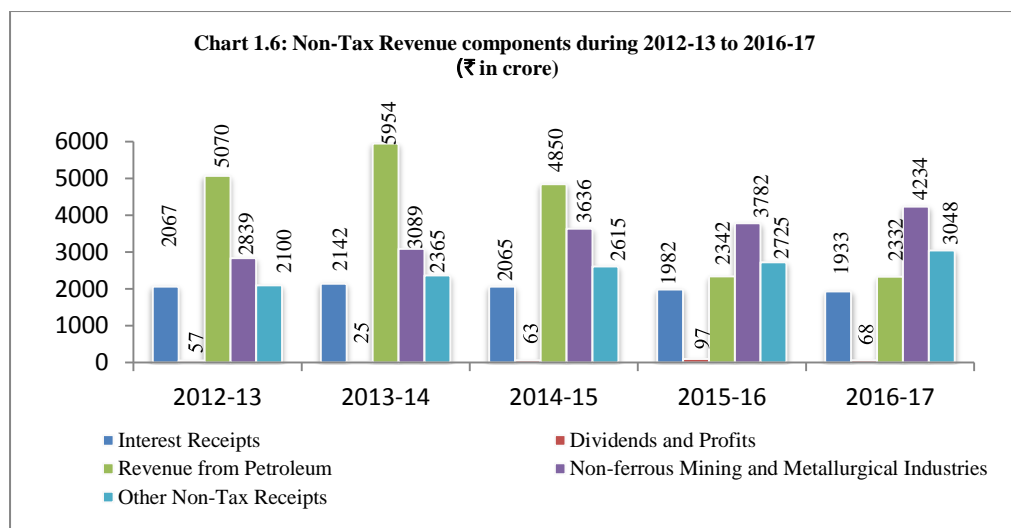
The trends in major constituents of Non-Tax Revenue during the period 2012-17 are shown in **Table 1.8** and **Chart 1.6** below:

Table 1.8: Components of Non-Tax Revenue

Revenue Head	(₹ in crore)					Increase/ decrease during 2016-17 over the previous year (in per cent)
	2012-13	2013-14	2014-15	2015-16	2016-17	
Interest Receipts	2,067	2,142	2,065	1,982	1,933	(-) 2.5
Dividends and Profits	57	25	63	97	68	(-) 29.9
Revenue from Petroleum ¹³	5,070	5,954	4,850	2,342	2,332	(-) 0.4
Non-ferrous Mining and Metallurgical Industries	2,839	3,089	3,636	3,782	4,234	12.0
Other Non-Tax Receipts	2,100	2,365	2,615	2,725	3,048	11.9
Total	12,133	13,575	13,229	10,928	11,615	6.3

Source: Finance Accounts

¹³ Revenue from royalties on crude oil produced in Barmer-Sanchor basin.



Non-Tax Revenue (₹ 11,615 crore) which constituted 10 *per cent* of Revenue Receipts in 2016-17, increased by 6 *per cent* (₹ 687 crore) compared to the previous year. Revenue from Non-ferrous Mining and Metallurgical Industries significantly increased by ₹ 452 crore i.e. 12 *per cent*, due to more receipt of mineral, concession fees, rent and royalties.

Returns on investment decreased from 0.3 *per cent* in 2015-16 to 0.2 *per cent* in 2016-17. Further details are given in **Paragraph 1.9.3**.

1.4.1.3 Cost recovery from Socio-Economic Services

The ratio of Non-Tax Revenue Receipts (NTRR) to Non-Plan Revenue Expenditure (NPRE) is considered an indicator of cost recovery from Socio-Economic Services. The details of recovery of current cost as ratio of NTRR to NPRE in respect of Elementary Education, Medical and Public Health, Water Supply and Sanitation, Major, Medium and Minor Irrigation and Roads and Bridges during 2015-16 and 2016-17, are given in **Table 1.9**.

Table 1.9: Cost recovery from Socio-Economic Services

S. No.	Service	2015-16			2016-17		
		NTRR in respective services	NPRE in respective services	Cost Recovery (<i>per cent</i>)	NTRR in respective services	NPRE in respective services	Cost Recovery (<i>per cent</i>)
1	Elementary Education	28.12	6,181.57	0.45	32.43	5,111.14	0.63
2	Medical and Public Health	119.21	3,172.31	3.76	125.39	3,492.33	3.59
3	Water Supply and Sanitation	373.64	2,402.50	15.55	547.21	2,612.17	20.95
4	Major, Medium and Minor Irrigation	86.09	528.28 ¹⁴	16.30	122.62	572.26 ¹⁵	21.43
5	Roads and Bridges	6.24	635.74	0.98	6.57	587.79	1.12

Source: Finance Accounts

¹⁴ Excluding notional adjustment of interest expenditure 2015-16: ₹ 1,193.34 crore.

¹⁵ Excluding notional adjustment of interest expenditure 2016-17: ₹ 1,290.08 crore.

In Irrigation Sector, receipts were increased by 42 *per cent* in 2016-17 from the previous year, whereas actual cost recovered increased by 5.13 percentage points from the previous year.

1.4.2 Grants-in-aid from GoI

Grants-in-aid from GoI increased from ₹ 7,174 crore in 2012-13 to ₹ 19,483 crore in 2016-17, as shown in **Table 1.10** below:

Table 1.10: Grants-in-aid from GoI

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Non-Plan Grants	2,675	3,551	4,527	5,241	5,928
Grants for State Plan Schemes	2,316	2,993	14,885	12,957	13,462
Grants for Central Plan Schemes	92	135	196	530	108
Grants for Centrally Sponsored Schemes	2,091	2,066	-	-	(-) 15
Total	7,174	8,745	19,608	18,728	19,483
Rate of increase over previous year	(-) 4.1	21.9	124.2	(-) 4.5	4.0
Total grants as a percentage of Revenue Receipts	10.7	11.7	21.5	18.7	17.9

Source: Finance Accounts

The above position reveals that Grants-in-aid from GoI increased by 4 *per cent* during 2016-17 over the previous year. This increase was mainly due to increase of Grants for State Plan Schemes.

1.4.3 Central Tax transfers

XIV-FC recommended for increase in the share of the States in Central Taxes from 32 *per cent* (recommended by XIII-FC) to 42 *per cent*. The share of the State in the net proceeds of Central Tax and net proceeds of Service Tax were fixed at 5.50 *per cent* and 5.65 *per cent*, respectively. Components of the State's share of Union taxes and duties and Grant-in-aid from GoI are given below **Table 1.11**.

Table 1.11: Devolution of different components of the State's share of Union taxes and duties and Grant-in-aid from GoI

(₹ in crore)

Components of the State's share of Union taxes and duties and Grant-in-aid from GoI	2015-16	2016-17	Increase/Decrease (-) (3-2)	Rate of increase/decrease over previous year
1	2	3	4	5
(A) State's share of Union Taxes and duties				
Corporation Tax	8,760	10,739	1,979	22.6
Taxes on Income other than Corporation Tax	6,073	7,464	1,391	22.9
Taxes on Wealth	2	25	23	1150.0
Customs	4,464	4,620	156	3.5
Union Excise Duties	3,731	5,275	1,544	41.4
Service Tax	4,864	5,433	569	11.7

Components of the State's share of Union taxes and duties and Grant-in-aid from GoI	2015-16	2016-17	Increase/Decrease (-) (3-2)	Rate of increase/decrease over previous year
1	2	3	4	5
Other Taxes and Duties on Commodities and Services	22	- ¹⁶	(-) 22	(-) 100.0
Total (A)	27,916	33,556	5,640	20.2
(B) Grant-in-aid from GoI				
Non-Plan Grants	5,241	5,928	687	13.1
Grants for State Plan Schemes	12,957	13,462	505	3.9
Grants for Central Plan Schemes (including Centrally Sponsored Schemes)	530	93	(-) 437	(-) 82.5
Total (B)	18,728	19,483	755	4.0
Grand Total (A) + (B)	46,644	53,039	6,395	13.7

Source: Finance Accounts

The above position reveals that during 2016-17, Central Tax Transfers increased by ₹ 5,640 crore over the previous year and it constituted 31 per cent of Revenue Receipts. The significant increase was under Union Excise duty (41.4 per cent), Taxes on Income other than Corporation Tax (22.9 per cent), Corporation Tax (22.6 per cent) and Service Tax (11.7 per cent). During, 2016-17 transfer from GoI (Tax Devolution and Grant-in-aid) increased by 14 per cent (₹ 6,395 crore) over the previous year.

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

The Central Government transferred a sizeable quantum of funds from directly to the State Implementing Agencies (IAs)¹⁷ for the implementation of various schemes/programmes in the social and economic sector. As the funds were not routed through the State Budget/State Treasury System, the Annual Finance Accounts did not capture these funds and to that extent, the State's receipts and expenditure as well as other fiscal variables/parameters derived from them, did not represent the complete picture.

The Central Government decided that from 2014-15, plan assistance under all Centrally Sponsored Schemes (CSS) and block grants would be classified as Central Assistance to State Plan by transfer through the Consolidated Fund of the State in a phased manner.

However, during 2016-17, Central funds of ₹ 3,799.71 crore were transferred directly to the State IAs for implementation of the programmes/schemes. Out of this, the Central Government transferred ₹ 3,174 crore for National Rural Employment Guarantee Scheme, ₹ 178 crore for Member of Parliament Local Area Development, ₹ 71 crore for Off Grid Distributed and Decentralised Renewable Power, ₹ 55 crore for Swadesh Darshan-Integrated development of theme based tourism circuits and ₹ 28 crore for Integrated Processing

¹⁶ ₹ 0.09 crore.

¹⁷ State IAs are organisations/institutions including non-governmental organisations which are authorised by the State Government to receive funds from the GoI, for implementing the specific programmes.

Development Scheme. Details of funds directly transferred to the State IAs are presented in *Appendix 1.7*.

1.4.5 Optimisation of grants

Optimisation of Fourteenth Finance Commission grants

The XIV-FC submitted its report in December 2014, covering the five year period commencing from April 1, 2015. GoI allocated grant-in-aid of ₹ 24,240.75 crore (including state share of State Disaster Response Fund), on the recommendations of XIV-FC to the State Government, to be utilised for Local Bodies and State Disaster Response Fund during 2015-2020. The State Government constituted (January 2016) a High Level Monitoring Committee (HLMC), headed by the Chief Secretary to ensure proper utilisation of the grant-in-aid. During 2016-17, no meeting was held by HLMC. The position of releases by GoI and onward transfers by the State Government is given below:

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

(₹ in crore)											
S. No.	Transfers	Recommendation of the XIV-FC 2015-20	Recommendation of the XIV-FC			Actual Release by GoI			Transfers to Local Bodies/Fund		
			2015-16	2016-17	Total	2015-16	2016-17	Total	2015-16	2016-17	Total
1	2	3	4	5	6	7	8	9	10	11	12
1	Local Bodies										
	(i) Grants to PRIs	13,633.63	1,471.95	2,305.52	3,777.47	1,471.95	2,305.52	3,777.47	1,471.95	2,305.52	3,777.47
	(a) General Basic Grant	12,270.27	1,471.95	2,038.17	3,510.12	1,471.95	2,038.17	3,510.12	1,471.95	2,038.17	3,510.12
	(b) General Performance Grants	1,363.36	-	267.35	267.35	-	267.35	267.35	-	267.35	267.35
	(ii) Grants to ULBs	4,513.12	433.12	776.73	1,209.85	433.12	776.73	1,209.85	433.12	776.73	1,209.85
	(a) General Basic Grant	3,610.50	433.12	599.73	1,032.85	433.12	599.73	1,032.85	433.12	599.73	1,032.85
	(b) General Performance Grants	902.62	-	177.00	177.00	-	177.00	177.00	-	177.00	177.00
	Total (1)	18,146.75	1,905.07	3,082.25	4,987.32	1,905.07	3,082.25	4,987.32	1,905.07	3,082.25	4,987.32
2	State Disaster Response Fund *	6,094.00	1,103.00	1,158.00	2,261.00	1,103.00	1,158.00	2,261.00	1,103.00	1,158.00	2,261.00
	Grand Total (1 to 2)	24,240.75	3,008.07	4,240.25	7,248.32	3,008.07	4,240.25	7,248.32	3,008.07	4,240.25	7,248.32

* Including State share 25 per cent of total grant.

Source: XIV-FC Report and Finance Accounts

It was noticed that ₹ 1,032.85 crore was received by Local Bodies as Basic grants during 2015-16 and 2016-17. Out of this Utilisation Certificates (UC) of only ₹ 416.68 crore (40.34 per cent) was received upto September 2017. Similarly, UCs of only ₹ 12.35 crore (6.98 per cent) were received against performance grant of ₹ 177 crore received during 2016-17. This indicates that most of the grants received may be lying unutilized.

Paragraph 7 of The State Disaster Response Fund (SDRF) guidelines stipulated that the State would transfer the GoI share along with its share to the

Public Account Head within 15 days of its receipt. Any delay in release attracts interest at Bank rate of Reserve Bank of India for the number of days of delay.

Similarly, Paragraph 9.81 of XIV-FC stipulated that on receipt of grant from GoI, the State should release the grants to the Gram Panchayats and Municipalities within 15 days of it being credited to its account by the Union Government. In case of delay the State Government must release the installment with interest from its own funds.

It was, however, observed that grants received have been transferred with delay, as detailed below:

Details of transfer of funds

(₹ in crore)

Name of Department	Installment	GOI grant released		State share released		Total grant released		Delay
		Date	Amount	Date	Amount	Date	Amount	
Relief Department	Second	16 September 2016	434.25	01 December 2016	144.75	01 December 2016	579.00	61 days
Local Bodies	Performance Grant	18 January 2017	177.00	No State Share		23 February 2017	29.88	21 Days
						27 March 2017	147.12	53 Days

From the above table it is clear that Relief Department and Local Bodies were transferred the amount with a delay of 61 days and 21 to 53 days respectively. However, no interest was released by the State Government for delay in release of grants by GoI.

1.4.6 Revenue forgone

Scrutiny of information received from the departments revealed the position of Revenue Forgone during 2016-17 as discussed below:

(i) Transport Department waived/exempted ₹ 1.90 crore through notifications on account of Motor Vehicle Tax, Special Road Tax and Surcharge on Passenger vehicles of other states coming for Urs in Ajmer (₹ 1.00 crore), Ramdevera fair (₹ 0.88 crore) and vehicle of Lalit Kala Academy (₹ 0.02 crore).

(ii) Commercial Taxes Department intimated (August 2017) that details of revenue waived/exempted during the year 2016-17 through exemptions and deferments were not available as the department was not maintaining such data.

1.5 Capital Receipts

The trends in growth and composition of Capital Receipts during 2012-17 were as shown in **Table 1.13**, below:

Table 1.13: Trends in growth and composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Receipts (CR)	11,065	14,817	19,160	62,470	45,630
Miscellaneous Capital Receipts	8	10	15	25	28
Recoveries of Loans and Advances	1,102	316	1,004	1,447	1,713
Public Debt Receipts	9,955	14,491	18,141	60,998	43,889
Rate of growth of Debt Receipts (<i>per cent</i>)	68.2	45.6	25.2	236.2	(-) 28.0
Rate of growth of Non-Debt Receipts (<i>per cent</i>)	(-) 10.8	(-) 70.6	212.6	44.5	18.3
Rate of growth of GSDP (<i>per cent</i>)	13.5	11.2	10.6	10.9	11.4
Rate of growth of CR (<i>per cent</i>)	54.5	33.9	29.3	226.0	(-) 27.0

Source: Finance Accounts

1.5.1 Capital Receipts

Capital Receipts (debt and non-debt receipts) of the State increased at an average annual growth rate of 78 *per cent* from 2012-13 to 2016-17. However, during 2016-17, it decreased by 27 *per cent* compared to the previous year.

1.5.2 Recovery of Loans and Advances

Recovery of loans and advances increased by ₹ 266 crore during 2016-17 over the previous year, due to more recovery, mainly from Ajmer *Vidyut Vitaran Nigam Limited*, Jodhpur *Vidyut Vitaran Nigam Limited* and Jaipur *Vidyut Vitaran Nigam Limited*.

1.5.3 Debt Receipts from internal sources/Public Debt Receipts

During 2016-17, the internal debt receipts i.e. market loans, borrowings from financial institutions, banks, etc., under Public Debt Receipts decreased by 28 *per cent* (₹ 17,109 crore) over the previous year, as the issue of Non SLR Bonds and forfeited Bonds under Ujwal DISCOM Assurance Yojana was lower by ₹ 17,678 crore compared to 2015-16.

1.5.4 Loans and Advances from GoI

During 2016-17, the receipt of loans and advances from GoI (₹ 3,455 crore) increased by 98 *per cent* (₹ 1,706 crore) over the previous year (₹ 1,749 crore), due to more receipts under loans for externally aided projects.

1.6 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account, set up under Article 266(2) of the Constitution and are not subject to vote by the State legislature. Here, the Government acts as a banker and utilises the balances remaining after disbursements. Details of Public Account Receipts are given in **Table 1.14:**

Table 1.14: Components of Public Account Receipts

(₹ in crore)

Resources under various heads	2012-13	2013-14	2014-15	2015-16	2016-17
a. Small Savings, Provident Fund, etc.	7,171	6,311	7,082	7,967	8,620
b. Reserve Funds	1,568	2,233	1,724	3,678	3,068
c. Deposits and Advances	1,40,748	89,436	1,07,067	1,25,570	1,44,292
d. Suspense and Miscellaneous	43	91	22	78	(-) 67
e. Remittances	7,033	9,908	10,487	9,617	132 ¹⁸
Total	1,56,563	1,07,979	1,26,382	1,46,910	1,56,045

Source: Finance Accounts

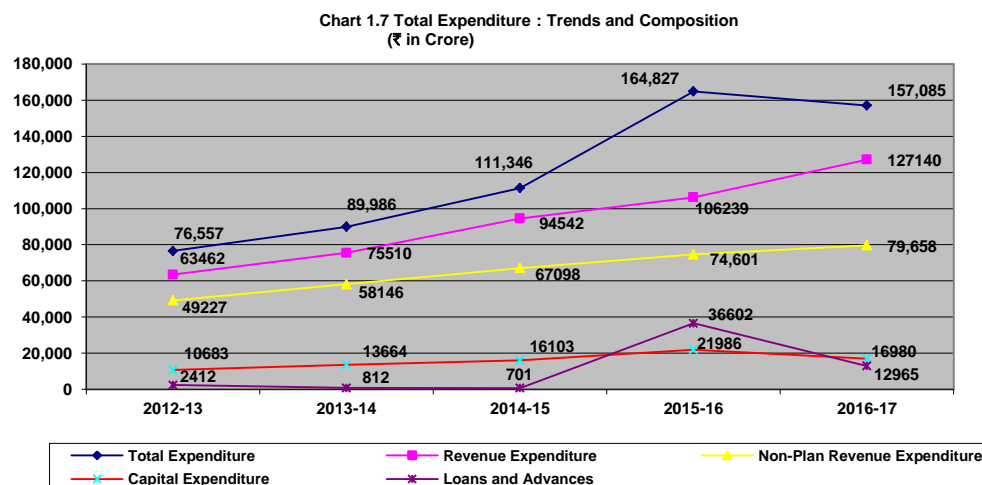
Public Account Receipts increased by ₹ 9,135 crore (6.2 per cent) during 2016-17 over the previous year. The increase was mainly under Deposits and Advances by ₹ 18,722 crore. However, it was counterbalanced by decrease in Remittances by ₹ 9,485 crore due to receipt and payment in respect of Public Works and Forest Divisions have been linked with Treasuries under IFMS from April 2016.

1.7 Application of Resources

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

1.7.1 Total Expenditure

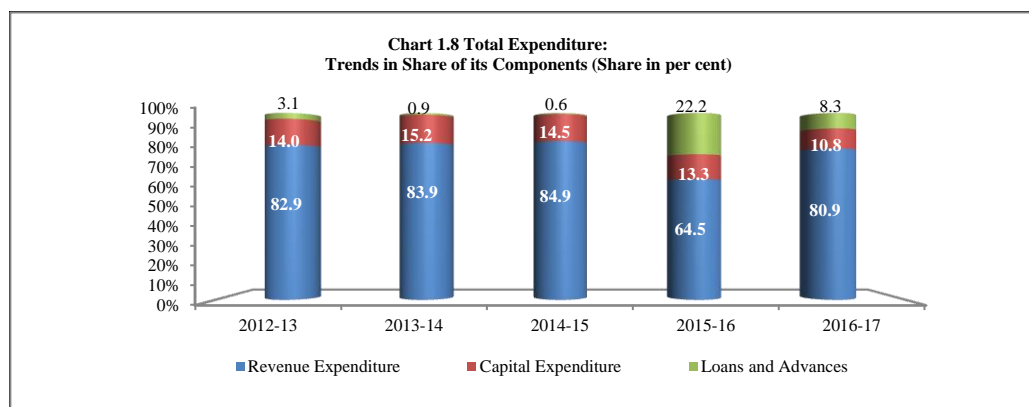
Chart 1.7 below, presents the trends in total expenditure over a period of five years (2012-17) and **Chart 1.8** depicts its composition in terms of 'economic classification'.



Source: Finance Accounts

¹⁸ It included Cash Remittances between Treasuries and Currency Chests: ₹ 119.76 crore; Public Works Remittances: ₹ 11.83 crore and Forest Remittances: ₹ 0.04 crore.

Total expenditure of the State increased at an annual growth rate of 26 *per cent* during 2012-13 to 2016-17, but total expenditure during 2016-17 decreased by 5 *per cent* over the previous year.



Revenue Expenditure

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

Revenue Expenditure constituted 81 *per cent* of total expenditure during 2016-17. It increased at an annual growth rate of 25 *per cent* from ₹ 63,462 crore in 2012-13 to ₹ 1,27,140 crore in 2016-17. During 2016-17, the revenue expenditure increased by 20 *per cent* (₹ 20,901 crore) over the previous year, mainly under Power (₹ 5,826 crore), Interest Payments (₹ 5,669 crore), General Education (₹ 3,379 crore), Urban Development (₹ 1,513 crore), Pensions and Other Retirement Benefits (₹ 1,432 crore), Crop Husbandry (₹ 897 crore) and Medical and Public Health (₹ 714 crore).

Capital Expenditure

Capital expenditure increased at an annual growth rate of 15 *per cent* from ₹ 10,683 crore in 2012-13 to ₹ 16,980 crore in 2016-17. However, capital expenditure decreased by 23 *per cent* (₹ 5,006 crore) during 2016-17 from the previous year, mainly under Capital Outlay on Power Projects (₹ 5,318 crore) and Roads and Bridges (₹ 613 crore) which was counterbalanced by increase in Capital Outlay on Major Irrigation (₹ 708 crore) and Urban Development (₹ 404 crore). The percentage share of capital expenditure over total expenditure decreased from 13.3 *per cent* in 2015-16 to 10.8 *per cent* during 2016-17.

1.7.2 Balance from Current Revenue¹⁹

Revenue Receipts (excluding Plan assistance received from the Central Government) of ₹ 95,471 crore (₹ 1,09,026 crore - ₹ 13,462 crore - ₹ 93 crore) (**Appendix 1.4**) exceeded non-plan revenue expenditure (NPRE) of

¹⁹ Balance from Current Revenue means 'Revenue Receipts minus all Plan Grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the Major Head 2048'.

₹ 79,658 crore (**Chart 1.7**) by ₹ 15,813 crore, indicating that Plan assistance was not utilised to meet NPRE, which is a positive indicator.

1.7.3 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.15** below presents the trends in the expenditure on these components during 2012-2017.

Table-1.15: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17
Salaries and Wages - Non-Plan Head	16,825	19,290	21,466	22,119	24,629
Salaries and Wages - Plan Head*	770	1,314	2,032	3,752	5,387
Total Salaries and Wages	17,595 (26.3)	20,604 (27.7)	23,498 (25.7)	25,871 (25.8)	30,016** (27.5)
Interest Payments	8,340 (12.5)	9,063 (12.2)	10,463 (11.5)	12,008 (12.0)	17,677 (16.2)
Expenditure on Pensions	6,858 (10.2)	7,801 (10.5)	9,629 (10.6)	10,864 (10.8)	12,296 (11.3)
Subsidies	5,464 (8.2)	6,940 (9.3)	8,626 (9.4)	10,461 (10.4)	17,208 (15.8)
Total Committed Expenditure	38,257 (57.2)	44,408 (59.6)	52,216 (57.2)	59,204 (59.0)	77,197 (70.8)
Other Components	25,205 (37.7)	31,102 (41.8)	42,326 (46.3)	47,035 (46.9)	49,943*** (45.8)
Total Revenue Expenditure	63,462	75,510	94,542	1,06,239	1,27,140
Revenue Receipts	66,913	74,471	91,327	1,00,285	1,09,026
Committed Expenditure as percentage of Revenue Expenditure	60.3	58.8	55.2	55.7	60.7
<p>Note: Figures in parentheses indicate percentage to Revenue Receipts. * Plan Head also includes the Salaries and Wages paid under Centrally Sponsored Schemes. ** Salaries: ₹ 29,470 crore and Wages ₹ 546 crore. *** Includes expenditure on financial assistance (Grants-in-aid): ₹ 24,320 crore; Grants-in-aid General (Salaries): ₹ 8,572 crore; Transfer to funds from Consolidate fund to Public Accounts: ₹ 3,739 crore; and Maintenance and Repairs: ₹ 565 crore.</p>					

Source: Finance Accounts

The share of committed expenditure to revenue receipts increased from 57.2 per cent in 2012-13 to 70.8 per cent in 2016-17. In 2016-17, the committed expenditure amounted to ₹ 77,197 crore, which was 61 per cent and 71 per cent of revenue expenditure and revenue receipts respectively.

1.7.3.1 Salaries and Wages

The expenditure on Salaries and Wages increased at an annual growth rate of 18 per cent from ₹ 17,595 crore in 2012-13 to ₹ 30,016 crore in 2016-17. During 2016-17, the expenditure on Salaries and Wages increased by 16 per cent over the previous year. It was higher than the assessment made by the State Government in MTFPS (₹ 24,579 crore) by ₹ 5,437 crore.

1.7.3.2 Pension payments

- **General**

The expenditure on overall pension payments increased at an annual growth rate of 20 *per cent* from ₹ 6,858 crore in 2012-13 to ₹ 12,296 crore²⁰ in 2016-17. During 2016-17, the expenditure on pension payments recorded a growth of 13 *per cent* over the previous year, due to increase in total number of pensioners²¹ by 12,239 (3.2 *per cent*). A comparative analysis of actual pension payments, with the assessment/ projection made by XIV-FC and the State Government in Mid Term Fiscal Policy Statement (MTFPS), shows that actual pension payment (₹ 12,296 crore) exceeded the normative assessment made by XIV-FC (₹ 10,936 crore) by 12.4 *per cent* but was marginally lower by 1.6 *per cent* than the assessment made by the State Government in MTFPS (₹ 12,493 crore). The expenditure on pension and other retirement benefits to the State Government employees was 9.7 *per cent* of total revenue expenditure.

- **Contributory Pension Scheme**

The State Government has switched over to the New Pension Scheme from January 2004. In terms of the Scheme, the employee contributes 10 *per cent* of basic pay and dearness allowances, which is matched by the State Government and the entire amount is transferred to the Public Account under Head of Account '8342 Other Deposits-117 Defined Contribution Pension Scheme' pertaining to All India Services officers and sub head (03) under Head of Account '8011 Insurance and Pension Funds- 106 Other Insurance and Pension Funds' for other employees and thereafter remitted to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank. During 2016-17, the State Government received ₹ 682.68 crore as employees' contributions and contributed ₹ 699.56 crore as employer's share.

1.7.3.3 Interest payments

Interest payments increased at an annual growth rate by 28 *per cent* from ₹ 8,340 crore in 2012-13 to ₹ 17,677 crore in 2016-17 and by 47 *per cent* over the previous year (₹ 12,008 crore). Major components of interest payments were interest on Internal Debt (₹ 14,002 crore), Interest on Small Savings, Provident Fund etc., (₹ 3,130 crore) and Interest on Loans and Advances from the Central Government (₹ 437 crore).

Interest on Internal Debt which included market loans, increased by 66 *per cent* from ₹ 8,423 crore in 2015-16 to ₹ 14,002 crore in 2016-17, mainly on account of increase in the Issue of Non-SLR bonds and forfeited bonds under UDAY Yojana by ₹ 22,372 crore.

²⁰ It includes a sum of ₹ 11,596.11 crore on account of expenditure on "pension and other retirement benefits" during the year to the State Government employees recruited on or before 31 December 2003.

²¹ Number of pensioners in 2015-16: 3,77,048 and in 2016-17: 3,89,287.

Interest on small savings, provident fund, etc. also increased by 4 *per cent* from ₹ 3,006 crore during 2015-16 to ₹ 3,130 crore in 2016-17, mainly on account of increase in the corpus of State Provident Fund by ₹ 2,226 crore (9 *per cent*) and Insurance and Pension Fund by ₹ 1,154 crore (10 *per cent*).

Interest payments made during 2016-17 (₹ 17,677 crore) were higher than the projections made in MTFPS (₹ 17,527 crore) and XIV-FC (₹ 13,221 crore).

The ratio of Interest Payments to Revenue Receipts determines the debt sustainability of the State. The ratio of Interest Payments to Total Revenue Receipts of the State was 16 *per cent* during the year, which was higher than the previous year (12 *per cent*).

1.7.3.4 Subsidies

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

Appendix II of Finance Accounts shows an explicit subsidy of ₹ 17,208 crore during 2016-17, which was ₹ 6,747 crore (64 *per cent*) more than the previous year (₹ 10,461 crore), mainly in the areas of Power (₹ 16,842 crore), Crop Husbandry (₹ 269 crore) and Sugar Distribution Scheme to BPL and Antyodaya Families (₹ 29 crore).

Subsidy to the Power Sector accounted for 97.9 *per cent* of the total subsidy. During 2016-17, the subsidy was given to the Power Sector mainly on account of non-increasing of power tariff and as assistance to Distribution Companies under UDAY Yojana. Further, subsidy to Power Sector ranged from 88 *per cent* to 98 *per cent* of the total subsidy provided by the Government of Rajasthan during 2007-08 to 2016-17 (**Appendix 1.15**).

Power Sector subsidy increased by 65.3 *per cent* (₹ 6,655 crore) over the previous year (₹ 10,187 crore) mainly due to increase under Assistance to Distribution Companies under UDAY Yojana by ₹ 9,000 crore²².

Crop Husbandry Subsidy increased by 20 *per cent* from ₹ 225 crore in 2015-16 to ₹ 269 crore in 2016-17.

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

The quantum of assistance provided through grants and loans to Local Bodies and others during 2012-17, is as under:

²² (i) Jodhpur Vidyut Vitaran Nigam Limited: ₹ 2,891.96 crore, (ii) Ajmer Vidyut Vitaran Nigam Limited: ₹ 2,972.47 crore and (iii) Jaipur Vidyut Vitaran Nigam Limited: ₹ 3,135.57 crore.

Table 1.16: Financial Assistance to Local Bodies etc.

Financial Assistance to Institutions	2012-13	2013-14	2014-15	2015-16	2016-17	
					Allotment	Actual
(A) Local Bodies						
Municipal Corporations and Municipalities	2,255.06	2,324.16	2,450.65	3,063.89	3,839.93	3,839.93
<i>Panchayati Raj</i> Institutions	7,675.24	8,953.21	13,833.28	15,981.85	14,472.61	14,472.66
Total (A)	9,930.30	11,277.37	16,283.93	19,045.74	18,312.54	18,312.59
(B) Others						
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	2,302.98	2,236.99	1,128.22	1,239.54	1,672.71	1,671.13
Development Agencies	118.94	195.36	6.93	6.19	7.61	7.61
Hospitals and Other Charitable Institutions	84.27	124.72	169.47	116.62	77.41	77.41
Other Institutions	3,781.66	4,929.02	10,740.54	11,316.72	12,878.65	12,823.46 ²³
Total (B)	6,287.85	7,486.09	12,045.16	12,679.07	14,636.38	14,579.61
Total (A+B)	16,218.15	18,763.46	28,329.09	31,724.81	32,948.92	32,892.20
Revenue Expenditure	63,462	75,510	94,542	1,06,239	1,32,053	1,27,140
Assistance as percentage of Revenue Expenditure	26	25	30	30	25	26

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

During 2016-17, the financial assistance to Local Bodies decreased by ₹ 733.15 crore, (4 per cent) compared to the previous year. However, the financial assistance to development agencies, hospitals and educational institutions increased by ₹ 1,900.54 crore, recording a growth of 15 per cent over the previous year. Further, during 2012-17 the overall financial assistance to Local Bodies and Others constituted 25 to 30 per cent of revenue expenditure.

During 2016-17, financial assistance was given mainly to *Sarva Shiksha Abhiyan* (₹ 4,383 crore); *Panchayat Samitis* for Primary Schools (₹ 2,660 crore); General Basic Grants to *Gram Panchayats* under XIV-FC (₹ 2,038 crore); Grants to *Gram Panchayats* under State Finance Commission (₹ 1,969 crore); Mahatma Gandhi National Rural Employment Guarantee Scheme (₹ 1,760 crore); Swachh Bharat Mission-Rural (₹ 1,231 crore); Grant for Crop Insurance (₹ 1,051 crore); Grant to *Pradhan Mantri Awas Yojana* (₹ 800 crore); Special Grants to Municipal Corporations (₹ 717 crore); Special Grants to Municipalities/Municipal Councils (₹ 716 crore); Grant to Mid-Day Meal (₹ 698 crore); and Grant to Municipalities/Municipal Councils under State Finance Commission (₹ 625 crore).

1.7.5 Major issues relating to Local Bodies

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

²³ It included grants given for (i) Education: ₹ 5,225.04 crore; (ii) Relief on account of Natural Calamities ₹ 1,958.80 crore and (iii) Crop Husbandry ₹ 1,418.10 crore.

Panchayati Raj Institutions

(i) Introduction

There were 33 *Zila Parishads* (*Panchayat Cells*), 295 *Panchayat Samitis* and 9,894 *Gram Panchayats*, as on 31 March 2017, under the administrative control of Secretary cum Commissioner, Panchayati Raj Department. District Rural Development Authorities (DRDAs) were merged in PRIs at district level and 33 *Zila Parishads* (Rural Development Cells) are placed under administrative control of Secretary, Rural Development Department. Both the Secretaries are under administrative control of Additional Chief Secretary, *Rural Development and Panchayati Raj* Department (RD & PRD). All functional and administrative matters including audit and accounts of *Zila Parishads* (*Panchayat Cells*), *Panchayat Samitis* and *Gram Panchayats* are governed by 'Rajasthan Panchayati Raj Act (RPRA) 1994' and 'Rajasthan Panchayati Raj (RPR) Rules 1996. Audit and accounts of *Zila Parishads* (RD Cells) are governed by Accounting Procedure for DRDAs/Societies issued by Ministry of Rural Development, Government of India in 1984 and as amended in 2001.

(ii) Devolution

In compliance with 73rd Constitutional Amendment Act, out of 29 functions to be devolved in terms of XI Schedule of the Constitution, initially 28 functions were transferred. Funds and functionaries were transferred in respect of 20 subjects only (***Appendix 1.11***). Subsequently, devolution of funds, functions and functionaries of five subjects relating to Public Health Engineering Department, Public Works Department and Food and Civil Supply Department were withdrawn temporarily by Department in January 2004. There has been no change in the status of devolution in the State since 2012.

(iii) Audit, Accounts and Certification

Section 75 (4) of the RPR Act provides for audit of all accounts of PRIs by the Director, Local Fund Audit Department (DLFAD) under Rajasthan Local Fund Audit Act 1954 and also by the CAG, whose audit reports shall be laid before the State Legislature. Besides this mandate, CAG can also conduct audit of PRIs under Section 14 of CAG's (DPC) Act, 1971. However, as per provisions of the accounting procedure prescribed for DRDAs (as amended in 2001) by GoI, the audit of *Zila Parishads*, Rural Development Cell (RDC) continues to be done by Chartered Accountants (CAs) and the CAG is the supplementary auditor.

Provisions exist in Rule 23 (h) and Rule 25 (XI) of Rajasthan Local Fund Audit, Rules, and Paragraph 4 of the DLFAD Manual 1994 (for certification of accounts of PRIs by DLFAD). It was observed that out of 6,413 certifications issued by the DLFAD during 2016-17, there were only nine unqualified certifications and remaining 6,404 were qualified certifications.

Under Technical Guidance and Supervision (TGS) over audit of Local Bodies, the DLFAD regularly obtains guidance from this office. Comments and suggestions on three Draft Paragraphs and six Factual Statements were given under TGS during 2016-17.

The PRIs were rendering their accounts in conventional formats under RPR Rules framed under Rajasthan RPR Act. Simplified Accounting Formats were introduced in 2009 by Ministry of *Panchayati Raj*, GoI, in consultation with the C&AG of India for mandatory implementation with effect from April 2011. However, they were incorporated in RPR Rules only in May 2015 and their adoption for rendering of accounts by the PRIs is under way. As for daily data entry of transactions and closing of year book, in '*Panchayati Raj Institution Accounting Software*' (PRIASoft), it was informed (September 2017) that for the year 2016-17, year book of 10 *Zila Parishads* out of 33 *Zila Parishads*, 30 *Panchayat Samities* out of 295 *Panchayat Samities* and 644 *Gram Panchayats* out of 9,894 *Gram Panchayats* have been closed.

The total financial assistance extended to PRIs during 2016-17 was ₹ 14,472.66 crore of which only the part pertaining to erstwhile DRDAs, was certified by CAs and remaining sum remained to be partly certified by the Local Fund Audit.

Urban Local Bodies

(i) Introduction

As on 31 March 2017, there were 190 ULBs (7 Municipal Corporations, 34 Municipal Councils and 149 Municipal Boards) under administrative control of Principal Secretary, Local Self Government Department (LSGD). DLFAD is the primary auditor and the CAG conducts audit under Section 14 of the CAG's DPC Act, 1971.

(ii) Devolution

Article 243W inserted through the 74th Constitutional Amendment Act, envisaged devolution of powers and responsibilities to the Municipalities in respect of 18 subjects mentioned in XII Schedule of the Constitution. As per information provided by Director, Local Bodies (DLB) (August 2017), the functions related to 16 subjects (***Appendix 1.12***) were being performed by ULBs. Out of the remaining 2 functions, 'Water Supply' function is being carried out by 8 ULBs²⁴. As per notification (February 2013) 'Urban Planning' function was yet to be devolved to ULBs.

(iii) Audit, Accounts and Certification

As per report of the Chief Accounts Officer, LSGD (August 2017), all ULBs in the State are maintaining accounts.

Recommendations of XIII-FC and XIV-FC and Section 99A (2) of the Rajasthan Municipal Act, 2009 (inserted in 2011) provides for TGS over audit of ULBs by DLFAD. Under TGS arrangement, DLFAD regularly obtains guidance from this office. Guidance on 10 Inspection Reports of ULBs (Municipal Corporations: 02; Municipal Councils: 03 and Municipal Boards: 05), 55 Draft Paragraphs and 71 Factual Statements was provided during 2016-17.

²⁴ Sri Ganganagar, Bundi, Chomu, Jaisalmer, Karauli, Nagaur, Nathdwara and Nokha.

The information furnished by DLFAD revealed that certification of Annual Accounts had been being done in 177 ULBs out of 190 ULBs during the regular audit of accounts.

1.8 Quality of Expenditure

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

1.8.1 Adequacy of Public Expenditure

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

Table 1.17 below, analyses the fiscal priority of the State Government with regard to aggregate expenditure, development expenditure, social sector expenditure and capital expenditure *vis-a-vis* General Category State (GCS) during 2012-13, 2015-16 and 2016-17.

Table 1.17: Fiscal Priority of the State during 2012-13, 2015-16 and 2016-17

Fiscal Priority by the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE [#] /AE	CE/ AE	Education/ AE	Health/ AE
General Category States' Average (Ratio) 2012-13	14.8	38.2	29.8	70.0	13.7	17.7	4.6
Rajasthan (Ratio) 2012-13	15.5	37.2	35.4	72.6	13.9	17.1	5.1
General Category States' Average (Ratio) 2015-16	16.6	36.0	34.5	70.4	14.8	15.6	4.7
Rajasthan (Ratio) 2015-16	24.5	30.1	50.9	80.9	13.3	12.9	4.7
General Category States' Average (Ratio) 2016-17	16.7	32.2	35.1	70.9	19.7	15.2	4.8
Rajasthan (Ratio) 2016-17	21.0	35.5	39.3	74.8	10.8	15.7	5.3

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure ESE: Economic Sector Expenditure CE: Capital Expenditure
Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

Source: (i) For GSDP of Rajasthan, the information was collected from the Directorate of Economics and Statistics, Government of Rajasthan and Finance Accounts. (ii) For GSDP the information as available on CSO website as on 1 August 2017 except in case of Gujarat, Kerala, Maharashtra, Rajasthan and West Bengal where the figures were provided by the respective PAsG/AsG.

Table 1.17 indicates the following:

- The ratio of Aggregate Expenditure (AE) to GSDP in the State is higher (21.0 *per cent*), compared to General Category States (GCS) (16.7 *per cent*) during 2016-17.
- Development Expenditure as a proportion of AE was higher than GCS average.

- Social Sector Expenditure as a proportion of AE was higher than GCS average.
- Economic Sector Expenditure as a proportion of AE was higher than GCS average.

1.8.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public goods and merit goods²⁵. Apart from improving the allocation towards development expenditure²⁶, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing Social and Economic services. The higher the ratio of these components to the total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.18** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted for the year as well as actual in the previous years.

Table 1.18: Development Expenditure

Components of Development Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	
					BE	Actual
a. Development Revenue Expenditure	42,701 (55.8)	51,921 (57.7)	66,674 (59.9)	75,223 (45.6)	93,144 (55.9)	87,937 (56.0)
b. Development Capital Expenditure	10,434 (13.6)	13,330 (14.8)	15,569 (14.0)	21,545 (13.1)	22,613 (13.6)	16,543 (10.5)
c. Development Loans and Advances	2,412 (3.2)	812 (0.9)	701 (0.6)	36,602 (22.2)	11,067 (6.6)	12,965 (8.3)
Development Expenditure (a to c)	55,547 (72.6)	66,063 (73.4)	82,944 (74.5)	1,33,370 (80.9)	1,26,824 (76.1)	1,17,445 (74.8)
Rate of Growth of Development Expenditure	30.1	18.9	25.6	60.8		(-) 11.9

Figures in parentheses indicate percentage of aggregate expenditure

Source: Finance Accounts and Budget Documents

²⁵ *Core public goods* are those which all citizens enjoy in common and each individual's consumption of such goods leads to no subtraction from any other individual's consumption of those goods, e.g. enforcement of law and order, security and protection of Citizen's rights; pollution free air, and road infrastructure, etc.

Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of need, rather than ability and willingness to pay the government. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

²⁶ The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorised into social services, economic services and general services. Broadly, expenditure on social and economic services constitutes development expenditure, while expenditure on general services is treated as non-development expenditure.

Development expenditure comprises Revenue Expenditure, Capital Outlay and Loans and Advances on Socio-Economic Services. As a percentage of total expenditure, it increased from 72.6 *per cent* during 2012-13 to 74.8 *per cent* during 2016-17. On an average, 71.3 *per cent* of development expenditure was on revenue account and the balance was on capital account including loans and advances during the period 2012-17.

Capital Expenditure on Social Services increased from ₹ 5,996 crore in 2015-16 to ₹ 6,214 crore in 2016-17, with a growth rate of 4 *per cent* and its ratio with total Capital Expenditure increased from 27 *per cent* in 2015-16 to 37 *per cent* in 2016-17. However, Capital Expenditure on Economic Services decreased by 34 *per cent* from ₹ 15,549 crore in 2015-16 to ₹ 10,329 crore in 2016-17.

As compared to the previous year, capital outlay on the priority Economic Sectors *viz.* Power and Roads and Bridges decreased by ₹ 5,318 crore and ₹ 613 crore respectively in 2016-17 which was counterbalanced by increase in Major Irrigation ₹ 708 crore.

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

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

Sector	<i>(In per cent)</i>					
	2015-16			2016-17		
	Ratio of Capital Expenditure to Total Expenditure	Revenue Salaries and Wages	Expenditure Operation and Maintenance	Ratio of Capital Expenditure to Total Expenditure	Revenue Salaries and Wages	Expenditure Operation and Maintenance
(A) Social Services						
General Education	0.28	55.15	0.01	0.30	58.47	0.01
Health and Family Welfare	7.42	53.63	0.14	6.23	57.08	0.13
Water Supply, Sanitation, Housing and Urban Development	46.01	22.96	1.98	40.68	18.32	1.48
Total (A)	12.15	39.90	0.40	11.18	41.84	0.31
(B) Economic Services						
Agriculture and Allied Activities	9.40	36.36	0.50	8.25	29.98	0.44
Irrigation and Flood Control	41.91	24.05	8.94	50.23	22.45	15.99
Power and Energy	46.13	0.01	0.00	19.63	0.01	0.00
Transport	66.83	8.50	37.25	58.95	7.56	34.00
Total (B)	32.79	7.27	2.35	21.13	6.40	2.30
Total (A+B)*	18.20	26.07	1.22	15.83	26.30	1.19
<i>percentage</i>						

Source: Finance Accounts

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

Expenditure on Social Services

The share of expenditure on salary and wages in total revenue expenditure increased from 39.90 *per cent* in 2015-16 to 41.84 *per cent* in 2016-17.

Expenditure on Economic Services

The share of salary and wages expenditure under economic services in total revenue expenditure decreased from 7.27 *per cent* in 2015-16 to 6.40 *per cent* in 2016-17.

Expenditure on Operation and Maintenance

It is important to ensure that adequate funds are allocated to operation and maintenance, since assets have to be maintained. The share of operation and maintenance in revenue expenditure on social services and economic services was 1.19 *per cent* in 2016-17. During 2016-17, only 0.90 *per cent* of total revenue expenditure was allocated to operation and maintenance.

The share of operation and maintenance decreased in revenue expenditure on Social Services and Economic Services from 0.40 *per cent* and 2.35 *per cent* in 2015-16 to 0.31 *per cent* and 2.30 *per cent* in 2016-17 respectively. During 2016-17, as per Finance Accounts the State Government booked only ₹ 1,198.01 crore (Revenue: ₹ 1,154.06 crore, Capital: ₹ 43.95 crore) to maintain its public assets.

1.8.3 Plan and Non-Plan Expenditure

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

Table 1.20: Growth in Plan and Non-Plan Expenditure

		(₹ in crore)				
		2012-13	2013-14	2014-15	2015-16	2016-17
Plan	Revenue	14,235	17,364	27,444	31,638	47,482
	Capital	10,682	13,676	16,087	21,995	16,968
	Loan	2,242	664	646	36,595	12,865
	Total	27,159	31,704	44,177	90,228	77,315
	Percentage of plan to total expenditure	35	35	40	55	49
Non-Plan	Revenue	49,227	58,146	67,098	74,601	79,658
	Capital	1	(-) 12	16	(-) 9	12
	Loan	170	148	55	7	100
	Total	49,398	58,282	67,169	74,599	79,770
	Percentage of non-plan to total expenditure	65	65	60	45	51
Total Expenditure		76,557	89,986	1,11,346	1,64,827	1,57,085

Source: Finance Accounts

The share of plan expenditure in the total expenditure exhibited an increasing trend during 2012-17, which indicated the productive quality of expenditure. During 2012-17, plan expenditure increased by 185 *per cent* from ₹ 27,159 crore in 2012-13 to ₹ 77,315 crore in 2016-17 and non-plan by 61 *per cent* from ₹ 49,398 crore to ₹ 79,770 crore during this period.

The Plan Revenue Expenditure (PRE) and Non-Plan Revenue Expenditure (NPRE) have shown consistent increase over the period 2012-17. PRE increased by 50 *per cent* over the previous year which was higher than the projected increase of 48.5 *per cent* in MTFPS for 2016-17. Similarly, NPRE increased by 6.8 *per cent* over previous year which was also higher than the projections of 3.6 *per cent* made in MTFPS for 2016-17.

1.8.3.1 Plan Revenue Expenditure

Increase of PRE by ₹ 15,844 crore over the previous year was mainly under Major Heads of Power (₹ 8,129 crore), Social Security and Welfare (₹ 3,730 crore), General Education (₹ 2,500 crore) and Crop Husbandry (₹ 893 crore). During 2016-17, the ratio of PRE to Revenue Expenditure increased by seven percentage point over the previous year (30 *per cent*).

1.8.3.2 Non-Plan Revenue Expenditure

Increase in NPRE by ₹ 5,057 crore during the current year was mainly due to Interest Payments (₹ 5,669 crore), Pensions and other Retirement Benefits (₹ 1,432 crore), Other Rural Development Programmes (₹ 1,123 crore) and General Education (₹ 879 crore) which was counterbalanced by decrease in Social Security and Welfare (₹ 3,277 crore) and Power (₹ 2,304 crore). NPRE constituted 63 *per cent* of Revenue Expenditure and 51 *per cent* of total expenditure.

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

Table 1.21: NPRE and PRE *vis-à-vis* assessments made in MTFPS

	Assessments made by GoR in MTFPS	(₹ in crore) Actual Expenditure
Non-Plan Revenue Expenditure	79,055	79,658
Plan Revenue Expenditure	52,998	47,482

Source: Finance Accounts and Budget Documents.

Actual NPRE was higher than the assessment made by the State Government in MTFPS by ₹ 603 crore (one *per cent*) while actual PRE was lower than against the assessment made by the State Government in MTFPS by ₹ 5,516 crore (10 *per cent*).

1.8.4 Schemes contemplated with Central Assistance under the State Plan but no expenditure incurred

Out of total 74 Centrally Sponsored Schemes, 60 schemes were being operated in Rajasthan during 2016-17. The position of budget allocations and expenditure during 2016-17 under these 60 schemes is summarized in table below:

(₹ in crore)

No. of Centrally Sponsored Schemes/ Programmes	Budget estimate for State Plan	Central Assistance for State Plan	Amount released by GOI	Expenditure
60	31,346.83	17,760.26	12,359.20	23,313.03

It was observed that out of 60 Schemes, no expenditure was incurred in following two schemes despite release of grant of ₹ 19.28 crore by GoI:

(₹ in crore)

S. No.	Name of Programmes/ Schemes	Budget provision	Amount released by GoI	Total Expenditure	Shortfall in per cent
1.	Skill Development Mission	0.00	14.19	0.00	100
2.	Scheme for Development of Economic Backward Classes	0.00	5.09	0.00	100
	Total	0.00	19.28	0.0	

Rajasthan Skill and Livelihoods Development Corporation, an enterprise of GoR informed (September 2017) that expenditure could not be incurred under “Skill Development Mission” as the funds were transferred under the scheme by GoI on 30 March 2017.

The Social Justice and Empowerment Department informed (November 2017) that expenditure could not be incurred as a New Portal of scholarship was developed and the portal was open for accepting applications for scholarship from December 2016 to April 2017. Reply is not convincing as the applications for scholarship could have been obtained during 2016-17 to utilise the available funds.

1.8.4.1 Major Flagship Programmes/Schemes

Flagship programmes²⁷ are implemented with the aim to build rural and urban infrastructure for providing basic services.

GoI had approved 17 Major Flagship Programmes/Schemes out of 66 Programmes/Schemes in year 2014-15 for 12th five year plan (2012-2017). Out of these, 15 schemes were in vogue in the State during 2016-17 for which GoI released ₹ 9,322.24 crore against the Central Assistance for State Plan of ₹ 13,731.49 crore (Budget estimate was ₹ 23,995.32 crore) and the

²⁷ Flagship programmes/Schemes correspond to a few major schemes, with higher fund allocation and are rigorously pursued by the Government.

expenditure was ₹ 18,018.35 crore. Thus, there was a shortfall of ₹ 5,976.97 crore.

It is observed that out of 15 flagship schemes, following eight flagship schemes had a shortfall between 22 *per cent* to 84 *per cent* of expenditure against the budget provision.

(₹ in crore)

S. No.	Name of Programmes/ Schemes	Budget provision	Total Expenditure	Shortfall in Expenditure	Shortfall in <i>per cent</i>
1	Rashtriya Krishi Vikash Yojana	650.00	496.66	153.34	24
2	Nirmal Bharat Abhiyan	2,345.91	1,709.21	636.70	27
3	National Rural Drinking Water Programme	3,336.71	2,592.27	744.44	22
4	Indira Awas Yojana	830.90	132.07	698.83	84
5	Mahatma Gandhi National Rural Employment Guarantee Yojana	3,800.00	1,760.56	2,039.44	54
6	National Rural Livelihood Mission	264.47	98.26	166.21	63
7	Accelerated Irrigation Benefit Programme	590.21	404.37	185.84	31
8	Rashtriya Madhyamik Shiksha Abhiyan	1,772.91	840.16	932.75	53

Source: Finance Accounts and Budget Documents.

1.9 Financial Analysis of Government Expenditure and Investment

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

1.9.1 Financial results of Irrigation Projects

The financial results of 6 major and 11 medium irrigation projects (**Appendix 1.8**), completed with a capital outlay of ₹ 6,753.35 crore at the end of March 2017, revealed that during 2016-17 revenue realised (₹ 59.43 crore) from these projects was only 0.9 *per cent* of capital expenditure. This was not even sufficient to cover the direct working expenses. After meeting working and maintenance expenditure (₹ 295.89 crore) and interest charges (₹ 648.12 crore), the projects suffered a net loss of ₹ 884.58 crore.

Indira Gandhi Nahar Project (IGNP) is the largest irrigation project under execution in Rajasthan and its various stages have been completed over the

years. At the end of March 2017, the capital expenditure on IGNP was ₹ 5,082.62 crore. During 2016-17, the revenue realised from IGNP was ₹ 26 crore, comprising only 0.51 *per cent* of the capital expenditure. This revenue was negligible (3.85 *per cent*) even with reference to total working and maintenance expenditure incurred (₹ 183.45 crore) and the interest charges (₹ 492.21 crore). The project suffered a net loss of ₹ 649.66 crore.

Gang Canal is the second largest irrigation project in the State. At the end of March 2017, the capital expenditure on Gang Canal was ₹ 658.87 crore. During 2016-17, the revenue realised from Gang Canal was ₹ 8.93 crore, which was not sufficient to cover the working and maintenance expenditure (₹ 24.69 crore) and interest charges (₹ 64.66 crore). The project suffered a net loss of ₹ 80.42 crore.

1.9.2 Incomplete projects

The department-wise information, pertaining to incomplete projects (more than ₹ 10 crore each) as on 31 March 2017, is as follows:

Table 1.22: Department-wise profile of incomplete projects

Department	Total no. of incomplete projects	Original sanctioned cost of all incomplete projects	Original estimated cost of 37 projects which were revised		Revised cost of 37 incomplete projects	Cost Overrun of 37 projects which were revised	Cumulative actual expenditure of all incomplete projects as on 31 March 2017
			No.	Amount			
Water Resources Department /Projects	44	4,123.98	19	990.85	4,151.37	3,160.52	4,572.38
Public Works Department/ Project	95	4,518.46	3	30.00	83.29	53.29	1,956.81
Public Health Engineering Department	58	19,734.25	15	4,273.00	8,222.41	3,949.41	11,139.21
Total	197	28,376.69	37	5,293.85	12,457.07	7,163.22	17,668.40

Source: Finance Accounts

As per the information furnished by the State Government, there were 197 incomplete projects (more than ₹ 10 crore each) as on 31 March 2017, on which an amount of ₹ 17,668 crore was spent. Of these, 42 projects (₹ 4,830.47 crore) were incomplete for the past 5 to 23 years out of which cost of 28 incomplete projects increased by 150 *per cent* i.e. from ₹ 3,730.97 crore (initial cost) to ₹ 9,320.94 crore. Thus, the total cost overrun was ₹ 7,163 crore, of which cost of *Narmada Jalore Project* alone increased by 431 *per cent* (₹ 2,013.96 crore) from ₹ 467.53 crore to ₹ 2,481.49 crore. The amount spent (₹ 17,668.40 crore) in all the incomplete projects/works was 12 *per cent* of the cumulative capital outlay (₹ 1,47,884.09 crore) of the State.

No expenditure was incurred on 13 projects (total project cost more than ₹ 10 crore each) during 2016-17 as detailed in **Table 1.23**. The amount spent up to March 2016 and the cumulative expenditure up to March 2017 remained same at ₹ 132.32 crore.

Table 1.23: No expenditure on incomplete projects during 2016-17

(₹ in crore)				
S. No.	Name of Project	Year of Commencement	Original/ Revised sanctioned cost	Cumulative actual expenditure as on 31 March 2017
Projects of Water Resources Department				
1.	Khoh	2007-08	14.30	6.89
2.	Vasa	2012-13	30.66	18.92
3.	Construction of Khamera Canal from RD 4 to 8 km (MIS-II)	2012-13	11.45	6.90
4.	Construction of Khamera Canal from RD 11 to 14 km (MIS-IV)	2012-13	15.88	3.10
5.	BBSC RD 115 to 118.59 km (MIS-X)	2013-14	15.31	4.51
6.	Hanumanwala Aniket	2013-14	24.59	14.11
7.	Somkamlaamba (ERM)	2012-13	13.81	14.32
8.	Construction of BBSE RD 105 to 110.37 km (MIS-IX)	2013-14	11.58	9.52
Projects of Public Works Department				
9.	Diagnostic Wing, Jaipur	2013-14	17.14	—*
10.	Construction of ROB on Dholpur SWM GGC Mathura Road (SH 1) at Km 230	2007-08	21.57	21.57
11.	Rehabilitation of Bhainsroadgarh to MP Border Road km 36/0 to 62/0	2012-13	15.60	8.80
12.	Beharawanda Khandar Karanpur Kailadevi Karauli Masalpur Jagner road (MDR-3) km 132/0 to 170/0	2012-13	19.28	18.51
Projects of Public Health Engineering Department				
13.	Reorganisation of UWSS Hanumangarh Phase II	2013-14	16.29	5.17
Total			227.46	132.32

* Only ₹ 0.02 lakh.

Source: Finance Accounts

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

1.9.3 Investment and returns

As on 31 March 2017, the Government invested ₹ 41,733.94 crore in 49 Government Companies (₹ 40,246.13 crore), seven Statutory Corporations (₹ 764.34 crore), two Rural Banks (₹ 73.69 crore), 25 Joint Stock Companies (₹ 140.65 crore) and Cooperative Banks and Societies (₹ 509.13 crore). The above investment included ₹ 19.37 crore in non-working Statutory Corporations and ₹ 10.83 crore in non-working Government Companies. The average return on this investment was 0.1 to 0.3 per cent during 2012-17, while the Government paid an average interest of 6.7 to 7.6 per cent on its borrowings (Table 1.24). Therefore, return on investment of the State Government is very low.

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

Table 1.24: Returns on Investment

Investment/Returns/Cost of Borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Investment at the end of the year (₹ in crore)	18,753.33	23,518.00	27,909.59	37,417.62	41,733.94
Returns (₹ in crore)	57.18	24.60	63.33	97.41	67.80
Returns (per cent)	0.3	0.1	0.2	0.3	0.2
Average rate ²⁸ of interest on Government borrowings (per cent)	7.4	7.3	7.5	6.7	7.6
Difference between interest rate and returns (per cent)	7.1	7.2	7.3	6.4	7.4

Source: Finance Accounts

²⁸ See glossary at page 187 for method of calculation.

Net investment of the State Government in Government Companies, Rural Banks and Cooperative Banks and Societies was ₹ 4,316.32 crore during 2016-17. Out of this, ₹ 4,065.71 crore²⁹ was invested in five accumulated loss making power companies. The Government had invested ₹ 37,592.84 crore (90 per cent of total investment) in five power companies as on 31 March 2017.

The investment of the State Government included ₹ 40,235.30 crore in 46 working Government Companies, of which only eight companies declared dividend aggregating to ₹ 65.05 crore against an investment of ₹ 573.80 crore.

The total investment in two Statutory Corporations, 18 Government Companies and six Joint Stock Companies, amounted to ₹ 39,911.76 crore and their accumulated losses amounted to ₹ 1,04,158.49 crore, out of which accumulated losses of five power companies was ₹ 98,935.04 crore³⁰. It is pertinent to note that Central Government has introduced (November 2015) UDAY schemes to improve the operational and financial efficiency of the State DISCOMs and as per the scheme, results shall be visible after December 2019.

Statement No 19 of the Annual Finance Accounts of the State Government contains the details of investments made by the State Government in Statutory Corporations, Rural Banks, Government Companies etc. It was revealed that the State Government had made investments of ₹ 1.35 crore in two statutory corporations and 14 Joint Stock Companies (JSCs) between 1927-28 to 1990-91, but received no dividend. The details are given in *Appendix 1.13*. In most of these cases, the accounting information was not made available due to which the picture of updated status in respect of all is not clear. Moreover, the status of liquidation in most of these units, pending from 1960 in some cases, also could not be ascertained. This position needs to be reconciled and ratified by the State Government.

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

XIII-FC had recommended that the State Government should draw up a road map by March 2011 for closure of non-working companies. However, it was

²⁹ (i) Jaipur Vidyut Vitaran Nigam Limited: ₹ 1,108.76 crore; (ii) Jodhpur Vidyut Vitaran Nigam Limited: ₹ 1,026.62 crore; (iii) Ajmer Vidyut Vitaran Nigam Limited: ₹ 1,041.69 crore; (iv) Rajasthan Rajya Vidyut Utpadan Nigam Limited: ₹ 694.08 crore and (v) Rajasthan Rajya Vidyut Prasaran Nigam Limited: ₹ 194.56 crore.

³⁰ (i) Jaipur Vidyut Vitaran Nigam Limited: ₹ 32,294.00 crore; (ii) Ajmer Vidyut Vitaran Nigam Limited: ₹ 30,347.76 crore; (iii) Jodhpur Vidyut Vitaran Nigam Limited: ₹ 30,010.31 crore; (iv) Rajasthan Rajya Vidyut Prasaran Nigam Limited: ₹ 1,329.84 crore and (v) Rajasthan Rajya Vidyut Utpadan Nigam Limited: ₹ 4,953.13 crore.

observed that no such road map was drawn by the Government in respect of six non-working Statutory Corporations/ Government Companies³¹.

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

As per latest finalised accounts, the capital investment in State PSUs was ₹ 41,465.19 crore which included State Government investment of ₹ 40,730.66 crore (98.2 *per cent*). The aggregated accumulated losses of State PSUs was ₹ 1,01,241.75 crore (***Appendix 1.14***). A higher quantum of accumulated losses than the capital investment shows that the overall capital of the State PSUs had entirely been eroded and culminated into negative net worth of ₹ 59,776.56 crore. Further analysis of investment and accumulated losses disclosed that this erosion (₹ 73,858.24 crore) occurred in 19 out of 48 PSUs (32 PSU and 16 subsidiary companies of PSU). The PSUs of power sector mainly contributed to the erosion of investment. The accumulated losses of the power sector PSUs were ₹ 1,01,239.35 crore as against the capital investment of ₹ 38,026.84 crore.

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

State Government has invested ₹ 140.65 crore (only 0.3 *per cent* of total investment) in 24 Joint Stock Companies (JSCs) out of total investment ₹ 41,733.94 crore as of 31 March 2017. The accumulated losses of these JSCs were ₹ 66.46 crore. The investment of State Government in JSCs included ₹ 137.50 crore (98 *per cent*) in Road Infrastructure Development Company of Rajasthan Limited, Jaipur. However, the State Government did not receive any dividend from JSCs during 2016-17. Further, nine JSCs were under liquidation where the State Government has invested ₹ 0.23 crore upto 1990-91.

1.9.4 Departmental Commercial Undertakings

Activities of quasi-commercial nature are also performed by the departmental undertakings of certain government departments. The department-wise position of the investment made by the Government up to the year for which *pro forma* accounts are finalised, net profit/loss as well as return on capital invested in these undertakings are given in ***Appendix 1.9 and 3.3***. It is observed that an amount of ₹ 16,565.13 crore had been invested by the State Government in 10 undertakings at the end of financial year up to which their accounts were finalised. Of these, eight undertakings incurred accumulated loss of ₹ 12,211.20 crore, continuously for more than five years.

1.9.5 Loans and Advances by the State Government

In addition to investments in Cooperative Societies, Corporations and Companies, the Government has also been providing loans and advances to

³¹ (i) Rajasthan Land Development Corporation, Jaipur: (₹ 19.36 crore), (ii) Rajasthan State Mandi Development Corporation, Jaipur: (₹ 0.65 lakh), (iii) Rajasthan Water Supply and Sewerage Corporation, Jaipur: (₹ 0.08 lakh), (iv) Rajasthan State Mineral Development Corporation Limited, Jaipur: (₹ 10.61 crore), (v) Rajasthan *Rajya Van Vikas Nigam* Limited, Jaipur: (₹ 16.75 lakh) and (vi) Rajasthan State Electricity Corporation, Jaipur: (₹ 5.00 lakh).

many of these institutions/organisations. **Table 1.25** presents the outstanding loans and advances as on 31 March 2017 and interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.25: Average interest received on loans advanced by Government

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2014-15	2015-16	2016-17	
			BE	Actual
Opening Balance	5,004	4,701	43,481	39,856
Amount advanced during the year	701	36,602	11,067	12,965
Amount repaid during the year	1,004	1,447	133	1,713
Closing Balance	4,701	39,856	54,415	51,108
Net addition	(-) 303	35,155	10,934	11,252
Interest Receipts	129	196	-	172
Interest Receipts as <i>per cent</i> to outstanding Loans and Advances	2.7	0.9	-	0.4
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	7.5	6.7	-	7.6
Difference between interest payments and interest Receipts (<i>per cent</i>)	(-) 4.8	(-) 5.8	-	(-) 7.2

Source: Finance Accounts

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

Total loans and advances of ₹ 51,108 crore included loans and advances of ₹ 48,273 crore (94 *per cent*) to Power Projects. The amount of loans and advances disbursed during the year decreased from ₹ 36,602 crore in 2015-16 to ₹ 12,965 crore (Economic Services: ₹ 12,746 crore and Social Services: ₹ 219 crore) in 2016-17.

The Loans of ₹ 12,746 crore given to Economic Services included sum of ₹ 10,372 crore³², given to DISCOMs under UDAY, which was launched by GoI in November 2015 with a view to make the DISCOMs financially and operationally healthy. The scheme envisaged that out of outstanding debt of the DISCOMs ₹ 80,530 crore³³ (as on 30 September 2015), 50 *per cent* would be taken over by the state in 2015-16 and 25 *per cent* would be taken over by the state in 2016-17. Consequently, the State Government released sum of ₹ 40,050 crore³⁴ and ₹ 22,372 crore³⁵ to DISCOMs under UDAY during 2015-16 and 2016-17 respectively. The overall Loan advanced to the Power sector during 2016-17 was ₹ 12,481 crore (Jaipur *Vidyut Vitaran Nigam Limited*: ₹ 4,388 crore; Jodhpur *Vidyut Vitaran Nigam Limited*: ₹ 4,077 crore; Ajmer *Vidyut Vitaran Nigam Limited*: ₹ 3,586 crore and Rajasthan *Rajya Vidyut Prasaran Nigam Limited*: ₹ 430 crore) under Economic Sector.

³² Jaipur *Vidyut Vitaran Nigam Limited*: ₹ 3,732.57 crore; Jodhpur *Vidyut Vitaran Nigam Limited*: ₹ 3,569.13 crore and Ajmer *Vidyut Vitaran Nigam Limited*: ₹ 3,070.49 crore.

³³ Jaipur *Vidyut Vitaran Nigam Limited*: ₹ 28,056 crore; Jodhpur *Vidyut Vitaran Nigam Limited*: ₹ 25,877 crore and Ajmer *Vidyut Vitaran Nigam Limited*: ₹ 26,597 crore.

³⁴ Capital Investment under UDAY - Acquisition of Bonds: ₹ 2,700 crore; Capital Investment under UDAY ₹ 3,000 crore and Loans under UDAY ₹ 34,350 crore.

³⁵ Subsidy under UDAY: ₹ 9,000 crore; Capital Investment under UDAY ₹ 3,000 crore and Loans under UDAY ₹ 10,372 crore.

Besides above, the major portion of loan was advanced to Jaipur Metro Rail Corporation Limited (₹ 174 crore) during current year, under Social Sector. Regarding repayment of loans, it was seen that more than ₹ 67 crore of loans were not repaid by some loanees (*Appendix 1.10*) for the last 14 years or more.

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

Ministry of Power, GoI has launched UDAY scheme in November 2015 for Financial Turnaround of Power Distribution Companies (DISCOMs). The objective of the scheme was to improve the operational and financial efficiency of the State DISCOMs.

As per provision 7.1 of the UDAY scheme 75 per cent of DISCOMs debt as on 30th September 2015 was to be taken over by the State Government during the year 2015-16 and 2016-17 (i.e. 50 per cent during 2015-16 and 25 per cent during 2016-17).

Transmission and Distribution (T&D) losses of DISCOMs ranged between 24 per cent and 36 per cent for the period 2007-08 to 2016-17 wherein, the major portion of T&D losses was due to Distribution losses. As of March 2017, T&D losses stood at 27 per cent, 86 per cent of the same was on account of distribution losses. Further, the cumulative losses of DISCOMs increased to ₹ 1,03,540.16 crore in the last decade. Net loss for the year 2016-17 was ₹ 5,207.55 crore (*Appendix 1.15*).

For achieving financial turnaround of DISCOMs a tripartite Memorandum of Undertaking was executed on 27 January 2016 amongst Ministry of Power, GoI, GoR and Power Distribution Companies i.e. Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited. The outstanding debt of DISCOMs as on 30th September 2015 was ₹ 80,530 crore (Ajmer: ₹ 26,597 crore, Jaipur: ₹ 28,056 crore and Jodhpur: ₹ 25,877 crore) after the debt of ₹ 2,700 crore taken over during May 2015.

The GoR had taken over debt of DISCOMs of ₹ 62,422 crore (75 per cent of ₹ 83,230 crore (80,530 crore + 2,700 crore)) during 2015-16 and 2016-17 (2015-16: ₹ 40,050 crore and 2016-17: ₹ 22,372 crore) under UDAY as summarised below:

(₹ in crore)					
Year	Nature	Jaipur Vidyut Vitran Nigam Limited	Jodhpur Vidyut Vitran Nigam Limited	Ajmer Vidyut Vitran Nigam Limited	Total
2015-16	Investment	1,985.87	1,831.57	1,882.56	5,700.00
	Loan	11,784.60	10,779.31	11,785.86	34,349.77
	Total	13,770.47	12,610.88	13,668.42	40,049.77
2016-17	Investment	1,045.19	963.99	990.82	3,000.00
	Loan	3,732.57	3,569.13	3,070.49	10,372.19
	Subsidy	3,135.57	2,891.96	2,972.47	9,000.00
	Total	7,913.33	7,425.08	7,033.78	22,372.19
Grand Total		21,683.80	20,035.96	20,702.20	62,421.96

The above position indicates that GoR took over debt of DISCOMs through investment (Equity) ₹ 8,700 crore, Loan ₹ 44,722 crore and Subsidy ₹ 9,000 crore during the year 2015-16 and 2016-17. The GoR raised funds by issuing bonds of ₹ 62,422 crore during 2015-16 and 2016-17 (₹ 40,050 crore during 2015-16 and ₹ 22,372 crore during 2016-17). Besides, above the GoR paid interest of ₹ 4,192 crore on borrowings raised under UDAY scheme during 2016-17.

1.9.6 Adverse balances under DDR Heads

Adverse balances are negative balances appearing under those heads of accounts, where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayments than the original amount advanced. These need to be reconciled and adjusted on priority.

As of 31 March 2017, there were 69 cases³⁶ in 12 Major Heads amounting to ₹ 837.02 crore of adverse balances under Debt, Deposit and Remittances (DDR) heads. The adverse balances were mainly under Pension Funds of employees of Municipal Councils/Municipalities (₹ 779.01 crore) under 'Insurance and Pension Funds', Disbursement of Rajasthan *Rajya Vidyut Prasaran Nigam Limited* (₹ 19.12 crore) and Jaipur Metro Corporation (₹ 5.85 crore) under 'Civil Deposits', Rajasthan *Khadi Gramodyog Board* (₹ 12.26 crore) under 'Deposits of Local Funds', Agriculture Works (₹ 6.07 crore) and Water Conservation Schemes (₹ 5.75 crore) under 'Loans and Advances from the Central Government', Loans to other employees for purchase of Motor Vehicles (₹ 2.33 crore) under 'Loans to Government Servants' and Adjustable heads by Division (₹ 2.03 crore) under 'Cash Remittance and adjustments between officers rendering accounts to the same Accounts Officers'.

1.9.7 Resource availability of the State under Public Private Partnership Projects

Public Private Partnership (PPP) is an arrangement between the government or statutory entity and private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for adequate infrastructure development activities. The PPP cell established (July 2007) by the State Government in Planning Department, is the nodal agency to coordinate all efforts of the State Government for public private participation. It serves as the repository of all information relating to PPP in the State including best practices and guidelines. The Administrative Departments are

³⁶ Loans and Advances from the Central Government (seven cases: ₹ 12.23 crore); Loans for Medical and Public Health (two cases: ₹ 3,382 crore); Loans for Housing (one case: ₹ 0.01 crore); Loans for Animal Husbandry (one case: ₹ 1 crore); Loans for Food Storage and Warehousing (one case: ₹ 0.02 crore); Loans to Government Servants (45 cases: ₹ 2.54 crore); State Provident Funds (one case: ₹ 0.01 crore); Insurance and Pension Funds (one case: ₹ 779.01 crore); Deposits of Local Funds (one case: ₹ 12.26 crore); Civil Deposits (three cases: ₹ 25.01 crore); Suspense Account (three cases: ₹ 3.19 crore); and Cash Remittance and adjustments between officers rendering accounts to the same Accounts Officers (three cases: ₹ 2.74 crore).

required to submit their proposals to PPP cell to seek in-principle approval of Empowered Committee on Infrastructure Development (ECID).

As per information furnished (October 2017) by PPP Cell, 191 projects involving ₹ 15,806.88 crore, have been taken up during the period 1995-2017 under different sectors. Of these, 148 projects (₹10,844.61 crore) were completed and 43 projects (₹ 4,962.27 crore) were in progress as on 31 March 2017. Besides, 117 projects involving ₹ 27,523.18 crore, relating to Roads, Urban Infrastructure, Power, Water and Social Sectors have been planned for the future. The resources of Participating Agencies for PPP were ₹ 401.65 Crore, as per proposed Plan Outlay of Budget 2016-17.

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

Table 1.26: Sector-wise details of PPP Projects

(₹ in crore)							
S. No.	Sector	Completed		On going		Planned for future	
		No.	Estimated Cost	No.	Estimated Cost	No.	Estimated Cost
1.	Road	53	4,052.49	9	3,815.25	86	10,233.34
2.	Urban Infrastructure	20	371.30	6	350.58	15	12,321.15
3.	Power	5	5,672.58	3	534.28	5	547.79
4.	Water	1	46.00	-	-	4	3,865.00
5.	IT	1	54.01	-	-	-	-
6.	Social	54	523.54	23	217.79	7	555.90
7.	Other	14	124.69	2	44.37	-	-
	Total	148	10,844.61	43	4,962.27	117	27,523.18

Scrutiny of the budget documents of 2016-17 revealed that the State Government did not provide the details of figures and information regarding investment made in PPP projects in the previous year. Further, the revenue generated through such project was not ascertainable in the budget document. For the current year the documents also do not reveal distinctively, the estimated investment to be made by the Private and Government sectors respectively in connection with PPP projects involving the State Government.

1.10 Assets and Liabilities

1.10.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. *Appendix 1.5* gives an abstract of such liabilities and the assets as on 31 March 2017, compared with the corresponding position on 31 March 2016. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

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

The growth rate of components of assets and liabilities are summarised in the **Table 1.27**:

Table 1.27: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Assets			
	2015-16	2016-17	Per cent increased		2015-16	2016-17	Per cent increased
Consolidated Fund	1,56,549.67	1,95,423.95	24.83	Consolidated Fund	1,70,787.49	1,98,991.29	16.51
a Internal Debt	1,48,291.74	1,84,284.58	24.27	a Gross Capital Outlay	1,30,932.21	1,47,884.09	12.95
b Loans and Advances from GoI	8,257.93	11,139.37	34.89	b Loans and Advances	39,855.28	51,107.20	28.23
Contingency Fund	500.00	500.00	-				
Public Account	54,823.85	62,103.06	13.28	Public Account	28.55	148.91	421.58
a Small Savings, Provident Funds, etc.	35,514.45	38,894.45	9.52	a Advances	6.55	4.71	(-) 28.09
b Deposits	15,820.93	19,060.56	20.48	b Remittance	18.79	21.66	15.27
c Reserve Funds	3,488.47	4,148.05	18.91	c Suspense and Miscellaneous	3.21	122.54	3717.45
d Remittances	-	-	-	Cash balance (including investment in Earmarked Fund)	8,397.27	8,112.46	(-) 3.39
				Total	1,79,213.31	2,07,252.66	15.65
				Deficit in Revenue Account	32,660.21	50,774.35	55.46
Total	2,11,873.52	2,58,027.01	21.78	Total	2,11,873.52	2,58,027.01	21.78

Source: Finance Accounts

During 2016-17, the assets increased by 16 per cent, while the liabilities increased by 22 per cent over the previous year.

1.10.2 Fiscal Liabilities

The outstanding fiscal liabilities of the State increased from ₹ 1,17,809 crore in 2012-13 to ₹ 2,55,002 crore at the end of 2016-17, it increased by 22 per cent over to 2015-16.

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

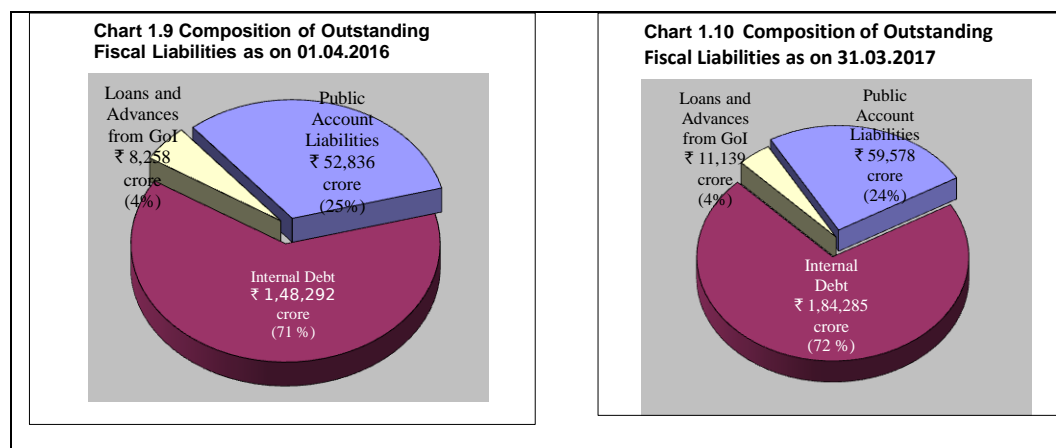
Table 1.28: Fiscal Liabilities- Basic Parameters

(₹ in crore)

	2012-13	2013-14	2014-15	2015-16	2016-17
Fiscal Liabilities	1,17,809	1,29,910	1,47,609	2,09,386	2,55,002
Rate of Growth	10.6	10.3	13.6	41.9	21.8
Fiscal Liabilities as a percentage of					
GSDP	23.9	23.7	24.3	31.1	34.0
Revenue Receipts	176.1	174.4	161.6	208.8	233.9
Own Resources	276.3	276.1	284.4	390.3	455.5

Source: Finance Accounts

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



Source: Finance Accounts

During 2016-17, fiscal liabilities increased by 22 per cent (₹ 45,616 crore) over the previous year due to increase in Internal Debt by 24 per cent (₹ 35,993 crore), Public Account Liabilities by 13 per cent (₹ 6,742 crore) and Loans and Advances from GoI by 38 per cent (₹ 2,881 crore).

The fiscal liabilities of ₹ 2,55,002 crore existing on 31 March 2017, included borrowings of ₹ 62,422 crore under UDAY, on account of issue of Compensation and Other Bonds which constituted Internal Debt of the State Government.

During 2016-17, fiscal liability (total outstanding debt) to GSDP ratio (34.01 per cent) was higher than the MTFPS projections (33.16 per cent) for the year. These liabilities stood at 2.34 times the revenue receipts and 4.55 times the State's own resources at the end of 2016-17.

During 2016-17, annual incremental borrowings³⁷ (₹ 45,616 crore) were higher than the ceilings fixed by the GoI (₹ 21,554 crore) as per recommendations of XIV-FC, due to the Government borrowing ₹ 22,372 crore under UDAY during 2016-17.

1.10.3 Cash balances and investment of cash balances

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

³⁷ It included Open Market Borrowings, Negotiated Loans from financial institutions, National Small Savings Fund loans, Central Government loans including EAPs, any loans for State Plan Schemes and Centrally Sponsored Schemes, other liabilities arising out of Public Account transfers under Small Savings, Provident Funds, Reserve Funds, Deposits, etc.

Table 1.29: Cash balances and Investment of Cash balances

	(₹ in crore)		
	Opening balance on 1 April 2016	Closing balance on 31 March 2017	Increase/ Decrease (-)
(a) General Cash Balance			
Cash in Treasuries	0.05	0.05	-
Deposits with Reserve Bank	488.99	(-) 2.28	(-) 491.27
Remittances in transit - Local	0.24	0.07	(-) 0.17
Total	489.28	(-) 2.16	(-) 491.44
Investments held in Cash Balance investment account	5,915.95	5,585.10	(-) 330.85
Total (a)	6,405.23	5,582.94	(-) 822.29
(b) Other Cash Balances and Investments			
Cash with departmental officers viz, Public Works Department Officers, Forest Department Officers, District Collectors	1.11	1.13	0.02
Permanent advances for contingent expenditure with departmental officers	3.11	2.93	(-) 0.18
Investment of earmarked funds	1,987.82	2,525.46	537.64
Total (b)	1,992.04	2,529.52	537.48
Grand total (a)+ (b)	8,397.27	8,112.46	(-) 284.81

Source: Finance Accounts

The State Government's cash balances at the end of the current year amounted to ₹ 8,112 crore showing decrease of ₹ 285 crore (3 per cent) from the previous year.

- **Investment of cash balances**

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

Year-wise position of cash balances³⁸, market loans raised and budgeted expenditure is given in **Table 1.30**.

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

	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Cash balance as on 1 April	9,785.11	12,886.72	10,446.44	8,949.28	8,397.27
Cash balance as on 31 March	12,886.72	10,446.44	8,949.28	8,397.27	8,112.46
Investment of cash balance in Govt Treasury Bills/Securities	12,127.66	8,997.40	7,628.42	5,915.95	5,585.10
Market loan raised	8,041	8,800	12,300	15,800	16,054
Total budgeted expenditure	71,956	90,440	1,26,470	1,32,883	1,66,541
Average monthly budgeted expenditure	5,996	7,537	10,539	11,074	13,878

Source: Finance Accounts and Budget Documents

³⁸ It includes Cash in Treasuries, Deposits with Reserve Bank, Remittances in Transit-Local, Cash with the Departmental Officers, Permanent Advance, Investment from Cash balances and Investment from Earmarked balances.

The surplus cash balances of the State Government are automatically invested in 14 day treasury bills with an average interest rate of 5 *per cent* per annum and partly in 91, 181 and 364 day auctioned treasury bills of RBI. Till the end of 2016-17, a sum of ₹ 5,585.10 crore was invested in GoI Treasury Bills/ Securities, which earned an interest of ₹ 460.86 crore. Further, ₹ 2,525.46 crore was also invested in earmarked funds.

1.10.4 Transactions under Reserve Funds

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

- **Operative Reserve Funds**

As on 31 March 2017, there were 23 Reserve Funds in Public Accounts containing ₹ 4,148.05 crore³⁹, in which included a sum of ₹ 394.02 crore in three interest bearing funds. During 2016-17, a sum of ₹ 3,067.86 crore was credited to the Reserve Funds of the state which included State Disaster Response Fund (₹ 2,148.82 crore⁴⁰), Guarantee Redemption Fund (₹ 417.92 crore) and Other Development and Welfare Fund (₹ 395.39 crore).

The State Government was required to credit interest of ₹ 5.19 crore (conservatively estimated at 7.5 *per cent*, representing the average interest rate on Ways and Means Advances) on ₹ 69.21 crore lying in other interest bearing funds as on 31 March 2016. It was however, observed that the same was not paid.

- **Inoperative Reserve Funds**

As per Finance Account 2016-17, five Reserve Funds (₹ 4.24 crore) were inactive for more than five years. Of these, one fund⁴¹ (₹ 0.20 crore) was interest bearing and four funds⁴² (₹ 4.04 crore) were non-interest bearing.

³⁹ It included (i) State Disaster Response Fund: ₹ 326.05 crore; (ii) Guarantee Redemption Fund: ₹ 2,634.65 crore; (iii) Resource Development Fund: ₹ 180.89 crore; (iv) State Road and Bridges Fund: ₹ 598.43 crore (v) Water Works under Depreciation Reserve Fund: ₹ 67.76 crore and (vi) Environment Reform and Health Fund in Mining Areas: ₹ 260.26 crore.

⁴⁰ It included NDRF of ₹ 990.82 crore.

⁴¹ Departmental Management Scheme of *Jhamar Kotra* Rock Phosphate: ₹ 20.45 lakh.

⁴² (i) Farmers Reform Fund: ₹ 0.74 lakh, (ii) Fund for intensive egg and hen production and marketing centres with the assistance of World Food Programme: ₹ 0.95 lakh, (iii) State Road Development Fund: ₹ 402.08 lakh and (iv) Government Security Redemption Fund: ₹ 0.18 lakh.

1.10.4.1 State Disaster Response Fund

The State Disaster Response Fund (SDRF) was set up on 1 April 2010 replacing the existing Calamity Relief Fund. The XIV-FC had recommended the quantum of annual contributions to the fund, 75 per cent of which was to be contributed by GoI and 25 per cent by the State Government.

During 2016-17, GoI and State Government contributed their shares in appropriate proportions. As on 31 March 2017, the balance in SDRF (including National Disaster Response Fund) was ₹ 326.05 crore after setting off the expenditure (₹ 2,054.34 crore) for disaster relief operations.

1.10.4.2 Guarantee Redemption Fund

The State Government had set up the Guarantee Redemption Fund in 1999-2000. The corpus of the Fund is to be gradually increased to the desirable level of 5 per cent of outstanding guarantees in terms of the guidelines of the Reserve Bank of India (RBI), which administers the Fund. The Guarantee Redemption Fund has a balance of ₹ 2,634.65 crore as on 31 March 2017, which was 5.1 per cent of outstanding guarantees (₹ 51,158.85 crore). No amount was reimbursed from this Fund during the year. Further, during 2016-17 the State Government received ₹ 386.29 crore Guarantee Commission against the receivable amount of ₹ 385.44 crore. This amount was booked under Miscellaneous Receipts and an amount of ₹ 278.19 crore was transferred in Guarantee Redemption Fund.

1.10.5 Contingent liabilities

- *Status of Guarantees*

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

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

Table 1.31: Guarantees given by the Government of Rajasthan

Guarantees	(₹ in crore)		
	2014-15	2015-16	2016-17
Maximum amount guaranteed	1,61,918	1,61,236	1,18,161
Outstanding amount of guarantees	94,578	53,620	51,119
Maximum amount guaranteed to total Revenue Receipts (in per cent)	177.3	160.8	108.4

Source: Finance Accounts

During 2016-17, the State Government received guarantee commission of ₹ 386.29 crore against receivable of ₹ 385.44 crore. The outstanding guarantees were 47 per cent of the Revenue Receipts of the Government. No guarantee was invoked during 2016-17.

The outstanding guarantees decreased by 5 *per cent* from ₹ 53,620 crore in 2015-16 to ₹ 51,159 crore in 2016-17. The outstanding guarantees mainly pertained to five Power Companies (₹ 43,219 crore), three Urban Development and Housing (₹ 3,005 crore), one Road and Transport (₹ 2,191 crore) and seven Co-operatives (₹ 1,705 crore). The guarantees of Power Companies were given for repayment of loans/overdraft, amount raised by issue of bonds/ debentures and payment of interest at stipulated rates.

- ***Off Budget borrowings***

The borrowings of a State are governed by Article 293 of the Constitution of India. In addition to the fiscal liabilities, the State Government guaranteed loans availed of by *Zila Parishads/Companies/Corporations* from the market/financial institutions for implementation of various State Plan programmes, projected outside the State Budget. The State Government projected that the fund raised for these programmes would be met out of the resources mobilized by these *Companies/Corporations/Zila Parishads*. In reality the borrowings of many of these concerns are repaid by the Government and ultimately turn out to be the liabilities of the State Government termed as "off budget borrowings" which is not permissible under Article 293 (3).

During 2016-17, GoR added guarantees of ₹ 61.34 crore to the opening outstanding balances of ₹ 2,787.25 crore and cleared guarantees of ₹ 243.07 crore leaving a balance of ₹ 2,605.52 crore outstanding at the end of 2016-17 against total guarantees of ₹ 3,948.66 crore. The Rural Development and Panchayati Raj Department (RDPRD), informed (May 2017) that till 2016-17 the State Government gave guarantees for payment of principal amount of loans of ₹ 3,948.66 crore obtained by *Zila Parishads* (ZPs) from Housing Urban Development Corporation (HUDCO) and interest thereon for construction of dwelling units for Economic Weaker Section (EWS) families in Rural areas under Chief Minister Below Poverty Line (CMBPL) Awas Yojana.

Scrutiny of the sanctions issued by RDPRD revealed that ₹ 480.82 crore (₹ 243.07 crore on account of principal and ₹ 237.75 crore as interest) was transferred by GoR in PD accounts of 31 ZPs during 2016-17, for payment of principal and interest on loans raised by them from HUDCO for CMBPL Awas Yojana, which was tantamount to off budget borrowings by the State Government for meeting plan expenditure.

1.10.6 Analysis of Borrowings of the Government

The Public Debt of the State Government increased by 38 *per cent* per annum from ₹ 76,954 crore in 2012-13 to ₹ 1,95,424 crore in 2016-17. During 2016-17 it increased by 25 *per cent* over the previous year. The details are given below in **Table 1.32**.

Table 1.32: Outstanding Borrowings during 2012-17

(₹ in crore)					
	2012-13	2013-14	2014-15	2015-16	2016-17
(a) Internal Debt					
Market Loans	44,209	51,384	61,386	75,193	89,518
Loans from National Bank for Agriculture and Rural Development	4,553	5,422	6,482	7,624	8,377
Special Securities issued to National Small Savings Fund of the Central Government	20,767	20,022	20,126	20,040	18,504
Loans from other Institutions	444	3,753	5,483	45,435*	67,886*
Total (a)	69,973	80,581	93,477	1,48,292	1,84,285
(b) Loans and Advances from the Central Government					
Non-Plan Loans	55	49	44	39	34
Loans for State/Union Territory Plan Schemes	6,789	6,690	6,980	8,209	11,095
Other Plan Loans	137	10	10	10	10
Total (b)	6,981	6,749	7,034	8,258	11,139
Total Borrowings (a + b)	76,954	87,330	1,00,511	1,56,550	1,95,424
Rate of Growth	7.3	13.5	15.1	55.8	24.8

Source: Finance Accounts

* Including borrowing under UDAY during 2015-16: ₹ 40,050 crore and 2016-17: ₹ 22,372 crore.

The outstanding borrowings and internal debt have shown a progressive increase over the period 2012-17, while loans and advances from the Central Government showed decreasing trend upto 2013-14 and thereafter progressive increase till 2016-17. The share of market loans to total borrowing decreased from 57 per cent in 2012-13 to 46 per cent in 2016-17. The market borrowings recorded increase of 19.1 per cent over the previous year which was lower than average growth rate of 25.6 per cent during 2013-17. The loans from other Institutions recorded increase of 49 per cent over the previous year.

1.11 Fiscal Imbalances

Three key fiscal parameters - Revenue Deficit, Fiscal Deficit and Primary Deficit - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the manner in which the deficit is financed and the resources are applied, are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual level of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2016-17.

1.11.1 Trends in Deficits

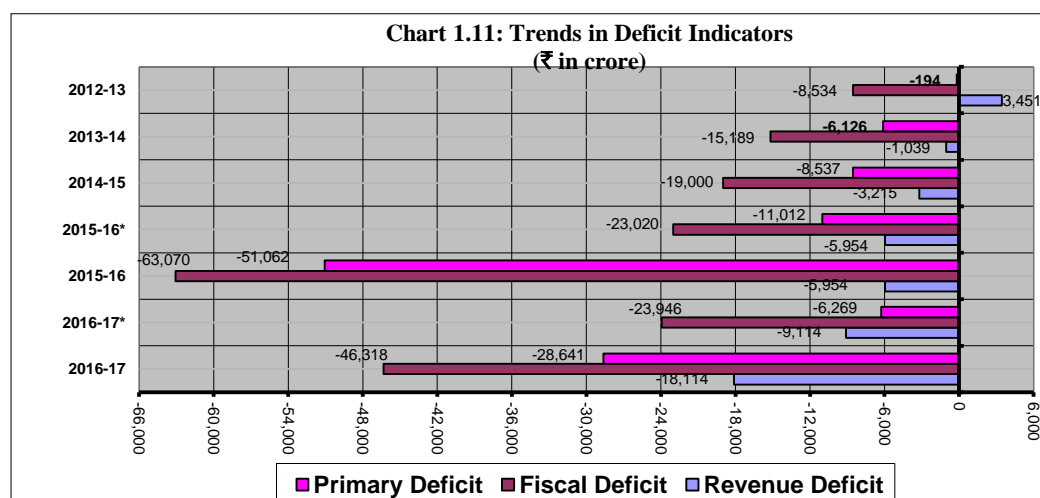
Trends in deficit and its indicators relative to GSDP are summarised below in table:

Trends in deficit indicators relative to GSDP

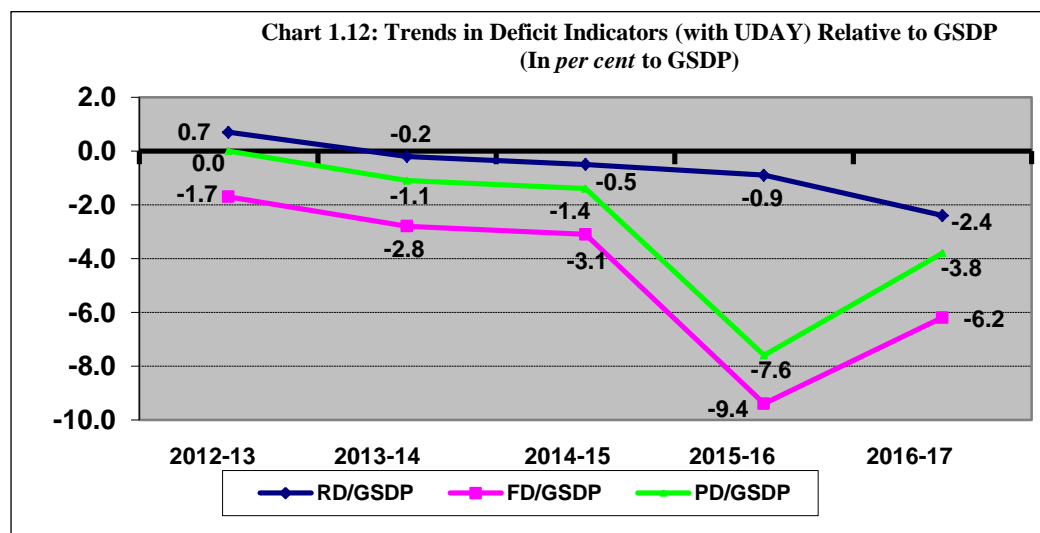
	2012-13	2013-14	2014-15	2015-16		2016-17	
				Without UDAY	With UDAY	Without UDAY	With UDAY
Revenue Deficit(-)/Revenue Surplus (+)	(+) 3,451	(-) 1,039	(-) 3,215	(-) 5,954	(-) 5,954	(-) 9,114	(-) 18,114
Fiscal Deficit (-)/Fiscal Surplus (+)	(-) 8,534	(-) 15,189	(-) 19,000	(-) 23,020	(-) 63,070	(-) 23,946	(-) 46,318
Primary Deficit	(-) 194	(-) 6,126	(-) 8,537	(-) 11,012	(-) 51,062	(-) 6,269	(-) 28,641
Revenue Deficit (surplus +)/GSDP	(+) 0.7	(-) 0.2	(-) 0.5	(-) 0.9	(-) 0.9	(-) 1.2	(-) 2.4
Fiscal Deficit/GSDP	(-) 1.7	(-) 2.8	(-) 3.1	(-) 3.4	(-) 9.4	(-) 3.2	(-) 6.2
Primary Deficit (surplus +)/GSDP	0.0	(-) 1.1	(-) 1.4	(-) 1.6	(-) 7.6	(-) 0.8	(-) 3.8
Revenue Deficit/Fiscal Deficit	-	6.8	16.9	25.9	9.4	38.1	39.1

Source: Finance Accounts

Charts 1.11 and 1.12 present the trends in deficit indicators over the period 2012-17.



* Without UDAY



1.11.1.1 Revenue Surplus/Deficit

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

The State Government turned into a revenue deficit State in 2013-14 from revenue surplus in 2012-13. During 2016-17, revenue deficit (₹ 18,114 crore) increased by ₹ 12,160 crore over the previous year. During 2016-17, against the growth rate of 8.7 per cent of Revenue Receipts, the growth rate of Revenue Expenditure was 19.7 per cent. This issue is discussed in detail in **Paragraph 1.2.1**.

1.11.1.2 Fiscal Deficit

Fiscal deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debts (internal or external) or by the use of surplus funds from Public Account. Fiscal deficit trends along with the trends of the deficit relative to key components are indicated in **Table 1.33**:

Table: 1.33: Fiscal deficit and its parameters

(₹ in crore)

Period	Non-debt Receipts	Total Expenditure	Fiscal Deficit	Fiscal Deficit as per cent of		
				GSDP	Non-debt Receipts	Total Expenditure
2012-13	68,023	76,557	8,534	1.73	12.6	11.2
2013-14	74,797	89,986	15,189	2.77	20.3	16.9
2014-15	92,346	1,11,346	19,000	3.13	20.6	17.1
2015-16*	1,01,757	1,64,827	63,070	9.38	62.0	38.3
2016-17*	1,10,767	1,57,085	46,318	6.18	41.8	29.5

Source: Finance Accounts

* the position includes impact of UDAY.

Fiscal deficit as a percentage of GSDP, non-debt receipts and total expenditure was least in 2012-13, thereafter it continuously increased upto 2015-16. During 2016-17, the fiscal deficit decreased by ₹ 16,752 crore from the previous year due to decreased in accounts of Loan and Advances (₹ 23,903 crore).

Fiscal deficit as a percentage of GSDP decreased from 3.42 per cent in 2015-16 to 3.19 per cent (without UDAY) in 2016-17, which was higher than the target of 3 per cent as prescribed under FRBM Act, 2005. After containing fiscal deficit regularly within the limit for the years 2012-13 and 2013-14 as prescribed under FRBM Act, the State Government has crossed the target of 3 per cent from 2014-15.

1.11.1.3 Primary Deficit

While fiscal deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payments. Interest payments represent the expenditure of past obligations and are independent of

current allocative priorities. To look at the imbalances of the current nature, these payments need to be separated and deducted from the total imbalances.

The primary surplus was maintained till 2011-12. The primary surplus turned into a primary deficit in 2012-13, due to increase in capital expenditure. The primary deficit decreased from ₹ 51,062 crore in 2015-16 to ₹ 28,641 crore in 2016-17.

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

Table 1.34 presents item-wise net disbursement/outflow financing pattern of fiscal deficits of the State during 2011-12 to 2016-17 along with receipts and disbursements during 2016-17.

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

		Net disbursements/outflows					(₹ in crore) 2016-17#		
		2011-12	2012-13	2013-14	2014-15	2015-16#	Receipts	Disbursements	Net
(a) Composition of Fiscal Deficit									
1	Revenue Deficit/ Surplus (-)	(-) 3,357	(-) 3,451	1,039	3,215	5,954	1,09,026	1,27,140	18,114
2	Net Capital Expenditure	7,103	10,675	13,654	16,088	21,961	28	16,980	16,952
3	Net Loans and Advances	(-) 120	1,310	496	(-) 303	35,155	1,713	12,965	11,252
	Total (a)	3,626	8,534	15,189	19,000	63,070	1,10,767	1,57,085	46,318
(b) Financing Pattern of Fiscal Deficit									
1	Market Borrowings	3,103	5,658	7,175	10,002	13,807	16,054	1,729	14,325
2	Loans from GoI	(-) 131	(-) 268	(-) 232	286	1,224	3,455	574	2,881
3	Special Securities Issued to National Small Saving Funds	(-)1,138	(-) 751	(-) 745	104	(-) 86	-	1,536	(-) 1,536
4	Ways and Means	-	-	-	-	-	-	-	-
5	Loans from Financial Institutions	594	610	4,178	2,789	41,094	24,380	1,176	23,204
6	Small Savings, Provident Fund etc	2,767	2,164	2,521	2,982	3,267	8,620	5,240	3,380
7	Deposits and Advances	1,096	3,416	(-) 421	1,409	2,255	1,44,292	1,41,050	3,242
8	Suspense and Miscellaneous	12	(-) 3	12	(-) 40	59	(-) 67	52	(-) 119
9	Remittances	-	29	(-) 6	(-) 1	(-) 20	132	135	(-) 3
10	Reserve Funds	1,020	781	267	(-) 28	918	3,068	2,409	659
	Total (b)	7,323	11,636	12,749	17,503	62,518	1,99,934	1,53,901	46,033
11	Increase (-)/ Decrease (+) in Cash Balance (a-b)	(-)3,697	(-)3,102	2,440	1,497	552	-	-	285
12	Overall Deficit (b+11)	3,626	8,534	15,189	19,000	63,070	-	-	46,318

The position includes impact of UDAY.

Source : Finance Accounts

Fiscal deficit is the total borrowing requirement of the State and is the excess of Revenue and Capital Expenditure including loans and advances, over revenue and non-debt receipts. Composition of fiscal deficit reveals the extent

of various borrowings resorted to, by the State to meet its requirement of funds over and above Revenue and non-debt Receipts.

Market borrowings and Loans from Financial Institutions by the State Government continued to finance a major portion of fiscal deficit. Its share in financing fiscal deficit decreased from 87 *per cent* in 2015-16 to 81 *per cent* in 2016-17. During 2016-17, the fiscal deficit of ₹ 46,318 crore was mainly met from Market Borrowings (₹ 14,325 crore), Loans from Financial Institutions (₹ 23,204 crore), Small Savings and Provident Funds etc., (₹ 3,380 crore) and Deposits and Advances (₹ 3,242 crore). The Market Borrowings and the Small Savings, Provident Fund etc., increased by 19.1 *per cent* and 9.5 *per cent* respectively over the previous year; raising the future interest burden.

1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the composition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Persistent high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) did not have adequate assets backup.

The bifurcation of the primary deficit (**Table 1.35**) indicated the extent to which the deficit was on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.35: Primary deficit/surplus-Bifurcation of factors

(₹ in crore)							
Year	Non-debt Receipts (NDR)	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	NDR <i>vis-à-vis</i> Primary Revenue Expenditure	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2012-13	68,023	55,122	10,683	2,412	68,217	(+) 12,901	(-) 194
2013-14	74,797	66,447	13,664	812	80,923	(+) 8,350	(-) 6,126
2014-15	92,346	84,079	16,103	701	1,00,883	(+) 8,267	(-) 8,537
2015-16	1,01,757	94,231	21,986	36,602	1,52,819	(+) 7,526	(-) 51,062
2016-17	1,10,767	1,09,463	16,980	12,965	1,39,408	(+) 1,304	(-) 28,641

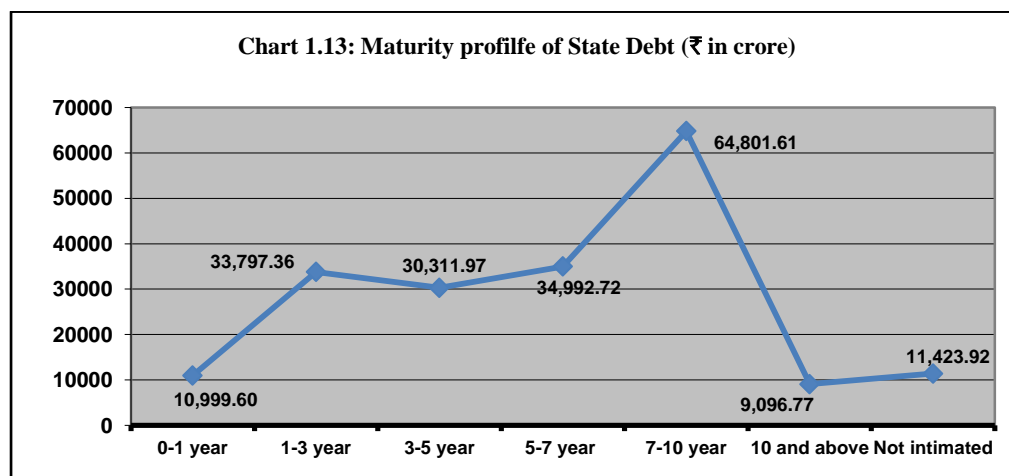
Source: Finance Accounts

The share of capital expenditure in primary expenditure which was 16 *per cent* in 2012-13, decreased to 12 *per cent* in 2016-17. The non-debt receipts increased by ₹ 9,010 crore in 2016-17 compared to the previous year while there was decrease of ₹ 13,411 crore in primary expenditure. This resulted in decrease of primary deficit by ₹ 22,421 crore. The Primary Revenue Expenditure increased by ₹ 15,232 crore (16.2 *per cent*) while Capital Expenditure and disbursement of Loans and Advances decreased by ₹ 5,006 crore (22.8 *per cent*) and ₹ 23,637 crore (64.6 *per cent*) respectively over the previous year. During 2016-17, the non-debt receipt was less than the primary expenditure resulting in a primary deficit.

1.12 Debt Management

(i) Debt Profile

The Maturity Profile of the State Debt as on 31 March 2017 is depicted in Chart 1.13:



As per data shown in **Chart 1.13**, the maturity profile in respect of ₹ 11,423.92 crore was not clearly defined. There would be a bunching of repayments in 1-3 years (₹ 33,797.36 crore), 3-5 years (₹ 30,311.97 crore) and 5-7 years (₹ 34,992.72 crore). In terms of maturity profile, around (₹ 64,801.61 crore) 33 *per cent* of the total public debt at the end of the year belonged to a maturity bracket of 7 to 10 years. Therefore, a well thought out debt repayment strategy will have to be worked out by the Government.

(ii) Debt sustainability

Debt sustainability is defined as the ability of the State to service its debt liability in the future. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that increase in fiscal deficit should match the increase in capacity to service the debt. **Table 1.36** analyses the debt sustainability of the State according to these indicators for a period of five years beginning 2012-13.

Table 1.36: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2012-13	2013-14	2014-15	2015-16	2016-17
Rate of Growth of Outstanding debt	10.6	10.3	13.6	41.9	21.8
Rate of Growth of GSDP	13.5	11.2	10.6	10.9	11.4
Average interest rate of Outstanding Debt	7.4	7.3	7.5	6.7	7.6
Interest Payments/Revenue Receipts (in <i>per cent</i>)	12	12	11	12	16
Debt Redemption (Principal + Interest Payments)/Debt Receipts	98.2	97.3	94.6	75.0	86.1
Net Availability of Borrowed Funds (₹ in crore)	2,908	3,038	7,236	49,769	27,939

- **Net availability of borrowed funds**

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

The net fund available from borrowing for current operations after providing for interest and repayment decreased from ₹ 49,769 crore in 2015-16 to ₹ 27,939 crore in 2016-17.

- **Interest burden**

The ratio of interest payments to revenue determines the debt sustainability of the State. During 2016-17, interest payments increased by four percentage points over the previous year and constituted 16 *per cent* of Revenue Receipts of the State.

1.13 Conclusion and Recommendations

The State Government was unable to achieve its target of attaining zero revenue deficit envisaged under the FRBM Act for the fourth consecutive year. During 2016-17, the revenue deficit increased to ₹ 18,114 crore from ₹ 5,954 crore in 2015-16. The State Government failed to contain the fiscal deficit within the limit of 3 *per cent* of GSDP, as laid down in FRBM Act and at the end of 2016-17, the fiscal deficit was ₹ 23,946 crore (3.19 *per cent* of GSDP), without taking into consideration the impact of Ujwal DISCOM Assurance Yojana (UDAY). The State Government released sum of ₹ 22,372 crore to the DISCOMs during 2016-17. If this impact is taken into account, the fiscal deficit of State Government rises to ₹ 46,318 crore (6.18 *per cent* of GSDP).

The State Government projected revenue expenditure of ₹ 1,32,053 crore and revenue receipts of ₹ 1,23,251 crore in BE, with a view to maintain the revenue deficit of ₹ 8,802 crore during 2016-17. However, the actual expenditure was ₹ 1,27,140 crore (3.72 *per cent* less than estimates) and actual receipts were ₹ 1,09,026 crore (11.54 *per cent* less than estimates) during the year, leading to revenue deficit of ₹ 18,114 crore. The outstanding debt showed a steady increase over the years, from ₹ 1,17,809 crore at the end of 2012-13 to ₹ 2,55,002 crore (with UDAY) i.e. 34.01 *per cent* of GSDP (without UDAY it was ₹ 1,92,580 crore i.e. 25.69 *per cent* of GSDP) at the end of 2016-17. However, annual incremental borrowings of ₹ 23,244 crore (without UDAY) were higher than the ceiling of ₹ 21,554 crore, as fixed by the GoI.

Revenue receipts of the State increased steadily from ₹ 66,913 crore in 2012-13 to ₹ 1,09,026 crore in 2016-17. The growth in revenue receipts during 2016-17 was 8.7 *per cent* (₹ 8,741 crore) as compared to 9.8 *per cent* in the previous year. This was mainly on account of 20.2 *per cent* (₹ 5,640 crore) growth of the State's Share of Union Taxes in 2016-17. The share of tax revenue to revenue receipts declined from 46 *per cent* in 2012-13 to 41 *per cent* in 2016-17.

While overall revenue expenditure of the State increased by 100 *per cent* from ₹ 63,462 crore in 2012-13 to ₹ 1,27,140 crore in 2016-17, its share in total expenditure declined from 82.9 to 80.9 *per cent*. During 2016-17, there was 19.7 *per cent* growth in revenue expenditure as compared to previous year's growth of 12.4 *per cent*. The Non Plan Revenue Expenditure also increased consistently over the period from ₹ 49,227 crore in 2012-13 to ₹ 79,658 crore in 2016-17 and stood at 63 *per cent* of revenue expenditure after recording growth of 7 *per cent* over the previous year.

The state of accounting and certification of accounts in the PRIs and ULBs was not satisfactory. DLFAD issued only nine unqualified certificates and 6,404 qualified certificates in respect of PRIs.

During 2016-17, the State Government invested ₹ 4,316.32 crore in Government Companies, Statutory Corporations and Cooperative Institutions etc., State Government invested ₹ 4,065.71 crore in five Power Companies and ₹ 248.61 crore in other than power companies. During 2012-17, though the State Government invested ₹ 22,980.61 crore, the average return by way of dividend on the investment in the Government Companies and Statutory Corporations was less than 0.3 *per cent*, whereas, the Government paid up to 7.6 *per cent* interest on an average on its borrowings during 2012-17.

The State Government had invested ₹ 40,730.66 crore in State Public Sector Undertakings which have aggregated accumulated loss of ₹ 1,01,241.75 crore. This eroded the capital investment in loss making companies.

The State Government did not receive any dividend from 24 Joint Stock Companies during 2016-17.

Net fund of ₹ 27,939 crore available from borrowing for current operations after providing for interest and repayment in 2016-17.

Recommendations:

1. *The estimation of expenditure and receipts to attain the fiscal parameters within the prescribed limits may be made realistic and the State Government may persistently endeavour to achieve prudent financial targets.*
2. *It was observed that power sector was largely contributing to the financial debt and interest burden of the state over a period of time. UDAY was implemented to manage the debt in 2015-16.*
3. *The State Government may, inter alia, regularly review major fiscal parameters like fiscal deficit, primary deficit, revenue deficit and other outstanding liabilities. The Government may address the problem in the power sector on priority basis.*
4. *The accounting system in the Local Bodies needs to be strengthened. The State Government should ensure timely preparation and submission of accounts and their certification.*
5. *The State Government needs to ensure better value for money in investment.*