

Chapter I

Finances of the State Government

Introduction

This chapter provides a broad perspective of the finances of the Government of Haryana during 2015-16 and analyses changes observed in the movement of major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last five years. The structure and form of Government accounts have been explained in *Appendix 1.2 Part A* and the layout of the Finance Accounts is depicted in *Appendix 1.2 Part B*. The methodologies adopted for assessment of the fiscal position are given in *Appendix 1.3*.

1.1 Profile of State

Haryana is an agrarian State with 21 districts, 13 of which are part of the National Capital Region. The State is located near the national capital. It is the 21st largest State in terms of geographical area (44,212 sq km) and 18th by population (as per 2011 census). The State's population increased from 2.11 crore in 2001 to 2.54 crore in 2011 recording a growth of 19.9 *per cent*. The percentage of population below the poverty line was 12.5 which is lower than the all-India average of 29.50. The State's Gross State Domestic Product (GSDP) in 2015-16 at current prices was ₹ 4,92,657 crore. The State's literacy rate increased from 67.91 *per cent* (as per 2001 census) to 75.55 *per cent* (as per 2011 census) (*Appendix 1.1*). The per capita income of the State for 2015-16 is ₹ 1,65,204¹.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP is an important indicator of standard of living of the State's population. The trends in the annual growth of India's GDP and GSDP of Haryana at current prices are indicated below:

Year	2011-12	2012-13	2013-14	2014-15	2015-16
India's GDP (₹ in crore)	87,36,039	99,51,344	1,12,72,764	1,24,88,205	1,35,76,086
Growth rate of GDP (Percentage)	20.52	13.91	13.28	10.78	8.71
State's GSDP (₹ in crore)	3,00,755.57	3,50,406.61	3,95,747.73	4,41,864.26	4,92,657
Growth rate of GSDP (Percentage)	15.40	16.51	12.94	11.65	11.50

(Source: Directorate of Economic and Statistical Analysis, Haryana and Central Statistics Office)

¹ Source: Directorate of Economic and Statistical Analysis, Haryana.

1.1.1 Summary of Fiscal Transactions

The summary of the State Government's fiscal transactions during the current year (2015-16) *vis-à-vis* the previous year (2014-15) is given in **Table 1.1**.

Table 1.1: Summary of Fiscal operations in 2015-16

(₹ in crore)

Receipts	2014-15	2015-16	Disbursements	2014-15	2015-16		
					Non Plan	Plan	Total
Section-A: Revenue							
Revenue receipts	40,798.66	47,556.55	Revenue expenditure	49,117.87	40,674.90	18,560.80	59,235.70
Tax revenue	27,634.57	30,929.09	General Services	16,764.73	18,585.59	127.74	18,713.33
Non-tax revenue	4,613.12	4,752.48	Social Services	19,120.55	10,172.68	11,366.18	21,538.86
Share of Union Taxes/ Duties	3,548.09	5,496.22	Economic Services	13,088.00	11,623.48	7,066.88	18,690.36
Grants from Government of India	5,002.88	6,378.76	Grants-in-aid and Contributions	144.59	293.15	-	293.15
Section-B: Capital and others							
Misc. Capital Receipts	18.74	29.98	Capital Outlay	3,715.53	283.77	6,624.56	6,908.33
Recoveries of Loans and Advances	272.82	328.28	Loans and Advances disbursed	842.87	275.20	12,975.09	13,250.29
Public Debt receipts	18,858.75	37,998.43	Repayment of Public Debt	8,227.41	-	-	7,214.68
Contingency Fund	--	63.22	Contingency Fund	--	-	-	63.22
Public Account receipts	28,064.30	29,055.78	Public Account disbursements	25,609.25	-	-	28,649.81
Opening Cash Balance	6,007.18	6,507.52	Closing Cash Balance	6,507.52	-	-	6,217.73
Total	94,020.45	1,21,539.77	Total	94,020.45			1,21,539.76

(Source: Finance Accounts for the respective years)

Appendix 1.5 part A provides details of receipts and disbursements as well as the overall fiscal position during the current year.

The following are the major changes in fiscal transactions during 2015-16 over the previous year:

- Revenue receipts increased by ₹ 6,757.89 crore (16.56 per cent) as a result of increase in tax revenue by ₹ 3,294.52 crore (11.92 per cent) and of non-tax revenue by ₹ 139.36 crore (3.02 per cent) as well as increase in share of Union taxes and duties from the Government of India (GOI) by ₹ 1,948.13 crore (54.91 per cent) and in Grants-in-aid from GOI by ₹ 1,375.88 crore (27.50 per cent). The State's own tax revenue of ₹ 30,929.09 crore fell short by 6.98 per cent and 18.71 per cent vis a vis projection made in Mid-term Fiscal Policy Statement (MTFPS) (₹ 33,249 crore) and target fixed by 14th Finance Commission (FFC) (₹ 38,049 crore) respectively. The non-tax revenue (₹ 4,752 crore) increased by 15.60 per cent of the target fixed by FFC (₹ 4,111 crore) and fell short by 30.98 per cent of projection made in MTFPS (₹ 6,885 crore) respectively for the year 2015-16 (**Appendix 1.6**).

- Revenue expenditure increased by ₹ 10,118 crore (20.60 per cent) as a result of increase in expenditure on ‘General Services’ (₹ 1,949 crore), ‘Social Services’ (₹ 2,418 crore) and ‘Economic Services’ (₹ 5,602 crore). The Non-Plan Revenue expenditure (NPRE) (₹ 40,674.90 crore) fell short by 5.86 per cent against the projection made in MTFPS ₹ 43,208.62 crore (*Appendix 1.6*).
- Total Revenue Expenditure of ₹ 59,235.70 crore was higher by 33.07 per cent against the normative assessment in FFC (₹ 44,514 crore) but fell short by 4.26 per cent as compared to projection made under MTFPS (₹ 61,870 crore) (*Appendix 1.6*).
- Capital expenditure increased by ₹ 3,192.80 crore (85.93 per cent) mainly on account of increase in expenditure on ‘economic services’ due to investment of ₹ 1,297.50 crore in power companies under Ujwal Discom Assurance Yojana (UDAY), expenditure of ₹ 1,425 crore and ₹ 494 crore on Food, Storage & Warehousing and Transport respectively.
- Recovery of loans and advances increased by ₹ 55.46 crore (20.33 per cent) during 2015-16.
- Net Public account receipts decreased from ₹ 2,455.05 crore in 2014-15 to ₹ 405.97 crore in 2015-16.
- The cash balance of ₹ 6,217.73 crore at the close of 2015-16 decreased by ₹ 289.79 crore over the previous year.

1.1.2 Review of the fiscal situation

Fiscal reforms path in Haryana

In Haryana, fiscal reforms and consolidation were brought to the forefront with the State Government enacting the Fiscal Responsibility and Budget Management (FRBM) Act on 6 July, 2005 as per recommendations of the 12th Finance Commission with the objective of eliminating revenue deficit and reducing fiscal deficit within the prescribed limit. The FRBM Act was further amended as per guidelines received from GOI, from time to time.

Keeping in view the Fourteenth Finance Commission (FFC) recommendations regarding growth, revenues and fiscal management, new set of targets have been fixed. The FFC has projected an average annual growth rate of 15.73 per cent for GSDP at current prices for the State for the period 2015-16 to 2019-20. The Fiscal Deficit is recommended to be capped at 3.25 per cent of the GSDP during the same period while the net borrowing limit of the State is also suggested to be capped at 3.25 per cent of GSDP from 2015-16 onwards and limiting the outstanding debt as percentage of GSDP by 19.28 per cent in 2015-16, 19.91 per cent in 2016-17, 20.45 per cent in 2017-18, 20.92 per cent in 2018-19 and 21.33 per cent in 2019-20. However, the State Government fixed the target of 1.83 per cent, 3.14 per cent and 18.91

per cent of GSDP for Revenue deficit, Fiscal deficit and outstanding debt respectively in the budget for the year 2015-16.

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

Table 1.2: Variations in major fiscal variables from projections

Fiscal variables	2015-16						
	Targets as prescribed in FRBM Act	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	Actuals	Percentage variation of actuals over		
					Targets of FRBM Act	Targets of Budget	Projections of Five year fiscal plan/ MTFP
Revenue Deficit (-) / Surplus (+) (₹ in crore)	1.83 per cent of GSDP	(-) 9,557.52	18.27 per cent of TRR	(-) 11,679	29.51	(-) 2,121.48 (22.20 per cent)	24.56 (34.37 per cent)
Fiscal Deficit/GSDP (In per cent)	3.14	3.14	3.14	6.39	103.50	103.50	103.50
Ratio of total outstanding debt to GSDP (In per cent)	18.91	18.91	18.91	24.50	29.56	29.56	29.56

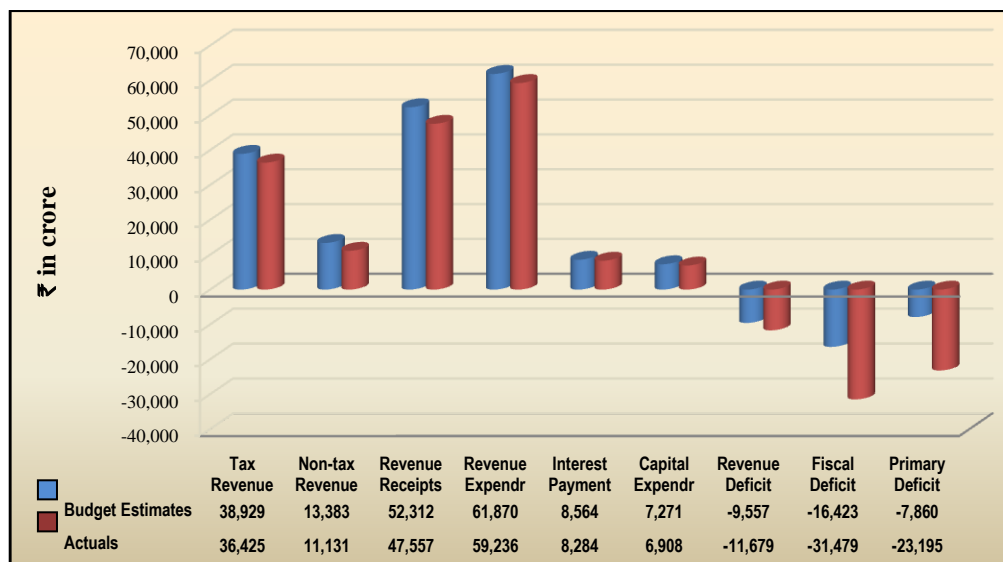
The revenue deficit (₹ 11,679 crore) for the year 2015-16 was higher than the projection made in budget and MTFPS and fiscal deficit was 2.88 per cent of GSDP excluding effect of UDAY scheme² and 6.39 per cent of GSDP with UDAY scheme against the target of 3.14 per cent set out in FRBM, Budget and MTFPS.

The total outstanding debt projected at 18.91 per cent of GSDP as per FRBM Act, budget and MTFPS targets for the year 2015-16 was higher at 24.50 per cent of GSDP with UDAY scheme and 20.99 per cent of GSDP excluding effect of UDAY scheme in the current year.

1.1.3 Budget estimates and actual

The budget papers provide estimates of revenue and expenditure for a particular fiscal year. The estimation of revenue and expenditure should be made as accurately as possible so that variations can be analysed to find out the genuine causes. The Budget estimates and actual for some important fiscal parameters are given in **Chart 1.1**.

² State Government has taken over the debt of ₹ 17,300 crore (GIA: ₹ 3,892.50 crore, Equity: ₹ 1,297.50, Loans: ₹ 12,110 crore) from the DISCOMS under UDAY.

Chart 1.1: Selected Fiscal Parameters: Budget Estimates vis-a-vis Actuals for 2015-16

As against the targeted revenue receipt of ₹ 52,312 crore, the actual revenue receipts were ₹ 47,557 crore (91 per cent). The collection under tax revenue was only ₹ 36,425 crore against the anticipated receipt of ₹ 38,929 crore mainly due to lesser receipt under VAT which was only ₹ 21,060 crore against the anticipation of ₹ 22,821 crore and stamp and registration fee of ₹ 3,191 crore against anticipated receipt of ₹ 3,600 crore. The non-tax receipts was only ₹ 11,131 crore (83 per cent) against the anticipated receipt of ₹ 13,383 crore mainly due to lesser receipts under Urban Development (₹ 878.05 crore), non-ferrous mining and metallurgical industries (₹ 728.39 crore) and Road Transport (₹ 195.45 crore) than the estimated projections.

The actual revenue expenditure (₹ 59,236 crore) was within the budget provision of ₹ 61,870 crore. The interest payments (₹ 8,284 crore) were kept within estimated projection (₹ 8,564 crore) and the capital expenditure was ₹ 6,908 crore against the budget estimate of ₹ 7,271 crore. The Government could not maintain the estimated revenue deficit (₹ 9,557 crore), as this increased to ₹ 11,679 crore (22 per cent). The actual fiscal and primary deficits were also more than the anticipated. Against the budgeted fiscal deficit of ₹ 16,423 crore, actual fiscal deficit of ₹ 31,479 crore was due to the impact of the implementation of UDAY.

1.1.4 Gender budgeting

The State Government has introduced some schemes exclusively for women in the budget. Some of them are detailed in **Table 1.3**.

Table 1.3: Schemes for the women – budget estimates and expenditure incurred during 2015-16

(₹ in crore)

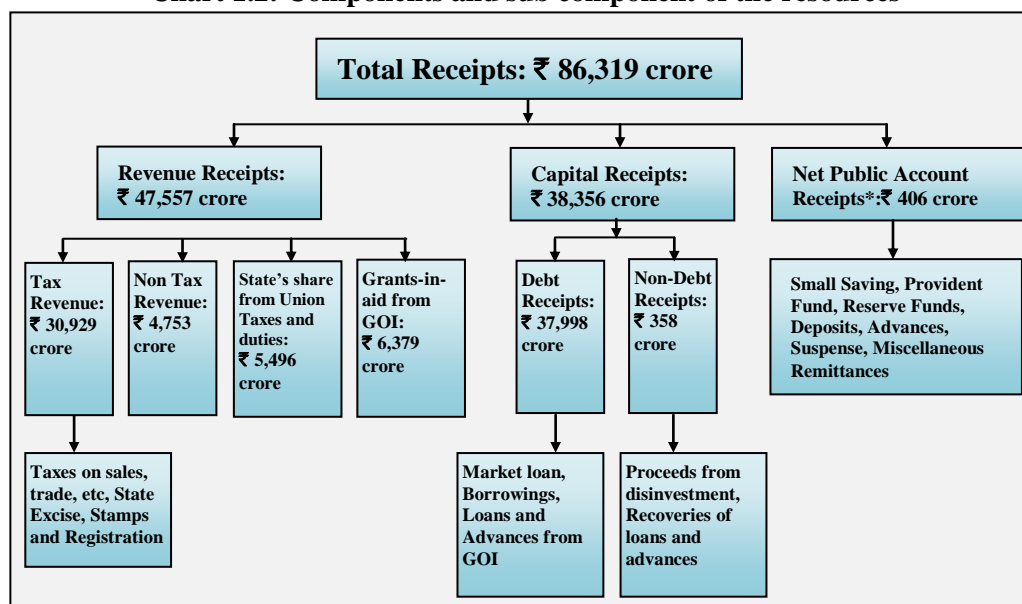
Sr. No.	Scheme	Budget Estimate	Actual Expenditure
1.	Indira Gandhi Priyadarshini Vivah Shagun Yojana	67.33	67.33
2.	Ladli – Social security pension scheme for families having only girl/girls child	40.01	40.01
3.	Widow pension	875.12	875.12
4.	Financial assistance/Insurance of anganwari workers/ helpers	70.04	70.04
5.	Apni Beti Apna Dhan (Ladli)	97.71	97.71
6.	Adolescent girls scheme	4.07	4.07
7.	Protection of women from domestic violence - setting up of cells	1.08	1.08
8.	Home cum training centers for destitute women and widows	1.53	1.53
9.	Pension to aged, physically handicapped and destitute women and widows	15.19	15.77
10.	Rajiv Gandhi scheme for empowerment of adolescent girls	11.29	19.15
11.	Scheme for Beti Bachao Beti Padhao	3.85	3.85

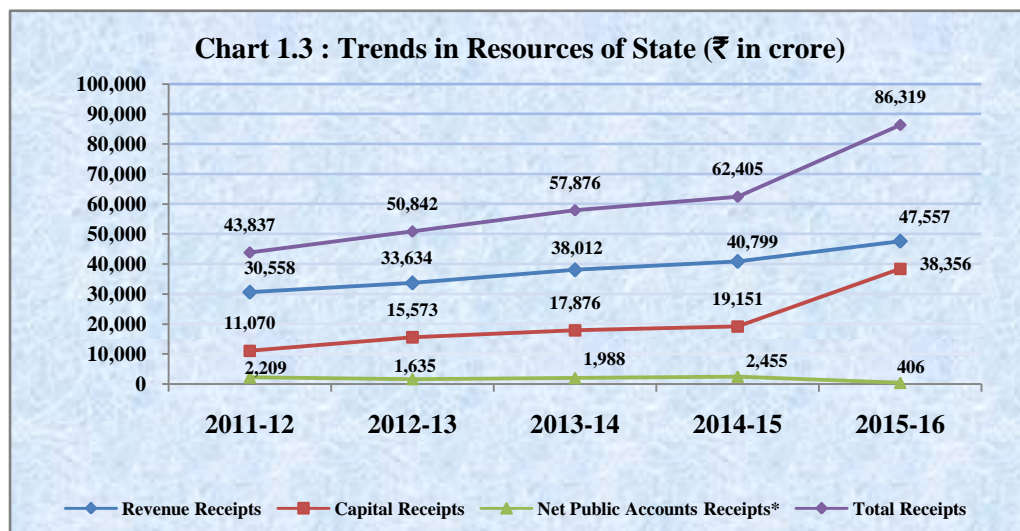
(Source: State budget 2015-16 and detailed Appropriation Accounts for 2015-16)

1.2 Resources of the State as per Finance Accounts 2015-16

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table 1.1** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.3** depicts the trends in various components of the receipts of the State during 2011-16, the **Chart 1.2** and **Chart 1.4** depict the composition of resources of the State during the current year.

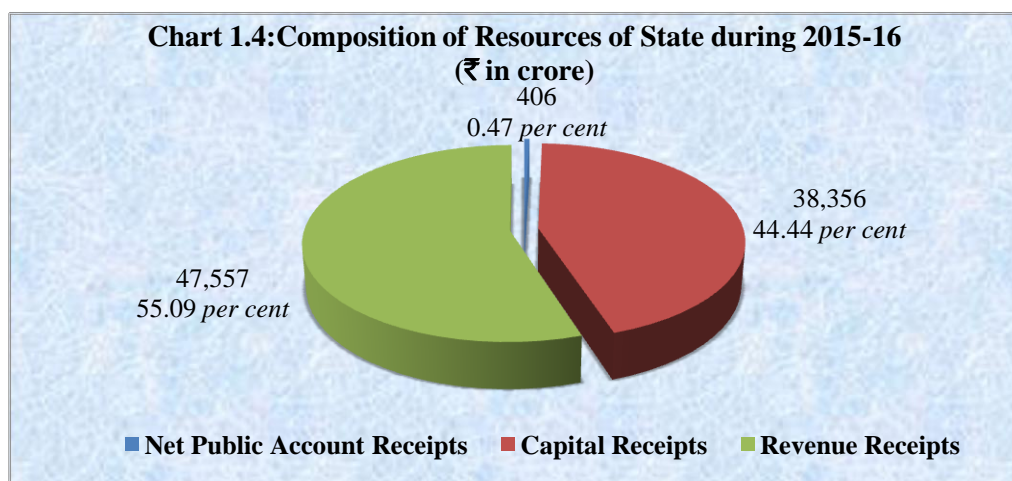
Chart 1.2: Components and sub component of the resources





(Source: State Finance Accounts of the respective years)

* Net Public Account Receipts (₹ 406 crore) = Public Account Receipts (₹ 29,056 crore) less Public Accounts Disbursements (₹ 28,650 crore)

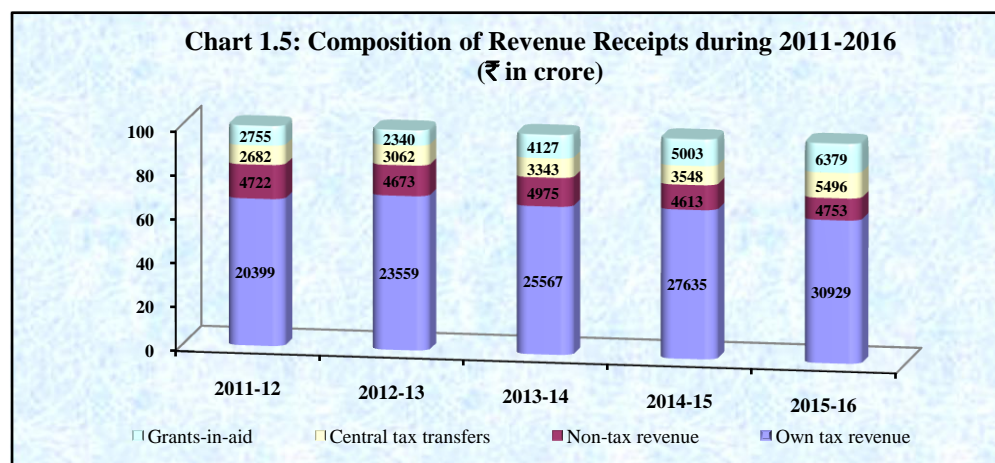


The total receipts of the Government increased by ₹ 42,482 crore, (96.91 per cent) from ₹ 43,837 crore in 2011-12 to ₹ 86,319 crore in 2015-16. Revenue receipts increased by ₹ 16,999 crore (55.63 per cent), Capital receipts, which includes recovery of loans and advances and public debt, increased by ₹ 27,286 crore (246.49 per cent) and Net Public Account receipts decreased by ₹ 1,803 crore (81.62 per cent) during the same period. The share of revenue receipts in the total receipts decreased from 69.71 per cent in 2011-12 to 55.09 per cent in 2015-16. The share of net Public Accounts receipts decreased from 5.04 to 0.47 per cent whereas the share of capital receipts including debt increased from 25.25 per cent to 44.43 per cent during 2011-16.

1.3 Revenue Receipts

Statement 14 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. The trends and

composition of revenue receipts over the period 2011-16 are presented in **Appendix 1.4** and also depicted in **Chart 1.5**.



(Source: State Finance Accounts of respective years)

The revenue receipts of the State increased by 55.63 per cent during the period from 2011-12 to 2015-16. The State's own revenue increased by 42.04 per cent, the grants-in-aid from GOI increased by 131.54 per cent and the central tax transfers increased by 104.92 per cent during the same period. The share of the State's own revenue (tax revenue and non-tax revenue) in the total revenue decreased from 82.2 per cent in 2011-12 to 75.03 per cent in 2015-16. The share of grants-in-aid from GOI increased from 9.02 per cent in 2011-12 to 13.41 per cent in 2015-16.

During 2006-07 to 2014-15, the compound annual growth rate (CAGR) of revenue receipts at 10.81 per cent was lower than the growth rate of General Category States (GCS) (14.74 per cent). This growth rate over the previous year at 16.56 per cent was higher than the growth rate of 15.00 per cent in GCS (**Appendix 1.1**). The trends in revenue receipts relative to GSDP are given in **Table 1.4**.

Table 1.4: Trends in Revenue Receipts relative to GSDP

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (RR) (₹ in crore)	30,558	33,634	38,012	40,799	47,557
Rate of growth of RR (per cent)	19.54	10.07	13.02	7.33	16.56
R R/GSDP (per cent)	10.16	9.60	9.61	9.23	9.65
Buoyancy Ratios					
Revenue Buoyancy with respect to GSDP	1.27	0.61	1.01	0.63	1.44
State's Own Tax Buoyancy with respect to GSDP	1.40	0.94	0.66	0.69	1.04
Revenue Buoyancy with reference to State's own taxes	0.91	0.65	1.53	0.91	1.39
State's GSDP (₹ in crore)	3,00,756	3,50,407	3,95,748	4,41,864	4,92,657
Growth rate of GSDP (Percentage)	15.40	16.51	12.94	11.65	11.50

The growth rate of revenue receipts which was 19.54 per cent in 2011-12 decreased to 16.56 per cent in 2015-16. The revenue buoyancy with reference to own tax revenue increased from 0.91 in 2011-12 to 1.39 in 2015-16.

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilization of resources is assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non tax receipts for the year 2015-16 vis-a-vis assessment made by FFC and MTFPS are given in the **Table 1.5**.

Table 1.5: Actual tax and non-tax receipts vis-à-vis assessment made by FFC and MTFP

(₹ in crore)

	FFC projection	Budget estimates	MTFPS projection	Actual	Percentage variation of actual over		
					FFC projection	Budget estimates	MTFPS projection
Tax revenue	38,049	33,249 ³	33,249	30,929	(-) 18.71	(-) 6.98	(-) 6.98
Non-tax revenue	4,111	6,885 ⁴	6,885	4,753	15.62	(-) 30.97	(-) 30.97

The actual collection under State's own tax revenue fell short by 18.71 per cent of the projections made by FFC and 6.98 per cent of budget estimates and MTFPS projection. The actual receipts under non-tax revenue increased by 15.62 per cent of the projections made by FFC and fell short by 30.97 per cent of budget estimates and MTFPS.

1.3.1.1 Tax revenue

The gross collection in respect of major taxes and duties are given in **Table 1.6** which also depicts the trends in various components of own tax revenue of the State during 2011-16.

Table 1.6: Components of State's own resources

(₹ in crore)

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16
Taxes on sales, trades, etc.	13,383.69 (21)	15,376.58 (15)	16,774.33 (9)	18,993.25 (13)	21,060.23 (11)
State excise	2,831.89 (20)	3,236.48 (14)	3,697.35 (14)	3,470.45 (-6)	43,71.08 (26)
Taxes on vehicles	740.15 (62)	887.30 (20)	1,094.86 (23)	1,191.50 (9)	1,400.38 (18)
Stamp duty and Registration fees	2,793.00 (20)	3,326.25 (19)	3,202.48 (-4)	3,108.70 (-3)	3,191.21 (3)
Land revenue	10.95 (9)	12.98 (19)	12.42 (-4)	15.28 (23)	14.97 (-2)
Taxes on goods and passengers	429.32 (11)	470.76 (10)	497.45 (6)	527.07 (6)	554.25 (5)
Other taxes ⁵	210.46 (31)	248.67 (18)	287.71 (16)	328.32 (14)	336.97 (3)
Total	20,399.46 (21)	23,559.02 (15)	25,566.60 (9)	27,634.57 (8)	30,929.09 (12)

(The percentage increase over previous year is shown in parenthesis)

(Source: Finance Accounts for the respective years)

Tax revenue increased by ₹ 10,529.63 crore (51.62 per cent) during 2011-16. All the major taxes and duties recorded increase in the tax revenue except a marginal decrease in Land Revenue during 2015-16. During 2006-07 to 2014-15, the CAGR of tax revenue was 12.30 per cent which was less than growth rate of GCS (15.08 per cent). This growth rate in 2015-16 over the previous year at 11.92 per cent was also lower than the growth rate of 13.28 per cent in general

³ Excluding Share of Central Taxes.

⁴ Excluding share of GIA.

⁵ Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and agricultural income.

category States (*Appendix 1.1*). The State's own tax revenue (₹ 30,929 crore) was less than the projections made by the Government in MTFPS (₹ 33,249 crore) and in FFC (₹ 38,049 crore).

Cost of tax collection

The collection of major taxes, expenditure incurred on their collection and the percentage of such expenditure to collection during the years 2013-14 to 2015-16 are given in **Table 1.7** which shows that cost of collection is less in the State than the All India Average.

Table 1.7: Cost of collection of taxes

Head	Year	Collection	Expenditure on collection	Percentage of expenditure on collection	All India average
		(₹ in crore)			
Taxes on Sales, trades, etc.	2013-14	16,774.33	101.42	0.60	0.88
	2014-15	18,993.25	118.98	0.63	0.91
	2015-16	21,060.23	128.50	0.61	NA
Taxes on Vehicles	2013-14	1,094.86	13.92	1.27	6.25
	2014-15	1,191.50	16.76	1.41	6.08
	2015-16	1,400.38	18.72	1.34	NA
State Excise	2013-14	3,697.35	25.38	0.69	1.81
	2014-15	3,470.45	28.88	0.83	2.09
	2015-16	4,371.08	31.08	0.71	NA
Stamp and Registration	2013-14	3,202.48	9.62	0.30	3.37
	2014-15	3,108.70	10.37	0.33	3.59
	2015-16	3,191.21	15.37	0.48	NA

(Source: Finance Accounts for the respective years)

1.3.1.2 Non tax revenue

Growth of non-tax revenue during five years (2011-16) given in **Table 1.8** depicts the trends in various components of non-tax revenue of the State during 2011-16.

Table 1.8: Growth of non-tax revenue during 2011-16

Revenue Head	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Interest receipts	864.96 (25)	1,058.21 (22)	1,090.71 (3)	933.59 (-14)	1,087.49 (16)
Dividends and Profits	1.64 (-34)	7.05 (330)	6.49 (-8)	5.80 (-11)	15.89 (174)
Other non-tax receipts	3,855.05 (41)	3,607.89 (-6)	3,877.86 (7)	3,673.73(-5)	3,649.10 (-1)
a) Major and medium Irrigation	583	139	95	129	110
b) Road Transport	853	1,000	1,098	1,235	1,255
c) Urban Development	1,039	991	1,105	861	422
d) Education	296	385	319	564	637
e) Non-ferrous mining and metallurgical industries	76	76	79	43	272
Total	4,721.65 (38)	4,673.15 (-1)	4,975.06 (6)	4,613.12 (-7)	4,752.48 (3)

(The percentage increase over previous year is shown in parenthesis)

(Source: Finance Accounts for the respective years)

The actual receipts under non-tax revenue increased by ₹ 30.83 crore (0.65 per cent) during 2011-16. Non Tax revenue (₹ 4,752.48 crore) constituted 9.99 per cent of the revenue receipt during 2015-16 registering increase of ₹ 139.36 crore (3.02 per cent) over the previous year.

Building and Other Construction Workers' Welfare Cess

The State Government collects cess on the cost of construction incurred by employers under the Building and Other Construction Workers' Welfare Cess Act, 1996. The collected cess is to be spent on welfare schemes for construction workers. For this purpose, Building and Other Construction Workers' Welfare Board has been constituted. As per accounts of the Board, the total funds available with the Board as on 31 March 2015 is ₹ 1,795.31 crore. The Board spent only ₹ 8.04 crore on labour welfare schemes during 2014-15.

1.3.2 Grants in aid from GOI

The grants-in-aid from GOI increased by ₹ 1,375.88 crore in 2015-16 over the previous year as shown in **Table 1.9**.

Table 1.9: Grants-in-aid received from GOI

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Non-Plan Grants	1,246.51 (-29)	851.62 (-32)	2,256.17 (165)	1,723.20 (-24)	3,744.39 (117)
Grants for State Plan Schemes	674.54 (-10)	727.75 (8)	856.66 (18)	2,815.36 (229)	2,268.18 (-19)
Grants for Central Plan Schemes	50.79 (-42)	44.32 (-13)	62.99 (42)	24.57 (-61)	27.53 (12)
Grants for Centrally Sponsored Schemes	783.09 (75)	715.56 (-9)	951.36 (33)	439.75 (-54)	338.66 (-23)
Total	2,754.93 (-10)	2,339.25 (-15)	4,127.18 (76)	5,002.88 (21)	6,378.76 (28)

(The percentage increase over previous year is shown in parenthesis)

(Source: Finance Accounts for respective years.)

In addition to above, GoI had been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. GoI decided to route these funds through State Budget from 2014-15 onwards. However, during 2015-16, the GoI transferred ₹ 919.15⁶ crore directly to various implementing agencies/ Non-Governmental Organisations of the State.

1.3.3 Central tax transfers

Central tax transfers increased from ₹ 3,548.09 crore in 2014-15 to ₹ 5,496.22 crore in 2015-16 as given in **Table 1.10**.

Table 1.10: Central tax transfers during 2014-15 and 2015-16

Name of Tax	Recommendation of FFC	(₹ in crore)		
		Actual for 2014-15	Actual for 2015-16	Variation
Corporation Tax	42 per cent of the sharable amount of Central taxes to states compared to 32 per cent of ThFC	1,239.11	1,733.37	494.26
Income Tax		884.86	1,204.79	319.93
Wealth Tax		3.35	0.40	-2.95
Customs		573.87	880.83	306.96
Union Excise Duty		324.04	733.13	409.09
Service Tax		522.86	939.76	416.90
Other Taxes on Income & Expenditure		0	0.03	0.03
Duties on Commodities and Services		0	3.91	3.91
Total			3,548.09	5,496.22

(Source: Finance Accounts for respective years.)

⁶ Appendix VI of Finance Accounts of 2015-16.

The FFC recommended increasing the States' share of Central Taxes from 32 to 42 *per cent*. Accordingly, the State's share in the net proceeds of Central Tax (excluding Service Tax) and net proceeds of Service Tax was fixed at 1.084 and 1.091 *per cent*, respectively. The share of Union Taxes received during 2015-16 (₹ 5,496.22 crore) was less by ₹ 183.78 crore than the projections made in the estimates (₹ 5,680 crore) but it was substantially more than the recommendation of 13th Finance Commission by 54.91 *per cent* as compared to 2014-15.

1.3.4 Non deposit of revenue receipts in the Consolidated Fund of the State

Article 266(1) of the Constitution of India provides that all revenues received by the State Government, all loans raised by the Government by issue of treasury bills, loans or ways and means advances and all moneys received by the Government in repayment of loans shall form one Consolidated Fund to be called "the Consolidated Fund of the State". The Thirteenth Finance Commission also expressed concern over the tendency to divert public expenditure from the budget to nominated funds which are operated outside the authority of the legislature.

The State Government constituted the Haryana Rural Development Fund Administration Board under the Haryana Rural Development Act, 1986 for augmenting agricultural production and improving its marketing and sale. Under Section 5(1) of this Act, a fee (cess) is levied on *ad-valorem* basis at the rate of two *per cent* of the sale proceeds of the agriculture produce bought or sold or brought for processing in the notified market area. The amount so collected is spent by the Board in the rural areas mainly in connection with the development of roads, establishment of dispensaries, making arrangement for water supplies and sanitation and construction of godowns.

During 2011-15, the receipts under the fund were ₹ 2,010.48 crore and expenditure incurred was ₹ 2,001.34 crore. Since these funds were not included in the annual budget proposals, the legislature had no opportunity to exercise its control over such funds.

1.3.5 Grants-in-aid to States on recommendation of Central Finance Commissions

The budget allocation made for fulfillment of Thirteenth Finance Commission recommendation for the year 2014-15 and Fourteenth Finance Commission recommendation for the year 2015-16 viz-a-viz Government releases and actual expenditure incurred are given in **Table 1.11**.

Table 1.11: Budget allocation, Government releases and actual expenditure against recommendations of 13th and 14th Finance Commission for the year 2014-15 and 2015-16 (₹ in crore)

Name of Scheme/ Department	2014-15			2015-16		
	Budget	Government releases	Actual expenditure	Budget	Government releases	Actual expenditure
Urban Development	204.24	171.07	122.74	199.61	86.41	135.05
Relief on Account of National Calamities- SDRF	437.18	260.41	221.37	411.00	203.52	-
Other Rural Development Programme	375.69	238.37	284.06	419.28	419.28	419.28
Other Departments	588.57	414.62	516.19	-	-	-
Total	1,605.68	1,084.47	1,144.36	1,029.89	709.21	554.33

(Source: Figures obtained from Finance Department of Haryana)

In accordance with the recommendation of the 13th Finance Commission, against the budget provision of ₹ 1,605.68 crore, GoI released ₹ 1,084.47 crore. Against this, Government incurred an expenditure of ₹ 1,144.36 crore during 2014-15. The percentage of expenditure to the funds was 5.52 per cent more than the GoI releases but 71.27 per cent against the provisions made in budget 2014-15.

As per recommendations of the 14th Finance Commission, GoI released only basic grants for local bodies (Rural and Urban Development) and State Disaster Response Fund during the year 2015-16. Against the budget provision of ₹ 1,029.89 crore, GoI released ₹ 709.21 crore while expenditure of ₹ 554.33 crore was incurred during 2015-16. The percentage of expenditure to the funds was 22 per cent less than the GoI releases but 54 per cent against the provisions made in budget 2015-16.

1.4 Capital Receipts

Capital receipts include recoveries of loans and advances receipts through debt i.e. internal and from GoI and miscellaneous capital receipts. The capital receipts during five years (2011-16) are detailed in **Table 1.12**.

Table 1.12: Trends in growth and composition of receipts

(₹ in crore)					
Sources of State's Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts (CR)	11,070.19	15,573.73	17,875.90	19,150.31	38,356.69
Miscellaneous Capital Receipts	9.24	10.81	9.89	18.74	29.98
Recovery of Loans and Advances	294.12	349.38	261.85	272.82	328.28
Public Debt Receipts	10,766.83	15,213.54	17,604.16	18,858.75	37,998.43
Market Loans	6,356.65	9,330.00	11,446.18	13,200.00	14,099.99
Bonds	0.00	0.00	0.00	0.00	17,300.00
Loans from Financial Institutions	3,863.29	5,158.23	4,777.60	4,102.79	4,641.45
Special Securities issued to National Small Saving Fund	141.69	438.40	566.60	1,251.31	1,721.40
Other Loans	307.48	235.76	472.31	173.89	138.36
Loans from GoI	97.72	51.15	341.47	130.76	97.23
Percentage of Market Loan to Public Debt Receipt	59.04	61.32	65.02	69.99	37.11
Rate of growth over the previous year (per cent)					
Of debt capital receipts	9	41	16	7	101
Of non-debt capital receipts	26	19	-25	7	23
Of GSDP of Capital Receipts	15.40	16.51	12.94	11.65	11.50
	10	41	15	7	100

(Source: Finance Accounts of respective years)

Share of Market loans in Public Debt receipts increased to 69.99 *per cent* in 2014-15 from 59.04 *per cent* in 2011-12, but decreased to 37.11 *per cent* in 2015-16 which is mainly due to issue of Power bonds against takeover of loans of ₹ 17,300 crore of Power companies under UDAY scheme during the year 2015-16 .

1.4.1 Proceeds from disinvestment

During the year 2015-16, net proceeds from capital disinvestment of 14 Cooperative Banks and Societies were ₹ 29.98 crore which is 60 *per cent* more than the previous year (₹ 18.74 crore).

1.4.2 Recoveries of loans and advances

During the year, loans and advances amounting to ₹ 328.28 crore were recovered. Out of this, ₹ 244.48 crore were repaid by Government servants. Out of total outstanding amount of ₹ 4,572.29 crore as on 31 March 2015 only ₹ 83.80 crore had been recovered from other institutions which was indicative of inadequate efforts of State Government for recovery of outstanding loans.

The outstanding loans against Co-operative Sugar Mills were ₹ 1,212.90 crore as on 31 March 2015. During the year 2015-16, the State Government disbursed ₹ 646 crore. No repayment was received against these loans during 2015-16. The loans of ₹ 1,858.90 crore were outstanding against these Co-operative Sugar Mills at the end of 2015-16. The Government had disbursed loans to these sugar mills with conditions that the loan would be repaid in five years in equal installments after twelve months of sanction with nine *per cent* per annum interest and no loan would be disbursed in case of failure in repayment of earlier loans. Thus, the loans of ₹ 646 crore were sanctioned/dispensed to sugar mills without ensuring the fulfillment of conditions of earlier loans. Besides the principal, interest of ₹ 208.28 crore had also been accrued against the outstanding loans as on 31st March 2016. On being pointed out, the Registrar Cooperative Societies (RCS), Haryana, stated (September 2016) that Cooperative Sugar Mills were incurring losses due to mis-match between cost of production and sugar prices.

1.4.3 Debt receipts from internal sources

An amount of ₹ 37,901.20 crore was received as internal debt receipts during 2015-16 which was ₹ 19,173.21 crore (102.38 *per cent*) more than previous year (₹ 18,727.99 crore). Loans of ₹ 14,100 crore as market loans, ₹ 4,779.81 crore from financial institutions and banks and ₹ 1,721.40 crore from National Small Savings Funds were raised during 2015-16 besides bonds issued by State Government for ₹ 17,300 crore on account of loans of DISCOMS undertaken under UDAY during 2015-16.

1.4.4 Loans and Advances from GOI

Total loans and advances from GOI decreased by ₹ 78.91 crore from ₹ 2,127.83 crore in 2014-15 to ₹ 2,048.92 crore in 2015-16. Loans of ₹ 97.23 crore were received from GOI and repayment of ₹ 176.14 crore was made during the year.

1.5 Public Account Receipts

Receipts and disbursements in respect of 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 Public Account set up under Article 266(2) of the Constitution of India and are not subject to vote by the State Legislature. Trends of receipts and disbursements under various segments of public account are given in **Table 1.13**.

Table 1.13: Trends in Public Account Receipts and Disbursements during 2014-15 and 2015-16

(₹ in crore)

Sources of State's Receipts	Public Account Receipts		Disbursement from Public Account		Excess of receipts over disbursements	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
a. Small Savings, Provident Fund etc.	2,747.69	2,967.99	1,706.64	1,919.35	1,041.05	1,048.64
b. Reserve Fund	1,257.10	698.81	247.79	1,709.62	1,009.31	-1,010.81
c. Deposits	17,064.80	17,594.40	16,593.45	17,225.13	471.35	369.27
d. Advances	27.02	38.10	26.95	38.10	0.07	0.00
e. Suspense and Miscellaneous	453.48	562.53	506.32	544.51	(-) 52.84	18.02
f. Remittances	6,514.21	7,193.95	6,528.10	7,213.10	(-) 13.89	-19.15
Total	28,064.30	29,055.78	25,609.25	28,649.81	2,455.05	405.97

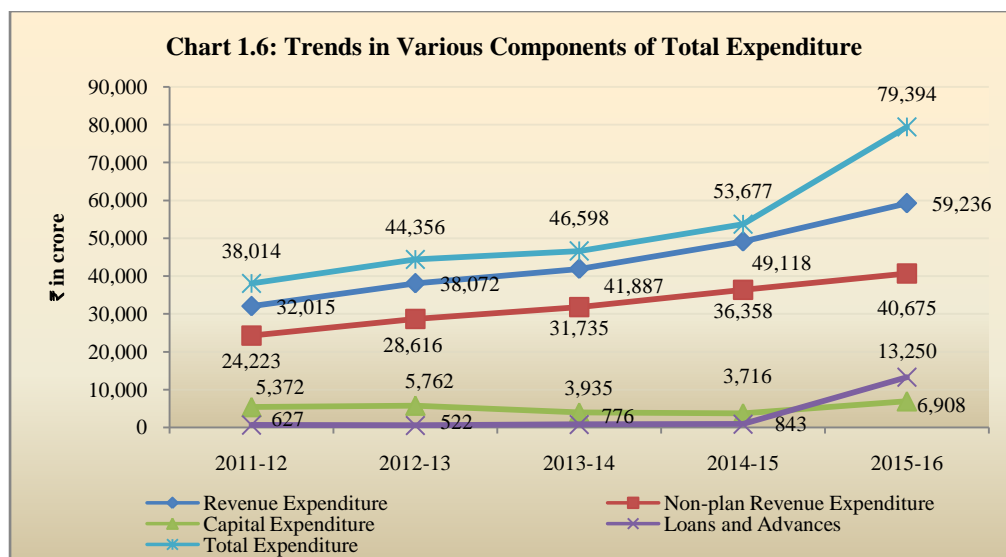
(Source: Finance accounts of respective years)

1.6 Application of Resources

The application of resources are analysed under various headings such as growth and composition of expenditure, revenue expenditure, committed expenditure, expenditure on salaries, interest payments, subsidies, pension payments and expenditure on flagship schemes in the succeeding paragraphs.

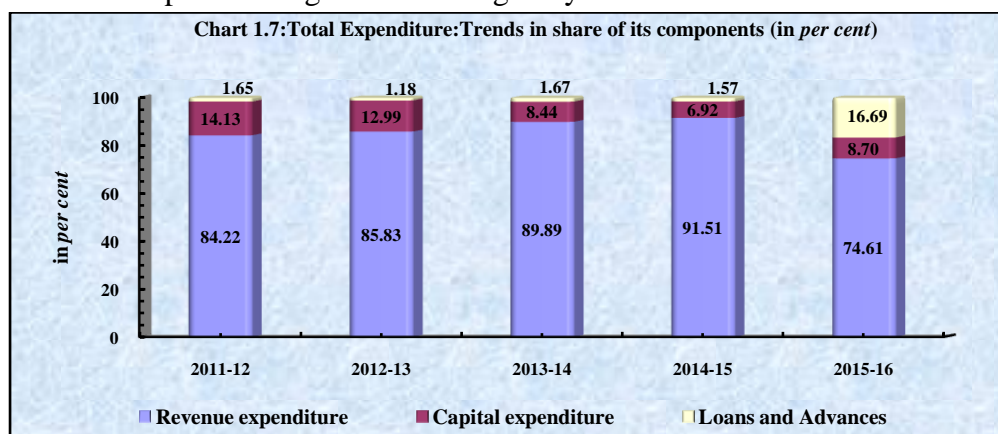
1.6.1 Growth and Composition of Expenditure

Chart 1.6 presents the trends in total expenditure over a period of the last five years (2011-16) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Charts 1.7 and 1.8** for the year 2011-12 to 2015-16 .



(Source: Finance accounts of respective years)

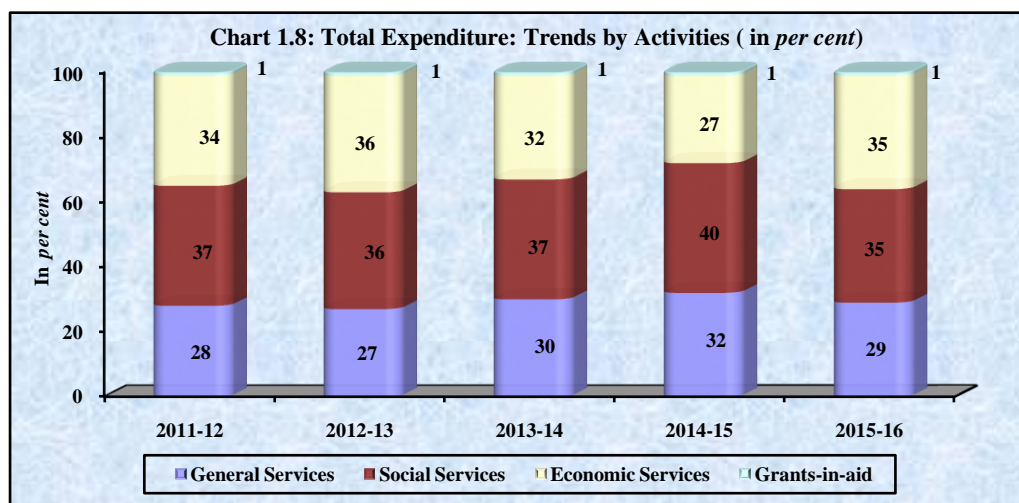
Total expenditure increased by 108.85 per cent over a period of five years (2011-16). It increased by 47.91 per cent over the previous year. During this period, revenue expenditure and capital expenditure increased by 85.03 per cent and 28.59 per cent respectively. The share of Plan and Non-Plan expenditure was in the ratio of 48 per cent and 52 per cent during the year 2015-16. Disbursement of loans and advances also increased by 2013.24 per cent during the period from 2011-12 to 2015-16. This increase was due to loans amounting to ₹ 12,266.83 crore to power companies and ₹ 646 crore to various co-operative sugar mills during the year 2015-16.



(Source: Finance Accounts of respective years)

The share of revenue expenditure in total expenditure increased from 84.22 per cent in 2011-12 to 91.51 per cent in 2014-15 but decreased to 74.61 per cent in 2015-16, while the share of capital expenditure in total expenditure decreased from 14.13 per cent in 2011-12 to 8.70 per cent in 2015-16 which is an area of concern. Also the share of Loans and Advances disbursed decreased from 1.65 per cent in 2011-12 to 1.57 per cent in 2014-15 but increased to 16.69 per cent in 2015-16. The ratio of Non Plan Revenue Expenditure (NPRE) to total expenditure increased from 63.72 per cent in 2011-12 to 67.73 per cent in 2014-15 but decreased to 51.23 per cent in 2015-16. The ratio of

NPRE to GSDP increased from 8.05 *per cent* in 2011-12 to 8.26 *per cent* in 2015-16.



The movement of relative shares of various components of expenditure indicated that while the share of general services including interest payments and economic services increased from 28 and 34 *per cent* in 2011-12 to 29 and 35 *per cent* in 2015-16 respectively, the share of social services decreased from 37 *per cent* in 2011-12 to 35 *per cent* in 2015-16 while the share of grants-in-aid remained same at the level of just one *per cent* for the same period. The combined share of social and economic services which represented development expenditure also decreased from 71 *per cent* in 2011-12 to 70 *per cent* in 2015-16.

1.6.2 Revenue expenditure

Table 1.14 presents the growth of revenue expenditure over five years (2011-16):

Table 1.14: Growth of Revenue Expenditure

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue expenditure	32,015	38,072	41,887	49,118	59,236
Growth rate (<i>per cent</i>)	13	19	10	17	21
Revenue expenditure as percentage to GSDP	11	11	11	11	12
Non-plan Revenue expenditure (NPRE)	24,223	28,616	31,735	36,358	40,675
Percentage of NPRE to revenue expenditure	76	75	76	74	69

Revenue expenditure during 2011-16 increased by ₹ 27,221 crore (85 *per cent*) with the growth rate ranging from 13 to 21 *per cent* but its percentage to GSDP remained constant at 11 *per cent* during the period 2011-15 but increased to 12 *per cent* during the year 2015-16.

Revenue expenditure increased by 21 *per cent* from ₹ 49,118 crore in 2014-15 to ₹ 59,236 crore in 2015-16. Expenditure on general services increased by ₹ 1,948.60 crore on account of more expenditure mainly on pension and

miscellaneous general services (₹ 186.26 crore) and interest payments (₹ 1,355.78 crore). The expenditure on social services also increased by ₹ 2,419 crore over the previous year due to more expenditure mainly on education, sports, art and culture (₹ 623.35 crore), health and family welfare (₹ 315.84 crore) and social welfare and nutrition (₹ 771.76 crore). Expenditure on economic services increased by ₹ 5,602.36 crore due to more expenditure on subsidy and Grant-in-aid to power sector (₹ 4,981.22 crore). The break-up of revenue expenditure into NPRE (69 per cent) and Plan revenue expenditure (PRE) (31 per cent) showed that the proportionate share of NPRE was substantially higher than the PRE. The total increase of ₹ 10,117.83 crore in revenue expenditure comprised of ₹ 5,800.45 crore and ₹ 4,317.38 crore in NPRE and PRE respectively. The total revenue expenditure in 2015-16 at ₹ 59,235.70 crore was higher than the normative assessment of FFC (₹ 44,514 crore) but less than the projections made in MTFPS (₹ 61,869.62 crore).

The NPRE in 2015-16 at ₹ 40,674.90 crore and PRE at ₹ 18,560.80 crore was less than the projection of the Government made in its MTFPS (NPRE: ₹ 43,208.62 crore and PRE: ₹ 18,661 crore) (*Appendix 1.6*).

1.6.3 Committed Expenditure

The committed expenditure on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.15** and **Chart 1.9** present the trends in the expenditure on these components during 2011-16.

Table 1.15: Components of committed expenditure

(₹ in crore)

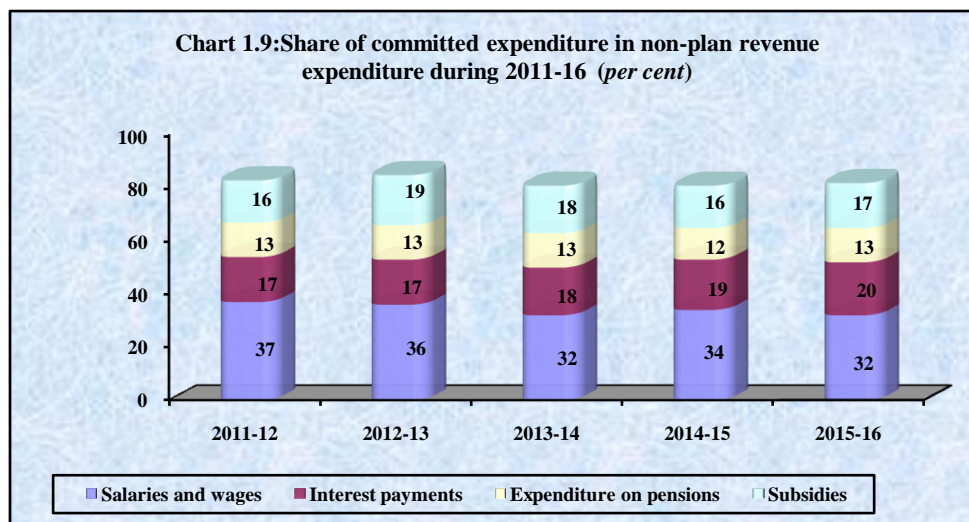
Components of Committed Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
					Budget Estimate	Actual
Salaries and wages, Of which	9,960 (33)	11,464 (34)	11,816 (31)	14,359 (35)	15,313	15,294*
Non-Plan Head	9,070	10,280	10,374	12,250	13,135	12,870
Plan Head**	890	1,184	1,442	2,109	2,178	2,424
Interest Payments	4,001 (13)	4,744 (14)	5,850 (15)	6,928 (17)	8,564	8,284 (17)
Expenditure on Pensions	3,204 (10)	3,636 (11)	4,169 (11)	4,602 (11)	5,900	5,413 (11)
Subsidies	3,853 (13)	5,454 (16)	5,681 (15)	5,693 (14)	6,865	6,899 (15)
Total	21,018 (69)	25,298 (75)	27,516 (72)	31,582 (77)	36,642	35,890 (75)

(Source: State Finance Accounts of the respective years and information supplied by office of Accountant General (Accounts and Entitlement).

Note: Figures in parentheses indicate percentage to revenue receipts.

* Includes wages of ₹ 269.06 crore.

** Plan head also includes the salaries and wages paid under centrally sponsored schemes.



The total expenditure (₹ 28,722 crore) on salary, interest and pension payments was lower by ₹ 2,802.31 crore (8.89 per cent) than the projections by the Government in MTFPS (₹ 31,524.31 crore) and consumed 60 per cent of the revenue receipts. The four components, i.e. salary and wages, interest, pension payment and subsidies constituted about 82 per cent of the NPRES during 2015-16.

Expenditure on Salaries

The expenditure on salaries and wages (₹ 15,294 crore) increased by 53.55 per cent during the period from 2011-12 to 2015-16. During 2006-07 to 2014-15, the CAGR of expenditure on salaries and wages was 16.87 per cent which was higher than GCS (15.49 per cent). This growth rate over the previous year at 6.51 per cent was less than the growth rate of 9.95 per cent in GCS (*Appendix 1.1*). The expenditure on salaries (₹ 15,025 crore) was below than the projections made in MTFPS (₹ 17,061 crore) (*Appendix 1.6*).

Interest payment

Interest payments (₹ 8,284 crore) increased by 107.05 per cent over a period of five years (2011-16). During 2015-16, there was an increase of ₹ 1,356 crore (19.57 per cent) over the previous year. The percentage of interest payments to revenue receipts increased from 13.09 per cent in 2011-12 to 17.42 per cent in 2015-16. Interest payments during 2015-16 were higher than the assessment made by FFC (₹ 7,582 crore) but was less than the projections in the MTFPS (₹ 8,564 crore) (*Appendix 1.6*).

Subsidies

Payment on subsidies increased by ₹ 3,046 crore (79.06 per cent) from ₹ 3,853 crore in 2011-12 to ₹ 6,899 crore in 2015-16, which was 14.51 per cent of the revenue receipts. Out of the total subsidies of ₹ 6,899 crore, ₹ 6,324 crore (92 per cent) was for the power and energy sectors. The total subsidy to the power and energy sector was higher than the projection in MTFPS (₹ 5,625 crore) (*Appendix 1.6*).

The subsidies present a partial picture as these are exclusive of the implicit subsidies. Some implicit subsidies extended during 2015-16 are detailed in the **Table 1.16**.

Table 1.16: Details of some of the implicit subsidy

(₹ in crore)

Sr. No.	Scheme/Subsidy	Budget Estimate		Expenditure
		Original	Revised	
1.	Scheme for managing the micro nutrients deficiency in soil	3.00	0.18	0.18
2.	Scheme for promotion of crops diversification	4.00	5.20	5.20
3.	National project on management of soil health and fertility	0.40	0.19	0.19
4.	Scheme for providing assistance on adoption of water saving technology	10.00	7.07	7.07
5.	Scheme for integrated horticulture development in Haryana	8.25	7.23	7.23
6.	Scheme for promotion of advanced international technology in horticulture sector	10.46	6.34	6.34
7.	Micro irrigation	20.00	2.07	2.07
8.	Scheme for establishment of hi-tech dairy units	5.00	4.85	4.85
9.	Rebate on rate of interest on short term loan advanced by co-operative banks	100.00	145.21	145.21
10.	One time settlement of Loan to all cooperative sugar mills	290.00	646.00	646.00

(Source: Detailed Appropriation Accounts.)

Pension payments

Pension payments (₹ 5,413 crore) increased by 68.95 per cent during the period from 2011-12 to 2015-16 which was 11.38 per cent of revenue receipts. The expenditure on pension payments in 2015-16 was higher than the assessments made by FFC (₹ 4,950 crore) and less than projections made by the MTFPS (₹ 5,900 crore) (*Appendix 1.6*). To meet the increasing pension liabilities, a new Contributory Pension Scheme was introduced by the State with effect from 1 January 2006.

Flagship schemes/ Programmes: Position of expenditure

Flagship schemes/Programmes are an integral and critical part of Government of India's commitment towards inclusive development of the nation. The amounts shown in **Table 1.17** were released for the flagship schemes by the Central Government to the Government of Haryana, their functionaries and various implementing agencies/NGOs during 2015-16.

Table 1.17: Expenditure vis-à-vis availability of funds under flagship schemes/programmes implemented in Haryana

(₹ in crore)

Sr. No.	Name of the scheme/programmes	Opening Balance	Funds received from			Total	Expenditure	Percentage of expenditure to available funds
			GOI	State Share	Other sources			
1	Rashtriya Krishi Vikas Yojana (RKVY)	--	142.23	193.56	--	335.79	241.75	72
2	Integrated Watershed Management Programme (IWMP)	34.03	--	--	0.27	34.30	21.42	62
3	National Rural Livelihood Mission (NRLM)	6.54	5.22	3.48	0.5	15.74	12.53	80
4	Mahatma Gandhi National Rural Employment Guarantee Act	10.53	122.95	14.23	0.09	147.80	140.88	95
5	Indira Awas Yojana	15.57	91.75	56.59	0.58	164.49	95.24	58
6	Backward Region Grant Fund (BRGF)	--	--	--	13.14	13.14	0.35	3
7	National Rural Health Mission	32.90	289.92	193.00	--	515.82	481.29	93
8	National Rural Drinking Water	63.27	122.65	270.22	--	456.14	398.03	87

Sr. No.	Name of the scheme/programmes	Opening Balance	Funds received from			Total	Expenditure	Percentage of expenditure to available funds
			GOI	State Share	Other sources			
	Programme							
9	Pradhan Mantri Gram Sadak Yojana	11.30	277.00	140.00	17.65	445.95	347.77	78
10	Jawaharlal Nehru National Urban Renewal Mission	-2.38	--	--	35.00	32.62	36.00	110
11	Integrated Housing & Slum Development Programme (IHSDP)	54.09	--	--	--	54.09	13.56	25
12	Rajiv Awas Yojna (RAY)	84.58	--	3.62	--	88.20	21.04	24
13	Nirmal Bharat Abhiyan (NBA)	54.10	55.35	16.13	--	125.58	97.66	78
14	National Social Assistance Programme (NSAP)	--	83.12	--	--	83.12	83.12	100
15	SarvaShiksha Abhiyan	60.85	274.77	182.33	31.85	549.80	526.15	96
16	Mid-day Meal Scheme	93.40	123.82	83.34	--	300.56	223.82	74
17	Integrated Child Development Services Scheme	4.18	101.63	145.83	--	251.64	239.70	95
18	Supplementary Nutrition Programme (SNP)	13.14	55.45	60.99	--	129.58	121.98	94
	Total	536.10	1,745.86	1,363.32	99.08	3,744.36	3,102.29	83

(Source: Directorate of Economic and Statistical Analysis, Haryana)

The State received ₹ 1,745.86 crore during 2015-16 from GOI for implementation of flagship schemes. Out of total available funds of ₹ 3,744.36 crore for 2015-16, the State utilized ₹ 3,102.29 crore (83 per cent). The utilisation of available funds under Rashtriya Krishi Vikas Yojana, Integrated Watershed Management Programme, National Rural Livelihood Mission, Indira Awas Yojana, Backward Region Grant Fund, National Rural Drinking Water Programme, Pradhan Mantri Gram Sadak Yojana, Integrated Housing & Slum Development Programme, Rajiv Awas Yojna, Nirmal Bharat Abhiyan and Mid-day Meal Scheme was less than 90 per cent.

1.6.4 Financial Assistance by State Government to Local Bodies and other institutions

Table 1.18: Financial assistance to local bodies, etc.

(₹ in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16		
					Budget estimate	Actual	Percentage of variation
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	648.39	1,140.09	783.66	1,809.77	1,984.56	1,984.67	-
Municipal Corporations and Municipalities	894.67	1,274.01	1,120.80	744.63	1,047.24	1,045.99	(-) 0.12
Zila Parishads and Other Panchayati Raj Institutions	722.40	882.65	1,263.49	1,192.04	1,261.62	1,261.94	0.03
Development Agencies	480.96	450.65	523.36	723.72	878.08	878.09	-
Hospitals and other Charitable Institutions	357.67	580.02	518.83	979.70	1,011.18	1,010.97	(-) 0.02
Other Institutions	201.92	320.53	329.53	656.14	4,583.91	4,584.31	-
Total	3,306.01	4,647.95	4,539.67	6,106.00	10,766.59	10,765.97	0.01
Assistance as percentage of Revenue Expenditure	10	12	11	12		18	

(Source: Information compiled by Accountant General (A&E) Haryana)

Table 1.18 indicates that the financial assistance to local bodies and other institutions increased from ₹ 3,306.01 crore in 2011-12 to ₹ 10,765.97 crore,

constituting 18.17 per cent of the revenue expenditure during 2015-16. It increased by ₹ 4,659.97 crore (76.32 per cent) over the previous year due to increase in assistance to Educational institutions (₹ 174.90 crore), Municipal Corporations and Municipalities (₹ 301.36 crore), Development Agencies (₹ 154.37 crore) and other institutions (₹ 3,928.17 crore). Against the estimated provision of ₹ 10,766.59 crore, financial assistance of ₹ 10,765.97 crore was released. The slight decrease in the actual release vis-à-vis the budget estimate to educational institutions, hospitals and other charitable institutions and other institutions ranged between 0.02 and 0.12 per cent.

1.7 Quality of Expenditure

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

1.7.1 Adequacy of Public Expenditure

To enhance human development, the State is required to step up their expenditure on key social services like education, health, etc. **Table 1.19** analyses the fiscal priority and fiscal capacity of the Government with regard to development expenditure, social sector expenditure and capital expenditure during 2015-16.

Table 1.19: Fiscal Priority and Fiscal Capacity of the State in 2012-13 and 2015-16

Fiscal Priority of the State	AE/GSDP	DE [#] /AE	SSE/AE	CE/AE	Education/AE	Health/AE
Haryana Average (Ratio) 2012-13	12.66	71.85	35.99	12.99	16.11	3.61
General Category States Average (Ratio) 2012-13	14.14	70.03	38.47	13.70	17.72	4.72
Haryana Average (Ratio) 2015-16	16.12	75.13	29.07	8.70	12.75	3.18
General Category States Average (Ratio) 2015-16	16.05	70.63	36.29	14.89	15.63	4.45

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure, CE: Capital Expenditure.

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

Source for GSDP: Information as available on CSO website as on 29 July 2016.

Fiscal Priority:

- Aggregate expenditure as a ratio of GSDP in Haryana increased to 16.12 per cent in 2015-16 and was higher than General Category States (GCS) (16.05 per cent).
- Priority on Development Expenditure increased (75.13 per cent) in Haryana in 2015-16 in comparison to 2012-13 (71.85 per cent) and was higher than GCS.

- The ratio of SSE to AE decreased (29.07 per cent) in Haryana in 2015-16 as compared to 2012-13 (35.99 per cent) and was less than GCS.
- The ratio of CE to AE has reduced considerably (8.70 per cent) in 2015-16 in comparison of 2012-13 (12.99 per cent) and was very less than GCS.
- The ratio of expenditure on education decreased (12.75 per cent) in 2015-16 as compared to 2012-13 (16.11 per cent) and was less than GCS.
- The ratio of expenditure on Health decreased slightly (3.18 per cent) in 2015-16 as compared to 2012-13 (3.61 per cent) and was less than GCS.

1.7.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods. Apart from improving the allocation towards development expenditure, particularly in view of the fiscal space being created on account of the decline in expenditure on debt servicing in the recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and the proportion of revenue expenditure being made 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. Development expenditure comprised revenue and capital expenditure including loans and advances in socio-economic services. **Table 1.20** presents the trends in development expenditure relative to the aggregate expenditure of the State during the period 2011-12 to 2015-16. **Table 1.21** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services.

Table 1.20: Development expenditure

(₹ in crore)

Component of development expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
					Budget Estimate	Actual
Development expenditure (a to c)	27,192 (72)	31,868 (72)	32,300 (69)	36,180 (67)	48,037	59,652 (75)
a. Development revenue expenditure	21,696 (57)	26,073 (59)	28,154 (60)	32,208 (60)	41,564	40,229 (51)
b. Development capital expenditure	5,137 (14)	5,511 (12)	3,653 (8)	3,425 (6)	5,549	6,448 (8)
c. Development loans and Advances	359 (1)	284 (1)	493 (1)	547 (1)	924	12,975 (16)

(Source: State Finance Accounts of the respective years.)

(Note: Figures in parentheses indicate percentage of aggregate expenditure.)

Development expenditure increased by 119.37 per cent during the period from 2011-12 to 2015-16. This expenditure, which constituted 75 per cent of the total expenditure, increased by ₹ 23,472 crore (65 per cent) from ₹ 36,180 crore in 2014-15 to ₹ 59,652 crore in 2015-16. Development Revenue

expenditure and Loans and Advances constituted 67 and 22 *per cent* of development expenditure respectively whereas the share of capital expenditure was only 11 *per cent*. The Loans and Advances increased by 2,272 *per cent* over previous year due to loans disbursed to Power Projects (₹ 12,267 crore), cooperative sugar mills (₹ 646 crore) and private sugar mill (₹ 40.13 crore). Against the provision of ₹ 48,037 crore, the actual expenditure was ₹ 59,652 crore, which is 124.18 *per cent* of BE.

Table 1.21: Efficiency of expenditure use in selected Social and Economic Services

Social/economic infrastructure	2014-15			2015-16		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S&W	O&M		S&W	O&M
Social Services (SS)						
Education, Sports, Art and Culture	0.020	66.21	0.04	0.020	65.93	0.11
Health and Family Welfare	0.029	48.38	-*	0.014	47.40	0.08
Water Supply, Sanitation, Housing and Urban Development	0.319	18.91	7.98	0.237	16.18	6.92
Total (SS)	0.103	53.67	1.69	0.079	51.77	1.65
Economic Services (ES)						
Agriculture and Allied Activities	(-) 1.098	38.96	1.89	0.149	34.09	1.60
Irrigation and Flood Control	0.454	6.32	8.07	0.384	5.15	7.75
Power and Energy	0.013	0.03	-*	0.135	0.02	-*
Transport	0.371	39.59	3.33	0.437	42.75	3.51
Total (ES)	0.120	17.07	1.98	0.228	11.90	1.43
Total (SS + ES)	0.111	37.89	1.81	0.161	31.55	1.54

(Source: State Finance Accounts of the respective years.)

TE: Total expenditure; CE: Capital expenditure; RE: Revenue expenditure; S&W: Salaries and wages; O&M: Operations and maintenance; * amount negligible

The ratio of capital expenditure on Social Services with reference to the total expenditure decreased from 0.103 in 2014-15 to 0.079 in 2015-16 and increased for economic services from 0.120 in 2014-15 to 0.228 in 2015-16.

Under Social Services, the share of expenditure on salaries and wages was slightly decreased from 53.67 *per cent* in 2014-15 to 51.77 *per cent* in 2015-16. The share of expenditure on O&M also decreased from 1.69 *per cent* in 2014-15 to 1.65 *per cent* in 2015-16. Under Economic Services, the share of salaries and wages decreased from 17.07 *per cent* in 2014-15 to 11.90 *per cent* in 2015-16. The share of O&M also decreased from 1.98 *per cent* in 2014-15 to 1.43 *per cent* in 2015-16. Under Social Services and Economic Services combined, the share of salary and wages decreased from 37.89 *per cent* in 2014-15 to 31.55 *per cent* in 2015-16. The share of O&M also decreased from 1.81 *per cent* in 2014-15 to 1.54 *per cent* in 2015-16.

1.8 Financial Analysis of Government Expenditure and Investments

In the post-FRBM Act 2005 framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet capital expenditure/ investment (including loans and advances) requirements. In

addition, the Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on the budget in the form of implicit subsidies and take requisite steps to infuse transparency in financial operations. This section presents a broad financial analysis of investments and other capital expenditure undertaken by the Government during 2015-16 vis-à-vis the previous year.

1.8.1 Financial results of irrigation works

The financial results of eight irrigation projects with a capital outlay of ₹ 623.33 crore at the end of March 2016 showed that revenue realized from these projects during 2015-16 (₹ 106.88 crore) was 17 per cent of the capital outlay. After meeting the working and maintenance expenditure (₹ 352.03 crore) and interest charges (₹ 31.16 crore), there was loss of ₹ 276.31 crore.

1.8.2 Incomplete projects

Department-wise information pertaining to incomplete projects as on 31 March 2016 is given in **Table 1.22**. Only those projects where the scheduled dates for completion were already over as of 31 March 2016 have been included under incomplete projects.

Table 1.22: Department-wise profile of incomplete projects

(₹ in crore)

Department	Number of incomplete projects	Initial budgeted cost	Revised total cost of projects	Total expenditure upto March 2016
Irrigation	1	10.09	-	7.00
Public Works Department (B&R)	17	200.86	-	91.65
	18	210.95	-	98.65

(Source: State Finance Accounts)

The scheduled dates of completion of 18 projects of two departments were between May 2014 and March 2016, but these were incomplete as on June 2016, resulting in non derivation of desired benefits from the investment of ₹ 98.65 crore.

1.8.3 Investments and returns

The Government as of 31 March 2016, had invested ₹ 9,372.44 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.23**). The average return on these investments was 0.092 per cent in the last five years while the Government paid an average interest rate of 9.48 per cent on its borrowings during 2011-16.

Table 1.23: Return on investments

Investment/return/cost of borrowings	2011-12	2012-13	2013-14	2014-15	2015-16	
					Budget estimate	Actual
Investment at the end of the year (₹ in crore)	6,981.91	7,240.02	7,378.87	7,500.22	7,680.39	9,372.44
Return (₹ in crore)	1.64	7.05	6.49	5.80	7.40	15.89
Return (<i>per cent</i>)	0.02	0.10	0.09	0.08	0.10	0.17
Average rate of interest on Government borrowings (<i>per cent</i>)	9.73	9.86	9.83	9.33	11.13	8.64
Difference between interest rate and return (<i>per cent</i>)	9.71	9.76	9.74	9.25	11.03	8.47

(Source: State Finance Accounts of the respective years.)

While the Government investments increased by 34.24 *per cent* over a period of five years from 2011-12 to 2015-16, the return from investments increased from ₹ 1.64 crore (0.02 *per cent*) in 2011-12 to ₹ 15.89 crore (0.17 *per cent*) in 2015-16. The Government paid interest at an average rate of 8.64 to 9.86 *per cent* on its borrowings during 2011-16, whereas, the percentage of return from investments ranged between 0.02 and 0.17 during the same period. The State Government made investments of ₹ 1,902.21 crore during 2015-16. Out of this, ₹ 1,794.54 crore were invested in the equity capital of four power companies.

Nine Government Companies with an aggregate investment of ₹ 6,231.99 crore were incurring losses and their accumulated losses amounted to ₹ 29,518.03 crore as per the accounts furnished by these Companies (*Appendix 1.7*). Losses of ₹ 29,310.58 crore in three⁷ power generation and distribution companies constituted 99 *per cent* of the total losses of Government Companies.

1.8.4 Departmentally managed Commercial Undertakings

Activities of quasi-commercial nature are also performed by the departmental undertakings of certain Government departments. The department-wise position of the investments made by the Government up to the year for which proforma accounts were finalised, net profit/loss as well as return on capital invested in these undertakings are given in *Appendix 1.8*. The following points were observed:

- An amount of ₹ 7,126.48 crore had been invested by the Government in five undertakings at the end of the financial year upto which their accounts were finalised.
- Of the loss-making undertakings, Haryana Roadways incurred losses continuously for more than seven years and Agriculture Department

⁷ Accumulated losses upto 2014-15: UHBVNL (₹ 16,309.78 crore), DHBVNL (₹ 12,719.03 crore) and HPGCL (₹ 281.77 crore).

(Seed Depot Scheme) had not prepared its proforma accounts for the last 27 years.

- The losses of two⁸ departmental undertakings were ₹ 295.55 crore as against the total investment of ₹ 774.86 crore.

1.8.5 Investment in Public Private Partnerships

With a view to provide adequate development of social and physical infrastructure which is a pre-requisite for sustaining economic growth, the State Government adopted the Public Private Partnership (PPP) mode of infrastructure development.

Six PPP projects (*Appendix 1.9*) with a total estimated cost of ₹ 4,330.00 crore were under implementation as on 31 March 2016.

1.8.6 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the Government had also been providing loans and advances to many institutions/organizations. **Table 1.24** presents the outstanding loans and advances as on 31 March 2016 and interest receipts vis-à-vis interest payments during the last three years.

Table 1.24: Average interest received on loans advanced by the State Government

Quantum of loans / interest receipts / cost of borrowings	2013-14	2014-15	2015-16	
			Budget Estimate	Actual
Opening Balance	3,489	4,002		4,572
Amount advanced during the year	775	843	1,367	13,250
Amount repaid during the year	262	273	392	328
Closing Balance	4,002	4,572		17,494
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	4,002	4,572		5,187
Net addition	513	570	975	12,922
Interest receipts	66	40	102	47
Interest payments as percentage of outstanding loans and advances	1.76	0.93	0.92	0.43
Interest payments as percentage of outstanding fiscal liabilities of the State Government	7.67	7.83	8.66	6.86
Difference between interest payments and interest receipts (<i>per cent</i>)	5.91	6.90	7.74	6.43

(Source: State Finance Accounts of the respective years)

Total outstanding loans and advances as on 31 March 2016 were ₹ 17,494 crore due to net addition of ₹ 12,922 crore during the year 2015-16. Loans amounting to ₹ 1,212.90 crore were outstanding at the beginning of the year 2015-16 against co-operative sugar mills. Further, loans totaling ₹ 646 crore were given to these sugar mills. While, loans of ₹ 12,266.83 crore were given to power projects for transmission and distribution services during the year 2015-16, only ₹ 61.94 crore were recovered against previous loans of

⁸ Agriculture Department (Seed Depot Scheme): ₹ 0.01 crore and Haryana Roadways: ₹ 295.54 crore.

₹ 1,025.62 crore outstanding on 31 March 2015. Terms and conditions of loan disbursed during 2015-16 to Power companies (₹ 12,266.83 crore) and private sugar mill (₹ 40.13 crore) were not finalized. Interest payment of ₹ 721.93 crore during the year 2015-16 had been made in favour of Uttar Haryana Bijli Vitran Nigam Limited under Financial Restructuring Plan (FRP).

1.8.7 Cash Balances and Investment of Cash Balances

Comparative figures of cash balances and investment of cash balance for the years 2014-15 and 2015-16 are given in **Table 1.25**.

Table 1.25: Detail of cash balances and investment of cash balances

(₹ in crore)

	Opening balance 01 April 2015	Closing Balance 31 March 2016
(a) General Cash Balance		
Deposit with Reserve Bank	75.53	(-) 733.94
Remittances in transit local	0.54	0.54
Total	76.07	(-) 733.40
Investment held in cash Balance Investment Account	2,571.52	4,173.12
Total (a)	2,647.59	3,439.72
(b) Other Cash Balances and Investment		
Cash with departmental officers viz. public works department officers, Forest department officers, District collectors	3.07	2.68
Permanent advances for contingent expenditure with departmental officers	0.11	0.11
Investment of earmarked funds	3,856.75	2,775.22
Total (b)	3,859.93	2,778.01
Grand Total (a)+(b)	6,507.52	6,217.73

(Source: State Finance Accounts of the respective years.)

Cash balances during the year 2015-16 decreased from ₹ 6,507.52 crore to ₹ 6,217.73 crore. The investments made out of cash balances increased from ₹ 2,571.52 crore to ₹ 4,173.12 crore. The investment from earmarked balances decreased by ₹ 1,081.53 crore from ₹ 3,856.75 crore on 1 April 2015 to ₹ 2,775.22 crore as on 31 March 2016, which was mainly due to decrease in the State Disaster Response Fund (₹ 1,537.57 crore). Interest of ₹ 186.49 crore realized from cash balance investments during the year 2015-16 increased by ₹ 106.79 crore than the interest earned (₹ 79.70 crore) during the year 2014-15.

The Government had to maintain a minimum cash balance of ₹ 1.14 crore as per its agreement with the Reserve Bank of India and no ordinary and special ways and means advances had been taken during 2015-16 for maintaining minimum balance.

1.8.8 Outstanding balances under the head 'cheques and bills'

The Major Head '8670' cheques and bills represents the intermediary account head for initial record of transactions which are to be cleared eventually. An

amount of ₹ 0.11 crore was outstanding as on 1 April, 2015. After adjustment of ₹ 0.06 crore during the year, closing balance remained ₹ 0.05 crore.

Government had taken loans of ₹ 14,100 crore from open market during the year 2015-16 at the interest rate ranging between 8.15 per cent to 8.51 per cent though the balance in the cash balance investment account had been increased by ₹ 1,601.60 crore from ₹ 2,571.52 crore on 31 March 2015 to ₹ 4,173.12 crore on 31 March 2016 which was invested at the interest rates ranging from 5 to 5.50 per cent. It shows that State had not utilized its existing cash balances before resorting to fresh borrowings.

1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

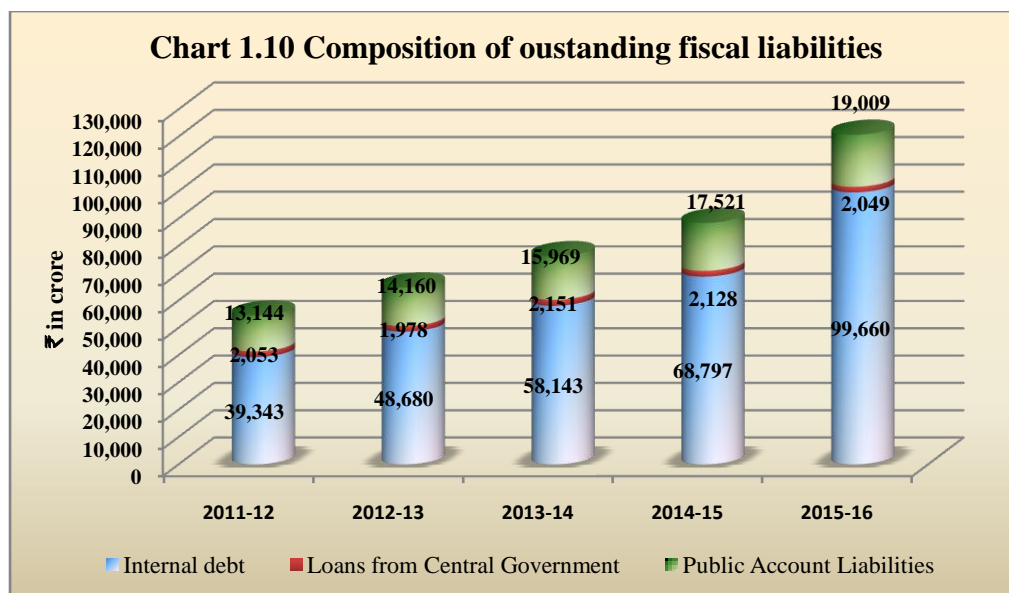
In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.5 (Part A and B)** give an abstract of such liabilities and assets as on 31 March 2016, compared with the corresponding position of last four years. While the liabilities in this Appendix mainly consist of internal borrowings, loans and advances from GOI, receipts from the Public Account and Reserve Funds, the assets mainly comprise the capital outlay and loans and advances given by the Government and cash balances.

1.9.2 Fiscal Liabilities

The outstanding fiscal liabilities of the State are presented in **Appendix 1.5 Part B**. The compositions of fiscal liabilities during 2011-16 are presented in **Table 1.26**.

Table 1.26: Trends in fiscal liabilities from 2011-12 to 2015-16

	(₹ in crore)				
Components of fiscal liability	2011-12	2012-13	2013-14	2014-15	2015-16
Internal debt	39,343	48,680	58,143	68,797	99,660
Loans from Central Government	2,053	1,978	2,151	2,128	2,049
Public Account Liabilities	13,144	14,160	15,969	17,521	19,009
Total	54,540	64,818	76,263	88,446	1,20,718
Growth rate	17.84	18.84	17.66	15.97	36.49
Percentage of revenue receipts	178.48	192.72	200.63	216.78	253.84
Buoyancy with revenue receipt growth	0.91	1.87	1.36	2.18	2.20
Ratio to GSDP	18.13	18.50	19.27	20.02	24.50



(Source: State Finance Accounts of the respective years)

The overall fiscal liabilities of the State increased from ₹ 54,540 crore in 2011-12 to ₹ 1,20,718 crore in 2015-16 registering an increase of 121.34 *per cent* mainly due to increase in public debt (₹ 60,313 crore) and public account liabilities (₹ 5,865 crore). The ratio of fiscal liabilities to GSDP showed increasing trend and increased from 18.13 *per cent* in 2011-12 to 24.50 *per cent* in 2015-16. These liabilities were 2.54 times the revenue receipts and 3.38 times the State's own resources as at the end of 2015-16. Payment of interest on the fiscal liabilities was ₹ 8,284 crore (6.86 *per cent*) during the year 2015-16. It is significant to note that fiscal liabilities at ₹ 1,20,718 crore were higher than the limit of ₹ 98,843 crore projected in the MTFPS for the year 2015-16 and 24.50 *per cent* including debt taken over under UDAY scheme and 20.99 *per cent* excluding debt taken over UDAY scheme against the normative assessment of 19.28 *per cent* of GSDP.

The State Government constituted the Consolidated Sinking Fund in 2002 for redemption of open market loans. As per guidelines, the Government is required to contribute one to three *per cent* of the outstanding open market loans to the Fund, as at the end of the previous year.

The Government made a budget provision of ₹ 525 crore towards contribution to the Consolidated Sinking Fund for 2015-16. Amount of ₹ 262.50 crore towards contribution had been made in the Fund and ₹ 103.26 crore earned as interest on investment during the year 2015-16. No disbursement were made and the Fund was closed at ₹ 1,519.06 crore.

These funds were invested in Government securities, purchased at a premium ranging from one *per cent* to 11 *per cent*, resulting in additional payment of ₹ 11.52 crore during 2015-16. On being pointed out by audit to Finance Department regarding investment of the fund at such a huge premium, the

department has referred the matter to Reserve Bank of India (August 2016).

1.9.3 Reserve fund

The State Government operated 12 Reserve Funds earmarked for specific purposes as detailed in statement No. 21 of Finance Account. Out of which 9 funds are active and three funds namely Development Funds for Agriculture purposes, Industrial Development Funds and Food Grains reserve were inoperative from 5 to 32 years.

At the beginning of 2015-16, Reserve Fund stood at ₹ 4,173.52 crore. There was addition of ₹ 698.81 crore and disbursement of ₹ 1,709.62 crore during the year leading to a closing balance of ₹ 3,162.71 crore. The inoperative funds are having closing balance of ₹ 12.27 crore at the end of the year 2015-16.

The State Disaster Response Fund (SDRF), being one of the major reserve funds, had an opening balance of ₹ 1,950.14 crore. During the year 2015-16, the GoI released ₹ 203.43 crore and State Government was required to contribute ₹ 67.81 crore as State share (in the ratio of 75:25). Hence, a total ₹ 271.24 crore was to be contributed to the Fund. Though the provision of ₹ 308 crore was made in the budget for 2015-16, the State Government had not made contribution to the Fund except the interest amount of ₹ 122.57 crore earned on investment of Fund and ₹ 38.72 crore expenditure incurred under MH 2245 recouped from SDRF treated as Government contribution to the Fund during 2015-16. Thus, even the funds released by GoI were not contributed to the SDRF during 2015-16.

State Government has disbursed (₹ 1,689.87 crore) directly through cheques from the fund without routing the fund through treasury in violation of GoI guidelines. Hence, it could not be checked whether the expenditure had been made for the intended purpose. Fund was closed at ₹ 412.57 crore. The matter was referred to State Government; their reply is awaited (October 2016).

1.9.4 Status of Guarantees-Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of defaults by borrowers for whom the guarantees have been extended. No law under Article 293 of the Constitution has been passed by the State legislature laying down the limit within which the Government may give guarantees on the security of the Consolidated Fund of the State.

As per Statement 9 of the Finance Accounts the outstanding guarantees for the last five years are given in **Table 1.27**.

Table 1.27: Guarantees given by the Government of Haryana

(₹ in crore)

Guarantees	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding amount of guarantees including fee	5,608	21,124	27,309	30,389	16,886
Percentage of outstanding amount of guarantees to total revenue receipts	18	63	72	74	36

(Source: State Finance Accounts of the respective years)

No amount was paid by the Government towards guarantees during 2015-16. The outstanding amount of ₹ 16,886 crore of guarantees including guarantee fee, as on 31 March 2016, was in respect of Power (₹ 14,473 crore), Co-operative Banks and Societies (₹ 1,254 crore) and Corporations, Boards and Government Companies (₹ 1,159 crore).

The Government constituted the Guarantee Redemption Fund during 2003-04 to meet the contingent liabilities arising out of guarantees issued on behalf of State Public Sector Undertakings and local bodies. As per the provisions of the Fund, the State Government is required to transfer to the fund, the guarantee fee collected alongwith annual or periodic contributions as estimated by the Government. The fund is administered by the Reserve Bank of India. The balance under this Fund was ₹ 843.42 crore as on 31 March 2016 (2.75 per cent of outstanding guarantees at the end of previous year at ₹ 30,621.76 crore) which stood invested. The Government contributed ₹ 28.42 crore during 2015-16 along with interest of ₹ 61.86 crore earned on investment to the fund. Total liabilities, including guarantees stood at ₹ 1,37,604 crore (₹ 1,20,718 crore + ₹ 16,886 crore) during 2015-16 and were 27.93 per cent of the GSDP. Further, it was noticed that the funds were invested in Government securities, purchased at a premium ranging from two to 11 per cent, resulting in additional payment of ₹ 4.37 crore. The matter was referred to Finance Department; they in turn referred the matter to RBI and their reply is awaited (October 2016).

1.10 Debt Management

Table 1.28 gives a time series analysis of internal debt profile of the State Government for the last five years.

Table 1.28: Internal Debt profile and per capita debt of State Government

(₹ in crore)

Year	Opening Balance	Debt Receipts	Repayment during the year	Closing Balance	Increase/Decrease	Percentage of increase over previous year	Per Capita Debt in ₹
2011-12	32,485.97	11,643.38	4,786.52	39,342.83	6,856.86	21.11	15,489
2012-13	39,342.83	15,509.16	6,171.45	48,680.54	9,337.71	23.73	19,166
2013-14	48,680.54	17,371.48	7,908.87	58,143.15	9,462.61	19.44	22,891
2014-15	58,143.15	18,727.99	8,073.67	68,797.47	10,654.32	18.32	27,086
2015-16	68,797.47	37,901.20	7,038.54	99,660.13	30,862.66	44.86	39,236

(Source: State Finance Accounts of respective years)

Internal debt of the State Government increased by ₹ 67,174 crore (207 per cent) from ₹ 32,486 crore in 2011-12 to ₹ 99,660 crore in 2015-16. An interest of ₹ 6,466 crore was paid on internal debt during 2015-16.

Debt Sustainability

Apart from the magnitude of the debt of the Government, it is important to analyse the various indicators that determine the debt sustainability of the State. This section assesses the sustainability of the debt of the Government in terms of rate of growth outstanding debt; ratio of interest payment and revenue receipt, debt repayment and debt receipt; net debt available to the State. **Table 1.29** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2011-12.

Table 1.29: Debt sustainability

	(₹ in crore)				
Debt Sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding Public Debt	41,396.10	50,658.27	60,293.96	70,925.30	1,01,709.05
Rate of Growth of Outstanding Public Debt	19.41	22.37	19.09	17.63	43.40
GSDP	3,00,756	3,50,407	3,95,748	4,41,864	4,92,657
Rate of Growth of GSDP	15.40	16.51	12.94	11.65	11.50
Average interest Rate of Outstanding Debt (Interest paid/OB of Public Debt + CB of Public Debt/2)	8.61	8.62	8.92	9.14	7.61
Percentage of Interest to Revenue Receipt	13.09	14.10	15.39	16.98	17.42
Percentage of Debt Payment to Debt Receipt	37.49	39.12	45.26	43.62	18.99
Net Debt available to the State	4,642	6,138	6,045	5,254	24,727

(Figures in parentheses indicate the percentage to total State debt)
(Source: State Finance Accounts of the respective years.)

Public Debt of the State Government increased from ₹ 41,396 crore in 2011-12 to ₹ 1,01,709 crore in 2015-16 registering an increase of 145.70 per cent during the period 2011-16. The rate of growth ranged between 17.63 per cent and 43.40 per cent over the period 2011-12 to 2015-16. Public Debt increased at the rate of 43.40 per cent in 2015-16 as compared to 17.63 per cent in the previous year which is mainly due to debt amounting to ₹ 17,300 crore (bonds issued to the participating lender banks through Reserve Bank of India) of power companies been taken over by Government under UDAY.

Rate of growth of GSDP increased from 15.40 per cent in 2011-12 to 16.51 per cent in 2012-13, registered a decreasing trend of 12.94 per cent in 2013-14 to 11.50 per cent in 2015-16 but was still higher than the average rate of interest of public debt which is ranging between 7.61 per cent and 9.14 per cent over the period 2011-16. The State needs to step up its resource mobilisation efforts to ensure prudent fiscal situation rather than depend on debt receipts.

Interest payment as a percentage of revenue receipt increased from 13.09 *per cent* in 2011-12 to 17.42 *per cent* in 2015-16 which shows that the interest payment on public debt was increasing resulting in less availability of funds for development.

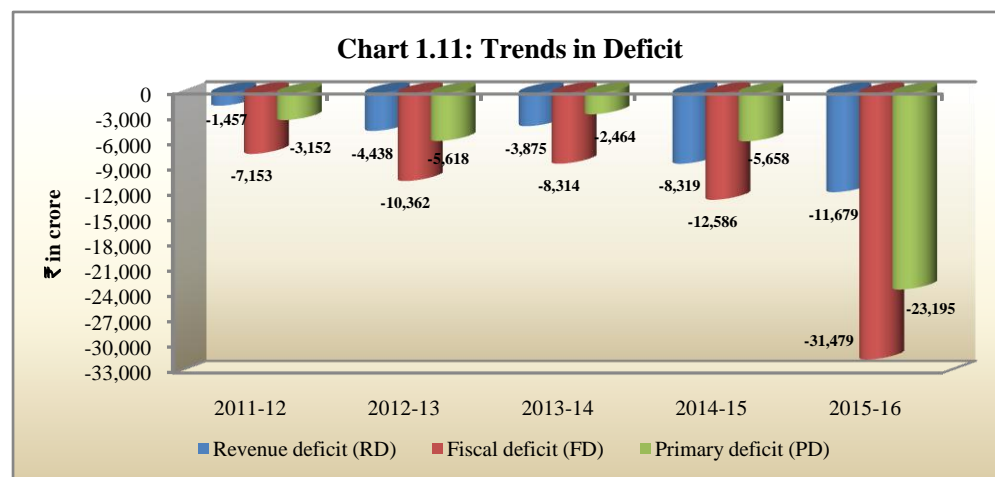
Debt payment as a percentage of Debt receipt showed a rising trend from 37.49 *per cent* in 2011-12 to 45.32 *per cent* in 2013-14, marginally decreased to 43.62 *per cent* in 2014-15 and stood at 18.99 *per cent* in 2015-16 which shows that public debt receipt increasing at higher rate than public debt payment resulting in higher dependency on debt receipt rather than own resources of revenue.

1.11 Fiscal Imbalances

Three key fiscal parameters i.e. revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the Government during a specified period. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2015-16.

1.11.1 Trends of deficits

Chart 1.11 presents the trends in deficit indicators over the period 2011-16.



(Source: State Finance Accounts of the respective years)

The revenue deficit, which indicates the excess of revenue expenditure over revenue receipts, was to be brought down to zero by 2011-12 and to be maintained at zero upto 2014-15, as per the FRBM Act. The revenue, fiscal and primary deficits which were ₹ 8,319 crore, ₹ 12,586 crore and ₹ 5,658 crore respectively during 2014-15 increased to ₹ 11,679 crore, ₹ 31,479 crore and ₹ 23,195 crore in 2015-16. The target of ₹ 9,557.52 crore of revenue deficit in the budget for the year 2015-16 could not be achieved and fiscal deficit was 6.39 *per cent* of GSDP against the target of 3.14 *per cent* set out in MTFPS (*Appendix 1.6*). However, the fiscal deficit at 2.88 *per cent* of GSDP

excluding debt taken over under UDAY scheme was within the limit of 3.14 per cent set out in FRBM, MTFPS for the year 2015-16.

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.30**. Receipts and disbursements under the components of financing the fiscal deficit during 2015-16 are given in **Table 1.31**.

Table 1.30: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Components of fiscal deficit						
		(-) 7,153	(-) 10,362	(-) 8,314	(-) 12,586	(-) 31,479
1	Revenue deficit(-)/ surplus (+)	(-) 1,457	(-) 4,438	(-) 3,875	(-) 8,319	(-) 11,679
2	Net Capital Expenditure	(-) 5,363	(-) 5,751	(-) 3,925	(-) 3,697	(-) 6,878
3	Net loans and advances	(-) 333	(-) 173	(-) 514	(-) 570	(-) 12,922
Financing pattern of fiscal deficit						
1	Market Borrowing	5,994.89	8,574.38	10,621.36	12,372.99	13,168.29
2	Loans from GOI	(-) 127.17	(-)75.54	173.08	(-) 22.98	(-) 78.91
3	Special securities issued to National Small Savings Fund	(-) 329.47	(-)91.55	28.07	707.45	1,012.11
4	Loans from financial institutions	1,191.44	854.88	(-)1,186.82	(-)2,426.12	16,682.26
5	Small Savings Provident Funds etc.	718.53	457.96	720.99	1,041.05	1,048.64
6	Reserve Fund	(-) 16.65	(-)39.09	2.29	38.97	70.72
7	Deposits and advances	826.54	597.05	1,086.43	471.42	369.27
8	Suspense and Miscellaneous	406.73	370.77	(-) 3948.95	1,145.54	(-) 1,583.19
9	Remittances	214.88	(-)72.60	(-) 0.25	(-) 13.89	(-) 19.15
10	Overall surplus (-) deficit (+)	8,879.72	10,576.26	7,496.20	13,314.43	30,670.04
11	Increase (-) decrease (+) in cash balance*	(-) 1,726.40	(-)214.43	(+) 817.28	(-) 728.38	(+) 809.47
12	Gross Fiscal Deficit	7,153	10,362	8,314	12,586.05	31,479.51

(Source: State Finance Accounts of the respective years.)

* 8999-Cash balance (Deposits with Reserve bank and remittance in treasury).

Table 1.31: Receipts and Disbursements under components financing the fiscal deficit

(₹ in crore)

	Particulars	Receipt	Disbursement	Net
1	Market Borrowing	1,40,99.99	931.70	13,168.29
2	Loans from GOI	97.23	176.14	(-) 78.91
3	Special securities issued to National Small Savings Fund	1,721.40	709.29	1,012.11
4	Loans from financial institutions	22,079.81	5,397.55	16,682.26
5	Small Savings, Provident Funds etc.	2,967.99	1,919.35	1,048.64
6	Deposits and advances	17,632.50	17,263.23	369.27
7	Reserve Funds	2,388.68	2,317.96	70.72
8	Suspense and Miscellaneous	1,03,084.73	1,04,667.92	(-) 1,583.19
9	Remittances	7,193.95	7,213.10	(-) 19.15
10	Overall surplus (-) deficit (+)			30,670.04
11	Increase (-) decrease (+) in cash balance			809.47
12	Gross Fiscal Deficit			31,479.51

(Source: State Finance Accounts.)

The market borrowings contributed ₹ 13,168 crore which was higher by ₹ 795 crore over ₹ 12,373 crore in 2014-15. Other major deficit financing measures taken by Government were loans from financial institutions ₹ 16,682 crore, increase in State provident fund (₹ 1,049 crore) and increase in deposits (₹ 369 crore).

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the components of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The bifurcation of the primary deficit (Table 1.32) would indicate the extent to which the deficit was on account of enhancement in capital expenditure, which may have been desirable to improve the productive capacity of the State's economy.

Table 1.32: Primary deficit / surplus–bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure	Primary revenue deficit (-)/ surplus (+)	Primary deficit(-)/ surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2011-12	30,861	28,014	5,372	627	34,013	2,847	(-) 3,152
2012-13	33,994	33,328	5,762	522	39,612	666	(-)5,618
2013-14	38,284	36,037	3,935	776	40,748	2,247	(-) 2464
2014-15	41,091	42,190	3,716	843	46,749	(-) 1,099	(-) 5,658
2015-16	47,915	50,952	6,908	13,250	71,110	(-) 3,037	(-) 23,195

(Source: State Finance Accounts of the respective years.)

The primary revenue deficit of previous year further increased to ₹ 3,037 crore during 2015-16 as the primary revenue expenditure increased faster than non-debt receipts. It shows that non-debt receipts fell short to meet even primary revenue expenditure and the primary deficit indicates that the borrowed funds were utilized to cover the primary expenditure.

1.12 Conclusions

Revenue receipts during 2015-16 increased by ₹ 6,757.89 crore (16.56 per cent) over the previous year mainly due to increase in tax revenue ₹ 3,294.52 crore (11.92 per cent). Tax revenue for 2015-16 fell short by 18.71 per cent and non-tax revenue increased by 15.16 per cent of the targets fixed by FFC. Revenue Receipts of ₹ 2,010.48 crore collected under Haryana Rural Development fund were not credited to Consolidated Fund of the State during 2011-15.

Revenue expenditure during the year constituted 75 per cent of the total expenditure. Its NPRE component at ₹ 40,675 crore was less than by 5.86 per cent than the projection of MTFPS (₹ 43,209 crore) of which 82 per cent expenditure was on four components i.e. salary and wages, pension liabilities, interest payments and subsidies. Moreover, 92 per cent (₹ 6,324 crore) of total subsidies (₹ 6,899 crore) were only for the energy sector. The average return on the Government's investments in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.02 and 0.17 per cent in the past five years while the Government paid an average interest of 8.64 to 9.86 per cent on its borrowings.

The revenue deficit which was required to be brought down to zero during 2011-12 and to be maintained at zero upto 2014-15 increased from ₹ 8,319 crore of 2014-15 to ₹ 11,679 crore in 2015-16. The trends in other fiscal parameters, i.e. fiscal and primary deficit stood at ₹ 12,586 crore and ₹ 5,658 crore respectively in 2014-15 and increased to ₹ 31,479(250.11 *per cent*) crore and 23,195(409.95 *per cent*) crore respectively in 2015-16.

Overall fiscal liabilities of the State were ₹ 1,20,718 crore as on 31 March 2016. Fiscal liabilities were 24.50 *per cent* of GSDP and 2.54 times of the revenue receipts.

Cash balance investment account of the State at the end of 2015-16 increased by ₹ 1,601.60 crore and earned interest between 5 and 5.5 *per cent* while the Government borrowed at an average of 8.64 *per cent*.

Internal debt of the Government increased to ₹ 99,660 crore (44.86 *per cent*) during 2015-16 from ₹ 68,797 crore in 2014-15. An interest of ₹ 6,466 crore was paid on internal debt during 2015-16. The resource gap remained negative during the year 2015-16 and the primary expenditure was met partially from the borrowed funds.

1.13 Recommendations

The Government may consider:

- (i) Exploring the possibility of mobilizing additional resources through tax and non-tax measures by ensuring better tax compliance and rationalizing the subsidy to power sector;
- (ii) Crediting all the revenue receipts in the Consolidated Fund of the State and incurring expenditure after the authorization of State Legislature;
- (iii) Reviewing the working of State PSUs which are incurring huge losses, formulate a strategic plan and ensure its implementation for their revival; and
- (iv) Resorting to need based borrowings only and utilizing its existing cash balances before resorting to fresh borrowings.