

Chapter I

Finances of the State Government

Introduction

This chapter provides a broad perspective of the finances of the Government of Haryana during 2016-17 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 22 districts, 14 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 11.20 which is lower than the all-India average of 21.90. The State's Gross State Domestic Product (GSDP) in 2016-17 at current prices was ₹ 5,47,396 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 2016-17 is ₹ 1,80,174¹.

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 Gross Domestic Product (GDP) and GSDP of Haryana at current prices are indicated below:

Year	2012-13	2013-14	2014-15	2015-16	2016-17
India's GDP (₹ in crore)	99,51,344	1,12,72,764	1,24,88,205	1,35,76,086	1,51,83,709
Growth rate of GDP (Percentage)	13.91	13.28	10.78	8.71	11.84
State's GSDP (₹ in crore)	3,47,032	4,00,662	4,37,462	4,85,184	5,47,396
Growth rate of GSDP (Percentage)	16.63	15.45	9.18	10.91	12.82

(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 (2016-17) *vis-à-vis* the previous year (2015-16) is given in **Table 1.1**.

Table 1.1: Summary of Fiscal operations in 2016-17

(₹ in crore)

Receipts	2015-16	2016-17	Disbursements	2015-16	2016-17		
					Non Plan	Plan	Total
Section-A: Revenue							
Revenue receipts	47,556.55	52,496.82	Revenue expenditure	59,235.70	46,284.16	22,119.27	68,403.43
Tax revenue	30,929.09	34,025.68	General Services	18,713.33	21,447.06	183.73	21,630.79
Non-tax revenue	4,752.48	6,196.09	Social Services	21,538.86	11,865.44	13,608.05	25,473.49
Share of Union Taxes/ Duties	5,496.22	6,597.47	Economic Services	18,690.36	12,547.72	8,327.49	20,875.21
Grants from Government of India	6,378.76	5,677.58	Grants-in-aid and Contributions	293.15	423.94	-	423.94
Section-B: Capital and others							
Misc. Capital Receipts	29.98	26.27	Capital Outlay	6,908.33	304.30	6,558.80	6,863.10
Recoveries of Loans and Advances	328.28	973.23	Loans and Advances disbursed	13,250.29	68.93	4,445.98	4,514.91
Public Debt receipts	37,998.43	28,169.52	Repayment of Public Debt	7,214.68			5,275.84
Contingency Fund	63.22	80.14	Contingency Fund	63.22			80.14
Public Account receipts	29,055.78	32,107.64	Public Account disbursements	28,649.81			29,275.67
Opening Cash Balance	6,507.52	6,217.73	Closing Cash Balance	6,217.73			5,658.26
Total	1,21,539.76	1,20,071.35	Total	1,21,539.76			1,20,071.35

(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 2016-17 over the previous year:

- Revenue receipts increased by ₹ 4,940.27 crore (10.39 per cent) as a result of increase in tax revenue by ₹ 3,096.59 crore (10.01 per cent) and of non-tax revenue by ₹ 1,443.61 crore (30.38 per cent) as well as increase in share of Union taxes and duties from the Government of India (GOI) by ₹ 1,101.25 crore (20.04 per cent). Grants-in-aid from GOI decreased by ₹ 701.18 crore (10.99 per cent). The State's own tax revenue of ₹ 34,025.68 crore fell short by 15.36 per cent and 27.64 per cent vis a vis projection made in Mid-term Fiscal Policy Statement (MTFPS) (₹ 40,199.51 crore) and target fixed by 14th Finance Commission (FFC) (₹ 47,024 crore) respectively. The non-tax revenue (₹ 6,196 crore) increased by 43.83 per cent of the target fixed by FFC (₹ 4,308 crore) and fell short by 25.42 per cent of projection made in MTFPS (₹ 8,308.45 crore) respectively for the year 2016-17 (**Appendix 1.6**).

- Revenue expenditure increased by ₹ 9,167.73 crore (15.48 per cent) as a result of increase in expenditure on ‘General Services’ (₹ 2,917.46 crore), ‘Social Services’ (₹ 3,934.63 crore) and ‘Economic Services’ (₹ 2,184.85 crore) and ₹ 130.79 crore on Grant-in-aid. The Non-Plan Revenue Expenditure (NPRE) (₹ 46,284.16 crore) and Plan Revenue Expenditure (₹ 22,119.27 crore) were short by 4.53 per cent and 17.32 per cent against the projection made in MTFPS ₹ 48,482.76 crore and ₹ 26,753.12 crore respectively (*Appendix 1.6*).
- Total Revenue Expenditure of ₹ 68,403.43 crore was higher by 35.90 per cent against the normative assessment in FFC (₹ 50,334 crore) but fell short by 9.08 per cent as compared to projection made under MTFPS (₹ 75,235.88 crore) (*Appendix 1.6*).
- Capital expenditure slightly decreased by ₹ 45.23 crore (0.65 per cent) as compared to previous year due to less expenditure on General Services.
- Recovery of loans and advances increased by ₹ 644.95 crore (196.46 per cent) during 2016-17 mainly due to transfer of loan portfolio of Government employees to the bank and receipt of ₹ 623 crore against outstanding recoveries of loans of Government servants.
- Net Public account receipts increased from ₹ 405.97 crore in 2015-16 to ₹ 2,831.97 crore in 2016-17.
- The cash balance of ₹ 5,658.26 crore at the close of 2016-17 decreased by ₹ 559.47 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 from time to time as per guidelines received from GOI.

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 1.10 per cent, 2.47 per cent and 19.55 per cent of GSDP without effect of Ujwal Discom Assurance Yojana (UDAY) while 2.09 per cent, 4.27 per cent and 23.96 per cent including UDAY of GSDP for Revenue deficit, Fiscal deficit and outstanding debt respectively in the budget for the year 2016-17.

Major fiscal variables provided in the budget, based on the commendations 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		2016-17						
		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)	Including UDAY	2.09 per cent of GSDP	(-) 12,280.35	19.51 per cent of TRR	(-) 15,906	39.23	(-) 3,626 (29.53 per cent)	30.30 (55.30 per cent)
	Excluding UDAY	1.10 per cent of GSDP	(-) 6,441.85	10.23 per cent of TRR	(-) 12,014	99.09	(-) 5,572 (86.50 per cent)	22.89 (123.75 per cent)
Fiscal Deficit/ GSDP (In per cent)	Including UDAY	4.27	4.27	4.27	4.80	12.41	12.41	12.41
	Excluding UDAY	2.47	2.47	2.47	3.22	30.36	30.36	30.36
Ratio of total outstanding debt to GSDP (In per cent)	Including UDAY	23.69	23.96	23.96	26.74	12.87	11.60	11.60
	Excluding UDAY	19.27	19.55	19.55	22.00	14.17	12.53	12.53

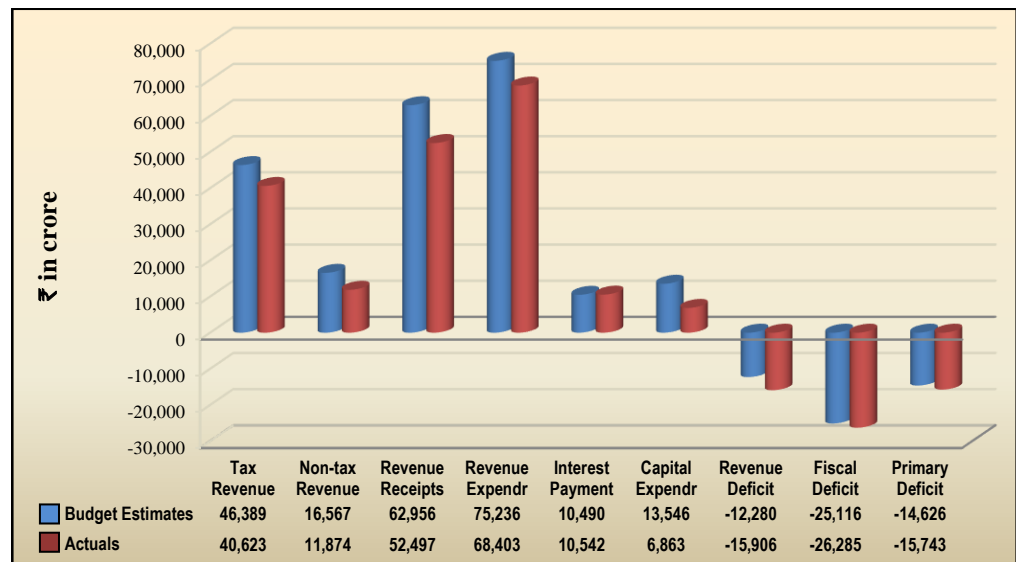
The revenue deficit (₹ 15,906 crore) for the year 2016-17 was higher than the projection made in budget and MTFPS and fiscal deficit was 3.22 per cent of GSDP excluding effect of UDAY scheme² and 4.80 per cent of GSDP with UDAY scheme against the target of 2.47 per cent and 4.27 per cent respectively set out in FRBM, Budget and MTFPS.

The total outstanding debt projected at 23.69 per cent and 19.27 per cent of GSDP as per FRBM Act for the year 2016-17 was higher at 26.74 per cent of GSDP with UDAY scheme and 22 per cent of GSDP excluding effect of UDAY scheme respectively 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 ₹ 25,950 crore (GIA: ₹ 7,785 crore, Equity: ₹ 2,595 crore, Loans: ₹ 15,570 crore) from the DISCOMS under UDAY including ₹ 17,300 crore taken over during 2015-16.

Chart 1.1: Selected Fiscal Parameters: Budget Estimates vis-a-vis Actuals for 2016-17

As against the targeted revenue receipt of ₹ 62,956 crore, the actual revenue receipts were ₹ 52,497 crore (83 per cent). The collection under tax revenue was only ₹ 40,623 crore against the anticipated receipt of ₹ 46,389 crore mainly due to lesser receipt under VAT which was only ₹ 23,488 crore against the anticipation of ₹ 28,750 crore and stamp and registration fee of ₹ 3,283 crore against anticipated receipt of ₹ 3,700 crore. The non-tax receipts was only ₹ 11,874 crore (72 per cent) against the anticipated receipt of ₹ 16,567 crore mainly due to lesser receipts under Education, Sports, Arts and Culture (₹ 469.25 crore), Medical and Public Health (₹ 164.64 crore), Urban Development (₹ 151 crore), non-ferrous mining and metallurgical industries (₹ 543.05 crore) and Road Transport (₹ 599.87 crore) than the estimated projections.

The actual revenue expenditure (₹ 68,403 crore) was within the budget provision of ₹ 75,236 crore. The interest payments (₹ 10,542 crore) were kept close to estimated projection (₹ 10,490 crore) and the capital expenditure was ₹ 6,863 crore i.e. very less (51 per cent) against the budget estimate of ₹ 13,546 crore. The Government could not maintain the estimated revenue deficit (₹ 12,280 crore), as this increased to ₹ 15,906 crore (30 per cent). The actual fiscal and primary deficits were also more than the anticipated. Against the budgeted fiscal deficit of ₹ 25,116 crore, actual fiscal deficit was ₹ 26,285 crore. Increase in fiscal deficit 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 2016-17

(₹ in crore)

Sr. No.	Scheme	Final Grant Allocated	Actual Expenditure
1.	Home/School for Blind Girls (Newly named as Govt. Institute - cum-Braille Library for the Blind Girls, Panipat)	0.20	0.14
2.	Indira Gandhi Priya Darshani Vivah Shagun Scheme renamed as Mukyamantri Vivah Shagun Yojna	80.18	80.18
3.	Ladli Social Security Pension Scheme	51.23	51.23
4.	Financial assistance to Destitute Women and Widows	1,101.46	1,101.46
5.	Pension to Aged, Physically Handicapped and Destitute Women and Widows Staff at District level	17.76	16.32
6.	Scheme for Beti Bachao Beti Padhao	3.06	3.06
7.	Rajiv Gandhi scheme for Empowerment of Adolescent Girls (RGSEAG) SABLA	11.34	11.34
8.	Relief & Rehabilitation of Women Acid Victims	0.06	0.06
9.	Village Convergence and Facilitation Services (VCFS) Project under National Mission for Empowerment of Women (NMEW)	0.98	0.98
10.	Scheme for Setting up one stop crisis centre for Women	0.16	0.16
11.	Protection of Women from domestic violence	0.92	0.92
12.	Incentive Awards to Mahila Smooh	0.21	0.21
13.	District and Block Level Staff of Women Wing	0.09	0.09
14.	Construction of Working Women Hostels	0.05	0.05
15.	State After Care Home for Girls, Karnal	0.44	0.44
16.	Home-cum-Training Centres for Destitute Women & Widows	1.62	1.62
17.	Financial Assistance to Scheduled Caste Women (Indira Gandhi Matritva Sahyog Yojna)	0.55	0.55
18.	Financial Security Scheme of Insurance of Anganwari Workers/Helpers	55.13	55.06
19.	Financial Assistance to Schedule Castes Families by Haryana Women Development Corporation	0.40	0.40
20.	Ladli (Apni Beti Hamari Beti)	117.75	117.48
21.	Financial Assistance to Women's Awareness and Management Academy (WAMA) Plan	0.20	0.20
22.	Haryana Women Development Corporation and Commission for Women	5.73	5.73
23.	Award for Rural Adolescent Girls	0.58	0.58
24.	Kishori Shakti Yojana	3.53	3.53

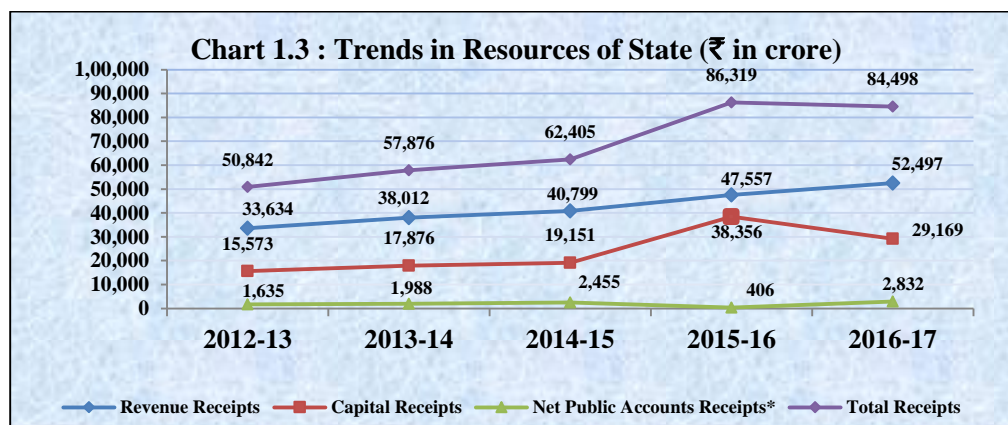
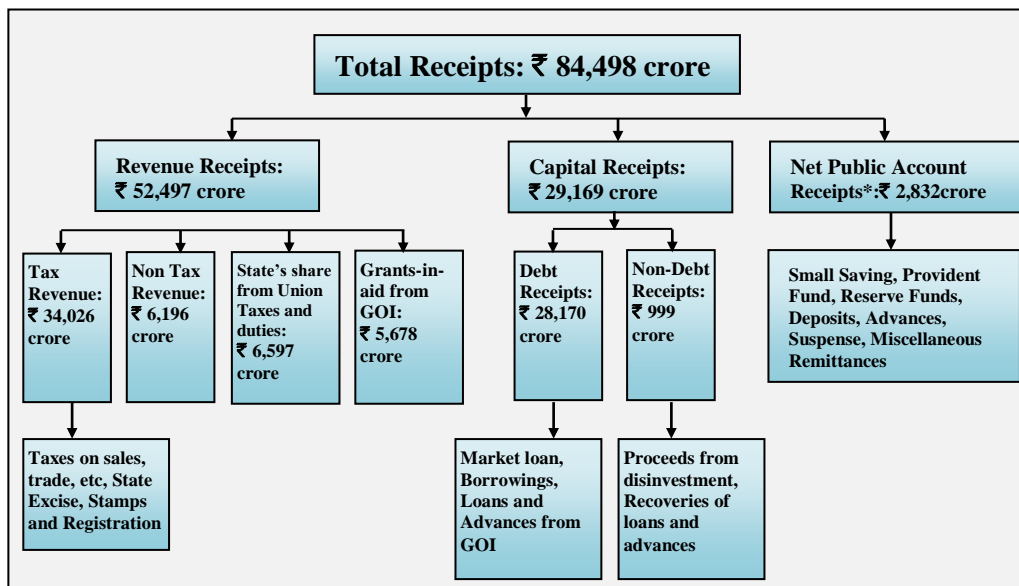
(Source: State Budget 2016-17 and detailed Appropriation Accounts for 2016-17)

1.2 Resources of the State as per Finance Accounts 2016-17

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

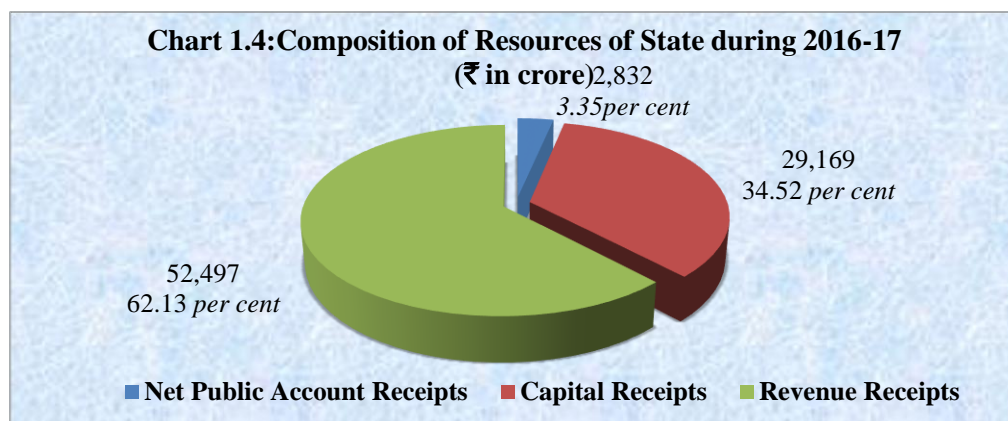
financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table 1.1** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.3** depicts the trends in various components of the receipts of the State during 2012-17, 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)

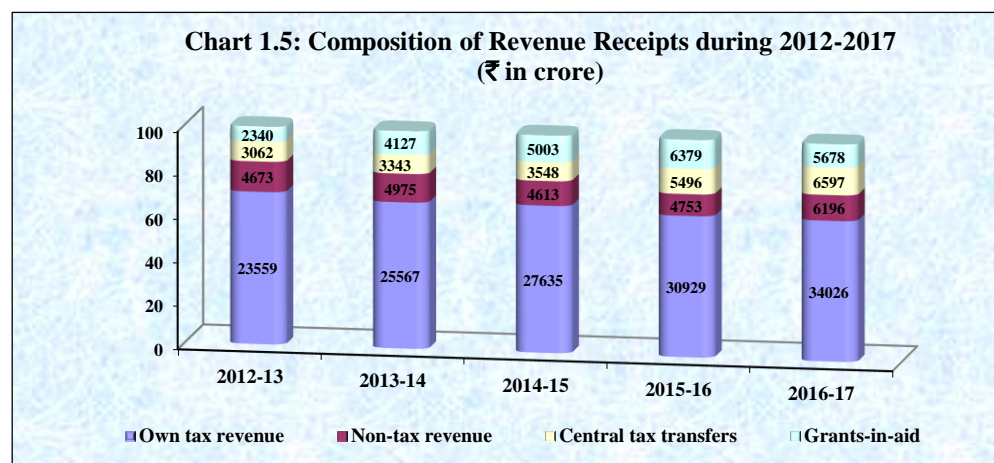
* Net Public Account Receipts (₹ 2,832 crore) = Public Account Receipts (₹ 32,108 crore) less Public Accounts Disbursements (₹ 29,276 crore)



The total receipts of the Government increased by ₹ 33,656 crore, (66.20 per cent) from ₹ 50,842 crore in 2012-13 to ₹ 84,498 crore in 2016-17. Revenue receipts increased by ₹ 18,863 crore (56.08 per cent), Capital receipts, which includes recovery of loans and advances and public debt, increased by ₹ 13,596 crore (87.30 per cent) and Net Public Account receipts increased by ₹ 1,197 crore (73.21 per cent) during the same period. The share of revenue receipts in the total receipts decreased from 66.15 per cent in 2012-13 to 62.13 per cent in 2016-17. The share of net Public Accounts receipts slightly increased from 3.22 to 3.35 per cent whereas the share of capital receipts including debt increased from 30.63 per cent to 34.52 per cent during 2012-17.

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 2012-17 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 56.08 per cent during the period from 2012-13 to 2016-17. The State's own revenue increased by 44.43 per cent, the grants-in-aid from GOI increased by 142.65 per cent and the central tax transfers increased by 115.45 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 83.94 per cent in 2012-13 to 76.62 per cent in 2016-17. The share of grants-in-aid from GOI increased from 6.96 per cent in 2012-13 to 10.82 per cent in 2016-17.

During 2007-08 to 2015-16, the compound annual growth rate (CAGR) of revenue receipts at 11.74 per cent was lower than the growth rate of General Category States (GCS) (14.58 per cent). This growth rate in comparison to the previous year at 10.39 per cent was lower than the growth rate of 11.52 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

	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue Receipts (RR) (₹ in crore)	33,634	38,012	40,799	47,557	52,497
Rate of growth of RR (<i>per cent</i>)	10.07	13.02	7.33	16.56	10.39
RR/GSDP (<i>per cent</i>)	9.69	9.49	9.33	9.80	9.59
Buoyancy Ratios					
Revenue Buoyancy with respect to GSDP	0.61	0.84	0.80	1.52	0.81
State's Own Tax Buoyancy with respect to GSDP	0.94	0.55	0.88	1.09	0.78
Revenue Buoyancy with reference to State's own taxes	0.65	1.53	0.91	1.39	1.04
State's GSDP (₹ in crore)	3,47,032	4,00,662	4,37,462	4,85,184	5,47,396
Growth rate of GSDP (Percentage)	16.63	15.45	9.18	10.91	12.82

The growth rate of revenue receipts which was 10.07 *per cent* in 2012-13 slightly increased to 10.39 *per cent* in 2016-17. The revenue buoyancy with reference to own tax revenue increased from 0.65 in 2012-13 to 1.39 in 2015-16 than declined to 1.04 in 2016-17.

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 2016-17 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 MTFPS (₹ in crore)

	FFC projection	Budget estimates	MTFPS projection	Actual	Percentage variation of actual over		
					FFC projection	Budget estimates	MTFPS projection
Tax revenue	47,024	40,200 ³	40,200	34,026	(-) 27.64	(-) 15.36	(-) 15.36
Non-tax revenue	4,308	8,308 ⁴	8,308	6,196	43.83	(-) 25.43	(-) 25.43

The actual collection under State's own tax revenue fell short by 27.64 *per cent* of the projections made by FFC and 15.36 *per cent* of budget estimates and MTFPS projection. The actual receipts under non-tax revenue increased by 43.83 *per cent* of the projections made by FFC and fell short by 25.43 *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 2012-17.

³ Excluding Share of Central Taxes.

⁴ Excluding share of GIA.

Table 1.6: Components of State's own resources

(₹ in crore)

Revenue Head	2012-13	2013-14	2014-15	2015-16	2016-17
Taxes on sales, trades, etc.	15,376.58 (15)	16,774.33 (9)	18,993.25 (13)	21,060.23 (11)	23,488.41 (12)
State excise	3,236.48 (14)	3,697.35 (14)	3,470.45 (-6)	4,371.08 (26)	4,613.13 (6)
Taxes on vehicles	887.30 (20)	1,094.86 (23)	1,191.50 (9)	1,400.38 (18)	1,583.06 (13)
Stamp duty and Registration fees	3,326.25 (19)	3,202.48 (-4)	3,108.70 (-3)	3,191.21 (3)	3,282.63 (3)
Land revenue	12.98 (19)	12.42 (-4)	15.28 (23)	14.97 (-2)	16.09 (7)
Taxes on goods and passengers	470.76 (10)	497.45 (6)	527.07 (6)	554.25 (5)	594.59 (7)
Other taxes ⁵	248.67 (18)	287.71 (16)	328.32 (14)	336.97 (3)	4,47.77 (33)
Total	23,559.02 (15)	25,566.60 (9)	27,634.57 (8)	30,929.09 (12)	34,025.68 (10)

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

(Source: Finance Accounts for the respective years)

Tax revenue increased by ₹ 10,466.66 crore (44.43 per cent) during 2012-17. All the major taxes and duties recorded increasing trend in the tax revenue during 2016-17.

During 2007-08 to 2015-16, the CAGR of tax revenue was 13.02 per cent which was less than growth rate of GCS (14.80 per cent). This growth rate in 2016-17 in comparison to the previous year at 10.01 per cent was also lower than the growth rate of 13.50 per cent in general category States (*Appendix 1.1*). The State's own tax revenue (₹ 34,026 crore) was less than the projections made by the Government in MTFPS (₹ 40,200 crore) and in FFC (₹ 47,024 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 2014-15 to 2016-17 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.	2014-15	18,993.25	118.98	0.63	0.91
	2015-16	21,060.23	128.50	0.61	0.66
	2016-17	23,488.41	141.80	0.60	NA
Taxes on Vehicles	2014-15	1,191.50	16.76	1.41	6.08
	2015-16	1,400.38	18.72	1.34	4.99
	2016-17	1,583.06	28.57	1.80	NA
State Excise	2014-15	3,470.45	28.88	0.83	2.09
	2015-16	4,371.08	31.08	0.71	3.21
	2016-17	4,613.13	34.63	0.75	NA
Stamp and Registration	2014-15	3,108.70	10.37	0.33	3.59
	2015-16	3,191.21	15.37	0.48	2.87
	2016-17	3,282.63	10.50	0.32	NA

(Source: Finance Accounts for the respective years)

1.3.1.2 Non tax revenue

Growth of non-tax revenue during five years (2012-17) given in **Table 1.8** depicts the trends in various components of non-tax revenue of the State during 2012-17.

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

Table 1.8: Growth of non-tax revenue during 2012-17

(₹ in crore)

Revenue Head	2012-13	2013-14	2014-15	2015-16	2016-17
Interest receipts	1,058.21 (22)	1,090.71 (3)	933.59 (-14)	1,087.49 (16)	2,309.79 (112)
Dividends and Profits	7.05 (330)	6.49 (-8)	5.80 (-11)	15.89 (174)	5.89 (-63)
Other non-tax receipts	3,607.89 (-6)	3,877.86 (7)	3,673.73(-5)	3,649.10 (-1)	3,880.41 (6)
a) Major and medium Irrigation	139	95	129	110	113
b) Road Transport	1,000	1,098	1,235	1,255	1,265
c) Urban Development	991	1,105	861	422	599
d) Education	385	319	564	637	640
e) Non-ferrous mining and metallurgical industries	76	79	43	272	497
Total	4,673.15 (-1)	4,975.06 (6)	4,613.12 (-7)	4,752.48 (3)	6,196.09 (30)

(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 ₹ 1,522.94 crore (32.59 per cent) during 2012-17. Non-Tax revenue (₹ 6,196.09 crore) constituted 11.80 per cent of the revenue receipt during 2016-17 registering increase of ₹ 1,443.61 crore (30.38 per cent) over the previous year mainly due to increase in interest receipt from Power Companies on account of recovery of interest under UDAY scheme.

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 2016 is ₹ 2,069.70 crore. The Board spent only ₹ 47.98 crore on labour welfare schemes during 2015-16.

1.3.2 Grants in aid from GOI

The grants-in-aid from GOI decreased by ₹ 701.18 crore in 2016-17 over the previous year as shown in **Table 1.9**.

Table 1.9: Grants-in-aid received from GOI

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Non-Plan Grants	851.62 (-32)	2,256.17 (165)	1,723.20 (-24)	3,744.39 (117)	3,078.49 (-18)
Grants for State Plan Schemes	727.75 (8)	856.66 (18)	2,815.36 (229)	2,268.18 (-19)	2,327.52 (3)
Grants for Central Plan Schemes	44.32 (-13)	62.99 (42)	24.57 (-61)	27.53 (12)	34.50 (25)
Grants for Centrally Sponsored Schemes	715.56 (-9)	951.36 (33)	439.75 (-54)	338.66 (-23)	237.07 (-30)
Total	2,339.25 (-15)	4,127.18 (76)	5,002.88 (21)	6,378.76 (28)	5,677.58 (-11)

(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 2016-17, the GoI transferred ₹ 1,483.69⁶ crore directly to various implementing agencies/ Non-Governmental Organisations of the State.

1.3.3 Central tax transfers

Central tax transfers increased from ₹ 5,496.22 crore in 2015-16 to ₹ 6,597.47 crore in 2016-17 as given in **Table 1.10**.

Table 1.10: Central tax transfers during 2015-16 and 2016-17

(₹ in crore)				
Name of Tax	Recommendation of FFC	Actual for 2015-16	Actual for 2016-17	Variation
Corporation Tax	42 per cent of the sharable amount of Central taxes to states compared to 32 per cent of ThFC	1,733.37	2,118.57	385.20
Income Tax		1,204.79	1,472.41	267.62
Wealth Tax		0.40	4.85	4.45
Customs		880.83	911.33	30.50
Union Excise Duty		733.13	1,040.65	307.52
Service Tax		939.76	1,049.64	109.88
Other Taxes on Income & Expenditure		0.03	-	(-0.03)
Duties on Commodities and Services		3.91	0.02	(-3.89)
Total			5,496.22	6,597.47

(Source: Finance Accounts for respective years.)

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 2016-17 (₹ 6,597.47 crore) was more by ₹ 408.67 crore than the projections made in the estimates (₹ 6,188.80 crore) and ₹ 1,101.25 crore as compared to 2015-16.

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

⁶ Appendix VI of Finance Accounts of 2016-17.

development of roads, establishment of dispensaries, making arrangement for water supplies and sanitation and construction of godowns.

During 2011-16, the receipts under the fund were ₹ 2,483.38 crore and expenditure incurred was ₹ 2,139.19 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 Fourteenth Finance Commission recommendation for the year 2015-16 and 2016-17 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 14th Finance Commission for the year 2015-16 and 2016-17

(₹ in crore)

Name of Scheme/ Department	2015-16			2016-17		
	Budget	Government releases	Actual expenditure	Budget	Government releases	Actual expenditure
Urban Development	199.61	86.71	135.05	427.96	429.04	301.21
Relief on Account of National Calamities- SDRF	231.00	115.50	115.50	357.75	357.75	357.75
Other Rural Development Programme	419.28	419.28	419.28	656.72	656.72	656.72
Total	844.89	621.49	669.83	1,442.43	1,443.51	1,315.68

(Source: Figures obtained from Finance Department of Haryana)

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 and 2016-17. GoI released ₹ 822.02 crore (132.27 per cent) more funds compared to previous year.

Against the budget provision of ₹ 1,442.43 crore, GoI released ₹ 1,443.51 crore while expenditure of ₹ 1,315.68 crore was incurred during 2016-17, which was 96.42 per cent more than previous year. The percentage of expenditure to the funds was 9 per cent less than the GoI releases and provisions made in budget 2016-17.

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 (2012-17) are detailed in **Table 1.12**.

Table 1.12: Trends in growth and composition of receipts

(₹ in crore)

Sources of State's Receipts	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Receipts (CR)	15,573.73	17,875.90	19,150.31	38,356.69	29,169.02
Miscellaneous Capital Receipts	10.81	9.89	18.74	29.98	26.27
Recovery of Loans and Advances	349.38	261.85	272.82	328.28	973.23
Public Debt Receipts	15,213.54	17,604.16	18,858.75	37,998.43	28,169.52
Market Loans	9,330.00	11,446.18	13,200.00	14,099.99	15,800.00
Bonds	0.00	0.00	0.00	17,300.00	8,650.00
Loans from Financial Institutions	5,158.23	4,777.60	4,102.79	4,641.45	3,412.39
Special Securities issued to National Small Saving Fund	438.40	566.60	1,251.31	1,721.40	-
Other Loans	235.76	472.31	173.89	138.36	183.87
Loans from GoI	51.15	341.47	130.76	97.23	123.26
Percentage of Market Loan to Public Debt Receipt	61.32	65.02	69.99	37.11	56.09
Rate of growth over the previous year (per cent)					
Of debt capital receipts	41	16	7	101	(-) 26
Of non-debt capital receipts	19	(-) 25	7	23	179
Of GSDP	16.63	15.45	9.18	10.91	12.82
of Capital Receipts	41	15	7	100	(-) 24

(Source: Finance Accounts of respective years)

Share of Market loans in Public Debt receipts increased to 56.09 per cent in 2016-17 from 37.11 per cent in 2015-16 due to less loans raised from financial institutions and National Small Saving Funds Loans. State Government has issued Power bonds of ₹ 17,300 crore during 2015-16 and ₹ 8,650 crore during 2016-17 against takeover of loans of ₹ 25,950 crore (75 per cent of total DISCOMS liability as on 30 September 2015 under UDAY scheme).

1.4.1 Proceeds from disinvestment

During the year 2016-17, net proceeds from capital disinvestment of 13 Cooperative Banks and Societies were ₹ 26.27 crore which is 12.37 per cent less than the previous year (₹ 29.98 crore).

1.4.2 Recoveries of loans and advances

During the year, loans and advances amounting to ₹ 973.23 crore were recovered. Out of this, ₹ 106.59 crore had been recovered from other institution and ₹ 8,66.64 crore against the loans of Government servants. The State Government has transferred the loan portfolios of Government employees to the Punjab National Bank and received ₹ 623 crore against the outstanding recoveries of Government servants loans during the year 2016-17.

The outstanding loans against Co-operative Sugar Mills were ₹ 1,858.94 crore as on 31 March 2016. During the year 2016-17, the State Government disbursed ₹ 252 crore. No repayment was received against these loans during 2016-17. The loans of ₹ 2,110.94 crore were outstanding against these Co-operative Sugar Mills at the end of 2016-17. 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 ₹ 252 crore were sanctioned/dispensed to sugar mills without ensuring the fulfillment of conditions of earlier loans. Thus, the violation of conditions of loans sanctioned to cooperative sugar mills is continuously persisting. State Government during the year has made budget provision of small amount of ₹ 10 crore for recovery of principal and no provision for recovery of interest has been made. No amount has been recovered during the year which was indicative of inadequate efforts of State Government for recovery of outstanding loans against these sugar mills. The State Government had also sanctioned loan amounting to ₹ 40.13 crore during the year 2015-16 and ₹ 65.14 crore during 2016-17 to Private Sugar Mills for making payment to the cane growers in Haryana. No amount has been recovered during the year against these loans. No provision of recovery of principal has been made in the budget indicating the intention of State Government towards recovery of loans from these private sugar mills.

1.4.3 Debt receipts from internal sources

An amount of ₹ 28,046.26 crore was received as internal debt receipts during 2016-17 which was ₹ 9,854.94 crore (26 *per cent*) less than previous year (₹ 37,901.20 crore). Loans of ₹ 15,800 crore as market loans, ₹ 3,596.26 crore from financial institutions and banks were raised during 2016-17 besides bonds issued by State Government for ₹ 8,650 crore on account of loans of DISCOMS undertaken under UDAY during 2016-17.

1.4.4 Loans and Advances from GOI

Total loans and advances from GOI decreased by ₹ 63.06 crore from ₹ 2,048.92 crore in 2015-16 to ₹ 1,985.86 crore in 2016-17. Loans of ₹ 129.59 crore were received from GOI and repayment of ₹ 186.32 crore was made during the year. Loans amounting to ₹ 6.34 crore were written off 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 2015-16 and 2016-17

(₹ in crore)

Sources of State's Receipts	Public Account Receipts		Disbursement from Public Account		Excess of receipts over disbursements	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
a. Small Savings, Provident Fund etc.	2,967.99	3,034.08	1,919.35	1,919.20	1,048.64	1,114.88
b. Reserve Fund	698.81	1,593.64	1,709.62	48.91	(-) 1,010.81	1,544.73
c. Deposits	17,594.40	19,488.27	17,225.13	19,490.39	369.27	(-)2.12
d. Advances	38.10	9.09	38.10	9.09	0.00	-
e. Suspense and Miscellaneous	562.53	848.36	544.51	731.54	18.02	116.82
f. Remittances	7,193.95	7,134.20	7,213.10	7,076.54	(-) 19.15	57.66
Total	29,055.78	32,107.64	28,649.81	29,275.67	405.97	2,831.97

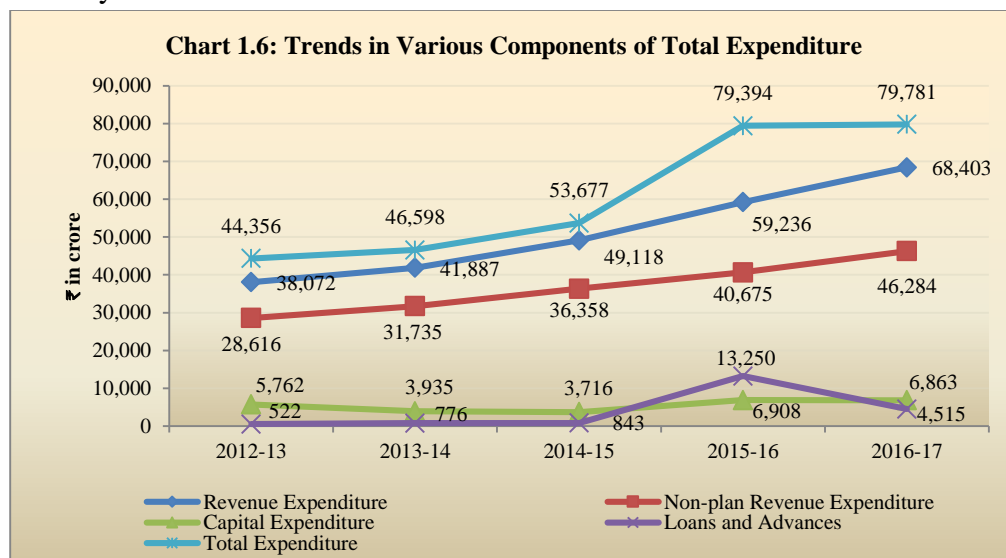
(Source: Finance accounts of respective years)

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

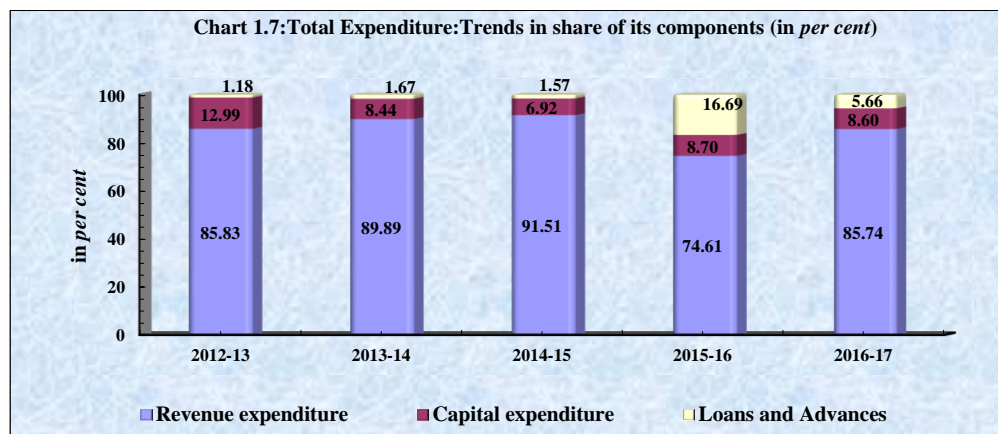
Chart 1.6 presents the trends in total expenditure over a period of the last five years (2012-17) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Charts 1.7 and 1.8** for the year 2012-13 to 2016-17.



(Source: Finance accounts of respective years)

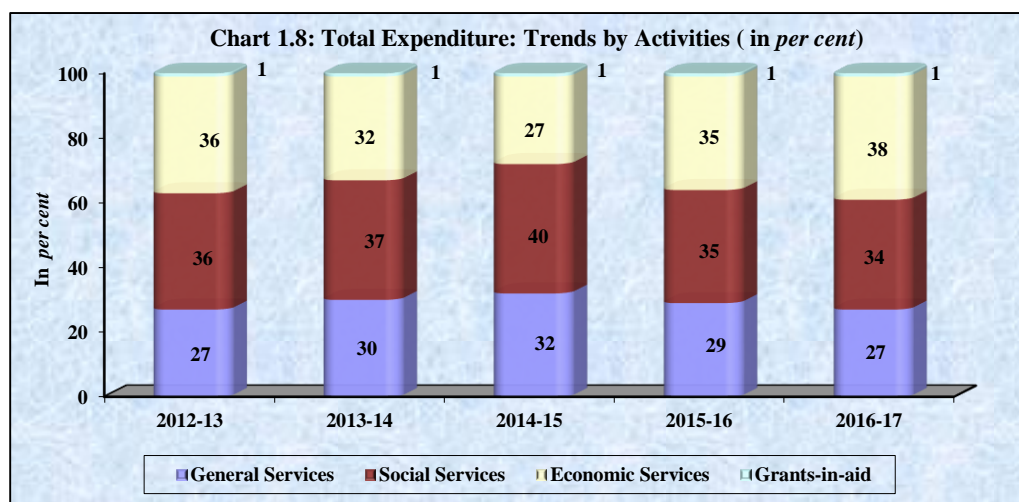
Total expenditure increased by 79.87 per cent over a period of five years (2012-17). It increased by merely 0.49 per cent over the previous year. During this period, revenue expenditure and capital expenditure increased by 79.67 per cent and 19.11 per cent respectively. The share of Plan and Non-Plan

expenditure was in the ratio of 42 *per cent* and 58 *per cent* during the year 2016-17. Disbursement of loans and advances also increased by 764.94 *per cent* during the period from 2012-13 to 2016-17. This increase was due to loans amounting to ₹ 3,647.08 crore to power companies and ₹ 406.87 crore to Haryana State Agriculture & Rural Development Bank, ₹ 65.14 crore to private sugar mills and ₹ 252 crore to various co-operative sugar mills during the year 2016-17.



(Source: Finance Accounts of respective years)

The share of revenue expenditure in total expenditure increased from 85.83 *per cent* in 2012-13 to 91.51 *per cent* in 2014-15 but decreased to 74.61 *per cent* in 2015-16 and increased to 85.74 *per cent* in 2016-17, while the share of capital expenditure in total expenditure decreased from 12.99 *per cent* in 2012-13 to 8.60 *per cent* in 2016-17 which is an area of concern. The share of Loans and Advances disbursed increased from 1.18 *per cent* in 2012-13 to 16.69 *per cent* in 2015-16 and decreased to 5.66 *per cent* in 2016-17. The ratio of Non-Plan Revenue Expenditure (NPRE) to total expenditure increased from 64.51 *per cent* in 2012-13 to 67.73 *per cent* in 2014-15 but decreased to 51.23 *per cent* in 2015-16 and 58.01 *per cent* in 2016-17. The ratio of NPRE to GSDP increased from 8.25 *per cent* in 2012-13 to 8.46 *per cent* in 2016-17.



The movement of relative shares of various components of expenditure indicated that the share of general services including interest payments remained same at 27 per cent in 2012-13 and 2016-17 while the social services showing increasing trend up to 2014-15 but decreased in 2015-16 and 2016-17. Economic services showing decreasing trend up to 2014-15 but increased in 2015-16 and 2016-17. 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 remained same at 72 per cent in 2012-13 and 2016-17.

1.6.2 Revenue expenditure

Table 1.14 presents the growth of revenue expenditure over five years (2012-17):

Table 1.14: Growth of Revenue Expenditure

	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue expenditure	38,072	41,887	49,118	59,236	68,403
Growth rate (per cent)	19	10	17	21	15
Revenue expenditure as percentage to GSDP	11	10	11	12	12
Non-plan Revenue expenditure (NPRE)	28,616	31,735	36,358	40,675	46,284
Percentage of NPRE to revenue expenditure	75	76	74	69	68

Revenue expenditure during 2012-17 increased by ₹ 30,331 crore (80 per cent) with the growth rate ranging from 10 to 21 per cent but its percentage to GSDP remained almost constant at 11 per cent during the period 2012-15 but increased to 12 per cent during the year 2015-16 and 2016-17.

Revenue expenditure increased by 15 per cent from ₹ 59,236 crore in 2015-16 to ₹ 68,403 crore in 2016-17. Expenditure on general services increased by ₹ 2,917.46 crore on account of more expenditure mainly on pension and Police services (₹ 723.90 crore), interest payments and servicing of debts (₹ 1,995.36 crore). The expenditure on social services also increased by ₹ 3,934.62 crore over the previous year due to more expenditure mainly on education, sports, art and culture (₹ 1,143.87 crore), health and family welfare (₹ 310.53 crore) and social welfare and nutrition (₹ 1,329.69 crore), water supply, sanitation, Housing Urban Development (₹ 874.41 crore). Expenditure on economic services increased by ₹ 2,184.85 crore due to more expenditure on other rural development programme (₹ 1,101.32 crore), subsidy and Grant-in-aid to power sector (₹ 285.58 crore) and industry & minerals (₹ 255.02 crore). The break-up of revenue expenditure into NPRE (67.66 per cent) and Plan revenue expenditure (PRE) (32.34 per cent) showed that the proportionate share of NPRE was substantially higher than the PRE. The total increase of ₹ 9,167 crore in revenue expenditure comprised ₹ 5,609 crore and ₹ 3,558 crore in NPRE and PRE respectively. The total revenue expenditure in 2016-17 at ₹ 68,403 crore was higher than the normative assessment of FFC (₹ 50,334 crore) but less than the projections made in MTFPS (₹ 69,397 crore).

The NPRE in 2016-17 at ₹ 46,284 crore and PRE at ₹ 22,119 crore were less than the projection of the Government made in its MTFPS (NPRE: ₹ 48,482.76 crore and PRE: ₹ 26,753.12 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 2012-17.

Table 1.15: Components of committed expenditure

(₹ in crore)

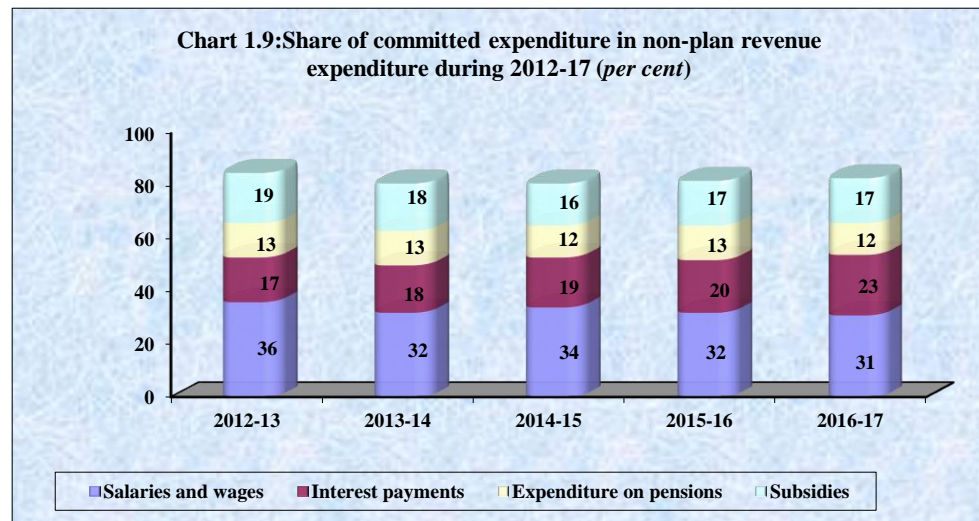
Components of Committed Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	
					Budget Estimate	Actual
Salaries and wages, Of which	11,464 (34)	11,816 (31)	14,359 (35)	15,294 (32)	17,524	17,321*
Non-Plan Head	10,280	10,374	12,250	12,870	14,981	14,486
Plan Head**	1,184	1,442	2,109	2,424	2,543	2,835
Interest Payments	4,744 (14)	5,850 (15)	6,928 (17)	8,284 (17)	10,490	10,542 (20)
Expenditure on Pensions	3,636 (11)	4,169 (11)	4,602 (11)	5,413 (11)	5,640	5,659 (11)
Subsidies	5,454 (16)	5,681 (15)	5,693 (14)	6,899 (15)	6,800	7,654 (15)
Total	25,298 (75)	27,516 (72)	31,582 (77)	35,890 (75)	40,454	41,176 (78)

(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 ₹ 314.26 crore.

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



The total expenditure (₹ 33,207 crore) on salary, interest and pension payments was lower by ₹ 2,234 crore (6.30 per cent) than the projections by the Government in MTFPS (₹ 35,441 crore) and consumed 63 per cent of the revenue receipts. The four components, i.e. salary and wages, interest, pension payment and subsidies constituted about 83 per cent of the NPRE during 2016-17.

Expenditure on Salaries

The expenditure on salaries and wages (₹ 17,321 crore) increased by 51.09 per cent during the period from 2012-13 to 2016-17. During 2007-08 to 2015-16, the CAGR of expenditure on salaries and wages was 16.31 per cent which was higher than GCS (14.89 per cent). This growth rate in comparison to the previous year at 13.25 per cent was slightly higher than the growth rate of 13.06 per cent in GCS (*Appendix 1.1*). The expenditure on salaries (₹ 17,006 crore) was below the projections made in MTFPS (₹ 19,311 crore) (*Appendix 1.6*).

Interest payment

Interest payments (₹ 10,542 crore) increased by 122.22 per cent over a period of five years (2012-17). During 2016-17, there was an increase of ₹ 2,258 crore (27.25 per cent) over the previous year. The percentage of interest payments to revenue receipts increased from 14.10 per cent in 2012-13 to 20.08 per cent in 2016-17. Interest payments during 2016-17 were higher than the assessment made by FFC (₹ 8,934 crore) and the projections of MTFPS (₹ 10,490 crore) (*Appendix 1.6*).

Subsidies

Payment on subsidies increased by ₹ 2,200 crore (40.34 per cent) from ₹ 5,454 crore in 2012-13 to ₹ 7,654 crore in 2016-17, which was 14.58 per cent of the revenue receipts. Out of the total subsidies of ₹ 7,654 crore, ₹ 6,618.71 crore (86 per cent) was for the power and energy sectors. The total subsidy to the power and energy sector was lower than the projection in MTFPS (₹ 6,800 crore) (*Appendix 1.6*).

The subsidies present a partial picture as these are exclusive of the implicit subsidies. Some implicit subsidies extended during 2016-17 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.	Loans to Haryana State Cooperative Agriculture & Rural Development Bank for farmers	-	406.87	406.87
2.	One time settlement of Loan to all cooperative sugar mills	400.00	252.00	252.00
3.	Rebate on rate of interest on short term loan advanced by co-operative banks	90.00	133.91	133.91
4.	Interest Free Loans in Lieu of deferred Sales Tax/VAT	20.00	70.00	70.00
5.	Financial Assistance to Private sugar Mills for making Payments to the Cane growers in Haryana	50.00	65.14	65.14
6.	Loans to Housing Cooperatives including SC members	3.50	3.50	3.50
7.	Loans to Village Panchayat for Revenue Earning Schemes	1.50	0.39	0.39

(Source: Detailed Appropriation Accounts.)

Pension payments

Pension payments (₹ 5,659 crore) increased by 55.64 per cent during the period from 2012-13 to 2016-17 which was 10.78 per cent of revenue receipts. The expenditure on pension payments in 2016-17 was higher than the assessments made by FFC (₹ 5,445 crore) and projections made by the MTFPS (₹ 5,640 crore)(Appendix 1.6). To meet the increasing pension liabilities, a new Contributory Pension Scheme was introduced by the State with effect from 01 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 2016-17.

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)	94.78	0.00	196.76	0.00	291.54	160.79	55
2	Integrated Watershed Management Programme (IWMP)	49.97	0.00	0.00	1.35	51.32	17.84	35
3	National Rural Livelihood Mission (NRLM)	0.00	0.00	69.85	0.00	69.85	50.00	72
4	Mahatma Gandhi National Rural Employment Guarantee Act	3.81	0.00	312.60	15.35	331.76	325.46	98
5	Indira Awas Yojana	76.63	71.53	47.69	0.00	195.85	93.19	48
6	National Rural Health Mission	57.84	308.48	200.00	0.00	566.32	482.73	85
7	National Rural Drinking Water Programme	36.23	111.53	309.15	0.00	456.91	371.28	81
8	Pradhan Mantri Gram Sadak Yojana	85.24	51.46	125.97	3.00	265.67	85.32	32
9	Jawaharlal Nehru National Urban Renewal Mission	-3.38	0.00	0.00	41.82	38.44	35.51	92
10	Integrated Housing & Slum Development Programme (IHSDP)	40.52	0.00	0.00	0.00	40.52	8.18	20
11	Rajiv Awas Yojna (RAY)	33.89	0.00	0.00	0.00	33.89	27.64	82
12	Nirmal Bharat Abhiyan renamed as Swachh Bharat Mission	28.53	63.52	39.85	0.00	131.90	57.59	43
13	National Social Assistance Programme (NSAP)	0.00	87.61	0.00	0.00	87.61	85.31	97
14	Sarva Shiksha Abhiyan	24.47	279.63	186.41	228.10	718.61	679.14	95
15	Mid-day Meal Scheme	49.89	152.16	115.44	0.00	317.49	225.64	71
16	Integrated Child Development Services Scheme	-27.18	125.55	101.14	0.00	199.51	221.64	111
17	Supplementary Nutrition Programme (SNP)	7.60	69.51	71.98	0.00	149.09	125.98	85
	Total	558.84	1,320.98	1,776.84	289.62	3,946.28	3,053.24	77

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

The State received ₹ 1,320.98 crore during 2016-17 from GOI for implementation of flagship schemes. Out of total available funds of ₹ 3,946.28 crore for 2016-17, the State utilized ₹ 3,053.24 crore (77 per cent). The utilisation of available funds under Rashtriya Krishi Vikas Yojana, Integrated Watershed Management Programme, National Rural Livelihood

Mission, Indira Awas Yojana, National Health Mission, National Rural Drinking Water Programme, Pradhan Mantri Gram Sadak Yojana, Integrated Housing & Slum Development Programme, Rajiv Awas Yojana, Nirmal Bharat Abhiyan renamed as Swachh Bharat Mission, Mid-day Meal Scheme and Supplementary Nutrition Programme (SNP) 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)

	2012-13	2013-14	2014-15	2015-16	2016-17		
					Budget estimate	Actual	Percentage of variation
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,140.09	783.66	1,809.77	1,984.67	2,178.00	2,130.56	(-) 2.18
Municipal Corporations and Municipalities	1,274.01	1,120.80	744.63	1,045.99	1,595.77	1,585.77	(-) 0.63
Zila Parishads and Other Panchayati Raj Institutions	882.65	1,263.49	1,192.04	1,261.94	2,263.92	2,263.80	(-)0.01
Development Agencies	450.65	523.36	723.72	878.09	757.94	757.94	-
Hospitals and other Charitable Institutions	580.02	518.83	979.70	1,010.97	1,246.34	1,117.68	(-) 10.32
Other Institutions	320.53	329.53	656.14	4,584.31	4,764.11	4,791.39	0.57
Total	4,647.95	4,539.67	6,106.00	10,765.97	12,806.08	12,647.14	(-) 1.24
Assistance as percentage of Revenue Expenditure	12	11	12	18		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 ₹ 4,647.95 crore in 2012-13 to ₹ 12,647.14 crore, constituting 18.49 per cent of the revenue expenditure during 2016-17. It increased by ₹ 1,881.17 crore (17.47 per cent) over the previous year due to increase in assistance to Educational institutions (₹ 145.89 crore), Municipal Corporations and Municipalities (₹ 539.78 crore), Zila Parishad & Other PRIs (₹ 1,001.86 crore) and other institutions (₹ 207.08 crore). Against the estimated provision of ₹ 12,806.08 crore, financial assistance of ₹ 12,647.14 crore was released. The decrease in the actual release vis-à-vis the budget estimate to Educational Institutions, Municipal Corporation and Municipalities and Hospitals and other charitable institutions ranged between 0.01 and 10.32 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 2016-17.

Table 1.19: Fiscal Priority and Fiscal Capacity of the State in 2012-13 and 2016-17

Fiscal Priority of the State	AE/GSDP	DE#/AE	SSE/AE	CE/AE	Education/AE	Health/AE
Haryana Average (Ratio) 2012-13	12.78	71.85	35.99	12.99	16.11	3.61
General Category States Average (Ratio) 2012-13	14.80	70.00	38.20	13.70	17.70	4.60
Haryana Average(Ratio) 2016-17	14.57	71.77	33.92	8.60	14.04	3.82
General Category States Average (Ratio) 2016-17	16.70	70.90	32.20	19.70	15.20	4.80

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 01 August 2017.

Fiscal Priority:

- Aggregate expenditure (AE) as a ratio of GSDP in Haryana was lower in both years i.e. 2012-13 and 2016-17 as compared to General Category States (GCS).
- Priority on Development Expenditure slightly decreased in Haryana in 2016-17 (71.77 per cent) in comparison to 2012-13 (71.85 per cent) and was higher than GCS.
- The ratio of SSE to AE decreased in Haryana in 2016-17 (33.92 per cent) as compared to 2012-13 (35.99 per cent) however, this was higher than GCS.
- The ratio of CE to AE has decreased in 2016-17 (8.60 per cent) in comparison to 2012-13 (12.99 per cent) and was significantly less than GCS.
- The ratio of expenditure on education decreased in 2016-17 (14.04 per cent) as compared to 2012-13 (16.11 per cent) and was less than GCS.
- The ratio of expenditure on health increased slightly in 2016-17 (3.82 per cent) 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 2012-13 to 2016-17. **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	2012-13	2013-14	2014-15	2015-16	2016-17	
					Budget Estimate	Actual
Development expenditure (a to c)	31,868 (72)	32,300 (69)	36,180 (67)	59,652 (75)	65,835	57,258 (72)
a. Development revenue expenditure	26,073 (59)	28,154 (60)	32,208 (60)	40,229 (51)	52,885	46,348 (58)
b. Development capital expenditure	5,511 (12)	3,653 (8)	3,425 (6)	6,448 (8)	8,288	6,464 (8)
c. Development loans and Advances	284 (1)	493 (1)	547 (1)	12,975 (16)	4,662	4,446 (6)

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

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

Development expenditure increased by 79.67 per cent during the period from 2012-13 to 2016-17. This expenditure, which constituted 72 per cent of the total expenditure, slightly decreased by ₹ 2,394 crore (4.01 per cent) from ₹ 59,652 crore in 2015-16 to ₹ 57,258 crore in 2016-17. Development Revenue expenditure and Loans and Advances constituted 81 and 8 per cent of development expenditure respectively whereas the share of capital expenditure was only 11 per cent. The Loans and Advances decreased by ₹ 8,529 crore over previous year due to less loans disbursed to Power Projects as compared to previous year. Against the provision of ₹ 65,835 crore, the actual expenditure was ₹ 57,258 crore, which is 86.97 per cent of BE.

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

Social/economic infrastructure	2015-16			2016-17		
	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	65.93	0.11	0.013	66.51	0.19
Health and Family Welfare	0.014	47.40	0.08	0.080	48.31	0.09
Water Supply, Sanitation, Housing and Urban Development	0.237	16.18	6.92	0.183	14.19	6.53
Total (SS)	0.079	51.77	1.65	0.071	50.88	1.73
Economic Services (ES)						
Agriculture and Allied Activities	0.149	34.09	1.60	0.141	34.22	1.43
Irrigation and Flood Control	0.384	5.15	7.75	0.396	9.05	12.78
Power and Energy	0.135	0.02	-*	0.153	0.02	-
Transport	0.437	42.75	3.51	0.360	41.38	3.33
Total (ES)	0.228	11.90	1.43	0.218	12.50	1.80
Total (SS + ES)	0.161	31.55	1.54	0.149	32.29	1.76

(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 0.079 in 2015-16 to 0.071 in 2016-17 and for economic services from 0.228 in 2015-16 to 0.218 in 2016-17.

Under Social Services, the share of expenditure on salaries and wages slightly decreased from 51.77 *per cent* in 2015-16 to 50.88 *per cent* in 2016-17. The share of expenditure on O&M increased from 1.65 *per cent* in 2015-16 to 1.73 *per cent* in 2016-17. Under Economic Services, the share of salaries and wages increased from 11.90 *per cent* in 2015-16 to 12.50 *per cent* in 2016-17. The share of O&M also increased from 1.43 *per cent* in 2015-16 to 1.80 *per cent* in 2016-17. Under Social Services and Economic Services combined, the share of salary and wages increased from 31.55 *per cent* in 2015-16 to 32.29 *per cent* in 2016-17. The share of O&M also increased from 1.54 *per cent* in 2015-16 to 1.76 *per cent* in 2016-17.

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 2016-17 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 2017 showed that revenue realized from these projects during 2016-17 (₹ 107.64 crore) was 17 *per cent* of the capital outlay. After meeting the working and maintenance expenditure (₹ 309.91 crore) and interest charges (₹ 31.17 crore), there was loss of ₹ 233.44 crore.

1.8.2 Incomplete projects

Department-wise information pertaining to incomplete projects as on 31 March 2017 is given in **Table 1.22**. Only those projects where the scheduled dates for completion were already over as of 31 March 2017 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	3	86.86	-	84.69
Public Works Department (B&R)	11	203.89	-	114.48
	14	290.75	-	199.17

(Source: State Finance Accounts)

The scheduled dates of completion of 14 projects of two departments were between May 2014 and March 2017, but these were incomplete as on June 2017, resulting in non derivation of desired benefits from the investment of ₹ 199.17 crore.

1.8.3 Investments and returns

The Government as of 31 March 2017, had invested ₹ 11,371.42 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (Table 1.23). The average return on these investments was 0.098 per cent in the last five years while the Government paid an average interest rate of 9.13 per cent on its borrowings during 2012-17.

Table 1.23: Return on investments

Investment/return/cost of borrowings	2012-13	2013-14	2014-15	2015-16	2016-17	
					Budget estimate	Actual
Investment at the end of the year (₹ in crore)	7,240.02	7,378.87	7,500.22	9,372.44	11,332.97	11,371.42
Return (₹ in crore)	7.05	6.49	5.80	15.89	6.75	5.89
Return (per cent)	0.10	0.09	0.08	0.17	0.06	0.05
Average rate of interest on Government borrowings (per cent)	9.86	9.83	9.33	8.64	9.36	8.00
Difference between interest rate and return (per cent)	9.76	9.74	9.25	8.47	9.30	7.95

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

While the Government investments increased by 57.06 per cent over a period of five years from 2012-13 to 2016-17, the return from investments decreased from ₹ 7.05 crore (0.10 per cent) in 2012-13 to ₹ 5.89 crore (0.05 per cent) in 2016-17. The Government paid interest at an average rate of 8 to 9.86 per cent on its borrowings during 2012-17, whereas, the percentage of return from investments ranged between 0.05 and 0.17 during the same period. The State Government has made investment of ₹ 2,025.25 crore and disinvestment of ₹ 26.27 crore resulting in net investment of ₹ 1,998.98 crore during 2016-17. Out of this, ₹ 1,927.98 crore were invested in the equity capital of four power companies.

Twelve Government Companies with an aggregate investment of ₹ 7,903.70 crore were incurring losses and their accumulated losses amounted to ₹ 29,627.74 crore as per the accounts furnished by these Companies

(*Appendix 1.7*). Losses of ₹ 29,310.86 crore in three⁷ power generation and distribution companies constituted 99 percent 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 ₹ 7,430.39 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 two loss-making undertakings, Haryana Roadways incurred losses continuously for more than seven years and Agriculture Department (Seed Depot Scheme) had not prepared its proforma accounts for the last 28 years.
- The net losses of the 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.

Twelve PPP projects (*Appendix 1.9*) with a total estimated cost of ₹ 8,288.96 crore were under implementation as on 31 March 2017.

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 2017 and interest receipts vis-à-vis interest payments during the last three years.

⁷ Accumulated losses upto 2015-16: UHBVNL (₹ 15,873.06 crore), DHBVNL (₹ 13,190.61 crore) and HPGCL (₹ 247.19 crore).

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

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

(₹ in crore)

Quantum of loans / interest receipts / cost of borrowings	2014-15	2015-16	2016-17	
			Budget Estimate	Actual
Opening Balance	4,002	4,572	-	17,494
Amount advanced during the year	843	13,250	4,729	4,515
Amount repaid during the year	273	328	688	973
Closing Balance	4,572	17,494		21,036
Of which Outstanding balance for which terms and conditions have been settled	4,572	5,187	-	4,667
Net addition	570	12,922	4,041	3,542
Interest receipts	40	47	1,305	1,213
Interest receipts as percentage of outstanding loans and advances	0.93	0.43	6.77	6.30
Interest payments as percentage of outstanding fiscal liabilities of the State Government	7.83	6.86	7.45	7.20
Difference between interest payments and interest receipts (<i>per cent</i>)	6.90	6.43	0.68	0.90

(Source: State Finance Accounts of the respective years)

Total outstanding loans and advances as on 31 March 2017 were ₹ 21,036 crore due to net addition of ₹ 3,542 crore during the year 2016-17. Loans amounting to ₹ 1,858.90 crore were outstanding at the beginning of the year 2016-17 against co-operative sugar mills. Further, loans totaling ₹ 252 crore were given to these sugar mills. While, loans of ₹ 3,647.08 crore were given to power projects during the year 2016-17, only ₹ 68.09 crore were recovered against previous loans of ₹ 13,230.51 crore outstanding on 31 March 2016. Terms and conditions of loan disbursed during 2015-16 & 2016-17 to Power companies (₹ 12,266.83 crore and ₹ 3,589.59 crore) and private sugar mill (₹ 105.27 crore) and Haryana State Agriculture & Rural Development Bank (₹ 406.87 crore) were not finalized. Interest payment of ₹ 257.12 crore during the year 2016-17 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 2015-16 and 2016-17 are given in **Table 1.25**.

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

(₹ in crore)

	Opening balance 01 April 2016	Closing Balance 31 March 2017
(a) General Cash Balance		
Deposit with Reserve Bank	(-) 733.94	426.19
Remittances in transit local	0.54	0.54
Total	(-) 733.40	426.73
Investment held in cash Balance Investment Account	4,173.12	2,554.85
Total (a)	3,439.72	2,981.58
(b) Other Cash Balances and Investment		
Cash with departmental officers viz. public works department officers, Forest department officers, District collectors	2.68	2.92
Permanent advances for contingent expenditure with departmental officers	0.11	0.12
Investment of earmarked funds	2,775.22	2,673.64
Total (b)	2,778.01	2,676.68
Grand Total (a)+(b)	6,217.73	5,658.26

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

Cash balances during the year 2016-17 decreased from ₹ 6,217.73 crore to ₹ 5,658.26 crore. The investments made out of cash balances decreased from ₹ 4,173.12 crore to ₹ 2,554.85 crore. The investment from earmarked balances decreased by ₹ 101.58 crore from ₹ 2,775.22 crore on 01 April 2016 to ₹ 2,673.64 crore as on 31 March 2017. There was decrease in the State Disaster Response Fund (₹ 335.14 crore) and increase in Consolidated Sinking Fund (₹ 124.10 crore) and Guarantee Redemption Fund (₹ 109.46 crore). Interest of ₹ 161.32 crore realized from cash balance investments during the year 2016-17 decreased by ₹ 25.17 crore than the interest earned (₹ 186.49 crore) during the year 2015-16.

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 2016-17 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. No transaction has taken place during the year and closing balance remained ₹ 0.05 crore.

Balance of ₹ 4,173.12 crore were available at the beginning of the year 2016-17 in cash balance investment account and closing balance as ₹ 2,554.85 crore shows that State had 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 2017, 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.

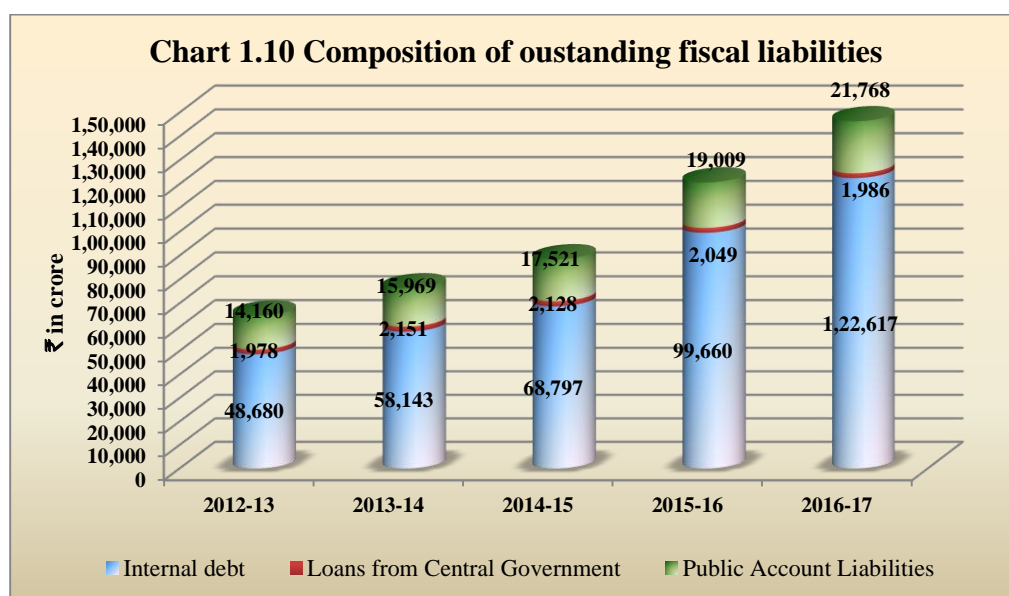
1.9.2 Fiscal Liabilities

The outstanding fiscal liabilities of the State are presented in **Appendix 1.5 Part B**. The compositions of fiscal liabilities during 2012-17 are presented in **Table 1.26**.

Table 1.26: Trends in fiscal liabilities from 2012-13 to 2016-17

(₹ in crore)

Components of fiscal liability	2012-13	2013-14	2014-15	2015-16	2016-17
Internal debt	48,680	58,143	68,797	99,660	1,22,617
Loans from Central Government	1,978	2,151	2,128	2,049	1,986
Public Account Liabilities	14,160	15,969	17,521	19,009	21,768
Total	64,818	76,263	88,446	1,20,718	1,46,371
Growth rate	18.84	17.66	15.97	36.49	21.25
Interest payment	4,744	5,850	6,928	8,284	10,542
Percentage of revenue receipts	192.72	200.63	216.78	253.84	278.82
Buoyancy with revenue receipt growth	1.87	1.36	2.18	2.20	2.05
Ratio to GSDP	18.68	19.03	20.22	24.88	26.74



(Source: State Finance Accounts of the respective years)

The overall fiscal liabilities of the State increased from ₹ 64,818 crore in 2012-13 to ₹ 1,46,371 crore in 2016-17 registering an increase of 125.82 per cent mainly due to increase in internal debt (₹ 73,937 crore) and public account liabilities (₹ 7,608 crore). The ratio of fiscal liabilities to GSDP showed increasing trend and increased from 18.68 per cent in 2012-13 to 26.74 per cent in 2016-17. These liabilities were 2.79 times the revenue receipts and 3.64 times the State's own resources as at the end of 2016-17. Payment of interest on the fiscal liabilities was ₹ 10,542 crore (7.20 per cent) during the year 2016-17. It is significant to note that fiscal liabilities at ₹ 1,46,371 crore were higher than the limit of ₹ 1,40,831 crore projected in the MTFPS for the year 2016-17 and 26.74 per cent including debt taken over under UDAY scheme and 22 per cent excluding debt taken over UDAY scheme against the normative assessment of 19.91 per cent of GSDP under FFC.

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 no budget provision towards contribution to the Consolidated Sinking Fund for 2016-17. Hence no contribution had been made in the Fund except amount of ₹ 124.10 crore earned as interest on investment during the year 2016-17. No disbursement were made and the Fund was closed at ₹ 1,641.03 crore.

These funds were invested in Government securities, purchased at a premium ranging from one *per cent* to 22 *per cent*, resulting in additional payment of ₹ 11.52 crore during 2015-16 and ₹ 11.21 crore during 2016-17. Matter has been pointed out by audit to Finance Department regarding investment of the fund at such a huge premium, reply is still awaited (August 2017).

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. Two inactive Reserve Fund namely “Development Funds for Agriculture purposes and Food Grains Reserve Fund” were closed during the year. There were 10 Reserve funds earmarked for specific purposes. Out of which, nine funds were active and one fund (Industrial Development Fund) was inactive for six years.

At the beginning of 2016-17, Reserve Fund stood at ₹ 3,162.72 crore. There was addition of ₹ 1,593.64 crore and disbursement of ₹ 48.91 crore during the year leading to a closing balance of ₹ 4,707.44 crore. The inoperative fund had closing balance of ₹ 7.46 crore at the end of the year 2016-17.

The State Disaster Response Fund (SDRF), being one of the major reserve funds, had an opening balance of ₹ 412.57 crore. During the year 2016-17, the GoI released ₹ 357.75 crore and State Government was required to contribute ₹ 119.25 crore as State share (in the ratio of 75:25). The State Government transferred an amount of ₹ 995.21 crore including arrears for the earlier year to the Fund. An amount of ₹ 20.84 crore earned as interest on investment out of fund alongwith ₹ 228.19 crore amount lying unspent with the departmental officers had also been transferred to the fund during the year 2016-17. The department had met expenditure of ₹ 35.17 crore from the fund during the year 2016-17. Out of ₹ 35.17 crore, an amount of ₹ 28.05 crore was incurred through budget. But ₹ 7.12 crore disbursed 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 ₹ 1,621.65 crore at the end of 2016-17. Out of ₹ 1,621.65 crore amount of ₹ 77.43 crore had only been invested in Bank FDR/Saving account and

balance amount of ₹ 1,544.22 crore was lying in cash with State Govt. in violation of GOI guidelines.

1.9.4 Mines and Minerals Development, Restoration and Rehabilitation Fund

The Fund was established vide Haryana Govt. notification dated 10th July 2015 for environmentally sustainable growth of the Mining sector, protection, preservation, rehabilitation and restoration of the mining sites in the State and to undertake other related works in the overall interest of protection & preservation of Ecology and Environment of the area. The fund has been opened under “Reserve funds not bearing interest” though it is bearing interest at the rate of 6 *per cent* per annum and credited to the Fund by the Finance Department as on 31st March by the quarter ending June of the year. The expenditure out of the Fund on restoration and rehabilitation of the mining sites shall remain the first charge on the fund, as per notification.

An amount equal to 10 *per cent* of the ‘Dead Rent’ or ‘Royalty’ or ‘Contract Money’ paid to the State shall be charged from the mineral concession holders in the nature of ‘other charges’ for restoration and rehabilitation works and credited to the Fund in addition to the amount payable to the Government on account of such dead rent or royalty or contract money.

An amount equal to 5 *per cent* of the amount received by State Government on account of the Dead Rent or Royalty or Contract Money in a financial year to be deposited/transferred in the Fund as Government contribution to the Fund.

As the beginning of year 2016-17, balance of ₹ 14.49 crore was lying in the fund. During the year, State Govt. received an amount of ₹ 74.16 crore from contractor towards Dead Rent/Royalty/Contract money and ₹ 9.03 crore on account of ‘other charges’ from the concession holders. Thus, amount of ₹ 3.71 crore (5 *per cent* of ₹ 74.16 crore on account of dead rent) and ₹ 9.03 crore on account of other charges i.e. total ₹ 12.74 crore was required to be transferred to the Fund. However, State Govt. has transferred ₹ 12.55 crore to the fund during the year 2016-17 under MH 8229-114. Thus, there is a short contribution of ₹ 0.19 crore. Besides this an amount of ₹ 27.98 crore was credited to the Fund directly by concession holders without routing through the consolidated fund in violation to the provisions of Article 266(1) of the constitution of India. No expenditure was met from the Fund during the year. The balance in the fund was ₹ 55.02 crore at the end of the year 2016-17. No adjustment of interest had been made by State Government though interest at the rate of 6 *per cent* per annum was provided in the notification.

1.9.5 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	2012-13	2013-14	2014-15	2015-16	2016-17
Outstanding amount of guarantees including fee	21,124	27,309	30,389	16,886	8,260
Percentage of outstanding amount of guarantees to total revenue receipts	63	72	74	36	16

(Source: State Finance Accounts of the respective years)

No amount was paid by the Government towards guarantees during 2016-17. The outstanding amount of ₹ 8,260 crore of guarantees including guarantee fee, as on 31 March 2017, was in respect of Power (₹ 5,563 crore), Co-operative Banks and Societies (₹ 1,050 crore) and Corporations, Boards and Government Companies (₹ 1,647 crore).

The Government constituted the Guarantee Redemption Fund in 2003 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 ₹ 952.88 crore as on 31 March 2017 (5.64 per cent of outstanding guarantees at the end of previous year at ₹ 16,886 crore) which stood invested. The Government contributed ₹ 39.40 crore during 2016-17 along with interest of ₹ 70.06 crore earned on investment to the fund. Total liabilities, including guarantees stood at ₹ 1,54,631 crore (₹ 1,46,371 crore + ₹ 8,260 crore) during 2016-17 and were 28.25 per cent of the GSDP. Further, it was noticed that the funds were invested in Government securities, purchased at a premium ranging from one to 22 per cent, resulting in additional payment of ₹ 4.37 crore in 2015-16 and ₹ 12.07 crore in 2016-17. The matter was referred to Finance Department; their reply is awaited (August 2017).

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 ₹
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
2016-17	99,660.13	28,046.26	5,089.52	1,22,616.87	22,956.74	23.04	48,274

(Source: State Finance Accounts of respective years)

Internal debt of the State Government increased by ₹ 83,274 crore (212 per cent) from ₹ 39,342.83 crore in 2012-13 to ₹ 1,22,616.87 crore in 2016-17. An interest of ₹ 9,140 crore was paid on internal debt during 2016-17.

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 of 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 2012-13.

Table 1.29: Debt sustainability

(₹ in crore)

Debt Sustainability	2012-13	2013-14	2014-15	2015-16	2016-17
Outstanding Public Debt	50,658.27	60,293.96	70,925.30	1,01,709.05	1,24,602.73
Rate of Growth of Outstanding Public Debt	22.37	19.02	17.63	43.40	22.51
GSDP	3,47,032	4,00,662	4,37,462	4,85,184	5,47,396
Rate of Growth of GSDP	16.63	15.45	9.18	10.91	12.82
Debt as per cent of GSDP	14.60	15.05	16.21	20.96	22.76
Average interest Rate of Outstanding Debt (Int. paid/OB of Public Debt + CB of Public Debt/2)	8.62	8.92	9.14	7.61	8.17
Percentage of Interest to Revenue Receipt	11.80	13.02	14.70	13.81	17.61
Percentage of Public Debt Payment to Public Debt Receipt	39.12	45.26	43.62	18.99	18.73
Net Debt available to the State#	5,294	4,687	4,633	24,217	13,647

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

Net Debt available to the State is excess of Public Debt Receipts over Public Debt repayment and Interest payment of Public Debt

Public Debt of the State Government increased from ₹ 50,658 crore in 2012-13 to ₹ 1,24,603 crore in 2016-17 registering an increase of 145.97 per cent during the period 2012-17. The rate of growth ranged between 17.63 per cent and 43.40 per cent over the period 2012-13 to 2016-17. Public Debt increased at the rate of 22.51 per cent in 2016-17 as compared to 43.40 per cent in the previous year which is mainly due to debt amounting to ₹ 8,650

crore (bonds issued to the participating lender banks through Reserve Bank of India) of power companies taken over by Government under UDAY.

Rate of growth of GSDP decreased from 16.63 *per cent* in 2012-13 to 9.18 *per cent* in 2014-15, registering an increasing trend of 10.91 *per cent* in 2015-16 to 12.82 *per cent* in 2016-17 but was still higher than the average rate of interest of public debt which is ranging between 7.61 and 9.14 *per cent* over the period 2012-17. 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 11.80 *per cent* in 2012-13 to 17.61 *per cent* in 2016-17 which shows that the interest payment on public debt was increasing resulting in less availability of funds for development.

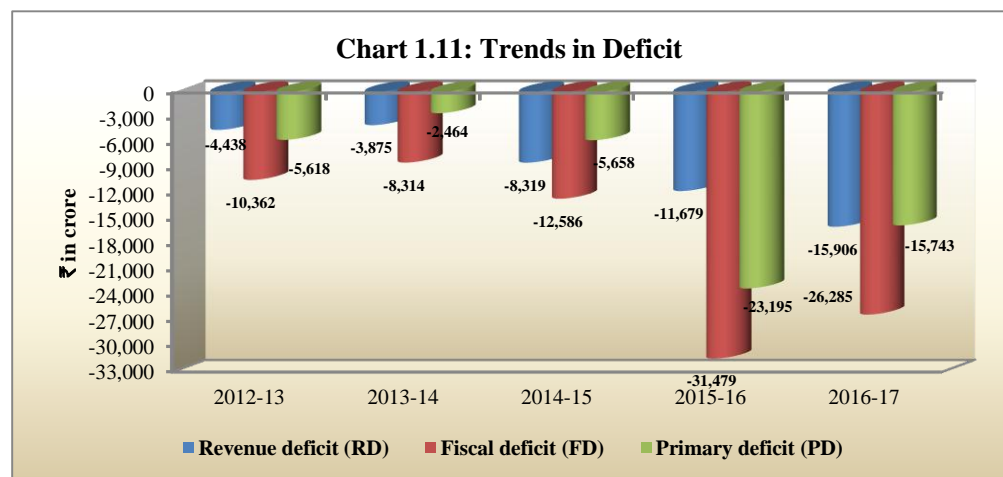
Debt payment as a percentage of Debt receipt showed a rising trend from 39.12 *per cent* in 2012-13 to 45.26 *per cent* in 2013-14, marginally decreased to 43.62 *per cent* in 2014-15 and stood at 18.73 *per cent* in 2016-17.

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 2016-17.

1.11.1 Trends of deficits

Chart 1.11 presents the trends in deficit indicators over the period 2012-17.



(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 up to 2014-15, as per the FRBM Act. The revenue deficit

which was ₹ 8,319 crore during 2015-16 increased to ₹ 15,906 crore. But the fiscal deficit and primary deficit which were ₹ 31,479 crore and ₹ 23,195 crore in 2015-16 decreased to ₹ 26,285 crore and ₹ 15,743 crore mainly due to the less bond issued during 2016-17 (₹ 8,650 crore) as compared to previous year (₹ 17,300 crore) under UDAY Scheme. The target of ₹ 12,280.35 crore of revenue deficit in the budget for the year 2016-17 could not be achieved and fiscal deficit was 4.80 per cent of GSDP against the target of 4.27 per cent set out in MTFPS (**Appendix 1.6**). Even, the fiscal deficit at 3.22 per cent of GSDP excluding debt taken over under UDAY scheme was also more than the limit of 2.47 per cent set out in FRBM and MTFPS for the year 2016-17.

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 2016-17 are given in **Table 1.31**.

Table 1.30: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Components of fiscal deficit						
		(-) 10,362	(-) 8,314	(-) 12,586	(-) 31,479	(-)26,285
1	Revenue deficit(-)/ surplus (+)	(-) 4,438	(-) 3,875	(-) 8,319	(-) 11,679	(-)15,906
2	Net Capital Expenditure	(-) 5,751	(-) 3,925	(-) 3,697	(-) 6,878	(-)6,837
3	Net loans and advances	(-) 173	(-) 514	(-) 570	(-) 12,922	(-)3,542
Financing pattern of fiscal deficit						
1	Market Borrowing	8,574.38	10,621.36	12,372.99	13,168.29	15,358.98
2	Loans from GOI	(-)75.54	173.08	(-) 22.98	(-) 78.91	(-)63.06
3	Special securities issued to National Small Savings Fund	(-)91.55	28.07	707.45	1,012.11	(-)947.05
4	Loans from financial institutions	854.88	(-)1,186.82	(-)2,426.12	16,682.26	8,544.81
5	Small Savings Provident Funds etc.	457.96	720.99	1,041.05	1,048.64	1,114.88
6	Reserve Fund	(-)39.09	2.29	38.97	70.72	1,646.31
7	Deposits and advances	597.05	1,086.43	471.42	369.27	(-)2.12
8	Suspense and Miscellaneous	370.77	(-) 3,948.95	1,145.54	(-) 1,583.19	1,734.84
9	Remittances	(-)72.60	(-) 0.25	(-) 13.89	(-) 19.15	57.66
10	Overall surplus (-) deficit (+)	10,576.26	7,496.20	13,314.43	30,670.04	27,445.25
11	Increase (-) decrease (+) in cash balance*	(-)214.43	(+) 817.28	(-) 728.38	(+) 809.47	(-)1,160.13
12	Gross Fiscal Deficit	10,362	8,314	12,586.05	31,479.51	26,285.12

(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	15,800.00	441.02	15,358.98
2	Loans from GOI	123.26	186.32	(-) 63.06
3	Special securities issued to National Small Savings Fund	-	947.05	(-) 947.05
4	Loans from financial institutions	12,246.26	3,701.45	8,544.81
5	Small Savings, Provident Funds etc.	3,034.08	1,919.20	1,114.88
6	Deposits and advances	19,488.27	19,490.39	(-) 2.12
7	Reserve Funds	1,695.23	48.92	1,646.31
8	Suspense and Miscellaneous	98,132.84	96,398.00	1,734.84
9	Remittances	7,134.20	7,076.54	57.66
10	Overall surplus (-) deficit (+)	1,57,654.14	1,30,208.89	27,445.25
11	Increase (-) decrease (+) in cash balance	Cr. 733.40	Dr. 426.73	(-) 1,160.13
12	Gross Fiscal Deficit	1,56,920.74	1,30,635.62	26,285.12

(Source: State Finance Accounts.)

The market borrowings contributed ₹ 15,359 crore which was higher by ₹ 2,191 crore over ₹ 13,168 crore in 2015-16. Other major deficit financing measures taken by Government were loans from financial institutions ₹ 8,545 crore, increase in State provident fund (₹ 1,115 crore) and increase in Reserve funds (₹ 1,646 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)
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	(-) 2,464
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
2016-17	53,496	57,861	6,863	4,515	69,239	(-) 4,365	(-) 15,743

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

The primary revenue deficit of previous year further increased to ₹ 4,365 crore during 2016-17 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 2016-17 increased by ₹ 4,940.27 crore (10.39 *per cent*) over the previous year mainly due to increase in tax revenue ₹ 3,096.59 crore (10.01 *per cent*). Tax revenue for 2016-17 fell short by 27.64 *per cent* and non-tax revenue increased by 43.82 *per cent* of the targets fixed by FFC. Revenue Receipts of ₹ 2,483.38 crore collected under Haryana Rural Development fund were not credited to Consolidated Fund of the State during 2011-16.

Revenue expenditure during the year constituted 86 *per cent* of the total expenditure. Its NPRE component at ₹ 46,284 crore was less by 4.54 *per cent* than the projection of MTFPS (₹ 48,483 crore) of which 83 *per cent* expenditure was on four components i.e. salary and wages, pension liabilities, interest payments and subsidies. Moreover, 86 *per cent* (₹ 6,619 crore) of total subsidies (₹ 7,654 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 0.05 and 0.17 *per cent* in the past five years while the Government paid an average interest of 8 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 ₹ 11,679 crore of 2015-16 to ₹ 15,906 crore in 2016-17. The trends in other fiscal parameters, i.e. fiscal and primary deficit stood at ₹ 31,479 crore and ₹ 23,195 crore respectively in 2015-16 and decreased to ₹ 26,285 crore and ₹ 15,743 crore respectively in 2016-17.

Overall fiscal liabilities of the State were ₹ 1,46,371 crore as on 31 March 2017. Fiscal liabilities were 26.74 *per cent* of GSDP and 2.79 times of the revenue receipts.

Cash balance investment account of the State at the end of 2016-17 decreased by ₹ 1,618.27 crore and earned interest between 5 and 5.5 *per cent* while the Government borrowed at an average of 8 *per cent*.

Internal debt of the Government increased to ₹ 1,22,617 crore (23.04 *per cent*) during 2016-17 from ₹ 99,660 crore in 2015-16. An interest of ₹ 9,140 crore was paid on internal debt during 2016-17. The resource gap remained negative during the year 2016-17 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 and formulate a strategic plan for their revival or closure, as the case may be; and
- (iv) Devising a work plan for recovering pending loans from Cooperative Sugar Mills and private sugar mills.