

## **Chapter-I**

# **Finances of the State Government**



## CHAPTER 1

### FINANCES OF THE STATE GOVERNMENT

This chapter provides an overview of the finances of the State government during the financial year 2015-16 by benchmarking against past trends of major fiscal aggregates and its structural profile. *Appendix 1.1* contains profile of Jammu & Kashmir and the development indicators relating to major infrastructure and *Appendix 1.2* contains the structure and layout of the Finance Accounts of the State government on which this Report is based. *Appendix 1.3* briefly outlines the methodology adopted for the assessment of the fiscal position of the State.

#### 1.1 Profile of the State

The State of Jammu and Kashmir (J&K) is strategically located with its borders touching Pakistan and China and is spread over a geographical area of 2.22 lakh sq.kms, which includes an area of 1.21 lakh sq.kms under illegal occupation of China and Pakistan. It is situated between 32<sup>o</sup> 17'N and 36<sup>o</sup> 58'N latitudes and 73<sup>o</sup> 26'E and 80<sup>o</sup> 30'E longitudes constituting the northern most extremity of India. J & K is the 6<sup>th</sup> largest state of India occupying 6.76 *per cent* of the country's geographical area. The three regions of the State viz., Kashmir, Jammu and Ladakh, have been organized into 22 districts.

As per 2011 Census (Provisional Data), the State's population in census-covered areas was 1.25 crore. The decadal growth rate in population declined to 23.71 *per cent* during 2001-2011 from 29.43 *per cent* during 1991-2001. The population density of the State increased from 100 per sq km in 2001 to 124 per sq km. in 2011. The overall sex ratio declined from 892 in 2001 to 883 as per census 2011.

Incidence of poverty in the State has been on declining trend. The proportion of Below Poverty Line persons in the total population was estimated at 40.86 *per cent* in 2000 by the Department of Food and Public Distribution, Government of India. This declined to 21.63 *per cent* of total population according to a BPL head count survey carried out by the State government in 2007-08 and to 15.1 *per cent* in 2011-12 according to an assessment made by the Planning Commission.

As per Census 2011, literacy rate of the State is 68.74 *per cent* with 78.26 *per cent* male literates and 58.01 *per cent* female literates. The overall literacy rate as per the 2011 Census improved by 13.22 *per cent* compared with that of Census 2001. With the improvement in the literate population of the state, the gender gap has

also reduced to 20.25 *per cent* in 2011 as against 23.60 *per cent* in 2001. Literacy rate is derived after excluding the children in the age group of 0-6 years, which are by the definition of census treated as illiterate.

The Gross State Domestic Product (GSDP)<sup>1</sup> measures the value of goods and services produced within the State. At constant prices, the GSDP was estimated at ₹91,850<sup>2</sup> crore during 2015-16, up from ₹87,921 crore during 2014-15.

**Annual growth rate of GDP and GSDP (at current/constant price)**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
India's GDP* (₹ in crore)	87,36,039	99,51,344	1,12,72,764	1,24,88,205	1,35,76,086
Growth rate of GDP* (in percentage)	20.52	13.91	13.28	10.78	8.71
State's GSDP (₹ in crore)	68,185	76,916	87,570	87,921	91,850
Growth rate of GSDP (in percentage)	17.41	12.80	13.85	0.40	4.46

\*Source :-Web site of the Ministry of Statistics and Programme Implementation, Government of India

The GSDP of the Jammu and Kashmir grew at the rate of 4.46 *per cent* during 2015-16 which is less than the projections made in the 14<sup>th</sup> Finance Commission (11.78 *per cent*)

As per the Advanced Estimates, the economy was estimated to grow at 7.6 *per cent* in 2015-16<sup>3</sup>. The growth in Agriculture, Industry and Services was estimated at 1.1 *per cent*, 7.3 *per cent* and 9.2 *per cent* respectively during the year i.e. 2015-16.

The Per Capita Income (worked as per capita Net State Domestic Product NSDP) of the State at current prices<sup>4</sup> is worked out at ₹85,986 in 2015-16(A)<sup>4</sup>, ₹76,644 in 2014-15 (1R)<sup>4</sup> ₹72,981 in 2013-14 (2R)<sup>4</sup> and ₹64,721 in 2012-13 (P)<sup>4</sup>, thus a growth rate of 12.19 % in 2015-16 (A), 5.12 % in 2014-15 (1R), 12.76% in 2013-14 and 9.31% in 2012-13(P).

---

<sup>1</sup> The GDP/GSDP data used in this Report is based on the new series with Base Year 2011-12.

<sup>2</sup> Source-FRBM May-2016

<sup>3</sup> Source-FRBM May-2016

<sup>4</sup> Source-FRBM May-2016

<sup>4</sup>A - Advance

<sup>4</sup>IR- First Revised Estimates

<sup>4</sup>2R – Second Revised Estimates

<sup>4</sup>P – Provisional

Trends in annual growth of the country's GDP and the State's GSDP are given in *Appendix 1.3*.

### **1.1.1 Salient features of the State's Budgetary and Accounting System**

The State government secures legislative approval for spending from the Consolidated Fund of the State by presenting an Annual Financial Statement (budget) and Demands for Grants. These Demands are discussed in the Legislature, replied by the Minister-in-charge of the Department and then passed. However, expenditure in the interim is incurred against the Vote on Account. The State Legislature has enacted Fiscal Responsibility & Budget Management (FRBM) Act, 2006 (amended on 17<sup>th</sup> December 2008, 20<sup>th</sup> April 2010, 9<sup>th</sup> April & 25<sup>th</sup> August 2011) and the Government has passed FRBM Rules 2008 there under which *inter alia* specify the annual targets for (a) Revenue Deficit as percentage of Total Revenue Receipts (b) Fiscal Deficit as percentage of GSDP (c) Total Outstanding Liabilities as percentage of GSDP and (d) Committed Liabilities. The State follows a system of classification of receipts and expenditure, which generally conforms to the function-cum-programme based system followed by the Central and other State governments at top level of major/minor heads of accounts.

From FY-2015-16 the State government has changed the structure of State budget under budgetary reforms. The budget has only two parts; the Receipts Budget and the Expenditure Budget and the expenditure budget have only the revenue and capital expenditure estimates. The former being spent to meet daily expenses and the latter for making assets on the ground. The old classification of the Plan and Non Plan has been discarded. Now there are two categories of expenditure, current and capital. The budget allotment process is highly centralized. There is no system of outcome/performance budgeting/reporting by the departments to the State Legislature as the departments do not prepare annual reports of their activities and achievements for which dissemination of information is limited on some government websites. The Government presents statements required under the FRBM Act/Rules to the legislature along with Budget. The Appropriation Accounts and Finance Accounts are prepared by the Accountant General (A&E) on the basis of the compilation and consolidation of receipts/disbursements transactions originating in the books of Drawing and Disbursing Officers of State Government, through the Treasuries and/or the Bank accounts controlled by the RBI and the transactions originating in the books of the RBI. The accounts are audited by the Accountant General (Audit). Since April 1, 2011, the Reserve Bank of India (RBI) is the sole banker of the Government in place of the Jammu and Kashmir Bank Ltd. which though continues to work as RBI's agent.

The State, one of the 11 Special Category States (SCS), is entitled to 90 per cent financing for schemes/projects included in the State Plan in the form of grants-in-aid from the Union Government. Higher (90 per cent) financing of State plan schemes/projects by way of grants-in-aid from the Central government and access to substantial Central grants, coupled with State's own efforts at revenue mobilisation, have ensured that the State has continued to be a revenue surplus State upto 2013-14 despite having deficit after excluding central transfers. Despite increase in State's Own Non-Tax Revenues by ₹1,935 crore *vis-a-vis*, previous year, the State could not maintain Revenue Surplus during the year 2015-16.

## 1.2 Summary of Fiscal Transactions in 2015-16

Statements 1 and 2 and Appendix I of the Finance Accounts 2015-16 provide summary position of opening and closing cash balances, receipts and disbursements during the year under broad categories, condensed in Table 1.1. Appendix 1.4 contains data showing trends in major fiscal aggregates since 2011-2016 Appendix 1.5 presents a more disaggregated view.

Table 1.1 Summary of current year's fiscal operations

(₹ in crore)

		Receipts		Disbursements	
2014-15		2015-16	2014-15		2015-16
Section-A: Revenue			Section-A: Revenue		
6,334	State's Own Tax revenue	7,326	12,039	General Services	13,675
1,978	State's Own Non-tax revenue	3,913	8,501	Social Services	11,331
4,477	Share of Union Taxes Duties	7,814	8,789	Economic Services	11,414
16,150	Grants from Government of India	16,728	-	-	-
28,939	Revenue Receipts	35,781	29,329	Revenue Expenditure	36,420
Section-B: Capital			Section-B: Capital		
-	-	-	5134	Capital Outlay	7331
3	Recoveries of Loans and Advances	4	87	Loans and Advances disbursed	94
10,033	Public Debt Receipt	14,645	8,323	Repayment of Public Debt	10,815
-	Contingency Fund	--	-	Contingency Fund	-
22,032	Public Account Receipts@@	27,450	17,796	Public Account disbursements@@	24,094
1,063	Opening Cash Balance	1,401	1,401	Closing Cash Balance	527
62,070	Total	79,281	62,070		79,281

@@ These exclude transactions of investment of cash balances and departmental cash chests (₹22,311 crore receipts, ₹21,140 disbursements). The net effect of these transactions is included in the opening and closing cash balances in the row next below. Receipts include departmental Cheques under MH 8670 of ₹215 crore.

The revenue receipts increased by ₹6,842 crore (23.64 per cent) during 2015-16 over the previous year, mainly due to increase in the State's share in the Union Taxes and Duties (74 per cent), Grant-in-Aid (3.58 per cent) and increase in State's Own Non-Tax Revenue by 97.82 per cent. Likewise, revenue expenditure increased by ₹7,091 crore (24.17 per cent) during 2015-16 over the previous year with even increase across all Sectors. The aggregate cash balance of the State (including un-invested cash with the RBI, invested cash and cash in departmental cash chests) decreased during 2015-16 from the opening balance of ₹1,401 crore to ₹527 crore.

### 1.2.1 Review of the fiscal situation - Trends in Key Fiscal Aggregates

*Appendix 1.4* presents the data on key fiscal aggregates (absolute monetary values, ratios and growth rate) for the period from 2011-12 to 2015-16. Notable points emerging from this trend analysis are as follows:-

- The State's share in Union Taxes and Duties and grants from the Union Government together constituted 72.77 per cent of the total Revenue Receipts during 2011-12 but declined to 68.59 per cent during 2015-16 which seriously impaired the liquidity position and resulted in reduction in revenue surplus with consequent increase in the fiscal deficit. The non-debt resources transferred by the Central government through the State government accounts financed 63 per cent of total expenditure of the State government during 2011-12, 60 per cent in 2012-13, 57 per cent in 2013-14, 60 per cent in 2014-15 and 60 per cent in 2015-16, showing a decline in the State's dependence on transfer of Central resources. However, the State could not maintain its revenue surplus which declined from ₹2,103 crore in 2011-12 to ₹70 crore in 2013-14 and to a deficit of (-) ₹390 crore in 2014-15 and (-) ₹640 crore in 2015-16, due to shortfall of the States' Own Non-Tax Revenue and Grant-in-Aid *vis-a-vis*, projected Receipts.
- The State's Own Tax Revenues (SOTR) has shown a growth of 15.66 per cent over the previous year.

### 1.2.2 Budget Estimates and Actual

The trends in budget estimates, revised estimates and actual financial outcomes of some top level fiscal aggregates are given in **Table 1.2**.

**Table 1.2: Budget and Actuals**

(₹ in crore)

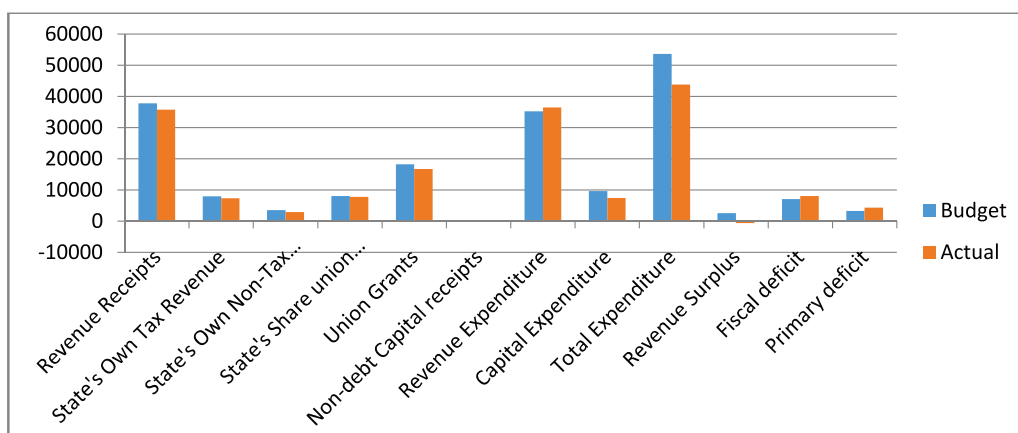
Sl. No.	Fiscal Aggregate	2013-14			2014-15			2015-16		
		Budget	Revised	Actual	Budget	Revised	Actual	Budget	Revised	Actual
1	<b>Revenue Receipts (a)+(b)+(c)+ (d)</b>	<b>33,970</b>	<b>31,227</b>	<b>27,128</b>	<b>39,221</b>	<b>34,541</b>	<b>28,939</b>	<b>37,815</b>	<b>40,904</b>	<b>35,781</b>
a	State's Own Tax Revenue	6,700	6,820	6,273	7,496	6,438	6,334	8,006	7,988	7,326
b	State's Own Non Tax Revenue	3,033	3,400	2,870	3,561	3,154	1,978	3,509	3,455	3,913
c	State's share in union taxes/duties	4,485	4,514	4,142	5,191	4,477	4,477	8,088	8,088	7,814
d	Grants-in-aid from Union government	19,752	16,493	13,843	22,973	20,472	16,150	18,212	21,373	16,728
2	<b>Revenue Expenditure</b>	<b>28,690</b>	<b>27,617</b>	<b>27,058</b>	<b>32,948</b>	<b>31,503</b>	<b>29,329</b>	<b>35,228</b>	<b>37,197</b>	<b>36,420</b>
3	<b>Capital Expenditure including loans &amp; advances</b>	<b>8,187</b>	<b>7,526</b>	<b>4,628</b>	<b>9,436</b>	<b>10,363</b>	<b>5,221</b>	<b>9,686</b>	<b>12,685</b>	<b>7,425</b>
4	<b>Total expenditure</b>	<b>36,877</b>	<b>35,143</b>	<b>31,686</b>	<b>42,384</b>	<b>41,866</b>	<b>34,550</b>	<b>53,590</b>	<b>58,787</b>	<b>43,845</b>
5	<b>Revenue Surplus</b>	<b>5,280</b>	<b>3,610</b>	<b>70</b>	<b>6,273</b>	<b>3,038</b>	<b>(-390)</b>	<b>2,587</b>	<b>3,707</b>	<b>(-640)</b>
6	<b>Fiscal Deficit</b>	<b>2,867</b>	<b>3,831</b>	<b>4,554</b>	<b>3,020</b>	<b>6,561</b>	<b>5,608</b>	<b>7,099</b>	<b>8,978</b>	<b>8,060</b>
7	<b>Primary Deficit (+) / Surplus (-) (Fiscal Deficit - Interest Payments)</b>	<b>(-433)</b>	<b>531</b>	<b>1,553</b>	<b>(-450)</b>	<b>3,141</b>	<b>2,075</b>	<b>3,304</b>	<b>5,183</b>	<b>4,341</b>

There was a Revenue deficit of (-) ₹640 crore, as against the Budget estimates of revenue surplus of ₹3,707 crore during the current year; whereas the fiscal deficit and primary deficit showed a declining trend *vis-a-vis*, the budgeted estimates by ₹918 crore and ₹842 crore respectively. The Capital expenditure was only 59 *per cent* of the Budgeted estimates of ₹12,685 crore which indicates that asset creation was not given adequate priority.

The 'fiscal deficit' is the net accretion to the public debt and other liabilities used for financing the expenditure other than debt redemption. Financing the redemption of public debt and other liabilities implies that the liabilities are not repaid out of current revenues but merely rolled over indefinitely. All borrowings and other liabilities cannot be endlessly refinanced and may have to be eventually paid out of Government's non-debt receipts. Hence, borrowings are in the nature of deferred taxation/asset sale. The ability of an entity to continuously refinance old liabilities with new liabilities depends on continued credit worthiness of the entity. **Chart 1.1** graphically captures actuals in 2015-16 *vis-à-vis* budgeted.



Chart 1.1: Budgeted v/s Actuals



State's Own Tax Revenue (SOTR) mobilisation of ₹7,326 crore (actuals) fell short of the Budgeted (Revised) target by ₹662 crore. There was significant gap between the Budgeted (Revised) and actual Grants-in-Aid from the Union Government resulting in the shortfall of resources. Actual fiscal deficit (₹8,060 crore) was 8.77 per cent of GSDP, which breached the target of 3 per cent of GSDP set under the FRBM Act. Further, the Primary Deficit was ₹4,341 crore against the Budgeted (Revised) target of ₹5,183 crore, resulting in shortfall of ₹842 crore.

#### 1.2.2.1 Funds transferred to State Implementing Agencies outside the State Budget

Prior to 2014-15, transfer of funds under Centrally Sponsored Schemes (CSS) used to take place through two modes *vis-a-vis*, the State Budget and the Direct Transfer mode to District Rural Development Officers and independent societies. Starting with 2014-15, the entire financial assistance to the States for CSS was to be routed through the Consolidated Fund of the State under the head Central Assistance to State/UT Plans. Excepting major schemes, such as the Sarva Shiksha Abhiyan, the National Rural Health Mission and the Mahatma Gandhi National Rural Employment Guarantee Scheme, where the funds were routed through the State Budget in 2015-16, there are at least 31 schemes with a cost of more than one crore, totalling to ₹298 crore, which continued under direct funding mode by the Union Government to the J&K Implementing Agencies (Institutions, Corporations, Societies, etc.) during 2015-16. Details are at **Appendix 1.6**. These funds are outside the State Budgetary and accounting system of the Government. Examples of Major programmes/schemes are given in **Table 1.3**

**Table 1.3: Major funds transferred directly to State implementing agencies (unaudited)**

(₹ in crore)

Name of the Programme/scheme	Name of the Implementing Agency in the State	Total funds released by GOI during				
		2011-12	2012-13	2013-14	2014-15	2015-16
Package for Special Category State (DIPP)	J&K Financial Corporation Ltd	59.59	33.21	41.17	35.69	--
MP's Local Area Development Scheme (MPLADS)	District Development Commissioner	40.00	45.00	-	35.00	55.00
Technology Up-gradation Fund Scheme (TUFS)	J&K Bank Ltd.	12.98	16.34	-	8.92	5.69
Buddhist & Tibetan Studies	Galdan Targaisling Cultural Welfare Society	6.58	2.97	-	9.68	--
Off Grid DRPS	Renewable Energy Development Agency	82.98	33.93	-	22.02	59.96
Grid Interactive Renewal Power (MNRE)	J&K Power Development Corporation	9.75	29.20	-	38.64	29.30
Skill Development	J&K Skill Development initiative modular Employable skill society	-	6.27	11.31	2.63	--
<b>Total</b>		<b>211.88</b>	<b>166.92</b>	<b>52.48</b>	<b>152.58</b>	<b>149.95</b>

(Source: CPMS of CGA's website)

(Consolidated data base at apex level was not maintained by the State government)

The financial assistance provided by the Centre for CSS is in the nature of Grants and is reflected under Revenue Receipts of the State. Since the Budget of the some major schemes e.g., SSA, NRHM and MGNREGS was placed under Capital Section for creation of the Asset, the routing of CSS transactions through the State Budget has contributed to the decrease in revenue deficit and increase in Capital outlay of the State during 2015-16.

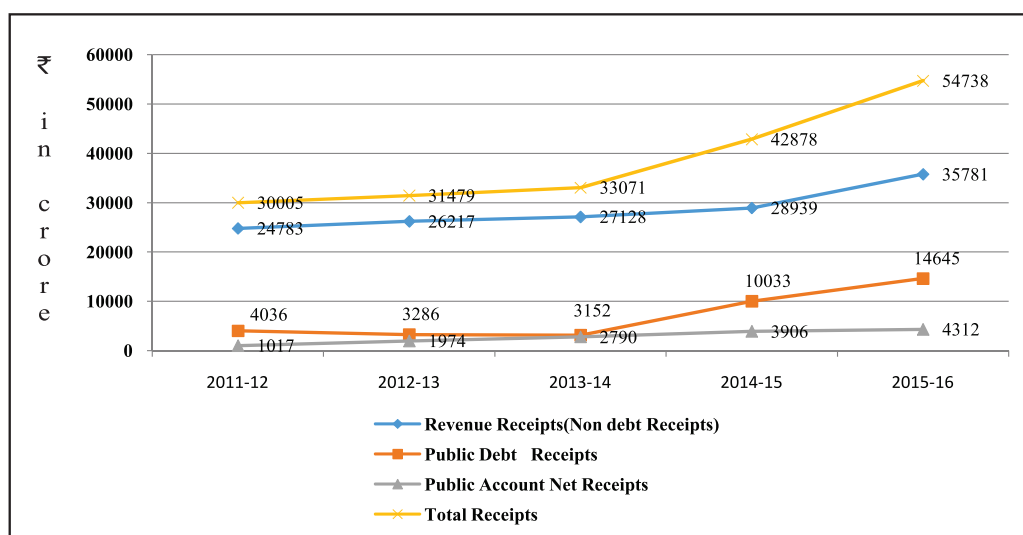
### 1.3 Resources of the State

#### 1.3.1 Resources of the State as per the Annual Finance Accounts

The resources for financing the State Budget are categorised into revenue receipts and capital receipts. Revenue receipts comprise of: (a) tax revenue (i) revenue from State's own taxes such as State Excise, VAT/ GST which the State can control (ii) State's share in Central taxes/ duties under the Finance Commission award and (b) (i) non-tax revenues under control of the State such as interest/ dividend and user charges and (ii) grants-in-aid from the Central government, which is

also accounted for as non-tax revenue of the State. Capital receipts comprise of: (i) non-debt capital receipts such as recoveries of loans/ advances given by the State government, (ii) proceeds of disinvestment of equity in public sector companies or proceeds from sale of other assets like land/ buildings, (iii) receipts, which create liabilities for the Government like market loans, borrowings from financial institutions/ commercial banks, loans and advances from the Union government, and (iv) receipts into the public accounts of the State government as a banker or trustee of others' funds like security deposits. **Chart 1.2** depicts the trends in various components of the receipts of the State during 2011-16.

**Chart 1.2 : Trends of relative share of different receipts (in crore) 2011-16**

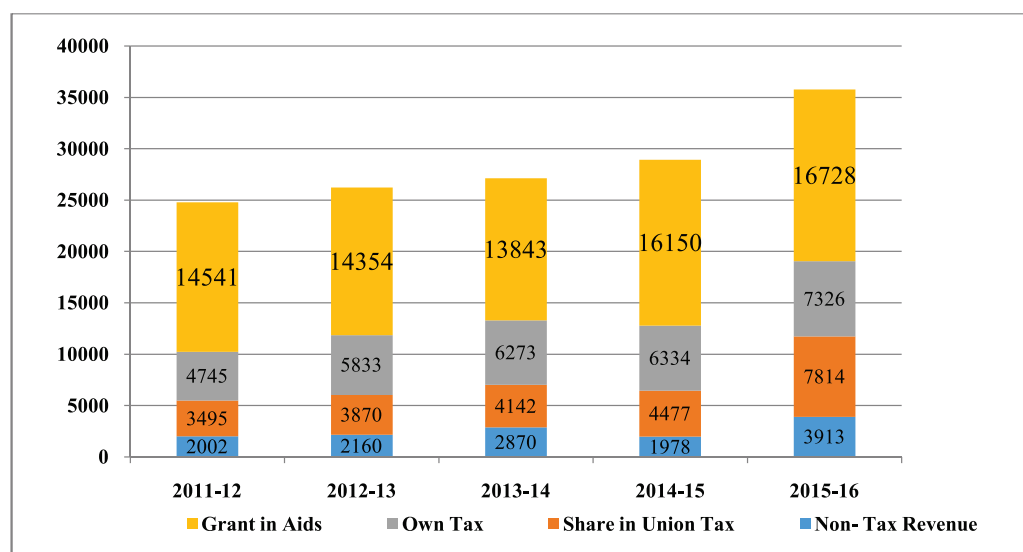


The revenue receipts and the public account receipts showed upward trend in 2011-16. However, though the public debt receipts showed downward trend from ₹4,036 crore in 2011-12 to ₹3,152 crore in 2013-14, it increased to ₹10,033 in 2014-15 and ₹14,645 crore in 2015-16. The Revenue Receipts to total receipts show downward trend decreasing from 82.59 per cent in 2011-12 to 65.37 per cent in 2015-16. Public account receipts in total receipts however, increased from 3.39 per cent in 2011-12 to 7.88 per cent in 2015-16.

#### 1.4 Revenue receipts

Statement-14 of the Finance Accounts details the revenue and Non debt capital receipts of the Government by Minor Heads. The revenue receipts consist of tax and non-tax revenues, Central tax transfers and grants-in-aid from the Central government. The trends and composition of revenue receipts over the period 2011-16 are presented in *Appendix 1.4* and also depicted in **Chart 1.3**

Chart 1.3 : Composition of revenue receipts during 2011-16



Transfers from the Union government of State's share in Union taxes and duties and grants in aid together constituted on an average 73 per cent of the State's revenue receipts during 2011-12 and declined to 70 per cent and 66 per cent in 2012-13 and 2013-14 respectively. It increased to 71 per cent during 2014-15 but further decreased to 69 per cent during 2015-16. The trends in revenue receipts relative to GSDP are presented in Table 1.4

Table 1.4: Trends in revenue receipts relative to GSDP

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (RR) (₹ in crore)	24,783	26,217	27,128	28,939	35,781
State's Own Revenues (₹ in crore)	6,747	7,993	9,143	8,312	11,239
Rate of growth of RR (per cent)	11.46	5.79	3.47	6.68	23.64
RR/GSDP (per cent)	36.34	33.80	31.07	32.91	38.96
Revenue Buoyancy w.r.t GSDP	0.65	0.45	0.25	16.70	5.30

Revenue receipts showed a progressive increase over the period 2011-12 to 2015-16 in absolute terms. However, the growth rate of Revenue Receipts shows a declining trend from 11.46 per cent in 2011-12 to 6.68 per cent in 2014-15 and increased 23.64 per cent in 2015-16, which means the buoyancy of States own tax revenue to GSDP has shown declining trend upto 2013-14 but increased in 2014-15 due to slow growth rate in GSDP but further decreased in 2015-16.

#### 1.4.1 State's Own Revenues

The State's performance in mobilisation of additional resources should be

assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The trend in State's own tax and non-tax revenue is shown in **Table 1.5**

**Table 1.5: Trends of tax revenue and non-tax revenue**

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Tax revenue	4,745	5,833	6,273	6,334	7,326
Of which Tax on sale of goods and services	3,414	4,174	4,579	4,602	5,277
Non-tax revenue	2,002	2,160	2,870	1,978	3,913
Of which receipts from sale of power	1,007	1,589	1,533	1,428	1,477
<b>Total</b>	<b>6,747</b>	<b>7,993</b>	<b>9,143</b>	<b>8,312</b>	<b>11,239</b>

The State has been taxing Services under the Jammu and Kashmir General Sales Tax Act, 1962 since March 1997, which yielded ₹1,236.77 crore in 2015-16. Although the Government has initiated several measures to widen the tax base and improve collection of tax on Services, yet the tax collected under the State law is significantly less than the share foregone by the State in the Central Services Tax collections, which is the only Central tax that is presently not applicable to the State. As per the assessment made by the 13<sup>th</sup> Finance Commission regarding likely Central Services Tax collection during 2010-15, the share (1.551 per cent, 13<sup>th</sup> FC) foregone by the State works out to ₹8,363.38 crore, and ₹3,815.82 crore against which the State Service Tax collection was ₹5074.57 crore<sup>5</sup> and the State's share in Central Service Tax would have been about ₹9,674.30 crore i.e., 1.551 per cent of total central service collection of ₹6,23,746 crore<sup>6</sup>. Further, as per the 14<sup>th</sup> Finance Commission, the likely Service Tax collection during 2015-16 as State Share should have been ₹3,815.55 crore i.e., 1.854 per cent of State share of Central Service Tax (₹2,05,815.55) against which the State has collected the actual service tax to the tune of ₹1,236.77 crore and foregone ₹2,578.78 crore.

The receipts from the sale of power, being a major constituent of non-tax revenue, declined from 73.56 per cent of the total non-tax revenue during the year 2012-13 to 37.75 per cent in 2015-16. The tax on the sale of goods and services that constituted 71.56 per cent of the total tax revenue in 2012-13 increased to 72.03 per cent in 2015-16. Auditing of vouchers revealed that an amount of ₹16.85 crore (₹12.51 crore service tax and ₹4.34 crore power receipts) was overstated in the accounts due to double accountal of the Service Tax and power receipts respectively received during the year 2015-16. Though the rectification has been carried out in the accounts to the extent of test check cases, in other cases the double accountal of Service Tax and Power Receipts cannot be ruled out, resulting in possible overstated revenue.

<sup>5</sup> ₹887.66 crore in 2011-12, ₹1,018.96 crore in 2012-13, ₹1,046.72 crore in 2013-14, ₹884.53 crore in 2014-15 and ₹1,236.70 crore in 2015-16)

<sup>6</sup> ₹71,016 crore in 2010-11, ₹97,509 crore in 2011-12, ₹1,32,601 crore in 2012-13, ₹1,54,630 crore in 2013-14, ₹1,67,990 crore in 2014-15

### 1.4.1.1 State's Own Tax Revenue

The performance of State's own tax revenue is given in **Table 1.6**

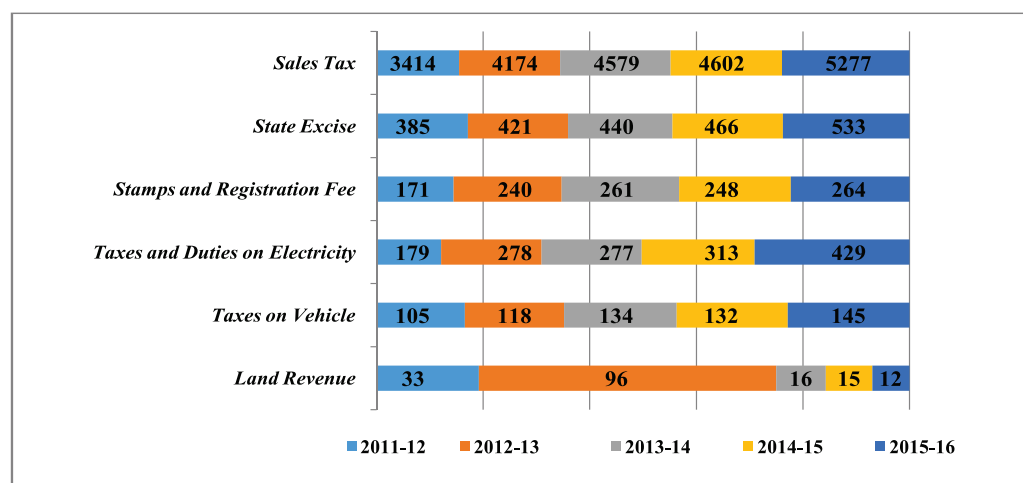
**Table 1.6: Trends in State's own tax revenue relative to GSDP**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Own Tax Receipts (OTR) (₹ in crore)	4,745	5,833	6,273	6,334	7,326
Rate of growth of OTR (per cent)	36.23	22.93	7.54	0.97	15.66
OTR/GSDP (per cent)	6.95	7.52	7.18	7.20	7.98
<b>*Buoyancy ratios</b>					
OTR Buoyancy with reference to GSDP	2.08	1.79	0.54	2.42	3.51

[\*Glossary of Terms – Appendix 4]

The States own tax receipts have been showing progressive increase from ₹4,745 crore in 2011-12 to ₹7,326 crore in 2015-16. The tax-wise break-up of tax revenue from the year 2011-12 to 2015-16 is given in **Chart1.4**.

**Chart-1.4: Trends of Tax Revenue**



The land revenue collection decreased from ₹96 crore in 2012-13 to ₹12 crore in 2015-16, a decrease of 87.50 per cent.

The variations between the budget estimates and actuals of tax revenue receipts for the year 2014-15 and 2015-16 in respect of the principal heads of tax revenue are given in **Table 1.7**

**Table 1.7: Budget Estimates and Actual Tax revenue (2014-15 to 2015-16)**

(₹ in crore)

Head of Revenue	2014-15 (Actuals)	2015-16 BE	2015-16 RE	2015-16 Actuals	Difference (RE-Actuals in 2015-16)
Commercial Taxes (VAT/GST on sales and services)	4,602	5,744	5,985	5,277	708
State Excise Duties	466	485	485	533	48
Other State Taxes/Duties	1,266	9,865	9,606	1,516	8,090

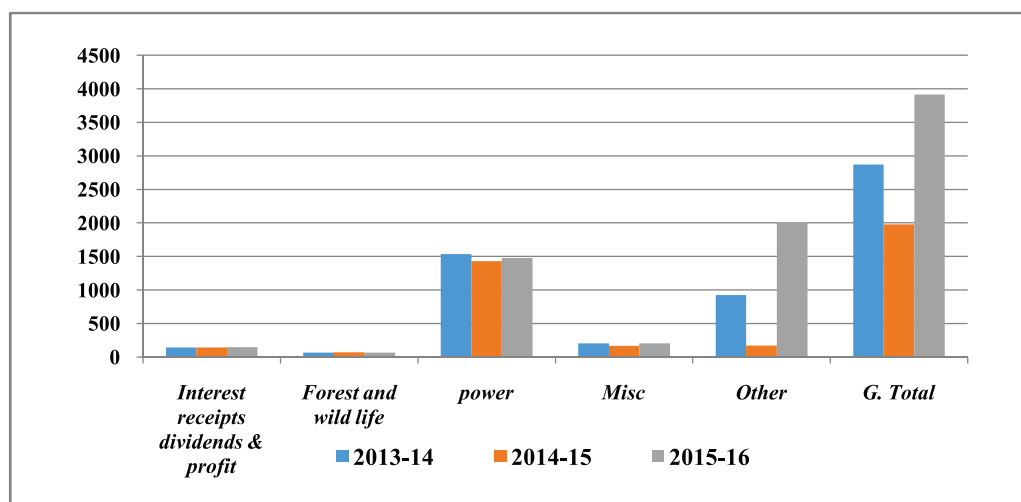
In respect of Commercial Taxes, the actuals could not match with the Revised Estimates (RE) and in case of Other State Taxes/Duties it is far below the Budget Estimates (BE).

#### 1.4.1.2 Cost of Collection

Expenditure on collection of taxes on Sales and Trade was ₹45.07crore, State Excise ₹26.68 crore, Stamp Duty and Registration Fee ₹27.74 crore, Vehicles ₹14.06 crore and Land Revenue ₹148.01 crore during 2015-16. Percentage of expenditure to gross collection of revenue was 0.86 per cent, 5.00 per cent, 10.50 per cent, 9.69 per cent and 1215.19 per cent respectively. The percentage of cost of collection in respect of the Land Revenue was the highest.

#### 1.4.1.3 State's Own Non-Tax Revenue

An itemised break-up of non-tax revenue during the period 2013-16 alongwith percentage increase/decrease over 2014-15 is given in **Chart 1.5**

**Chart-1.5: Trends in Non-Tax Revenue**

Receipts from Power Development Department constitute the most significant component of State's Non Tax Revenue, which increased from ₹1,428 crore in 2014-15 to ₹1,477 crore in 2015-16. Under the "Others" category, receipts increased from ₹171 crore in 2013-14 to ₹2,014 crore in 2015-16. **Table 1.8** shows the variation between the budgeted and actual receipts during 2013-16.

**Table 1.8: Trends of Non-Tax Revenue**

(₹ in crore)

Head of Non-Tax Revenue	Budget Estimate 2013-14	Actual 2013-14	Budget Estimates 2014-15	Actual 2014-15	Budget Estimates 2015-16	Actual 2015-16
<b>Power receipts</b>	2,841	1,533	2,630	1,428	2,980	1,477
<b>Interest receipts, dividends and profits</b>	150	142	73	142	77	150
<b>Forestry and wild life</b>	68	68	71	71	76	68
<b>Miscellaneous *</b>	234	203	264	166	254	204
<b>Others **</b>	107	924	116	171	68	2,014
<b>Total</b>	<b>3,400</b>	<b>2,870</b>	<b>3,154</b>	<b>1,978</b>	<b>3,455</b>	<b>3,913</b>

\* Miscellaneous depts. are Public Works, Medical & Public Health, Water Supply & Sanitation, Police, Non Ferrous Mining & Metallurgical Industries, Crop Husbandry, Animal Husbandry.

\*\* Others:- Pension and Misc. General Services, Labour and Employment, Other Administrative Services, Stationery & Printing, Minor Irrigation, OSAP, Fisheries, Education etc, Village and Small Industries, Housing, Social Security & Welfare, Tourism and others.

As reflected in the table, except under "Forestry & Wild Life", actuals could not match the budgeted figures during 2015-16. In the case of power department receipts, the actual receipts were 50 per cent below the Budget Estimates. Interest receipts showed increase of ₹73 crore (95 per cent) over the Budget Estimates.

The receipts under "Others" category include water usage charges. During 2011-12, the State received ₹543.44 crore as water usage charges from the National Hydroelectric Power Corporation (NHPC) in respect of the Hydel projects owned by it in the State. During 2012-13 and 2013-14, the receipt was ₹158.02 crore and ₹0.02 crore respectively. The water usage charges are being levied @ 25 paise per cusec of water on Hydel power generating companies under the provisions of the Jammu and Kashmir Water Resources (Regulation & Management) Act, 2010 enacted on 25<sup>th</sup> October 2010 and amended on 25<sup>th</sup> October 2012 and 27<sup>th</sup> October 2014. Under the amendment to the Act, the proceeds of the levy are to be credited into a separate Saving Bank Account maintained by the Secretary, Finance Department for being utilized for establishment of Hydel and Hydroelectric Projects, Multi-purpose Hydroelectric Projects and



for buying back Hydroelectric Power Projects already established in the State. The opening Balance in the saving account of Water User Charges as on 1.4.2015 was ₹780.35 crore. During 2015-16 an amount of ₹719.78 crore was transferred/realised from PHE Department and interest of ₹8.03 crore accrued on it, out of which ₹777.04 crore was withdrawn and invested into FDRs in June 2015 which was subsequently encashed for payments of power purchase. The cumulative amount realised on account of Water Usage Charges at the end of March 2016 was ₹3,155.56 crore and the balance in bank account at the end of March 2016 was ₹2.34 crore which was kept out of Consolidated Fund of State.

Rogi Kalyan Simiti (RKS) is another area under which 50 *per cent* sale proceeds of the admission ticket in the Hospitals are kept outside the State Account and utilized for the purpose of hospital development.

The Government informed (February 2014) the Legislature through the Statements placed under the FRBM Act that all departments are expected to recover at least 50 *per cent* of the ‘service charges’ from the users after accounting for Operations & Maintenance expenses, as recommended by the 13<sup>th</sup> Finance Commission. No specific time bound action plan has been prepared to achieve this goal.

#### **1.4.2 Grants in aid from the Union government**

**Table 1.9** shows the significance of Grants-in-aid from the Union government in the budgetary resource base of the State government. The grant-in-aid from Union Government increased from ₹14,541 crore during 2011-12 to ₹16,728 crore during 2015-16 in absolute terms but decreased from 59 *per cent* in 2011-12 to 47 *per cent* in 2015-16 *vis-a-vis* total revenue receipts and from 51 *per cent* to 38 *per cent vis-a-vis*, total expenditure.

**Table 1.9: Trends in Grants-in-aid from the Union Government**

Year	Grants-in-aid (₹ in crore)	Total Expenditure (₹ in crore)	Grants as <i>per cent</i> of Total Expenditure	Total Revenue Receipts (₹ in crore)	Grants as <i>per cent</i> of Total Revenue Receipts
<b>2011-12</b>	14,541	28,645	51	24,783	59
<b>2012-13</b>	14,354	30,434	47	26,217	55
<b>2013-14</b>	13,843	31,686	44	27,128	51
<b>2014-15</b>	16,150	34,550	47	28,939	56
<b>2015-16</b>	16,728	43,845	38	35,781	47

**1.4.3 Optimisation of Thirteenth & Fourteenth Finance Commission grants.**

The actual release of share in Union taxes and duties to the State during five years of the award period of 13<sup>th</sup> and 14<sup>th</sup> Finance Commission *vis-à-vis* the projections made by the Commission are tabulated in **Table 1.10**.

**Table 1.10: State's share in Union taxes and duties (Actual devolution *vis-à-vis* Finance Commission projections)**

(₹ in crore)

Year	13 <sup>th</sup> & 14 <sup>th</sup> Finance Commission Projection	Actual tax devolution
2011-12	3,328	3,495
2012-13	3,925	3,870
2013-14	4,630	4,142
2014-15	5,462	4,477
2015-16	8,748	7,814

The 13<sup>th</sup> Finance Commission had recommended a total grant of ₹20,256 crore excluding share in central taxes & duties of ₹20,182.70 crore for the five years period from 2010-11 to 2014-15, specifically for the State. Of this, ₹15,937 crore was meant for filling up the assessed deficit on non-plan revenue account, ₹1,000 crore for liquidation of overdraft with the Jammu and Kashmir Bank Ltd., and ₹1,123 crore for Local Bodies. Out of ₹1,123 crore for local bodies (2011-12 to 2014-15), the State Government has received only ₹627 crore leading to shortfall of ₹496 crore due to non-existence of elected local bodies. The balance ₹2,196 crore was for several projects and activities to be completed during 2010-15. Thus, almost 89 *per cent* of the total grant was general budgetary support for meeting non-plan revenue gap and clearing overdraft. The central share of ₹20,182.70 crore however does not include net proceeds of shareable Service tax as it is only central tax that is not applicable to the State of Jammu & Kashmir. The State has its own Service tax under State law.

Under 14<sup>th</sup> Finance Commission, the projection during 2015-16 was ₹8,748 crore against this the tax collection of share of union taxes/duties was ₹7,813 crore resulting in a shortfall of ₹935 crore. Under 14<sup>th</sup> Finance Commission, Nil amount was received during 2015-16 by the State Government from the Union Ministry of Finance under Urban Local Bodies due to non-election of ULB's. The utilisation certificates for ₹316.26 crore were pending as at 31<sup>st</sup> March 2016 (September 2016).

**Appendix 1.7** details the special purpose grants (other than the non-plan revenue deficit grant) recommended by the Commission. Out of total allocation of

₹4,317.56 crore for special purpose grants during the award period (2010-15), the actual amount received by the State Government was ₹2,915.26 crore resulting in a shortfall of ₹1,402.30 crore. Reasons leading to short receipts were due to non-existence of elected urban local bodies. (October 2015).

As per 14<sup>th</sup> Finance Commission Recommendation, ₹6,178.37 crore was projected (2015-20) for Urban Local Bodies, Rural Local Bodies and SDRF. Against this, an amount of ₹753.26 was to be released/allocated during the year 2015-16. However only ₹621.72 crore was received by the State government from the Ministry of Finance (*Appendix 1.7*) and Utilisation Certificate of ₹186.98 crore was submitted to Government of India (GoI). Besides grants of ₹6.24 crore has not yet been released by the GoI.

### 1.5 Capital receipts

The share of non-debt capital receipts and loans/advances from the Union government was negligible and capital receipts mainly comprised borrowing from banks, financial institutions and open market as detailed in **Table 1.11**.

**Table 1.11: Trends in capital receipts**

(₹ in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16
<i>Non-Debt Capital receipts</i>					
<b>(i) Recoveries of Loans and Advances</b>	168	2	4	3	4
<b>(ii) Miscellaneous capital receipts (asset sale)</b>	-	-	-	-	--
<b>Total non-debt Capital receipts</b>	<b>168</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>4</b>
<i>Debt Capital receipts (Public Debt)</i>					
<b>(i) Ways and Means Advances and Overdraft</b>	4,436	3,742	2,850	7,448	8,991
<b>(ii) Loans and advances from Union Government</b>	-32*	14	15	12	17
<b>(iii) Other Debt (Market/ Institutional Loans)</b>	4,068	3,272	3,137	2,799	5,637
<b>Total debt Capital receipts</b>	<b>8,472</b>	<b>7,028</b>	<b>6,002</b>	<b>10,259</b>	<b>14,645</b>
<b>Total Capital receipts</b>	<b>8,640</b>	<b>7,030</b>	<b>6,006</b>	<b>10,262</b>	<b>14,649</b>

\*includes ₹56.06 crore loans written off by Ministries of GOI on recommendations of 13<sup>th</sup> Finance Commission

## 1.6 Public Account receipts

In respect of sums credited to the public accounts of the State, the Government acts as a trustee or banker and bears a fiduciary liability. Major constituents of the public accounts are State Provident Fund, Insurance/Pension Funds, Reserve Funds, Deposits and Advances. Besides, the public accounts section of the Government Accounts is also used to record transitory and pass through transactions under Suspense and Miscellaneous and remittance heads before their final accounting to appropriate receipt or payment head of account as also cash balance transactions. **Table 1.12** given below shows trends in receipts and disbursements under various segments of the public accounts.

**Table 1.12: Profile of Public Account**

(₹ in crore)

Constituents of Public Accounts	Public Account Receipts		Disbursement from Public Account		Excess of receipts over disbursement	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
State Provident Fund, Pension/ Insurance Funds	3,883	5,271	1,650	2,385	2,233	2,886
Reserve Funds	489	354	1,166	140	(-)677	214
Deposits	3,172	3,326	2,797	3,213	375	113
Advances	424	473	423	473	01	0
Remittances	13,777	17,461	11,236	17,664	2,541	(-)203*
Receipts in Cash Balance Investment Account	15,131	22,055	15,461	21,101	(-)330	954
Receipts in Departmental Cash Balances Account	79	40	79	39	-	01
Other Suspense and Misc.	287	350	524	219	(-)237	131
<b>Total</b>	<b>37,242</b>	<b>49,330</b>	<b>33,335</b>	<b>45,234</b>	<b>3,906</b>	<b>4,096</b>

\* Under Remittances, the disbursement was in excess of receipts mainly due to adjustment of accounts of previous year/ non-adjustment.

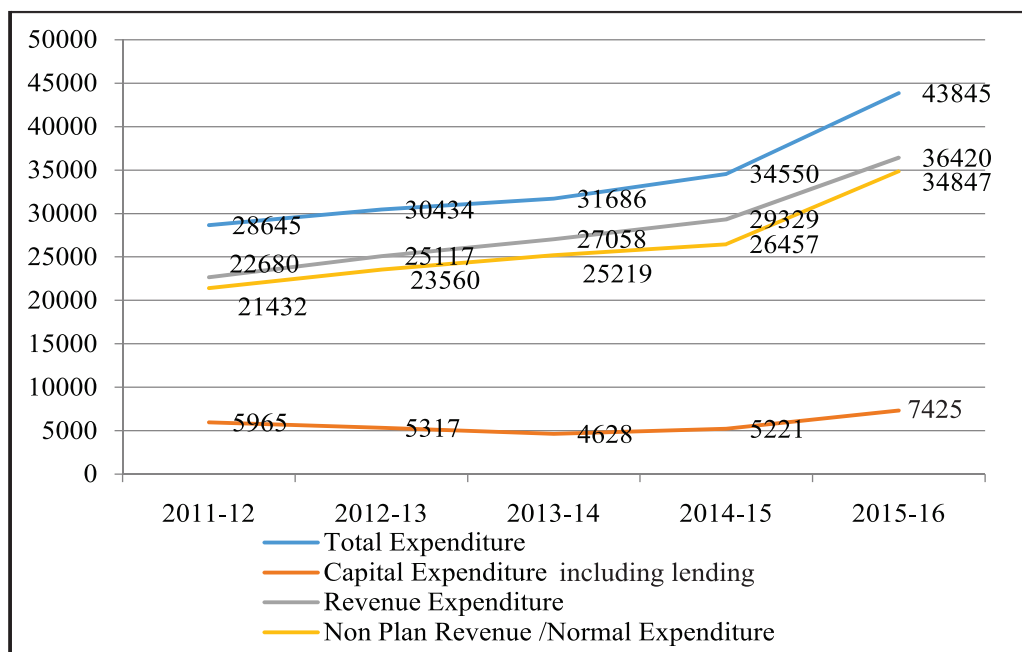
## 1.7 Application of resources

State raises resources to perform its sovereign functions, maintain levels of service delivery for social and economic services; extend the network of these services through capital expenditure, investments and to discharge their debt service obligations. It is also important to ensure that the fiscal correction and consolidation process does not adversely affect the quality of public expenditure directed towards maintenance of infrastructure, creation of new infrastructure and other needs of development and social justice.

**1.7.1 Growth and composition of expenditure**

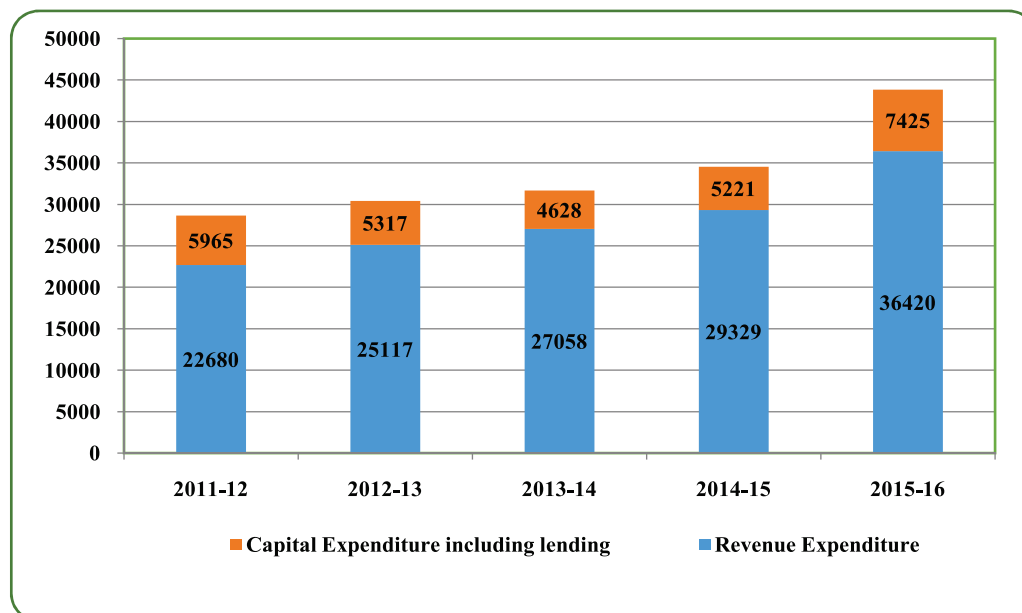
**Chart 1.6** presents the trends in total expenditure during 2011-16.

**Chart- 1.6 Total Expenditure trends and composition**



The composition of total expenditure in terms of revenue-capital classification is depicted in **Chart 1.7**

**Charts 1.7: Total Expenditure – Trend of share of its components**



From **Chart 1.7** above, it may be seen that the total expenditure increased by ₹15,200 crore from ₹28,645 crore in 2011-12 to ₹43,845 crore in 2015-16. The

capital expenditure (including lending) increased from ₹5,965 crore to ₹7,425 crore over the same period, while the revenue expenditure increased by ₹13,740 crore from ₹22,680 crore in 2011-12 to ₹36,420 crore in 2015-16.

The total expenditure, the ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are tabulated in **Table 1.13**.

**Table 1.13: Total Expenditure – Basic Parameters**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Total Expenditure (TE) (₹ in crore)	28,645	30,434	31,686	34,550	43,845
Total Plan /CSS Expenditure (₹ in crore)	6,722	6,528	6,011	7,373	2,829
Total Non-Plan/Normal/General Expenditure (₹ in crore)	21,857	23,813	25,554	27,090	40,922
Rate of growth ( <i>per cent</i> )	16.43	6.25	4.11	9.04	26.90
TE/GSDP ratio ( <i>per cent</i> )	42.01	39.24	36.29	39.30	47.73
RR/TE ratio ( <i>per cent</i> )	86.52	86.14	85.62	83.76	81.60
<b>Buoyancy of total expenditure with reference to</b>					
GSDP(ratio)	0.94	0.49	0.30	22.60	6.03
RR (ratio)	1.43	1.08	1.18	1.35	1.14
Revenue Expenditure (RE) (₹ in crore)	22,680	25,117	27,058	29,329	36,420
Non-Plan Revenue Expenditure (NPRE)/ Normal	21,432	23,560	25,219	26,457	34,847
Plan Revenue Expenditure (PRE)/General	1,248	1,557	1,839	2,872	1,573
<b>Rate of Growth of</b>					
RE ( <i>per cent</i> )	22.82	10.74	7.73	8.39	24.18
NPRE/Normal ( <i>per cent</i> )	22.07	9.93	7.04	4.91	31.71
PRE/General ( <i>per cent</i> )	37.29	24.76	18.11	56.17	54.70
<b>Ratio ( <i>per cent</i> )</b>					
RE as percentage of TE	79.18	82.53	85.39	84.89	83.06
NPRE/Normal/GSDP ( <i>per cent</i> )	32.05	30.70	29.26	30.09	7.10
NPRE/Normal as percentage of TE	74.82	77.41	79.59	76.58	79.48
NPRE as percentage of RR	86.48	89.87	92.96	91.42	97.38
<b>Buoyancy ratio of Revenue expenditure with</b>					
GSDP	1.31	0.84	0.56	20.97	5.42
Revenue Receipts	1.99	1.86	2.22	1.26	0.90

Out of the total expenditure of ₹43,845 crore during 2015-16, ₹36,420 crore was Revenue expenditure and ₹7,331 crore was Capital expenditure which constituted 16.72 *per cent* of the total expenditure. There is increase of ₹9,295 crore (i.e. 26.50 *per cent*) in total expenditure as it increased from ₹34,550 crore in 2014-15 to ₹43,845 crore in 2015-16.

**1.7.2 Revenue expenditure**

Bulk of Government expenditure goes towards Revenue expenditure which does not usually result in fresh creation of assets for the Government and is meant for normal running and maintenance of Government machinery. The total revenue expenditure increased from ₹22,680 crore in 2011-12 to ₹36,420 crore in 2015-16. The total revenue expenditure of ₹36,420 crore comprise of 83.06 per cent of total expenditure of ₹43,845 crore.

Earlier, the Non-Plan Revenue Expenditure (NPRE)/Normal during 2011-12 to 2014-15 increased from ₹21,432 crore to ₹34,847 crore, showing a growth of 62.59 per cent. The total non-plan/normal expenditure had recorded an increase of ₹15,341 crore from ₹25,675 crore (includes disbursement of loans and advances) in 2013-14 to ₹41,016 crore in 2015-16. The steady increase in non-plan expenditure eroded the resource base for developmental interventions. **Table 1.14** highlights the four most significant constituents of NPRE and the pre-emption of budgetary resources caused by rising NPRE.

**Table 1.14: Composition of Non Plan Revenue Expenditure (NPRE)/Normal**

(₹ in crore)

Main drivers of NPRE growth	Actual 2013-14 (₹ in crore)	As per cent of NPRE (2013-14)	Actual 2014-15 (₹ in crore)	As per cent of NPRE (2014-15)	Actual 2015-16 (₹ in crore)	As per cent of NPRE (2015-16)
(i) Salaries	10,845	43.00	10,863	41.06	14,763	42.36
(ii) Pension	3,592	14.24	3,686	13.93	3,781	10.85
(iii) Interest (iv) Payments	3,001	11.90	3,533	13.35	3,719	10.67
(v) Revenue expenditure on Power	4,303	17.06	4,982	18.83	6,835	19.61
<b>Total</b>	<b>21,741</b>	<b>86.21</b>	<b>23,064</b>	<b>87.18</b>	<b>29,098</b>	<b>83.49</b>
<b>Non-Plan Revenue Expenditure /NRE*</b>	<b>25,219</b>	<b>100.00</b>	<b>26,457</b>	<b>100.00</b>	<b>34,847</b>	<b>100</b>

\*NPRE changed to Normal Revenue Expenditure w.e.f. 2015-16.

It may be seen that the four major items of NPRE/Normal- salaries, pension, interest payments and revenue expenditure on power took away more than 80 per cent budgetary resources leaving little for other expenditure.

Share of salaries/wages/pension in the total expenditure has ranged between ₹14,437 crore and ₹18,544 crore (53 per cent and 52 per cent of revenue receipts)

during 2013-14 to 2015-16. The expenditure on payment of interest has increased from ₹3,001 crore to ₹3,719 crore during the same period.

### 1.7.2.1 Burden of unrecovered cost of procurement and supply of power

The function of electricity supply to consumers is handled departmentally in the State, as de-bundling and power reforms have yet not been achieved. Hence, the receipts and expenditure on procurement and supply of electricity forms part of the State government accounts. Steadily rising gap between the revenue expenditure of the Power Development Department and revenue receipts is the most significant structural imbalance in the Budget of the Government and a drain on the resources, which could otherwise be deployed for developmental outlays. The trend in the gap between receipts from power consumers' and expenditure on power purchase is given in **Table 1.15**

**Table 1.15: Shortfall in the performance of Power Development Department**

(₹ in crore)

Financial year	Target revenue	Actual revenue	Expenditure on Power purchase	Deficit
2011-12	1,486	1,007	3,000	1,993
2012-13	2,387	1,589	3,870	2,281
2013-14	2,841	1,533	3,738	2,205
2014-15	2,630	1,428	4,404	2,976
2015-16	2,980	1,477	6,127	4,650

The targets for the collection of the tariff have not been achieved. The shortfall in collection of revenue was ₹1,503 crore during 2015-16 as compared to targets. The actual sale of Power is only 24.10 *per cent* of the purchase of power resulting in deficit of ₹4,650 crore.

### Liability on account of power

The total DISCOM liabilities of the State due to UDAY (Ujjwal DISCOM Assurance Yojna) Scheme as on 30 September 2015 was ₹3,537.55 crore. During 2015-16, UDAY bonds to the tune of ₹2,140 crore has been issued in March 2016 and has appeared under MH 6003-Internal Debt of State Government but no disbursement was made during the year.

### 1.7.3 Committed expenditure

The revenue expenditure of the State government on account of interest payments, salaries and wages, pensions and subsidies is considered relatively inflexible charge on the State's resources. **Table 1.16** presents the trends in the expenditure on these components during 2011-16.



**Table-1.16: Components of committed expenditure***(₹ in crore)*

Committed Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Salaries of which</b>	10,113 (40.81)	10,600 (40.43)	11,605 (42.78)	11,733 (40.55)	15,038 (41.29)
<i>Salaries Non-Plan/General Head</i>	9,665	10,036	10,845	10,961	14,928
<i>Salaries Plan/CSS Head</i>	448	564	760	772	110
<b>Interest Payments</b>	2,383 (9.61)	2,707 (10.33)	3,001 (11.06)	3,533 (12.21)	3,719 (10.21)
<b>Pensions</b>	3,296 (13.29)	3,463 (13.21)	3,592 (13.24)	3,686 (12.74)	3,781 (10.38)

*(Figures in parenthesis represent percentage of revenue receipts.)*

The expenditure on salary and wages increased by 28.17 per cent during 2015-16 and the pension payments showed upward trend from ₹3,296 crore in 2011-12 to ₹3,781 crore in 2015-16 and increased by 2.57 per cent during 2015-16. The interest payment increased by ₹1,336 crore from ₹2,383 crore in 2011-12 to ₹ 3,719 crore during 2015-16.

As reported in Appendix-XII of the Finance Accounts 2015-16, committed liabilities as on 31 March 2016 aggregated to ₹3,655.19 crore, of which ₹32.91 crore was on account of compensation payable to landowners on land acquisition and ₹3,321.70 crore on account of unpaid bills on works and supplies.

#### **1.7.4 Financial assistance by State government to Local & Autonomous Bodies and other institutions**

The assistance provided by way of Grants-in-Aid to Local and Autonomous Bodies and other institutions by various departments of the State government during the current year relative to the previous years is detailed in **Table 1.17**

**Table 1.17: Financial assistance to Local Bodies/Autonomous Bodies***(₹ in crore)*

Name of the Department	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Education, Sports Art &amp; Culture</b>	213.46	209.81	538.22	303.68	506.89
<b>Housing and Urban Development</b>	289.28	303.11	192.45	447.55	512.50
<b>Agriculture</b>	151.61	216.42	13.8	158.93	186.79
<b>General Administration</b>	8.50	9.14	19.46	12.55	13.11
<b>Industries</b>	21.41	75.23	23.52	20.32	21.47
<b>Tourism</b>	5.52	1.76	8.86	20.50	33.23
<b>Administration of Justice</b>	4.48	4.80	0.05	4.77	6.01
<b>Health and Family Welfare</b>	0.34	0.23	14.06	134.82	51.81
<b>Others</b>	1100	1263.78	671.38	432.23	190.87
<b>Total</b>	<b>1,795.16</b>	<b>2,084.28</b>	<b>1,481.38</b>	<b>1,535.35</b>	<b>1,522.68</b>
<b>Assistance as a percentage of Revenue expenditure</b>	7.91	8.30	5.47	5.23	4.18

The level of financial assistance sharply decreased from ₹2,084.28 crore in 2012-13 to ₹1,522.68 crore in 2015-16. During 2015-16, 66.94 *per cent* of the total assistance was given to the Education & Sports and the Housing & Urban Development. The assistance categorised as ‘Others’ comprised mainly the assistance to Ladakh Autonomous Hill Development Councils for Leh to the tune of ₹522.35 crore.

In addition, there are 4,128 numbers of Panchayati Raj Institutions (PRIs) in the State. An amount of ₹367.72 crore was released by the Government as financial assistance to these institutions during 2015-16.

## 1.8 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: *adequacy of the expenditure* (i.e. adequate provisions for providing public services), *efficiency of expenditure* (use), and the *effectiveness* (assessment of outlay-outcome relationships for select services).

### 1.8.1 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 1.18** analyses the fiscal priority and fiscal capacity of the Government with regard to development expenditure, social sector expenditure and Capital expenditure during 2015-16.

**Table 1.18: Fiscal Priority of the Special Category State\*  
in 2012-13 and 2015-16**

Fiscal Priority of the State	AE/ GSDP	SSE/ AE	ESC/ AE	DE/ AE	CE/ AE	Education/ AE	Health/ AE
<b>Special Category States (Ratio) 2012-13</b>	22.23	38.42	31.50	69.92	15.53	20.86	5.58
<b>Jammu &amp; Kashmir Average (Ratio) 2012-13</b>	39.56	23.48	34.13	57.92	17.16	12.66	5.33
<b>Special category States Average (Ratio) 2015-16</b>	21.66	39.78	30.63	70.41	13.95	20.63	6.41
<b>Jammu &amp; Kashmir Average (Ratio) 2015-16</b>	47.73	31.94	34.11	66.31	16.72	15.05	5.95

\*Based on 9 Special category States 1) Assam 2) Himachal Pradesh 3) Meghalaya 4) Mizoram 5) Nagaland 6) Sikkim 7) Tripura 8) Uttarakhand 9) Arunachal Pradesh

AE:-Aggregate Expenditure DE-Development Expenditure SSE:-Social Sector Expenditure CE:-Capital Expenditure

ESC:-Economic Sector.

Fiscal priority:

- Aggregate expenditure of J&K as ratio of GSDP was higher in 2012-13 and 2015-16 as compared to special category states.
- The priority given to the Education and Health in J&K lowers than the Special category States during 2012-13 & 2015-16.
- The ratio of CE to AE was higher during 2012-13 and 2015-16 as compared to Special Category States.
- The ratio of SSE to AE was lower than the Special Category States during 2012-13 and 2015-16 whereas it was higher in Economic Sector to AE during the same period.

### 1.8.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods<sup>7</sup>. Apart from improving the allocation towards development expenditure<sup>8</sup>, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.19** below presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-a-vis* previous years. The development expenditure showed an increase of ₹10,598 crore (57.41 *per cent*) during 2011-12 to 2015-16 and also increased from 64.44 *per cent* to 66.27 *per cent vis-a-vis*, the Total Expenditure during the same period.

---

7 Core public goods are those which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. Merit goods are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

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

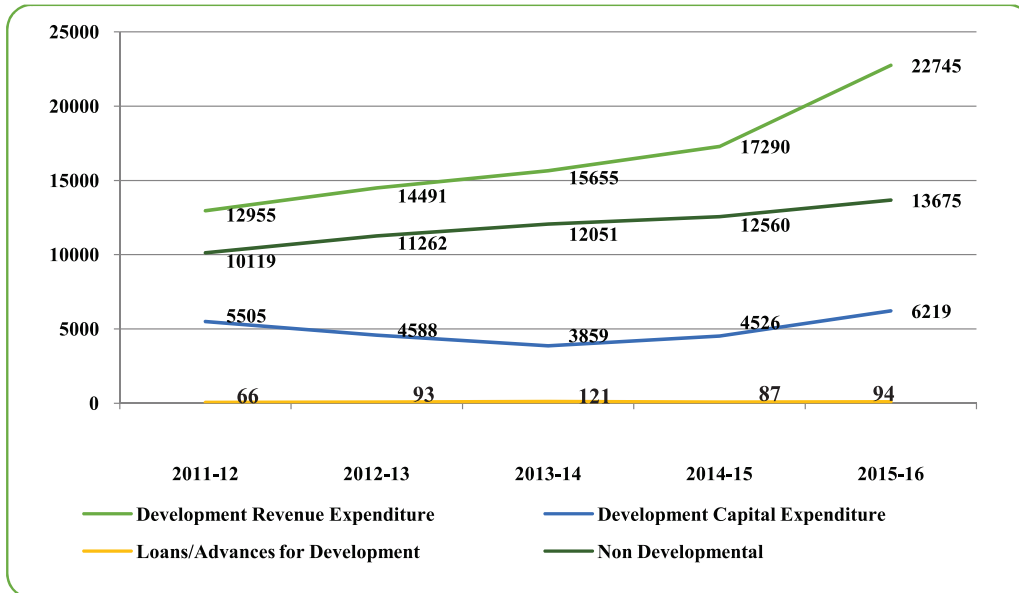
Table 1.19 and Chart 1.8 provide the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

**Table-1.19: Development expenditure**

(₹ in crore)

Components of Development Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16
Total Expenditure	28,645	30,434	31,686	34,550	43,845
Total Development Expenditure	18,460	19,079	19,514	21,903	29,058
Development Revenue Expenditure (₹ in crore)	12,955	14,491	15,655	17,290	22,745
Share of Development revenue expenditure in total expenditure (per cent)	45.2	47.6	49.41	50.04	51.87
Development Capital Expenditure (₹ in crore)	5,505	4,588	3,859	4,526	6,219
Share of Development Capital Expenditure in total expenditure (per cent)	19.2	15.1	12.18	13.10	14.18
Loans/Advances for Development (₹ in crore)	66	93	121	87	94
Total Development Revenue & Capital to total Expenditure (per cent)	64.44	62.69	61.59	63.40	66.05

**Charts 1.8: Trends in expenditure by activities**



The share percentage of Development capital expenditure in total expenditure fell from 19.2 per cent in 2011-12 to 14.18 per cent in 2015-16 while as the share of Development Revenue Expenditure in total expenditure increased from 45.2 per cent to 51.87 per cent during the same years.

Table 1.20 provides analysis of the sector-wise expenditure and its relation to developmental indices.

**Table 1.20: Efficiency of Expenditure use in selected Social and Economic services**

(per cent)

Social/Economic Infrastructure	2013-14			2014-15			2015-16		
	Ratio of CE to TE	In RE, the share of		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		S&W	O&M
<b>Social Sector (SS)</b>									
General Education	12.2	82.72	0.01	11.77	75.03	1.23	8.39	66.03	1.7
Health and Family Welfare	13.08	85.19	0.78	10.57	76.04	0.72	9.22	74.01	66.33
WS, Sanitation & HUD	21.99	55.68	3.36	25.87	50.10	6.24	28.76	46.27	51.43
Others	1.30	13.17	-	21.78	19.68	0.25	49.95	20.68	25.55
<b>Total (SS)</b>	<b>13.47</b>	<b>67.24</b>	<b>-</b>	<b>15.91</b>	<b>63.06</b>	<b>1.89</b>	<b>19.09</b>	<b>59.88</b>	<b>25.51</b>
<b>Economic Sector (ES)</b>									
Agriculture and Allied Activities	22.29	79.78	0.18	29.56	79.05	0.86	27.59	80.37	19.48
Irrigation and Flood Control	44.49	77.29	6.95	37.67	76.21	8.00	42.82	78.22	50.95
Power and Energy	8.13	10.89	0.92	2.77	10.00	0.98	4.19	9.16	70.90
Transport	71.74	0.71	43.01	41.80	0.16	14.65	48.50	0.07	2.18
Others	10.82	42.45	-	72.31	46.59	0.73	48.85	8.55	11.59
<b>Total (ES)</b>	<b>25.31</b>	<b>32.67</b>	<b>-</b>	<b>24.93</b>	<b>29.05</b>	<b>2.23</b>	<b>23.70</b>	<b>3.88</b>	<b>3.88</b>
<b>Total (SS+ES)</b>	<b>19.77</b>	<b>50.11</b>	<b>-</b>	<b>20.75</b>	<b>45.77</b>	<b>2.47</b>	<b>21.47</b>	<b>62.45</b>	<b>29.09</b>

TE: Total Expenditure on respective Services; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operation and Maintenance

The ratio of capital expenditure to total expenditure in Social and Economic service sectors showed consistent increase from 19.77 per cent in 2013-14 to 20.75 per cent in 2014-15 and to 21.47 per cent in 2015-16.

### 1.8.3 Effectiveness of the Expenditure, i.e. Outlay-Outcome Relationship

Besides stepping up the expenditure on key social and economic services, enhancing human development requires the State to improve the delivery mechanism to obtain the desired outcomes. The State government is expected to relate expenditure to outcomes in terms of quality, reach and the impact of government expenditure. The system of presenting outcome budget needs to be introduced.

## 1.9 Financial analysis of Government capital expenditure and investments

As part of the framework provided by the Fiscal Responsibility Budget Management (FRBM) Act, the State is expected to not only keep its fiscal deficit at low levels but also to meet its capital expenditure/investment (including loans and advances) requirements out of the revenues. In addition, in a transition to complete dependence on market based resources, the State government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents a broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-a-vis* previous years.

### 1.9.1 Incomplete projects

On the basis of the information furnished by the departments, details of incomplete projects costing ₹1 crore and above, as on 31<sup>st</sup> March 2016, are given in *Appendix IX* of the Finance Accounts. There were 938 incomplete projects as per details given below.

**Table 1.21: Department-wise profile of incomplete projects as on 31 March 2016**

Department	No. of Incomplete Projects	Sanctioned Project Cost (₹ in crore)	Revised Cost (₹ in crore)	Cum. Actual Expenditure (₹ in crore)	Cost over run (₹ in crore)
Public Works Jammu	792	3,225.46	3,330.96	1,041.40	105.50 (8)
Public Health Engineering Jammu	120	552.93	965.20	606.10	412.27(40)
Power Development Department Jammu	19	148.30	170.76	76.66	22.46 (5)
Power Development Department Srinagar	07	17.76	17.76	9.68	0.23 (1)
<b>Total</b>	<b>938</b>	<b>3,944.45</b>	<b>4,484.68</b>	<b>1,733.84</b>	<b>540.23 (54)</b>

(Figures in parenthesis represent no. of works.)

As on March 2016, there were 938 projects costing ₹1 crore or above which are beyond their scheduled completion dates. These incomplete projects had a total sanctioned cost of ₹3,944.45 crore revised to ₹4,484.68 crore. An amount of ₹1,733.84 crore had been expended on these incomplete projects by 31<sup>st</sup> March 2016. In respect of 8 projects of PWD, 40 projects of PHE and 6 projects of PDD Divisions (Jammu Province), the cost was revised upward by ₹540.23 crore. Reasons for revising the cost are awaited from these Departments. Besides, in one

scheme, the Power Development Department Srinagar expended ₹0.23 crore in excess of the sanctioned project cost. Blocking of funds on incomplete projects/works impinged negatively on the quality of expenditure and deprived the State of the intended benefits for prolonged periods.

### **1.9.2 Financial results of Irrigation Projects**

The financial results of seven major irrigation projects involving a capital expenditure of ₹330.64 crore at the end of March 2016 showed that Revenue realised from these schemes during 2015-16 was only ₹0.75 crore (0.23 per cent of the capital outlay of ₹330.64 crore). The revenue receipts of none of these schemes were sufficient to cover even the direct working expenses. After meeting the working expenses and interest charges, the schemes suffered a net loss of ₹1.56 crore (0.47 per cent of the capital outlay). The major loss making projects were Ranbir Canal & Kathua Feeder.

### **1.9.3 Investment and Returns**

As per Statement 8 of the Finance Accounts, as on 31 March 2016, the State government had cumulatively invested ₹547.83 crore in three Statutory Corporations (₹226.11 crore), 23 Companies (₹270.70 crore), eight Co-operative Institutions/Local Bodies (₹37.83 crore), two Rural Banks (₹12.85 crore) and two Joint Stock Companies (₹0.34 crore). **Table 1.22** gives overall picture of return on investment *vis-a-vis* the average cost of Government borrowing.

**Table-1.22: Return on Investment**

<b>Investment/Return/Cost of Borrowings</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
<b>Investment at the end of the year (₹ in crore)</b>	484.95	498.25	533.27	537.17	547.83
<b>Return (₹ in crore)</b>	68.16	87.35	128.88	128.88	128.88
<b>Return (per cent)</b>	14.05	17.53	24.17	23.99	23.52
<b>Average rate of interest on all Government liabilities (per cent)</b>	7.06	7.07	7.07	7.6	7.17
<b>Difference between interest rate and return (per cent)</b>	6.99	10.46	17.10	16.39	16.35

During 2014-15 and 2015-16, the return on investment solely came from the Jammu and Kashmir Bank Limited (₹128.88 crore each year), in which the Government holds 53 per cent equity.

### **1.9.4 Loans and advances by State Government**

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing loans and advances to many of these



institutions/ organizations **Table 1.23** presents the position of loans and advances outstanding as on 31 March 2016, interest receipts *vis-a-vis* interest payments during the last five years.

**Table 1.23: Average interest received on loans advanced by the State Government**

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Opening Balance</b>	1,136.55	1,033.69	1,292.55*	1,409.83	1,493.93
<b>Amount advanced during the year</b>	65.61	93.40	121.41	86.80	93.79
<b>Amount repaid during the year</b>	168.47	1.53	4.13	2.69	4.09
<b>Closing Balance</b>	1,033.69	1,125.56	1,409.83	1,493.93	1,583.63
<b>Of which outstanding balance for which terms and conditions have been settled</b>					
<b>Net addition</b>	(-) 102.86	91.87	117.28	84.1	84.1
<b>Interest Receipts</b>	4.74	1.31	1.64	1.88	0.97
<b>Interest receipts as per cent to outstanding Loans and advances</b>	0.46	0.12	0.12	0.13	0.06
<b>Interest payments as per cent to outstanding fiscal liabilities of the State Government</b>	7.06	6.72	6.72	7.31	6.72
<b>Difference between interest payments and interest receipts (per cent)</b>	6.60	6.60	6.60	7.18	6.66

(\* An amount of ₹167.00 crore has been proforma increased to the balance as on 31 March 2013 due to rectification of mis-classification intimated by the State Government).

Recoveries of loans and advances are not forthcoming from loss making public sector undertakings. No assessment about potential recoverability of these loans has been made in the FRBM Statements presented to the Legislature.

### 1.9.5 Cash Balances and their investment

The State Government is banking with the Reserve Bank of India with effect from 1<sup>st</sup> April 2011 for its cash/overdraft management. The cash balance decreased by ₹874 crore during 2015-16, from ₹1,401 crore at the end of 2014-15 to ₹527 crore. As on March 2015, there was a difference of ₹82.21 crore (net credit) between the cash balance of the State as worked out by the AG (A&E) and as reported by the Reserve Bank of India which has now been reduced to ₹0.18 crore (Net debit) as on March 2016. The differences are mainly due to non-reconciliation of figures by the Agency banks with the RBI.



## 1.10 Assets and Liabilities

### 1.10.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the government is not done. However, the government accounts do capture the financial liabilities of the government and the assets created out of the expenditure incurred at historical cost, i.e., in terms of the cash inflow and outflow in nominal terms without making any adjustment for appreciation/depreciation. Statement 12 of the Finance Accounts 2015-16 gives an overview of sources and application of funds. Statement 6 and Statement 17 of the Finance Accounts 2015-16 provide summary position of the government's financial liabilities such as borrowing from open market and financial institutions, loans and advances from the Union government and net receipts under public accounts in respect of which the government functions as a trustee or banker. The liabilities of the State government depicted in the Finance Accounts, however, do not include future liabilities on account of pension and other retirement benefits payable to retired State employees, and contingent liabilities arising out of guarantees/ letters of comfort issued by the State government.

The Finance Accounts of the State government do not include a complete statement of all assets belonging to the State government because the subsidiary records of assets and their valuation are not maintained by the Accountant General (A&E), Jammu and Kashmir. The Finance Accounts merely depict cumulative capital expenditure, each year's capital expenditure being added in nominal terms without any adjustment of appreciation/depreciation of assets.

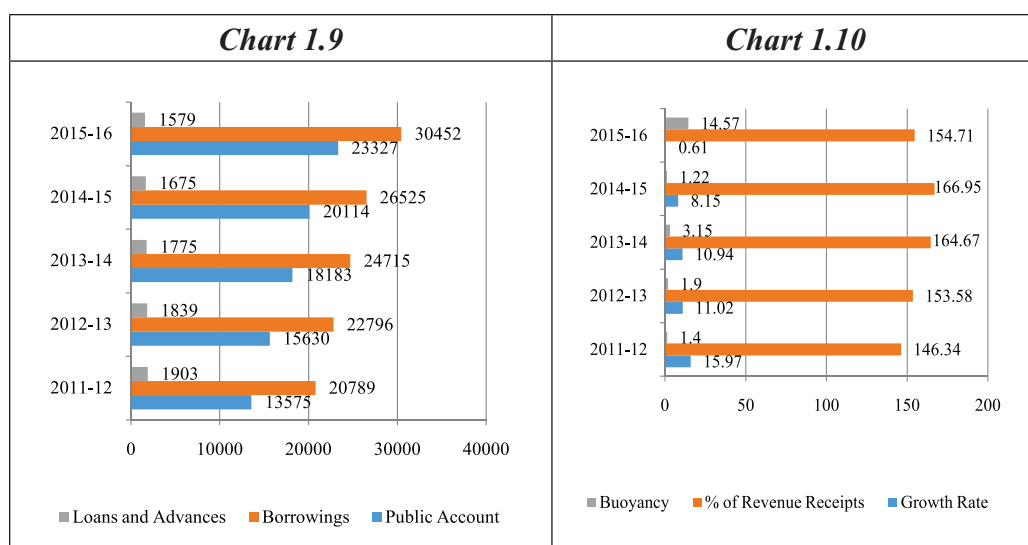
### 1.10.2 Fiscal Liabilities

There are two sets of liabilities namely, public debt and "other liabilities under public accounts". Public debt consists of market loans, special securities issued by RBI and loans and advances from the Central government. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits. The composition of fiscal liabilities during the five years is presented in **Table 1.24** and **Charts 1.9** and **1.10** (Please also see **Appendix 1.3** for trends in outstanding fiscal liabilities of the government since 2011-12).

**Table-1.24: Fiscal liabilities**

(₹ in crore)

Narration	2011-12	2012-13	2013-14	2014-15	2015-16
Public Account Liability & percentage of total liability	13,575 (38%)	15,630 (40%)	18,183 (39%)	20,114 (42%)	23,327 (42%)
Borrowings from open market & Financial Institutions	20,789 (57%)	22,796 (56%)	24,715 (55%)	26,525 (55%)	30,452 (55%)
Loans and advances from GOI	1,903 (5%)	1,839 (4%)	1,775 (4%)	1,675 (3%)	1,579 (3%)
Total Fiscal Liability	36,267	40,265	44,673	48,314	55,358
Growth Rate	15.97	11.02	10.94	8.15	14.57
Revenue Receipts	24,783	26,217	27,128	28,939	35,781
Fiscal Liability % of Revenue Receipts	146.34	153.58	164.67	166.95	154.71
Growth rate of revenue receipts	11.46	5.79	3.47	6.68	23.64
<b>Buoyancy Ratio</b>					
Fiscal Liability <i>vis-a-vis</i> Revenue Receipts.	1.40	1.90	3.15	1.22	0.61
Fiscal Liability <i>vis-a-vis</i> GSDP	0.92	0.86	0.79	20.37	3.27



The overall fiscal liabilities of the government increased from ₹48,314 crore at the end of 31<sup>st</sup> March 2015 to ₹55,358 crore by the end of 31<sup>st</sup> March 2016. As a percentage of the GSDP, the stock of accumulated fiscal liabilities increased from 54.95 *per cent* at end of 2014-15 to 60.27 *per cent* at end of 2015-16. At the end of 2015-16, the accumulated liabilities were 1.55 *times* of the government's revenue receipts during 2015-16 and 4.92 *times* of the government's own tax and non-tax revenues during 2015-16. The buoyancy ratio of these liabilities with respect to GSDP during 2015-16 was 3.27 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 3.27 *times*.

### 1.10.3 Management of Reserve Funds

'Reserve Funds' are funds forming part of the public accounts of the State by appropriating sums from the Consolidated Fund and setting aside for an earmarked purpose. **Table 1.25** shows movement of closing balances in various reserve funds as on 31<sup>st</sup> March 2016. The cumulative aggregate balance in these funds as at the end of 31<sup>st</sup> March 2016 was ₹1,544 crore of which ₹11 crore has been invested outside government accounts. It is also seen from a review of receipt/disbursement transactions in the funds, that most of the funds were dormant, having no or negligible transactions.

**Table 1.25: Trend in year-end Closing Balances under Reserve Funds**

(₹ in crore)

RESERVE FUNDS	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Reserve Funds Bearing interest</b>					
Calamity Relief Fund (now State Disaster Response Fund)	470	526	882	202	336
<i>Total - Reserve Fund Bearing Interest</i>	<i>470</i>	<i>526</i>	<i>882</i>	<i>202</i>	<i>336</i>
<b>Reserve Funds Not Bearing interest</b>					
Calamity Relief Fund (now State Disaster Response Fund)	28	28	28	28	--
Sinking fund	-	32	61	97	135
Famine Relief Fund	9	9	9	9	8
Depreciation and Renewal Reserve Funds of Govt. Commercial Deptts./ Undertakings.	574	574	574	574	573
Depreciation and Renewal Reserve Funds of Govt. Non- Commercial Deptts.	73	73	73	73	73
Development Fund for Agricultural Purposes	39	39	41	41	41
Constituency Development Funds	78	95	95	72	104
Other Development and Welfare Funds	73	104	104	85	115
General Insurance fund (Janta Insurance)	23	71	68	66	65
Guarantee Redemption Fund	5	5	6	7	8
Other Funds	46	50	67	77	86
<b>Reserve Funds Not Bearing interest</b>	<b>948</b>	<b>1,079</b>	<b>1,126</b>	<b>1,128</b>	<b>1,208</b>
<b>Total -Reserve Funds</b>	<b>1,419</b>	<b>1,605</b>	<b>2,008</b>	<b>1,331</b>	<b>1,544</b>
<b>Of which balances invested</b>					
Investments from State Disaster Response Fund	11	11	11	11	11

#### 1.10.4. Contingent liabilities

##### 1.10.4.1 Status of Guarantees

Guarantees are liabilities contingent on Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees could be extended by the State and outstanding guarantees for the last five years is tabulated in **Table 1.26**.

**Table-1.26: Guarantees given by the State government**

(₹ in crore)

Guarantees	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding amount of guarantees	2,098	611	2,714	2,860	2,827

The FRBM Act, 2006 enjoins upon the State government to limit the amount of annual incremental risk weighted guarantees to 75 per cent of the total revenue receipts in the year preceding the current year or at 7.5 per cent of GSDP of the year preceding the current year, whichever is lower. The total outstanding Guarantees as on 31<sup>st</sup> March 2016 aggregated to ₹2,826.87 crore, which was 9.76 per cent of the total Revenue Receipts of ₹28,938.59 crore in 2014-15 and three per cent of the GSDP of ₹91,850 crore. However, the State Government has not yet assessed the risks of various guarantees.

The State Government has set up Guarantee Redemption Fund (GRF) vide order dated 22<sup>nd</sup> August 2006, for meeting its obligations arising out of guarantees issued on behalf of the State Government Departments/ State Own Corporations and PSUs and Other Autonomous and Statutory Bodies. Though, the above GRF order mentions about collection of Guarantee commission/fee, the exact percentage of Guarantee commission/fee to be levied has not been specified/ prescribed in the order.

The State Government has neither fixed any target for Guarantee Commission/ Fee during the year 2015-16 nor has any receipt been received by the state.

#### 1.11 Debt management

##### 1.11.1 Debt profile

**Table 1.27** shows the outstanding public debt and other liabilities in last five years, showing the liabilities as per cent of GSDP and per capita.

**Table 1.27: Burden of Public debt and other liabilities**

Year	Year-end fiscal liabilities (₹ in crore)	GSDP (₹ in crore)	Liabilities as per cent of GSDP (per cent)
2011-12	36,267	68,185	53.18
2012-13	40,265	76,916	52.35
2013-14	44,673	87,570	51.01
2014-15	48,314	87,921	54.95
2015-16	55,358	91,850	60.27

The 'fiscal liabilities' include: (a) liabilities on account of borrowing from banks, financial institutions, open market and Union government (all accounted for in the Consolidated Fund as 'public debt') and (b) other liabilities on account of State Provident Fund, Pension/ Insurance Fund, Reserve Funds and Deposits (all accounted for under the public accounts of the State). The figure of 'fiscal liabilities' represent balances under the specified heads and do not account for year-end cash balances (whether invested or not). Increase in per capita liabilities from year to year signifies rising debt burden on the State and individual persons.

### 1.11.2 Debt sustainability

Debt sustainability implies State's ability to service the debt. Apart from the magnitude of debt of State Government, it is important to analyse the various indicators that determine the debt sustainability of the State. The analysis assesses the sustainability of the debt of the State Government in terms of rate of growth of outstanding debt; ratio of interest payment and revenue receipts, debt repayment and debt receipt; net debt available to the State. **Table 1.28** analyses the debt sustainability of the State according to these indicators for the period of 5 years beginning from 2011-12.

**Table 1.28 : Debt Sustainability**

	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding Public Debt	22,692	24,635	26,490	28,201	32,031
Rate of Growth of Outstanding Public Debt	14.22	8.56	7.53	6.46	13.58
GSDP	68,185	76,916	87,570	87,921	91,850
Rate of Growth of GSDP	17.41	12.80	13.85	0.40	4.46
Average interest Rate of Outstanding Debt (interest paid/OB of Public Debt+CB of Public Debt/2)	0.11	0.11	0.12	0.13	0.12
Percentage of Interest to Revenue Receipt	9.62	10.33	11.06	12.21	10.39
Percentage of Debt Payment to Debt Receipt	66.65	72.34	69.09	83.33	73.84
Net Debt available to the State	2612	1291	1406	109	111

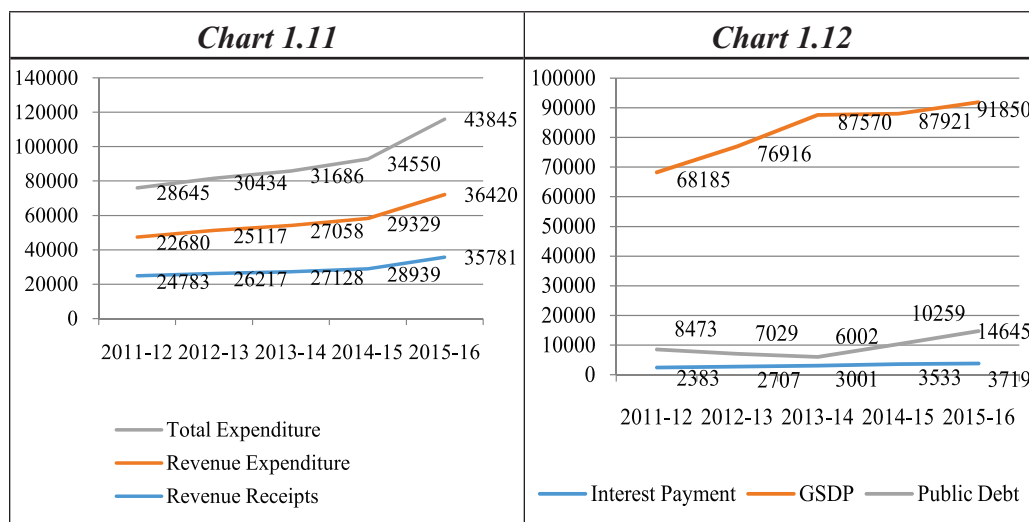
(Source: State Finance Accounts)

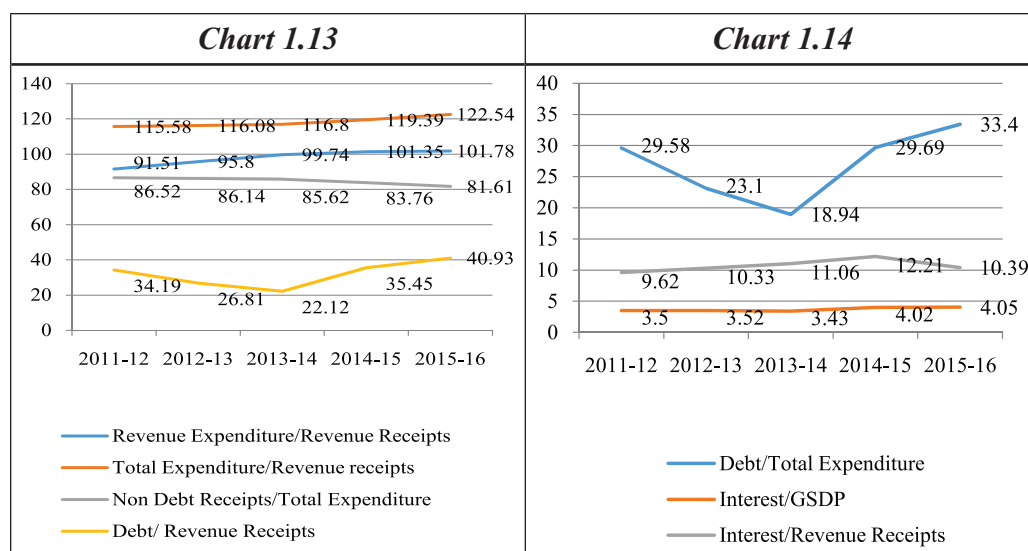
Public Debt of the State Government increased from ₹22,692 crore in 2011-12 to ₹32,031 crore in 2015-16 registering an increase of 41.16 per cent during the period 2011-16. The rate of growth ranged between 6.46 per cent and 14.22 per cent over the period 2011-12 to 2015-16. Public Debt increased at the rate of 13.58 per cent in 2015-16 as compared to 6.46 per cent in the previous year.

Rate of growth of GSDP registered a decreasing trend from 17.41 per cent in 2011-12 to 4.46 per cent in 2015-16 but was still higher than the average rate of interest of public debt which is ranging between 0.11 per cent and 0.13 per cent over the period 2011-16. The State needs to step up its resource mobilisation efforts to ensure prudent fiscal situation rather than depend on debt receipts. The percentage of Interest to revenue receipt was in increasing trend from 9.62 per cent in 2011-12 to 12.21 per cent in 2014-15 but declined to 10.39 per cent in 2015-16. The percentage of debt payment to debt receipt ranged between 66.65 per cent and 73.84 per cent over the period 2011-12 to 2015-16.

The net availability of borrowed funds such as internal debt, loans and advances from Government of India and other sources after providing for repayments (including interest payments) improved from ₹2,612 crore in 2011-12 to ₹111 crore in 2015-16.

**1.11.2.1 Trends in various fiscal parameters and their ratios**





**Chart 1.13** above suggests that the ratios in respects of Total Expenditure to Revenue Receipts and Debt to Revenue Receipts have increased from the previous year. For the period 2011-12 to 2015-16, except the Non-Debt receipts to Total Expenditure, all the other ratios have shown substantial increase. Likewise, from **Chart 1.14**, the ratios in respect of Debt to Total Expenditure, Interest to GSDP and Interest to Revenue Receipts has also increased from 2011-12 to 2015-16 which had the adverse effect on the economy of the State.

### 1.11.3 Market Borrowings

Of all the constituents of outstanding liabilities of the Government, the market loans need special attention because the interest rates thereon are not administered and may go up if in the market perception the Government debt is not sustainable. **Table 1.29** summarizes key debt sustainability indicators in the context of market loans.

**Table 1.29: Key debt sustainability indicators in the context of market loans**

(₹ in crore except where per cent specified)

Description	2011-2012	2012-2013	2013-14	2014-15	2015-16
Total liabilities	36,267	40,265	44,673	48,314	55,358
Total Public Debt (year-end)	22,691	24,635	26,490	28,200	32,031
Total market loans (year end)	13,956	15,510	17,205	18,321	21,046
Percentage of market loans to total liabilities (per cent)	38.5	38.5	38.5	37.92	38.02

Percentage of market loans to total public debt ( <i>per cent</i> )	61.5	63.0	65.0	64.97	65.70
Weighted average interest rate on market loans ( <i>per cent</i> )	7.32	8.00	7.88	7.60	7.17
Interest paid on market loans	927	1178	1289	1574	13.09
GSDP at current market prices	68,185	76,916	87,570	87,921	91,850
GSDP growth rate ( <i>per cent per annum</i> )	17.41	12.80	13.85	0.40	4.46
Average Interest Rate on market loans/ GSDP growth rate ( <i>per cent</i> )	42	62	57	1900	161
Revenue Receipts	24,783	26,217	27,128	28,939	35,781
Total Interest Payment	2,383	2,707	3,001	3,533	3,719
Interest payments to Revenue Receipts ( <i>per cent</i> )	9.6	10.3	11.06	12.21	10.39
Primary Deficit	1,311	1,510	1,553	2,075	4,341
Total liabilities as <i>per cent</i> of GSDP	53.18	52.35	51.01	54.95	60.27
Outstanding guarantees	2,098	611	2,714	2,860	2,827
Revenue Surplus	2,103	1,100	70	(-)390	(-)639.80
Fiscal Deficit	3,694	4,216	4,554	5,608	8,060

Note: As per the definition of the term 'total liabilities', off budget borrowings through public sector undertakings are also required to be included. However, these are not included in the figures shown above for want of information.

The total liabilities of the State have increased from ₹36,267 crore in 2011-12 to ₹55,358 crore in 2015-16. Of the increase in total liabilities of ₹19,091 crore, ₹7,090 crore, about 37 *per cent* of the total increase in 2015-16, was contributed through market loans. The percentage of market loans to total public debt, which was 61.05 *per cent* in 2011-12 rose to as much as 65.70 *per cent* by 2015-16. This shows increasing trend of dependence of the Government on high interest rate bearing market loans to fund its expenditures instead of improving States own revenue resources to generate developmental funds.

#### **1.11.4 Arrangement for amortization of debt**

As per the recommendations of the Thirteenth Finance Commission the State Government constituted Sinking fund on 30<sup>th</sup> October 2012 for redeeming its outstanding Liabilities. As per the guidelines, the State Government is required to contribute to this fund a minimum of 10 *per cent* of 0.5 *per cent*

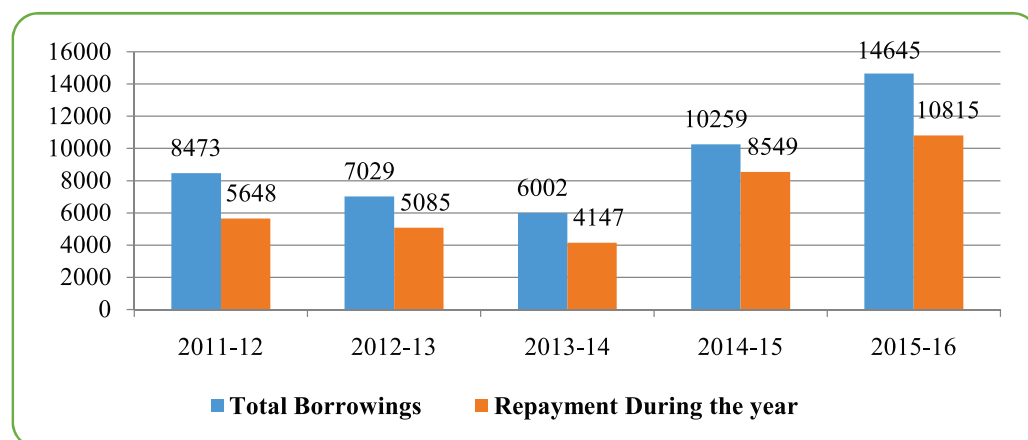


of the total outstanding liabilities at the end of 2010-11 every year beginning with the financial year 2011-12 to 2021-22 to make it equal to 0.5 *per cent* of the outstanding liabilities as at the end of 2010-11. In addition, contribution in respect of incremental liabilities from the year thereafter shall be made at 0.5 *per cent* of such incremental liabilities so as to reach the level deemed sufficient to meet the objective of the scheme. Accordingly, as on 31<sup>st</sup> March 2016, the balance under the fund should have been ₹137.05 crore<sup>9</sup> against which ₹134.79 crore<sup>10</sup> transferred to the fund from the year 2011-12 onwards. Overall, there was a short contribution of ₹2.26 crore to the fund till 31<sup>st</sup> March 2016. The recoverable balance of ₹134.79 crore under the fund was not invested.

**Table 1.30: Details of debt raised during the year and its utilization for payment**  
(₹ in crore)

Year	Total borrowings during the year	Repayment during the year/ percentage
2011-12	8,473	5,648 (66.65)
2012-13	7,029	5,085 (72.34)
2013-14	6,002	4,147 (69.09)
2014-15	10,259	8,549 (83.33)
2015-16	14,645	10,815 (73.84)

**Chart 1.15: Borrowing & Repayment**



It is clear from the Table 1.30 and Chart 1.15 that more than 70 *per cent* of the current borrowings were utilized for repayment of earlier debt leaving behind less than 30 *per cent* for capital expenditure *vis-à-vis* creation of Assets.

9 ₹15.63 crore for year 2011-12, ₹35.62 crore for 2012-13, ₹37.67 crore for 2013-14 and ₹33.84 crore for 2014-15 and ₹14.29 crore for 2015-16.

10 ₹15.63 crore for the year 2011-12, ₹16.00 crore for 2012-13, ₹29.76 crore for 2013-14 and ₹35.73 crore for 2014-15 & ₹37.67 crore during 2015-16

## 1.12 Fiscal Imbalances

Three fiscal parameters-Revenue, Fiscal and Primary Deficits indicate the extent of overall fiscal imbalances in the finances of State government during the specified period. The nature of deficit is an indicator of the prudence of fiscal management of the Government. In the context of States in the Union, another useful measure of the deficit-bias in a State's fiscal policy is the "State's own deficit (SOD)", which is the State's fiscal deficit minus non-debt resources received from the Union government.

### 1.12.1 Trends in deficits

**Table 1.31** gives time series data on the four deficits and total liabilities during 2011-16.

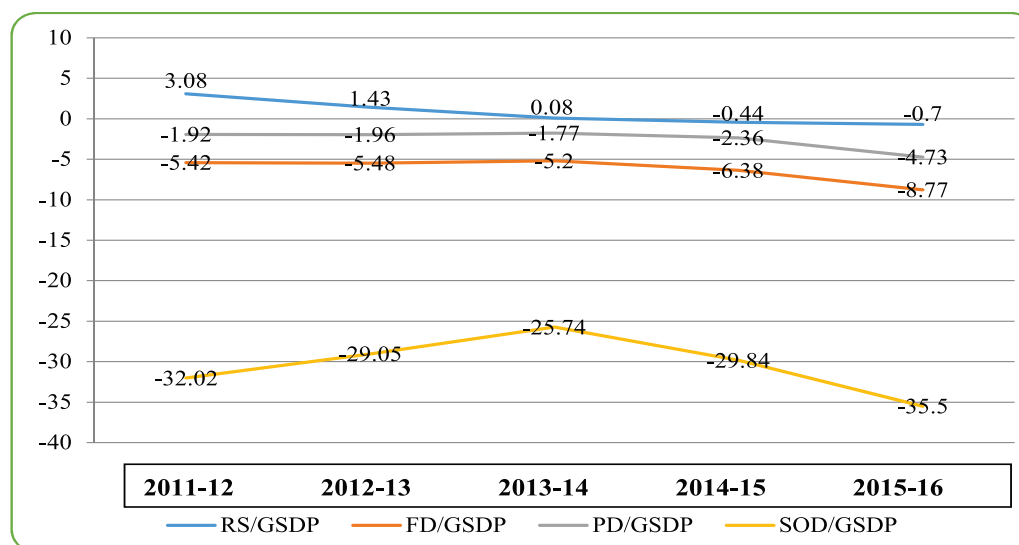
**Table-1.31 : Deficit Trends**

(₹ in crore)

Fiscal indicator	2011-12	2012-13	2013-14	2014-15	2015-16
Fiscal Liabilities (FL)	36,267	40,265	44,673	48,314	55,358
Revenue surplus (RS)	2,103	1,100	70	(-)390	(-) 640
Fiscal deficit (FD)	3,694	4,216	4,554	5,608	8,060
Primary deficit (PD)	1,311	1,510	1,553	2,075	4,341
State's Own Deficit (SOD)	21,832	22,348	22,543	26,238	32,606

The State has continued to maintain revenue surplus during the period 2010-14 but the surplus declined sharply and reduced to Revenue deficit of ₹640 crore during 2015-16. The fiscal deficit increased from ₹3,694 crore in 2011-12 to ₹8,060 crore in 2015-16 and the primary deficit also increased from ₹1,311 crore to ₹4,341 crore during the same period. The States own deficit also increased from ₹21,832 crore to ₹32,606 crore during 2011-16 leading to more dependence on the Central Government/Market Loans. **Charts 1.16** presents the trends in key deficit indicators related to GSDP over the period 2011-16.

Chart-1.16: Deficit Indicators



### 1.12.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as shown in Table 1.32.

Table 1.32: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars		2011-12	2012-13	2013-14	2014-15	2015-16
<b>Source of Financing the Capital Expenditure and Fiscal Deficit</b>						
1.	Capital Expenditure	5,899	5,224	4,507	5,134	7,331
2.	Loans and Advances	66	93	121	87	94
<b>Financed Through</b>						
1.	Revenue Surplus	2,102	1,100	70	(-)390	(-)640
2.	Non-Debt Capital Receipts	168	2	4	3	4
3.	Fiscal Deficit	3,694	4,216	4,554	5,608	8,060
<b>Financing pattern of fiscal Deficit @</b>						
1.	Market Borrowings	2,954	2,008	1,919	1,811	3,926
2.	Loans from GOI	(-)129	(-)64	(-)64	(-)100	(-) 96
3.	Small Savings, PF etc.	2,070	1,689	1,990	2,232	2,886
4.	Deposits and Advances	(-) 27	189	158	376	112.39
5.	Suspense and Miscellaneous	186	(-) 31	(-) 48	(-)237	(-) 131
6.	Remittances	(-) 627	(-) 615	1,169	2,545	(-) 208
7.	Reserve funds	126	170	403	(-)677	214
8.	Net amount recouped to contingency fund	-	-	-	-	-
9.	Drawdown of cash balance (+)/ Accretion to cash balance (-)	(-) 861	870	(-)972	(-)338	(+)874

@ All these figures are not of disbursements/outflows during the year

Increase under the head “Small Savings, PF etc.” is mainly due to accretions under State Provident Fund, following crediting of arrears of pay revision into the Provident Fund accounts of employees by the government.

The revenue surplus decreased by ₹250 crore in 2015-16 over the previous year. The fiscal deficit was met from borrowings out of public account (of which Small Savings, Provident Funds, Remittances & Reserve Funds etc. formed a major share) and market borrowings.

### **1.12.3 Quality of Deficit/ Surplus**

The ratio of revenue deficit (RD) to fiscal deficit (FD) and the bifurcation 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 ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) was not having any asset backup.

The bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2015-16 shows (**Table-1.33**) that the primary deficit during the period was on account of capital expenditure incurred and loans and advances disbursed by the State government. In other words, non-debt receipts of the State were enough to meet the primary expenditure requirements in the revenue account and in fact left some receipts to meet the expenditure under the capital account. The State had to borrow to meet the requirements under capital account over primary expenditure during 2015-16. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State’s economy.

**Table 1.33: Primary deficit/surplus –bifurcation of factors**

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Exp.	Capital Exp.	Loans & Advances	Primary Exp.	Percentage Capital Exp./ Primary Exp.	Primary Revenue deficit (-)/ surplus (+)	Primary Deficit (-)/ Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (4/6)	8 (2-3)	9 (2-6)
2011-12	24,951	20,297	5,899	66	26,262	22	(+)4,654	(-)1,311
2012-13	26,217	22,394	5,224	93	27,711	19	(+)3,823	(-)1,494
2013-14	27,128	24,027	4,507	121	28,655	16	(+)3,101	(-)1,527
2014-15	28,939	25,760	5,134	87	30,981	17	(+)13,179	(-)2,042
2015-16	35,781	32,663	7,331	94	40,088	18	(+)3,118	(-) 4,307

It may be seen from the table that the Non debt receipts of the State were higher than the primary revenue expenditure which was sufficient to meet this expenditure due to considerable support from the Central Government. The total primary expenditure increased from ₹26,262 crore in 2011-12 to ₹40,088 crore in 2015-16 which was due to increase of primary revenue expenditure by ₹12,366 crore, while Capital Expenditure increased from ₹5,899 crore in 2011-12 to ₹7,331 crore in 2015-16. The primary deficit however, increased from ₹1,311 crore during 2011-12 to ₹4,307 crore during 2015-16.

The bifurcation of the factors resulting into Primary deficit or surplus of the Government during the period 2015-16 reveals that the primary deficit during this period was on account of slow rise in non-debt receipts as compared to primary expenditure. Therefore, non-debt receipts of the State were not enough to meet the primary expenditure requirements. If this trend continues debt sustainability will be in serious jeopardy as ideally incremental non-debt receipts every year should cover not only the incremental primary expenditure but also incremental interest burden.

### **1.13 Government obligations under the Fiscal Responsibility and Budget Management (FRBM) Act, 2006**

Jammu and Kashmir Fiscal Responsibility and Budget Management (FRBM) Act was enacted on 14<sup>th</sup> August 2006 to be effective from 2006-07. The principal objective of the Act was reducing the fiscal deficit to three *per cent* of GSDP by 2009-10. Besides it cast several other fiscal transparency obligations on the State government. Essential obligations cast on the Government under the FRBM Act, amendments made to it and its implementation are detailed in **Appendix 1.8 & Appendix 1.9** respectively.

#### ***1.13.1 Fiscal consolidation roadmap under the recommendations of the respective Finance Commissions***

- The Twelfth Finance Commission (TFC) recommendations accepted by the Central government required the State government to enact/ amend the FRBM Act to conform to the customized fiscal reform path of achieving fiscal deficit and outstanding debt targets for the five year period (2005-10). The principal target for the State was to achieve fiscal deficit of three *per cent* of GSDP by 2009-10. The State could not achieve the targets set by the TFC and could not avail the debt waiver and interest relief recommended by the TFC.

- The Thirteenth Finance Commission (ThFC) noted that for special category States like Jammu and Kashmir, the Revenue Deficit/ Surplus is not of much significance for purposes of fiscal adjustment as all have revenue surplus in government accounts due to grants-in-aid from the Union government being classified as non-tax revenue of the State. Under ThFC recommendations, a customized fiscal reform path of achieving fiscal deficit and outstanding debt targets was incorporated by amending the State's FRBM Act in April 2011 and August 2011.
- The Fourteenth Finance Commissions (FrFC) recommended that the State Governments may amend their FRBM Acts to provide for the statutory flexible limits on fiscal deficit. The Union Government may amend its FRBM Act to reflect the fiscal roadmap, omit the definition of effective revenue deficit and mandate the establishment of an independent fiscal council. Further, the Union and State Governments may also amend their respective FRBM Acts to provide a statutory ceiling on the sanction of new capital works to an appropriate multiple of the annual budget provision.

**Table 1.34** summaries the targets for fiscal liabilities and fiscal deficit and actual outcomes, as computed from accounts.

**Table 1.34 : Targets for fiscal liabilities and fiscal deficit set by 13<sup>th</sup> & 14<sup>th</sup> Finance Commissions**

*(per cent of State's actual/projected GSDP)*

<b>Fiscal parameter (as per cent of GSDP)/Year</b>	<b>2011-12 13<sup>th</sup> FC</b>	<b>2012-13 13<sup>th</sup> FC</b>	<b>2013-14 13<sup>th</sup> FC</b>	<b>2014-15 13<sup>th</sup> FC</b>	<b>2015-16 14<sup>th</sup> FC</b>
<i>Fiscal Deficit – 13<sup>th</sup> Finance Commission target/projection</i>	4.7	4.2	3.6	3	3
<i>Fiscal Deficit – Govt. Accounts</i>	5.9	5.5	5.2	6.38	8.77
<i>Fiscal Liabilities – 13<sup>th</sup> Finance Commission target/projection<sup>@</sup></i>	55.10	53.6	51.6	49.3	51.42
<i>Fiscal Liabilities – Government accounts<sup>@</sup></i>	54.97	51.92	51.2	54.95	60.26
<i>Total Liabilities (including liabilities of PSUs etc) as per FRBM Act</i>	NA	NA	NA	NA	NA

<sup>@</sup> As mentioned in Para 1.11.1 giving trends in build-up of 'fiscal liabilities', these are computed by adding year-end outstanding liabilities on account of borrowing from banks, financial institutions, open market, Union government and other liabilities on account of State Provident/ Pension/ Insurance Funds, Reserve Funds and Deposits.

**Table 1.35** compares the actual fiscal outcomes during 2010-11, 2011-12, 2012-13 and 2013-14 as compared to the State-specific projections made by the Finance Commissions.

**Table 1.35 : 13<sup>th</sup> & 14<sup>th</sup> Finance Commission projections and actual fiscal outcomes**

(₹ in crore)

Key Aggregates	2011-12		2012-13		2013-14		2014-15		2015-16	
	13 <sup>th</sup> FC projections	Actual	13 <sup>th</sup> FC projections	Actual	13 <sup>th</sup> FC projections	Actual	13 <sup>th</sup> FC projections	Actual	14 <sup>th</sup> FC projections	Actual
<b>GSDP</b>	53,677	68,185	59,849	76,916	66,732	87,570	74,406	87,921	1,07,087	91,850
<b>Own Revenue Receipts</b>	4,713	6,747	5,259	7,993	5,882	9,143	6,575	8,312	10,075	11,239
<b>State's Own Tax Revenue</b>	4,330	4,745	4,822	5,833	5,384	6,273	6,003	6,334	9,317	7,326
<b>State's Own Non Tax Revenue</b>	383	2,002	431	2,160	498	2,870	572	1,978	758	3,913
<b>State's share in Union Taxes/ Duties</b>	3,328	3,495	3,925	3,870	4,630	4,142	5,536	4,477	8,748	7,814
<b>Non-Plan Revenue Expenditure</b>	11,706	21,432	12,539	23,561	13,393	25,219	14,132	26,457	28,715	36,420
<b>Salaries</b>	5,550	9,802	5,736	10,298	5,924	10,843	6,115	11,733	NA	14,763
<b>Pension</b>	1,993	3,297	2,192	3,463	2,411	3,592	2,653	3,686	4,378	3,781
<b>Interest Payment</b>	2,054	2,383	2,240	2,707	2,420	3,001	2,587	3,533	3,511	3,719
<b>Pre- Devolution Non-Plan Revenue Deficit</b>	6,993	14,685	7,280	15,568	7,511	16,076	7,558	18,145	18,640	17,859
<b>Post-Devolution Non-Plan Revenue Deficit</b>	3,665	7,151	3,355	8,074	2,881	8,845	2,096	11,203	9,892	153
<b>Fiscal Liabilities as per cent of GSDP</b>	55.1	53.18	53.6	52.35	51.6	51.0	49.3	54.95	51.42	60
<b>Fiscal Liabilities</b>	29,576	36,267	32,079	40,265	34,434	44,673	36,682	48,314	47,229	55,358

The actual revenue realisation in States Own Tax Revenue and State's Share in Union Taxes was less than the projections of recommendations of the 14<sup>th</sup> Finance Commission. Fiscal liability was also higher than the projections.

## **1.14 Conclusion**

The State, being a special category State, had high level of share in Central taxes and grants from the Central government. The States' dependence on central resources has been steadily declining. It came down from 73 *per cent* in 2011-12 to 69 *per cent* in 2015-16. There was increase in the total capital expenditure from ₹5,899 crore in 2011-12 to ₹7,331 crore in 2015-16. States Own Tax Revenue (SOTR) grew from ₹5,833 crore in 2012-13 to ₹7,326 crore in 2015-16.

Service Tax is the only Central Tax that is presently not applicable to the State of J&K. The State has its own Service Tax under State Law. Since the Central Service Tax is not applicable to the State, the State is not entitled to a share in the total Service Tax collected by the Central Government all over the country. The foregone share is 1.551 *per cent* of the Service Tax collected by the Centre. As per assessment made by the 13<sup>th</sup> Finance Commission regarding likely Central Service Tax collection during 2010-15, the 1.551 *per cent* share foregone by the J&K works out to ₹8,363.38 crore against which the State Service Tax collection was ₹4,461.09 and States actual Share in Central Service Tax would have been about ₹9,674.30 crore i.e., 1.551 *per cent* of the Total Central Service tax collection of ₹6,23,746 crore.

As per the 14<sup>th</sup> Finance Commission, the likely Service Tax collection during 2015-16 as State share should have been ₹3,815.55 crore i.e., 1.854 *per cent* of State share of Central Service Tax (₹2,05,815.55) against which the State has collected the actual service tax to the tune of ₹1,236.77 crore and had foregone ₹2,578.78 crore.

Central Government has been transferring a sizeable quantum of funds for CSS schemes such as SSA, NRHM, MGNERGS, etc. in the form of Grant-in-aid which is taken under revenue receipts by the State Government but the expenditure is being incurred under Capital Heads for creation of assets. This leads to increase in revenue Surplus and Capital outlay.

The expenditure on salaries, wages, pension and other post-retirement benefits, interest payments and power development departments' was nearly 66.36 *per cent* of total expenditure and 79.89 *per cent* of normal revenue expenditure in 2015-16.

Targets for collection of power departments' tariff were not achieved. The shortfall in collection of revenue was ₹1,503 crore *vis-a-vis* targets and shortfall *vis-a-vis* expenditure on power purchased was ₹4,650 crore.



Government did not present a time bound action plan to recover minimum of 50 *per cent* of service charges after accounting for operation and maintenance expenses from the users as recommended by the 13<sup>th</sup> Finance Commission.

The dependence of the Government on high interest rate bearing market loans to fund its expenditures was on increasing trend instead of improving States own revenue resources to generate developmental funds. The Development Capital Expenditure registered a persistent decreasing trend from 2011-12 to 2014-15 and increased during 2015-16 indicating that the developmental works were getting inadequate resources upto 2014-15.

There were 938 projects/works costing ₹1 crore or above which had overshoot their scheduled completion dates. An amount of ₹1,733.84 crore had been expended on these incomplete projects by 31<sup>st</sup> March 2016.

The State Government had investment of ₹547.83 crore in 3 statutory corporations, 23 companies, 8 co-operative institutions/local bodies, 2 rural banks and 2 joint stock companies. The return of ₹128.88 crore came only from JK Bank Ltd.

### **1.15 Recommendations**

The Government may consider the following:

- Since the major chunk of the Revenue Expenditure is on Salaries, Pension and interest payments which is largely uncontrollable, the State Government may explore measures for containing other components of Revenue Expenditure so that Revenue deficit could be eliminated and recourse to borrowal of funds reduced,
- The State Government may prepare a time bound action plan to achieve the goal of recovery of at least 50 *per cent* of service charges for users as recommended by the 13<sup>th</sup> Finance Commission, and
- The State Government may analyse the reasons for the delays in completion of projects and take adequate steps for their completion to achieve the intended benefits.

