

CHAPTER-1

**FINANCES OF
THE STATE GOVERNMENT**

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This chapter provides an overview of the finances of the State Government during the financial year 2015-16 in terms of its structural profile and by benchmarking against past trends of major fiscal aggregates. *Appendix 1.1* contains the structure and layout of the Finance Accounts of the State Government on which this Chapter is based. *Appendix 1.2 (Part A)* briefly outlines the methodology adopted for the assessment of the fiscal position of the State.

1.1 Profile of the State

Uttarakhand is a Special Category State (SCS) as per the categorization of the States made by the Government of India (GoI). The special privileges given to Uttarakhand include financial assistance from GoI in the ratio of 90 *per cent* grant and 10 *per cent* loan unlike non-special category States which get central aid in the ratio of 30 *per cent* grant and 70 *per cent* loan.

The State has seen considerable economic growth in the past decade and the Compound Annual Growth Rate (CAGR)¹ of its Gross State Domestic Product¹ (GSDP) at current prices for the period 2006-07 to 2015-16 has been over 19.59 *per cent*.

The social indicators, *viz.* literacy rate and rate of infant mortality at birth, indicated that the State had a better literacy and a lower infant mortality rate than the All India Average. The percentage of Below Poverty Line (BPL) population in the State was well below the All India Average (*Appendix-1*).

Gross State Domestic Product (GSDP)

The trends in the annual growth of India's GDP and the State's GSDP at current prices are given below:

Annual growth rate of GDP and GSDP at current prices

Year	2011-12	2012-13	2013-14*	2014-15*	2015-16*
India's GDP (₹ in crore)	87,36,039	99,51,344	1,12,72,764	1,24,88,205	1,35,76,086
Growth rate of GDP (percentage)	--	13.91	13.28	10.78	8.71
State's GSDP (₹ in crore)	1,15,523	1,31,835	1,49,817	1,61,985	1,84,091
Growth rate of GSDP (percentage)	--	14.12	13.64	8.12	13.65

Source: GSDP-Data provided by HQ's Office.

* Provisional * Quick * Advance estimates.

The growth rate of GSDP declined sharply from 14.12 *per cent* during 2012-13 to 8.12 *per cent* in 2014-15. However, it increased to 13.65 *per cent* in 2015-16. Rate of growth of GSDP in comparison to GDP varied over the period 2012-13 to 2015-16. The growth rate of GSDP was lower than the GDP growth rate in 2014-15 only. It was more or less identical in the years 2012-13 and 2013-14 and was significantly higher than the GDP growth rate in 2015-16.

¹ Refer glossary in **Appendix-4.1**

The Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005 which was revised in 2011 as per the recommendation of the Thirteenth Finance Commission (*Th FC*) (*Appendix 1.2 Part B*) was not further revised in 2015 according to the recommendations of the Fourteenth Finance Commission (*FFC*). However, the targets recommended by the *FFC* regarding the fiscal health of the State are discussed in **Para 1.1.2 Review of the fiscal situation** below. The State's own Fiscal Correction Path (FCP) through the Medium Term Fiscal Policy (MTFP) is also given in *Appendix-1.2 (Part B)*.

1.1.1 Summary of Current Year's Fiscal Transactions

Table 1.1 presents a summary of the State Government's fiscal transactions during the current year (2015-16) *vis-à-vis* the previous year (2014-2015). *Appendix-1.4* provides details of receipts and disbursements as well as the overall fiscal position during the current year as compared to the previous year.

Table-1.1: Summary of Current Year's Fiscal Operations

(₹ in crore)

Receipts	2014-15	2015-16	Disbursements	2014-15	2015-16		
					Non-Plan	Plan	Total
Section-A: Revenue							
Tax revenue	8,338.47	9,377.79	General services	7,402.28	8,381.91	28.07	8,409.98
Non-tax revenue	1,110.44	1,219.66	Social services	9,223.69	5,537.15	4,389.54	9,926.69
Share of Union Taxes/ Duties	3,792.30	5,333.19	Economic services	3,856.47	2,012.54	1,970.67	3,983.21
Grants from Government of India	7,005.34	5,303.79	Grants-in-aid and Contributions	681.27	766.56	--	766.56
Revenue receipts	20,246.55	21,234.43	Revenue expenditure	21,163.71	16,698.16	6,388.28	23,086.44
Section-B: Capital and Others							
Misc. Capital Receipts	135.33	--	Capital Outlay	4,939.01	20.45	4,196.93	4,217.38
Recoveries of Loans and Advances	45.58	27.20	Loans and Advances disbursed	150.97	1.14	82.01	83.15
Public Debt receipts*	4,573.42	6,798.23	Repayment of Public Debt*	893.89	--	--	1,996.56
--	--	--	Appropriation to Contingency Fund	150.00	--	--	--
Contingency Fund	331.98	190.76	Contingency Fund	194.15	--	--	385.46
Public Account receipts#	35,032.43	37,745.87	Public Account disbursements#	33,534.94	--	--	36,536.73
Opening Cash Balance	2,433.41	1,772.03	Closing Cash Balance	1,772.03	--	--	1,462.80
Total	62,798.70	67,768.52	Total	62,798.70			67,768.52

* Excluding net transactions under Ways and means advances and overdraft.

In other Places Net figure of Public Account Receipts have been taken for analyzing the State resources.

The following are the significant changes during the current year (2015-16) over the previous year (2014-15):

- Revenue receipts at ₹ 21,234.43 crore were higher by ₹ 987.88 crore (4.88 per cent) over the previous year. This was due to the increase in State's own tax revenue (₹ 1,039.32 crore), State's share of Union taxes/duties (₹ 1,540.89 crore), and non-tax revenue (₹ 109.22 crore). However, during the current year, the grants from the GoI decreased considerably by ₹ 1,701.55 crore.
- The overall decrease of ₹ 160.66 crore (1.49 per cent) under the total receipts from GoI after the implementation of recommendation of *FFC* was due to decrease in grants by ₹ 1,701.55 crore counter balanced with the increase in State's share of Union taxes/duties by ₹ 1,540.89 crore.

- Revenue expenditure grew by ₹ 1,922.73² crore (9.09 per cent) during the year, over the previous year as detailed in **Paragraph 1.6.1**.
- Revenue receipts were lesser by ₹ 1,852.01 crore in comparison to revenue expenditure of the State resulting in revenue deficit to this extent during the current year.
- Capital expenditure during the year decreased by ₹ 721.63³ crore (14.61 per cent) over the previous year as detailed in **Paragraph 1.6.1**.
- Recovery of loans and advances decreased by ₹ 18.38 crore (40.32 per cent) from ₹ 45.58 crore (2014-15) to ₹ 27.20 crore.
- Public Debt receipts at ₹ 6,798.23 crore, registered an increase of ₹ 2,224.81 crore during the year 2015-16 due to increase in internal debt of the State Government (₹ 2,188.80 crore) and the loans and advances from the Central Government (₹ 36.01 crore). Out of total Public Debt receipts, Internal Debt and Loans from GoI receipts were ₹ 6,701.22 crore (98.57 per cent) and ₹ 97.01 crore (1.43 per cent) respectively.
- Net Public Account Receipts decreased from ₹ 1,497.49 crore in 2014-15 to ₹ 1,209.14 crore in 2015-16. During the current year, the main contributors were net Small Savings and Provident Fund ₹ 477.74 crore, net Suspense and Miscellaneous ₹ 376.39 crore, net Reserve Fund ₹ 183.37 crore and net Deposit and Advances ₹ 138.35 crore.
- The cash balance of the State at the end of the current year decreased by ₹ 309.23 crore as compared to the closing balance at the end of 2014-15 mainly due to decrease in Investments held in Cash Balances Investment Account from ₹ 592.21 crore to ₹ 344.74 crore in 2015-16.

1.1.2 Review of the fiscal situation

Major fiscal variables provided in the Budget and the recommendations of *FFC* for the State are given in **Table 1.2**. The FRBM Act has not been revised by the State Government as per recommendations of the *FFC* to fix targets for 2015-16 and onwards.

Table-1.2: Review of the fiscal situation (₹ in crore)

Fiscal variables	2015-16						
	Targets as prescribed by <i>FFC</i>	Targets proposed in the Budget	Projections made in MTFP	Actuals	Percentage variation of actual over		
					Targets of <i>FFC</i>	Targets of Budget	Projections MTFP
Revenue Deficit (-)/ Surplus (+) (₹ in crore)	(-) 274.00	(+) 38.35	(+) 282.09	(-) 1,852.01	(-)575.91	(-) 4,929.23	(-) 756.53
Fiscal Deficit/ GSDP (in per cent)	(-) 3.25	(-) 2.21	(-) 2.56	(-) 3.33	(-) 2.46	(-) 50.68	(-) 30.08
Ratio of outstanding fiscal liability to GSDP (in per cent)	22.70	18.33	18.72	21.20	(+) 6.60	(-) 15.66	(-) 13.25

The State Government has been on a fiscal consolidation path since the enactment of the FRBM Act, 2005. During 2011-14, the State Government was able to maintain revenue surplus. However, the Revenue Surplus turned into Revenue Deficit during 2014-15 (₹ 917 crore). During the current year, revenue deficit further increased to ₹ 1,852 crore,

² General Sector (₹ 1,007.70 crore) + Social Sector (₹ 703.00 crore) + Economic Sector (₹ 126.74 crore) + Grant in Aid and Contributions (₹ 85.29 crore).

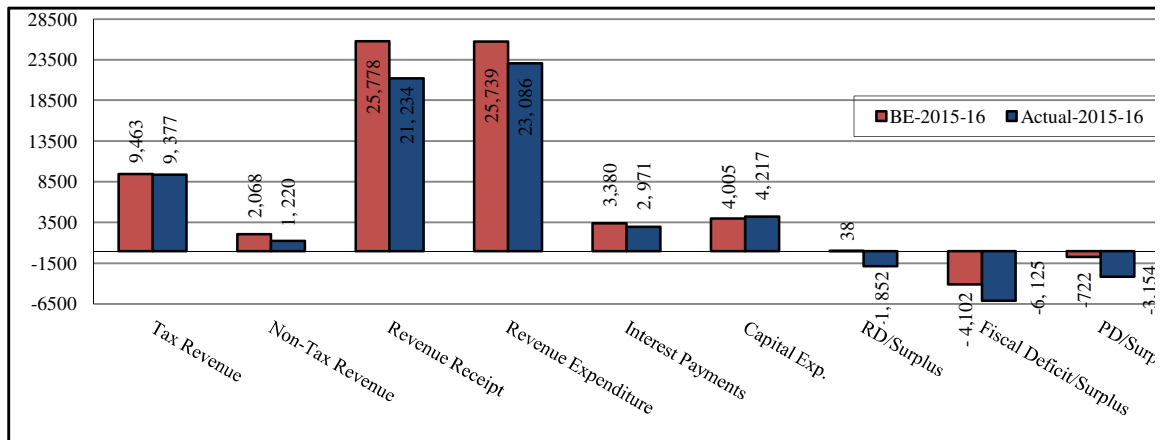
³ General Sector (₹ 102.57 crore) + Social Sector (₹ 366.71 crore) + Economic Sector (₹ 252.35 crore).

mainly due to significant increase in Revenue Expenditure by ₹ 1,923 crore (9.09 per cent) in comparison to increase in Revenue Receipts by ₹ 988 crore (4.88 per cent) over the previous year.

1.1.3 Budget estimates and actuals

The Budget papers presented by the State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of the fiscal policies for overall economic management. Deviations from the Budget Estimates (BEs) are indicative of non-attainment and non-optimization of the desired fiscal objectives, due to a variety of factors, some within the control of the Government while others beyond its control. A comparison of the actual against the BEs in respect of various components showed a mixed trend during 2015-16:

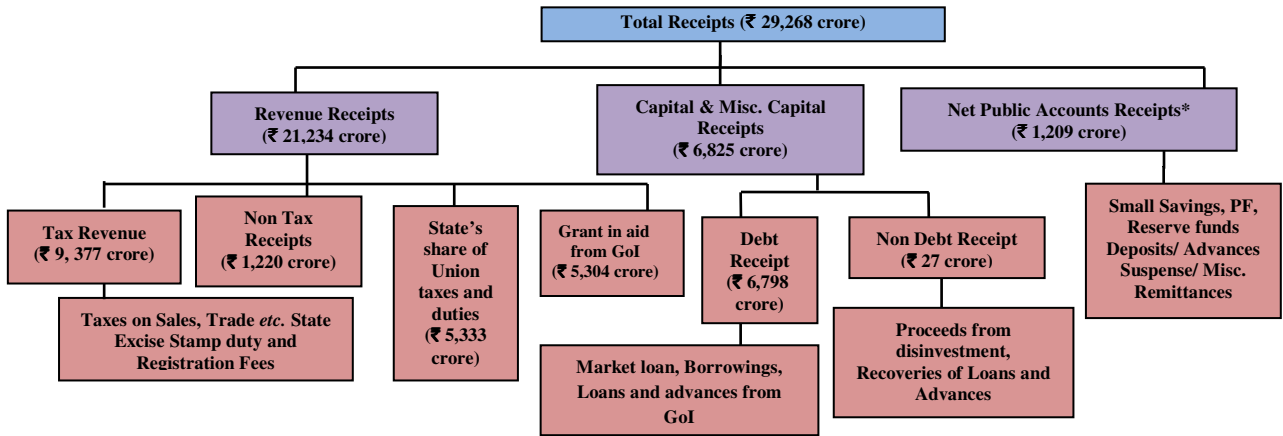
Chart 1.1 Selected Fiscal Parameters: Budget Estimates vis-à-vis Actuals (₹ in crore)



From the above **chart 1.1** it is evident that:

- The overall revenue receipts were short by ₹ 4,544 crore mainly due to less receipt of funds of ₹ 3,416 crore (39.17 per cent) from the GoI under grants-in-aid and less realisation of non-tax revenue by ₹ 848 crore (41.01 per cent) against the BEs for the current year. The State's tax revenue against the BEs was also slightly lower by ₹ 86 crore.
- The State Government was able to restrict the revenue expenditure in 2015-16 and it was ₹ 2,653 crore (10.31 per cent) less than the BEs for the current year.
- The budgetary projection of ₹ 4,005 crore against actual expenditure of ₹ 4,217 crore under capital head was insufficient to the extent of ₹ 212 crore (5.29 per cent).
- The year 2015-16 ended with a Revenue Deficit of ₹ 1,852 crore against the assessment of Revenue Surplus of ₹ 38 crore made in the BEs.
- The actual fiscal deficit (₹ 6,125 crore) and primary deficit (₹ 3,154 crore) during 2015-16 was higher than the assessment made in the BEs by 49.32 per cent (₹ 2,023 crore) and 336.84 per cent (₹ 2,432 crore) respectively.

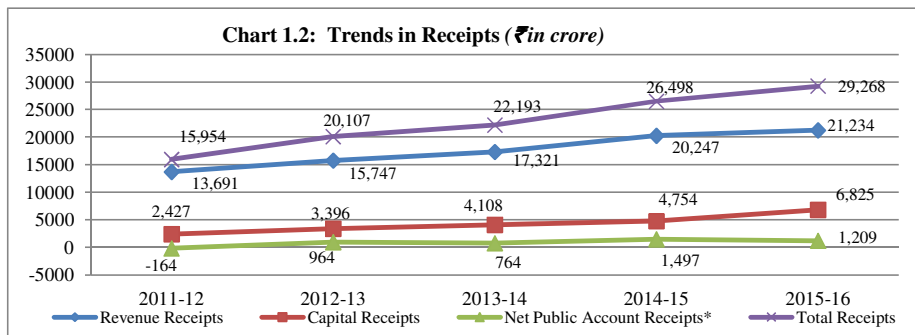
1.2 Resources of the State



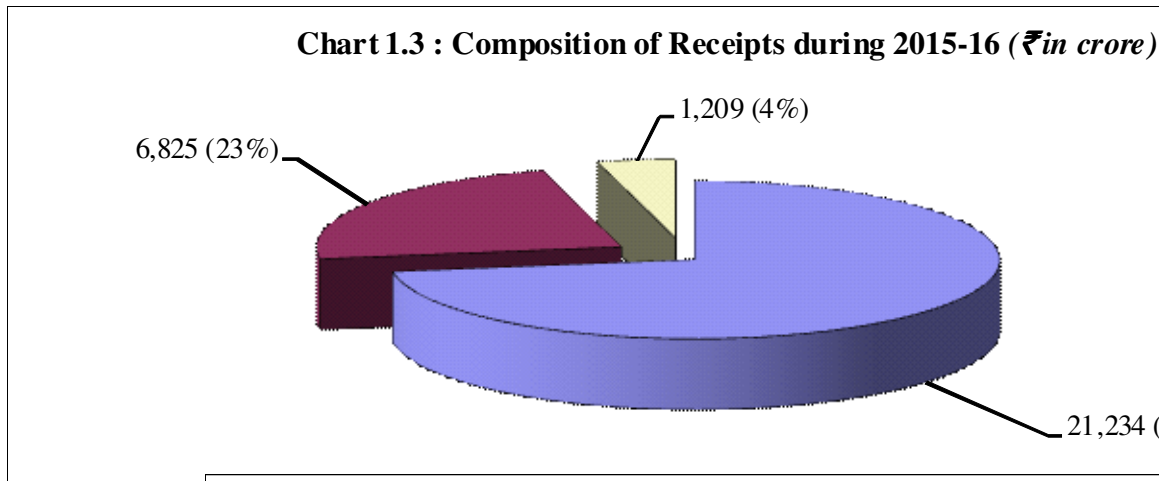
* Net Public Account Receipts (₹1,209 crore) = Public Accounts Receipts (₹37,746 crore) less Public Accounts Disbursements (₹36,537 crore).

1.2.1 Resources of the State as per the Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts comprise tax revenues, non-tax revenues, State’s share of the Union taxes and duties, and grants-in-aid from the Government of India (GoI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks), and loans and advances from the GoI. Besides, funds available in the public accounts after disbursement are also utilized by the Government to finance its deficit. **Table-1.1** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts (*Appendix 1.1*) while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2011-12 to 2015-16. **Chart 1.3** depicts the composition of resources of the State during the current year.



* Net Public Account Receipts = Public Accounts Receipts less Public Accounts Disbursements



The total receipts of the Government (excluding Contingency Fund Receipts) grew from ₹ 15,954 crore in 2011-12 to ₹ 29,268 crore in 2015-16 by ₹ 13,314 crore (83.45 per cent). Of the receipts of ₹ 29,268 crore in 2015-16, four per cent (₹ 1,209 crore) of the receipts came from the net Public Account whereas 23 per cent (₹ 6,825 crore) and 73 per cent (₹ 21,234 crore) share of the total receipts came from borrowings and revenue receipts respectively.

The revenue receipts of the State during the current year grew by 4.87 per cent over the previous year. This was mainly due to increase in State's share of Union taxes and duties ₹ 1,541 crore (40.63 per cent) and Tax Revenue ₹ 1,039 crore (12.46 per cent). However, Grant-in-Aid from the Government of India decreased by ₹ 1,702 crore (24.29 per cent) restricting the growth of overall revenue receipt to 4.87 per cent. As a percentage in the composition of total receipts, Revenue Receipts decreased by 3.86 per cent during the current year while the share of capital receipts in the total receipts has shown an increase of 5.38 per cent (refer Table 1.1).

Trends in Public Account Receipts

The increase of ₹ 2,713.44 crore under the public account receipts was due to increase in suspense and miscellaneous (₹ 3,168.84 crore), deposits & advances (₹ 314.50 crore), small savings & provident funds (₹ 113.20 crore), and reserve funds (₹ 25.87 crore). However, there was a decrease in remittances (₹ 908.97 crore).

Suspense and Miscellaneous receipts increased by ₹ 3,168.84 crore (12.96 per cent) during the year mainly due to increase under the suspense head for Cheques and Bills (₹ 3,065.48 crore). This suspense head is credited while issuing the cheques and is cleared on receipt of information from the bank regarding encashment of cheques.

1.2.2 Funds transferred to implementing agencies in the State

The Government of India has transferred significant funds directly to the State Implementing Agencies for implementation of various schemes/ programmes in the past years. The system of direct transfers by GoI to implementing agencies has since been

dispensed with from 2014-15. However, during 2015-16, the Government of India did directly transfer funds amounting to ₹ 72.84 crore (Funds routed outside State Budget-Unaudited figures) to various state implementing agencies as detailed in **Table 1.3**.

Table-1.3: Significant amount of funds transferred directly to State Implementing Agencies

(₹ in crore)			
Sl. No.	Scheme Name	Agency Name/ Agency Type	Fund Transferred
1.	Mahatma Gandhi National Rural Employment Guarantee Yojna	Uttarakhand Rajya Rozgar Guarantee Sanstha	27.50
2.	Package for (other than North East) Special Category States	State Industrial Development Corporation of Uttarakhand Ltd	22.78
3	Mega Clusters Textiles	Uttarakhand Handloom & Handicrafts Development Council	10.13
4.	Capacity Building for Service Providers	Garhwal Mandal Vikas Nigam Ltd.	6.47
5.	Development of Infrastructure for Promotion of Health Research	Veer Chandra Singh Garhwali Govt. Med. Science Research Institute, Srinagar.	1.25
6.	MPs Local Area Development Scheme MPLADS	District Magistrates of various Districts	1.12
7.	Others (16)	Various agencies	3.59
Total:			72.84

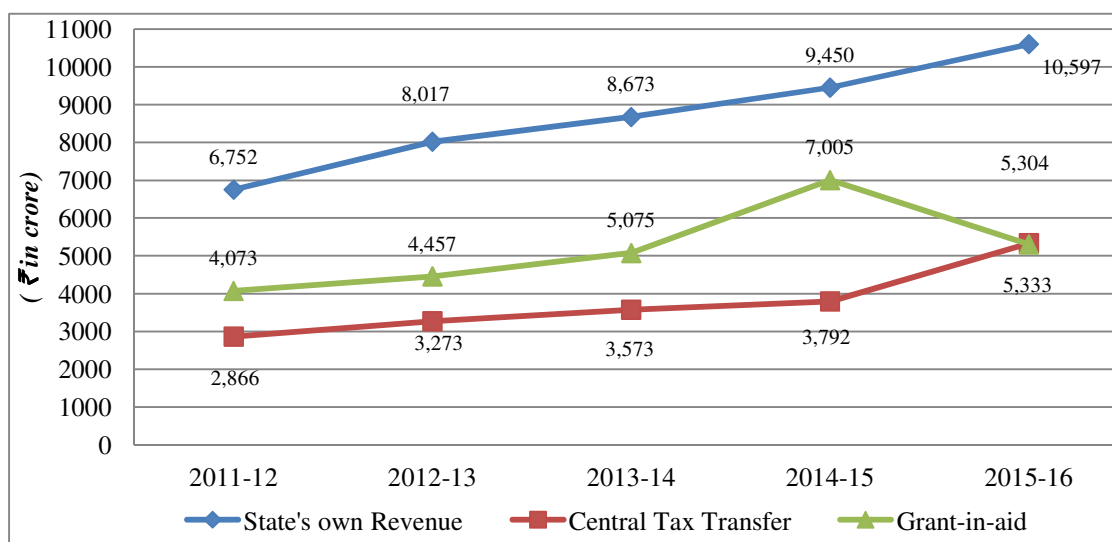
Source: Finance Account- Appendix VI.

Out of total funds of ₹ 985.83 crore transferred directly by Government of India to implementing agencies (including Central implementing agencies) in the State, an amount of ₹ 72.84 crore (7.39 per cent) was released to the State Implementing Agencies.

1.3 Revenue receipts

Statement-14 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of State's own tax and non-tax revenues, central tax transfers and grants-in-aid from the GoI. The trends and composition of revenue receipts over the period 2011-12 to 2015-16 are presented in **Appendix-1.3** and are also depicted in **Chart 1.4**.

Chart 1.4: Trends in Revenue Receipts



The revenue receipts have shown a constant increase over the period 2011-12 to 2015-16. They increased from ₹ 13,691 crore in 2011-12 to ₹ 21,234 crore in 2015-16 at an average

rate of 12.94 per cent per annum out of which State's own revenue, Central tax transfers and Grant-in-Aid increased by ₹ 3,845 crore (56.95 per cent), ₹ 2,467 crore (86.08 per cent) and ₹ 1,231 crore (30.22 per cent) respectively during the said period.

While 49.91 per cent of the revenue receipts during 2015-16 came from the State's own tax and non-tax revenue, the aggregate of Central tax transfers and grants-in-aid contributed the remaining 50.09 per cent of the total revenue.

State's own receipts constituted on an average around 49.38 per cent of its revenue receipts, over the period 2011-16. This showed continued dependence of the State on the grants-in-aid from GoI as the State has not been able to broaden its tax base. The trends in revenue receipts relative to GSDP are presented in **Table 1.4**.

Table-1.4: Trends in revenue receipts relative to GSDP

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (RR) (₹ in crore)	13,691	15,747	17,321	20,247	21,234
Rate of growth of RR (per cent)	17.94	15.02	10.00	16.89	4.87
R R/ GSDP (per cent)	11.85	11.94	11.56	12.50	11.53
Buoyancy Ratios⁴					
Revenue Buoyancy w.r.t. GSDP	--	1.06	0.73	2.08	0.36
State's Own Tax Buoyancy w.r.t. GSDP	--	1.01	1.08	1.65	0.91

The growth rate of Revenue Receipts was 17.94 per cent during 2011-12 over the previous year 2010-11 and thereafter it began to decline and came down to 10 per cent in 2013-14. However, the growth rate for 2014-15 increased by 6.89 per cent over the previous year but again decreased sharply by 12.02 per cent in 2015-16 and stood at 4.87 per cent.

Buoyancy ratio indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable. Revenue buoyancy, which is directly proportionate to growth of Revenue Receipts and GSDP, fluctuated widely during the period 2011-12 to 2015-16 due to fluctuations in the growth rate of Revenue Receipts. It declined to 0.36 in 2015-16 from 2.08 per cent in 2014-15 due to decrease in the growth rate of Revenue Receipts to 4.87 per cent in 2015-16 from 16.89 per cent in 2014-15.

1.3.1 State's own resources

As the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, the State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The 14th Finance Commission projections, BEs and Medium Term Fiscal Policy (MTFP) projections *vis-à-vis* actuals in respect of State's own resources during 2015-16 are given in **Table 1.5**.

Table-1.5: States Own resources: Projection *vis-à-vis* actual

States Own resources	FFC projections	Budget estimates	MTFP projections	Actual	Percentage variation of actual over		
					XIV FC projections	Budget estimates	MTFP projections
Own Tax Revenue	11,538	9,463	9,653	9,377	(-)18.73	(-)0.91	(-)2.86
Non-Tax Revenue	2,375	2,068	2,175	1,220	(-)48.63	(-)41.01	(-)43.91

⁴ Refer glossary in **Appendix-4.1**

As shown in **Table 1.5**, the State's own resources *vis-à-vis* projections made by the *FFC*, *BEs* and *MTFPS* showed that own tax revenues during 2015-16 were less by ₹ 2,161 crore, ₹ 86 crore and ₹ 276 crore respectively.

The Non-tax revenue (NTR) was less by ₹ 1,155 crore, ₹ 848 crore and ₹ 955 crore as compared to the *FFC* projections, the *BEs* and the *MTFPS* respectively. The non-achievement of targets of Non-tax revenue was mainly due to less receipt under the Major Heads 0075 - Misc General Services, 0853 - Non Ferrous Mining and Metallurgical Industries, and 0071 Contributions and Recoveries towards Pension & Other Retirement benefits.

1.3.1.1 Tax revenue

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

Table-1.6: Components of State's own resources

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16
Taxes on Sales, Trades etc.	3,644 (24)	4,289 (18)	4,903 (14)	5,465 (11)	6,105 (12)
State Excise	844 (12)	1,118 (32)	1,269 (14)	1,487 (17)	1,735 (17)
Taxes on Vehicles	335 (48)	304 (-9)	369 (21)	394 (7)	471 (20)
Stamp Duty and Registration Fee	524 (19)	648 (24)	687 (6)	714 (4)	871 (22)
Taxes on Goods and Passengers	--	--	--	--	--
Other Taxes	269 (540)	55 (-80)	128 (133)	279 (118)	195 (-30)
Total	5,616 (27)	6,414 (14)	7,356 (15)	8,339 (13)	9,377 (12)

Figures in the parentheses indicate percentage increase over previous year.

The State's own tax revenue increased by 12.45 per cent from ₹ 8,339 crore in 2014-15 to ₹ 9,377 crore in 2015-16. However, the rate of growth during the year in comparison to previous year decreased marginally by 0.91 per cent. The revenue from taxes on Sales, Trade, etc. not only comprised a major share of tax revenue (65.11 per cent) but also registered an increase of 11.71 per cent over the previous year. State Excise was another major contributor to State's own tax revenue.

1.3.1.2 Non-tax revenue

Growth rate of non-tax revenue is given in **Table 1.7**.

Table-1.7: Trends of non-tax revenue receipt

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16
Interest receipts	50.62	114.76	51.12	108.17	89.22
Dividends & Profits	0.05	0.19	0.30	0.11	5.10
Other non-tax receipts	1,085.46	1,487.93	1,265.12	1,002.16	1,125.34
Total	1,136.13	1,602.88	1,316.54	1,110.44	1,219.66
<i>Per cent</i> increase/decrease over previous year	67.56	41.08	(-) 17.86	(-) 15.65	9.84

Non-tax revenue increased during the period 2011-12 to 2012-13 but it decreased during the period 2013-14 and 2014-15. During the year 2015-16, it again increased by ₹ 109.22 crore (9.84 per cent) against the previous year's decrease of ₹ 206.10 crore (15.65 per cent). During the current year the increase was mainly in Power (₹ 123.56 crore-274.52 per cent), Non Ferrous Mining and Metallurgical Industries (₹ 48.93 crore-21.87 per cent), Medical & Public Health (₹ 39.08 crore-103.44 per cent) and Labour & Employment (₹ 10.12 crore-38.71 per cent). This was partially counter balanced by decrease in receipts from Contribution and Recoveries towards Pension and

Other Retirement benefits (₹ 44.79 crore-47.99 *per cent*), Civil Aviation (₹ 40.03 crore-100 *per cent*), Interest Receipts (₹ 18.95 crore- 17.52 *per cent*), Public Works (₹ 14.33 crore- 50.65 *per cent*) and Misc. General Services (₹ 13.76 crore-166.59 *per cent*).

The major contributors to Non-tax revenue during 2015-16 were Forestry and Wild Life ₹ 357 crore (29.31 *per cent*), Non-ferrous Mining & Metallurgical Industries ₹ 273 crore (22.35 *per cent*), Power ₹ 169 crore (13.82 *per cent*) and Interest Receipts ₹ 89 crore (7.32 *per cent*).

1.3.2 Grants-in-aid from GoI

Grants-in-aid (GIA) received from the GoI during 2011-12 to 2015-16 are depicted in **Table 1.8**.

Table-1.8: Trends in Grants-in-aid receipt from GoI

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Non-Plan grants	762	869	981	944	1,043
Grants for State Plan schemes	2,840	3,040	3,558	4,083	1,173
Grants for Central Plan schemes	10	8	13	99	609
Grants for Centrally Sponsored Plan schemes	462	540	523	1,879	2,479
Total	4,074	4,457	5,075	7,005	5,304
Percentage of increase/decrease over previous year	00	9	14	38	(-) 24
Percentage of Revenue Receipts	30	28	29	35	25

The grants-in-aid from GoI had shown an increase over the period 2011-12 to 2014-15 but it decreased by ₹ 1,701 crore (24.28 *per cent*) during 2015-16 over the previous year. The decrease of ₹ 1,701 crore over the previous year was due to decrease in grants for the State Plan schemes by ₹ 2,910 crore (71.27 *per cent*). However, Grants for Centrally Sponsored Plan schemes, grants for Central Plan schemes and non Plan grants during 2015-16 increased by ₹ 600 crore, ₹ 510 crore and ₹ 99 crore respectively over the previous year.

1.3.3 Central tax transfers

The receipts in the form of State's share in Union taxes and duties have increased by ₹ 1,540.89 crore (40.63 *per cent*) from ₹ 3,792.30 crore in 2014-15 to ₹ 5,333.19 crore in 2015-16. The overall increase in Central tax transfers of ₹ 1,540.89 crore was due to increase in Union Excise Duties (₹ 367.84 crore), Service Tax (₹ 360.73 crore), Corporation tax (₹ 352.91 crore), Customs (₹ 241.28 crore), Taxes on income other than Corporation tax (₹ 217.13 crore) and Other Taxes and duties on Commodities and Services (₹ 4.15 crore). However, there was a nominal decrease of ₹ 3.15 crore in Taxes on Wealth.

1.3.4 Comparison of devolution of fund between FFC and ThFC

Since there have been substantial increases in the devolution of funds under the recommendations of the Fourteenth Finance Commission (FFC) compared to the Thirteenth Finance Commission (Th FC), a comparison of the devolution of taxes as well as grants (both plan and non-plan) is being attempted between the last year of the Th FC and first year of FFC award. The detail of comparison of devolution of funds between the FFC and the Th FC is being provided in the **Table 1.9**.

Table 1.9: Comparison of devolution of fund between FFC and Th FC

₹ in crore)

Name of Tax/ Grant	2014-15		2015-16	
	Recommendation of Th FC	Release of funds against recommendation	Recommendation of FFC	Release of funds against recommendation
1. Grant to Local Bodies				
(A) PRIs				
(i) General Grant	104.62	98.81	203.26	203.26
(ii) Performance Grant	71.19	00	00	00
Total PRIs	175.81	98.81	203.26	203.26
(B) ULBs				
(i) General Grant*	33.68	43.68	78.29	37.71
(ii) Performance Grant	22.91	4.24	00	00
Total ULBs	56.59	47.92	78.29	37.71
Total to Local Bodies	232.40	146.73	281.55	240.97
2. Disaster Relief Fund	129.00	64.30	189.00	94.50
3. Incentive Grant for Grid	39.21	39.21	00	00
4. Other Grant	373.32	190.95	00	00
5. State Specific Need*	183.65	240.72	00	00
Total other Grants (2+3+4+5)	725.18	535.18	189.00	94.50
6. State Share of Central Tax	3,972.00	3,792.30	5,526.08	5,333.19
Grand Total	4,929.58	4,474.21	5,996.63	5,668.66

* In financial year 2014-15 release amount includes left out amount of previous year, due to which it was more than recommended for the year.

The above table indicates that in respect of State Share of Central Tax, FFC had recommended release of ₹ 5,526.08 crore to the State Government during 2015-16 (actual release: ₹ 5,333.19 crore) against the Th FC's recommendation of ₹ 3,972.00 crore (actual release ₹ 3,792.30 crore) i.e. recommended more funds to the tune of ₹ 1,554.08 crore (39.13 per cent) for the year 2015-16. Accordingly, actual release was also enhanced by ₹ 1,540.89 crore (40.63 per cent) during the current year over the previous year.

1.3.5 Up-keep of records of Collection and utilization of labour cess in Uttarakhand

According to the Central Government Building and Other Construction Workers' Welfare Cess Act, 1996 and Building and Other Construction Workers' Welfare Cess Rules, 1998, one per cent of construction cost of projects worth ₹ 10 lakh and above undertaken by both private or public builders, must be paid to the State's Labour Department, as welfare cess.

The Uttarakhand State Government framed the Uttarakhand Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2005 and constituted a Welfare Board for implementing the Act. The amount received as cess is to be deposited in an account opened in a Nationalized Bank in the name of the Labour Commissioner/ Secretary, Uttarakhand.

During the year 2011-12 to 2015-16, an amount of ₹ 134.97 crore had been collected in the fund out of which only an amount of ₹ 12.19 crore (9.03 per cent) had been expended which ranged from only 0.10 per cent to 9.85 per cent of the opening balances of the relevant years.

The details of Opening Balance, funds received, funds utilized, closing balance and percentage utilization for the period 2011-16 are detailed in the **Table 1.10**.

Table 1.10: Receipt and Utilization of Labour Cess during 2011-16

(₹ in crore)

Year	Opening Balance	Amount received during the year		Expenditure incurred out of labour cess received	Closing balance	Per cent utilization out of available fund (considering only Opening Balance)
		Labour cess	Interest			
2011-12	6.16	8.06	0.49	0.02	14.69	0.32
2012-13	14.69	44.90	0.92	0.08	60.43	0.54
2013-14	60.43	18.56	1.24	0.06	80.17	0.10
2014-15	80.17	32.42	1.17	0.92	112.84	1.15
2015-16	112.84	31.03	1.05	11.11	133.81	9.85
Total		134.97	4.87	12.19		

Source: Labour Department, Uttarakhand.

During the scrutiny of records of Secretary, Uttarakhand Bhavan Evam Anya Sannirman Karmkar Kalyan Board (UBEASKKB), Haldwani it was observed that total fourteen bank accounts were being operated for keeping the funds collected on account of labour cess. It was also observed that neither proper records of receipts and expenditure of the labour cess were being maintained nor reconciliation of receipts and expenditures with bank statements was being carried out. As a result, a difference of ₹ 5.36 crore was observed between the closing balance of the bank account and the cash balance as per the books maintained in the Welfare Board's records. This is evident from the fact that the figures of the opening balance and the receipts for the years 2011-15 intimated by the department to Audit last year have been changed in the information provided by the Department this year. On this being pointed out, the unit accepted the point and replied that the account will be audited on a regular basis and the required reconciliation will be carried out.

1.4 Capital Receipts

The Capital Receipts are either non-debt capital receipts such as proceeds from disinvestment of equity in government companies/ corporations and recoveries of loans and advances or debt capital receipts, credited under public debt section of the Consolidated Fund. The public debt receipts fall broadly under two categories (a) loans/ advances from the Union government and (b) borrowing from banks, financial institutions through negotiated loans or open market borrowings through the issue of the State Development Loans. The share of non-debt capital receipts and loans/ advances from the Union government is negligible and capital receipts are mainly through borrowings from banks, financial institutions and the open market, as detailed in **Table 1.11**.

Table-1.11: Trends in growth and composition of receipts

(₹ in crore)

Sources of State's Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts (CR)	2,427	3,396	4,108	4,754	6,825
Miscellaneous Capital Receipts	--	--	180	135	--
Recovery of Loans and Advances	91	428	55	46	27
Public Debt Receipts					
Market Loan	1,400	1,750	2,500	2,400	3,900
Other Internal Resources	889	1,183	1,338	2,112	2,801
GoI	47	35	35	61	97
Rate of growth of debt capital receipts (per cent)	(-)4	27	30	18	49
Rate of growth of non-debt capital receipts	7	370	(-) 45	(-) 23	(-) 85
Rate of growth of GSDP	--	14.12	13.64	8.12	13.65
Rate of growth of CR (per cent)	(-) 3	40	21	16	44

1.4.1 Recoveries of loans and advances

Recoveries from loans and advances showed an increasing trend over the period 2011-12 and 2012-13. However, in 2013-14, 2014-15 and 2015-16 the recovery of Loans and Advances declined by ₹ 373 crore, ₹ 9 crore and ₹ 19 crore respectively over the previous years. Thus, there was a persistent decline.

1.4.2 Debt receipts from internal sources

Debt receipts comprising Market loans, loans from financial institutions, *etc.* over the period 2011-12 to 2015-16 continued to be a major source of receipts of the State Government. They increased by ₹ 4,412 crore (192.75 *per cent*) over the period 2011-12 to 2015-16. During the current year, debt receipt increased by ₹ 2,189 crore (48.52 *per cent*) over the previous year. Trends in market borrowings are detailed in **Para 1.10.1**.

1.4.3 Loans and advances from GoI

The State being a special category state, receives grants-in-aid and loans from GoI in the ratio of 90:10. Therefore, the State Government's outstanding liability on account of loans from the GoI (₹ 543.84 crore) is only 1.82 *per cent* of its total Public Debt (₹ 29,836 crore). Receipt of Loans and Advances from GoI increased by ₹ 50 crore (106.38 *per cent*) over the period 2011-12 to 2015-16. During the current year, it increased by ₹ 36 crore (59.02 *per cent*) over the previous year.

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.*, which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution of India and are not subject to vote by the State Legislature. Trends of receipts and disbursement under various segments of Public Accounts are given in **Table 1.12**.

Table-1.12: Trends of Public Account Receipts and disbursement during 2014-15 and 2015-16

(₹ in crore)

Source of State's Receipts	Public Account Receipts		Disbursement from Public Accounts		Excess of receipts over disbursements	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
a. Small Savings, Provident fund <i>etc.</i>	1,399.93	1,513.13	979.73	1,035.39	420.20	477.74
b. Reserve Funds	306.59	332.46	92.02	149.09	214.57	183.37
c. Deposits and Advances	3,484.42	3,798.92	3,085.04	3,660.57	399.38	138.35
d. Suspense and Miscellaneous	24,453.93	27,622.77	24,440.43	27,246.38	13.50	376.39
e. Remittances	5,387.56	4,478.59	4,937.72	4,445.30	449.84	33.29
Total	35,032.43	37,745.87	33,534.94	36,536.73	1,497.49	1,209.14

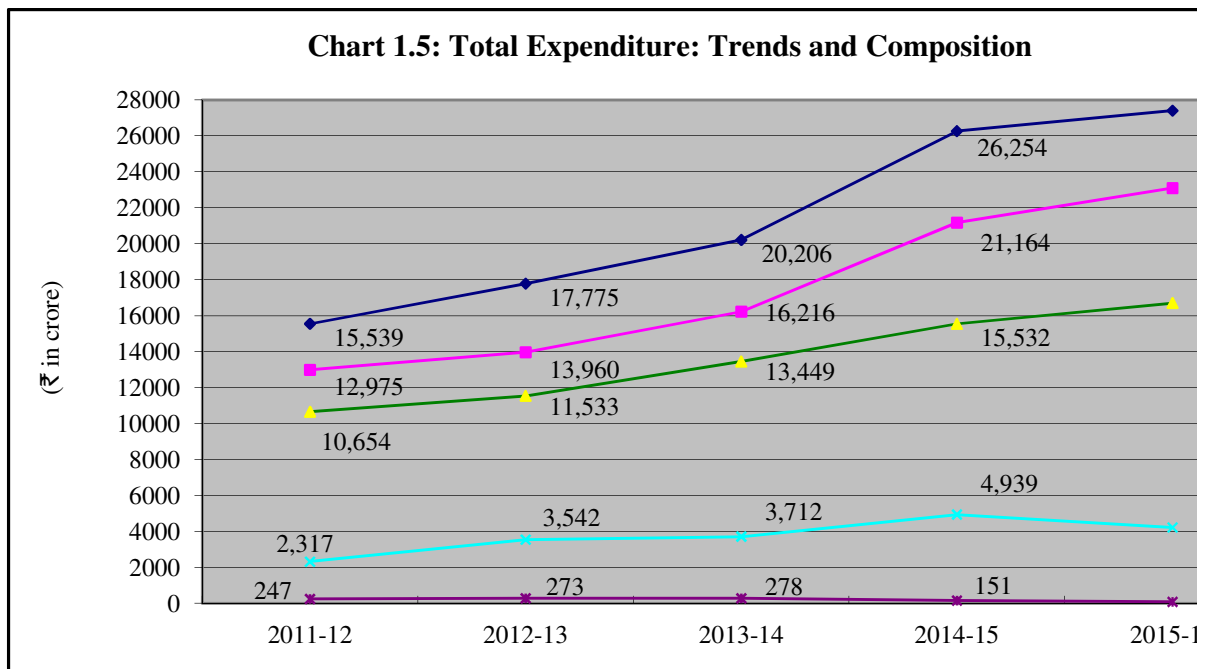
Cheques and Bills of ₹ 254.52 crore formed the bulk of the excess of receipt over disbursement of ₹ 376.39 crore during 2015-16 under Suspense and Miscellaneous. It indicates that several cheques issued during the year had not been presented to the banks for clearance.

1.6 Application of Resources

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

1.6.1 Growth and composition of expenditure

Chart 1.5 presents the trends in total expenditure over a period of five years (2011-12 to 2015-16) and its composition both in terms of ‘economic classification’ and ‘expenditure by activities’ is depicted in **Chart 1.6**.

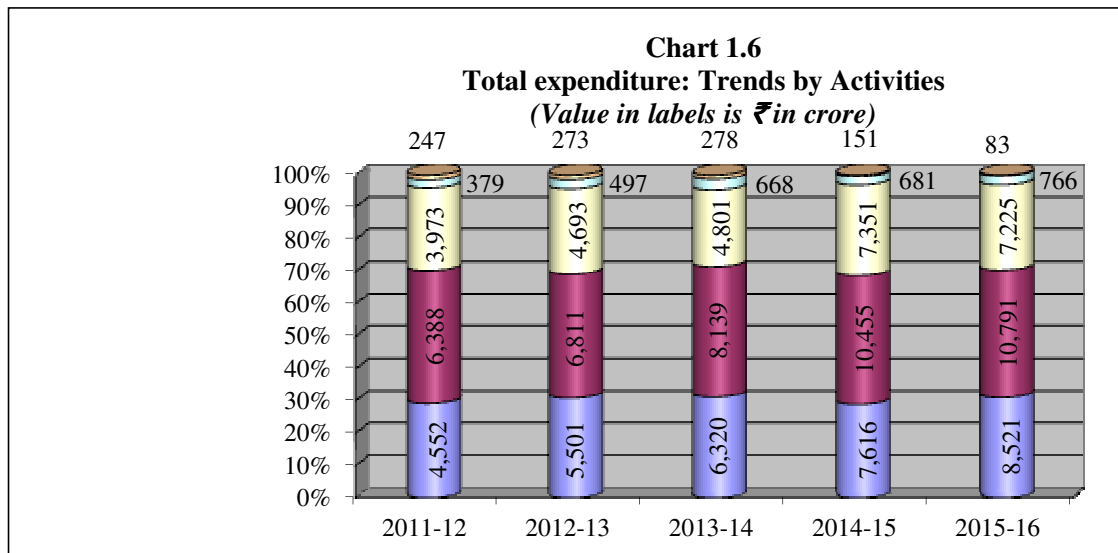


Total expenditure (TE) of the State increased at an average rate of 15.42 *per cent* per annum during 2011-12 to 2015-16. An increase of ₹ 1,132 crore (4.31 *per cent*) in Total Expenditure during 2015-16 over the previous year was due to increase in Revenue Expenditure (RE) by ₹ 1,922 crore. However, Capital Expenditure (CE) and disbursement of loans and advances decreased by ₹ 722 crore and ₹ 68 crore respectively.

Revenue expenditure (RE): The RE of ₹ 23,086 crore during the current year was 84.30 *per cent* of TE (₹ 27,386 crore). The increase in RE (₹ 1,922 crore) during the current year was due to increase in expenditure towards (i) Grants-in-aid and Contribution (₹ 85 crore), (ii) Economic Services (₹ 127 crore), (iii) Social Services (₹ 703 crore), and (iv) General Services (₹ 1,008 crore).

Capital expenditure (CE): The decrease in CE of ₹ 722 crore (14.62 per cent) during the year was due to decrease in (i) Social Services (₹ 367 crore), (ii) Economic Services (₹ 252 crore) and (iii) General Services (₹ 103 crore). As per cent of TE, it showed a fluctuating trend over the period 2011-12 to 2015-16 which was 14.91 per cent in 2011-12 and 15.40 per cent in the year 2015-16. The CE showed an increasing trend during the period 2011-12 to 2014-15 while it decreased by 14.62 per cent during 2015-16 over previous year and stood at ₹ 4,217 crore. The actual expenditure was, however, above the target set forth by the State Government in its Budget (₹ 4,004.85 crore) but below the target of the Medium Term Fiscal Policy Statement (MTFPS) (₹ 4,933.28 crore).

The relative share of these components of expenditure in total expenditure had shown a fluctuating trend during the period 2011-12 to 2015-16. The share of expenditure on General Services including interest payments, which is considered as non-developmental expenditure, fluctuated between almost one to two per cent during the period 2011-12 to 2015-16. The share of expenditure on Social and Economic Services during the year 2015-16 have decreased marginally by less than one per cent and 1.62 per cent respectively over the previous year.



The share of **Plan Revenue Expenditure (PRE)** in the Revenue Expenditure of the State showed an increase of ₹ 106 crore (4.57 per cent) in 2012-13, ₹ 340 crore (14.01 per cent) in 2013-14 and ₹ 2,865 crore (103.54 per cent) in 2014-15 over the previous years. In the current year, it further increased by ₹ 756 crore (13.42 per cent) over the previous year which was mainly on account of Rural Development (₹ 103 crore), Social Welfare and Nutrition (₹ 777 crore), Education, Sports, Art & Culture (₹ 34 crore) and Health and Family Welfare (₹ 49 crore). However, the decrease was mainly on Water Supply, Sanitation, Housing and Urban Development (₹ 118 crore) and Welfare of the Scheduled Castes, the Scheduled Tribes and the other backward classes (₹ 88 crore) during 2015-16.

Non-Plan Revenue Expenditure (NPRE) of the State increased by ₹ 6,044 crore (56.73 per cent) from ₹ 10,654 crore in 2011-12 to ₹ 16,698 crore in 2015-16. During the current year, the increase in NPRE of ₹ 1,166 crore (7.51 per cent) was mainly due to increase in expenditure under Interest Payments (₹ 565 crore), Salaries (₹ 463 crore) and Pension (₹ 176 crore). **Table 1.13** depicts the details of actual NPRE with reference to projections made by the State Government at different stages during the year 2015-16.

Table-1.13: Actual NPRE vis-à-vis projections for 2015-16

(₹ in crore)

Non-Plan Revenue Expenditure (NPRE)	Assessment made by State Government in		Actuals
	Budget	MTFPS	
	21,059	20,662	16,698

Source: FFC Report, Annual Financial Report (GoUK) and Finance Accounts.

During the current year, the NPRE (₹ 16,698 crore) was less than the projections made by the State Government in its Budget (₹ 21,059 crore) and MTFPS (₹ 20,662 crore) by ₹ 4,361 crore and ₹ 3,964 crore respectively.

1.6.2 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.14** presents the trends in the expenditure on these components during 2011-12 to 2015-16.

Table-1.14: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16		
					BE	Actuals	Percentage of variation over BE to Actuals
Salaries & Wages, of which	5,244 (38.30)	5,724 (36.35)	6,431 (37.13)	7,309 (36.10)	9,148	7,848 (47.00)	(-) 14.21
Non-Plan Head	4,971	5,423	6,115	6,944		7,407 (44.36)	
Plan Head*	273	301	316	365		441 (2.64)	
Interest Payments	1,769 (12.92)	2,089 (13.27)	2,056 (11.87)	2,406 (11.88)	3,380	2,971 (17.79)	(-) 12.10
Expenditure on Pensions	1,135 (8.29)	1,366 (8.67)	2,131 (12.30)	2,452 (12.11)	2,624	2,628 (15.74)	(+) 0.15
Subsidies	220 (1.61)	163 (1.04)	24 (0.14)	209 (1.03)	318	211 (1.26)	(-) 33.65
Total Committed Expenditure	8,368 (61.12)	9,342 (59.33)	10,642 (61.44)	12,376 (61.13)	15,470	13,658 (81.79)	(-) 11.71
Other Components	2,286 (16.70)	2,191 (13.91)	2,807 (16.21)	3,156 (15.59)	5,589	3,040 (18.21)	(-) 45.61
Total NPRE	10,654	11,533	13,449	15,532	21,059	16,698	(-) 20.71
Total Revenue Expenditure	12,975	13,960	16,216	21,164	25,739	23,086	(-) 10.31
Revenue Receipts	13,691	15,747	17,321	20,247	25,778	21,234	(-) 17.63

Figures in the parentheses indicate percentage to revenue receipts.

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

The committed expenditure, which was 61 per cent of revenue receipts in 2011-12, increased by three per cent during the current year and was 64 per cent of revenue receipts. It increased by ₹ 5,290 crore over the period 2011-12 to 2015-16. There is a need to take steps to contain the committed expenditure as it leaves little scope for the government to spend more on developmental activities.

Salaries and Wages

During the current year expenditure on salaries (₹ 7,848 crore) consumed 47 per cent of NPRE (₹ 16,698 crore). The expenditure on salaries during the years 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 grew by 11.08 per cent, 9.15 per cent, 12.35 per cent, 13.65 per cent and 7.37 per cent respectively. Salary expenditure during the past four years was higher than the *Th. FC* projections. The actual expenditure on salaries during 2015-16 was well below the target fixed by the State Government in its Budget (₹ 9,148 crore) and MTFPS (₹ 8,254 crore) for the current year. However, for the year 2015-16 the BE and MTFP were overestimated as they were 25.16 per cent and 12.93 per cent higher than the Actual Expenditure made during 2014-15.

Th. FC prescribed that expenditure under the head salaries should be 35 per cent of revenue expenditure net of interest payments and pensions while the actual expenditure on salaries accounted for around 44.53 per cent in the current year.

Pension Payments

The State Government estimated the pension liabilities on the historical growth rate of pension and not on actuarial basis. Expenditure on pension payments was ₹ 2,628 crore in 2015-16, which constituted 12.38 per cent of the revenue receipts. However, during the current year, it increased by 7.18 per cent over the previous year 2014-15. The pension payments during the current year were less (₹ 39 crore) than the normative assessment (₹ 2,667 crore) made by the *FFC* for the current year (Annexure 7.5 of *FFC* Report).

The State Government also introduced a contributory pension scheme for the employees recruited on or after 1 October 2005 to mitigate the impact of rising pension liabilities in future.

During the year, both employees contribution (₹ 186.07 crore) and matching Government Contribution (₹ 186.07 crore) amounting to ₹ 372.14 crore has been booked under MH-0071-117-Defined Contribution Pension Scheme for Government employees. Out of this, ₹ 371.73 crore has been transferred to National Securities Depository Limited, leaving a balance ₹ 0.41 crore still to be transferred. Further, the State Government has parked the legacy balances⁵ of ₹ 145.32 crore in the Public Account under Major Head 8342-117-Defined Contribution Pension Scheme. During the year, interest of ₹ 30.00 crore on these accumulated balances has been credited to the Fund and an amount of ₹ 2.06 crore has been transferred to NSDL leaving a balance of ₹ 173.27 crore in the Fund.

Uncollected, unmatched and un-transferred amounts, with accrued interest, represent outstanding liabilities under the Scheme.

Interest Payments

As shown in **Table 1.14**, interest payments increased by 67.95 per cent during 2011-12 to 2015-16 primarily on account of earlier borrowings. Interest payments during

⁵ Legacy balances are the amounts relating to the period between date of announcement of the Scheme (1st October 2005) and the date the Scheme was notified by the State Government (31st March 2008).

2015-16 included interest on Internal Debt⁶ (₹ 2,298 crore), Small Savings, Provident Fund *etc.* (₹ 506 crore), other obligations (₹ 126 crore) and loans and advances from Government of India (₹ 41 crore). Interest payments (₹ 2,971 crore) during the current year were 13.99 *per cent* of Revenue receipts against 11.60 *per cent* recommended by FFC, which were lower by ₹ 409 crore than the target of ₹ 3,380 crore set by the State Government in its Budget and MTFPS.

Subsidies

In any welfare state, it is not uncommon to provide subsidies/ subventions to the disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public service to the people. Budgetary support to financial institutions, inadequate returns on investments, and poor recovery of user charges from Social and Economic Services provided by the Government also falls in the category of implicit subsidies.

The Finance Accounts (*Appendix II*) showed an explicit subsidy of ₹ 219.67 crore (2011-12), ₹ 163.23 crore (2012-13), ₹ 23.63 crore (2013-14), ₹ 208.71 crore (2014-15) and ₹ 211.38 crore (2015-16) during the last five years.

The amount of subsidy given during the year showed a marginal increase of ₹ 2.67 crore (1.28 *per cent*) as compared to the previous year.

1.6.3 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants to local bodies and other institutions during the current year relative to previous years is presented in **Table 1.15**.

Table-1.15: Financial Assistance to Local Bodies etc.

(₹ in crore)

Financial Assistance to Institutions	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	ACTUAL
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	403.45	501.83	431.05	714.27	629.74	615.73
Municipal Corporations and Municipalities	175.76	306.28	321.19	380.17	577.08	334.11
Zila Parishads and Other Panchayati Raj Institutions	203.04	190.59	347.21	301.10	469.55	432.46
Development Agencies	409.35	480.80	562.37	891.07	1,209.58	828.94
Hospitals and Other Charitable Institutions	86.98	134.78	108.99	335.89	466.13	338.94
Energy (Non-conventional source of energy)	6.32	12.89	6.88	5.11	23.41	18.63
Agriculture Research and Educational Institution, Land Reforms for updating land records and Wild life Preservation	205.54	79.71	111.16	245.18	517.56	270.21
Co-operatives	7.30	9.75	11.83	4.64	7.93	4.12
Animal Husbandry, Dairy Development and Fisheries	8.65	8.75	10.43	28.58	32.74	27.09
Secretariat Economic Services & Tourism	29.34	36.28	49.33	68.80	41.90	1.52
Social Security & Welfare of Scheduled Caste, Scheduled Tribe & Other Backward Classes	211.10	254.31	285.85	412.94	604.45	514.86
Other Institutions	31.12	115.75	80.27	127.67	258.99	209.16
Total	1,777.95	2,131.72	2,326.56	3,515.42	4,839.06	3,595.77
<i>Assistance as per percentage of RE</i>	<i>13.70</i>	<i>15.27</i>	<i>14.35</i>	<i>16.61</i>	<i>18.80</i>	<i>15.58</i>

Source: V.L.C. data of Accountant General (A&E), Uttarakhand.

The total assistance to local bodies and other institutions declined by ₹ 144.32 crore (7.51 *per cent*) in the year 2011-12 in comparison to 2010-11. However, the assistance during the year 2012-13, 2013-14 and 2014-15 increased by ₹ 353.77 crore

⁶ Refer glossary in **Appendix-4.1**

(19.90 per cent), ₹ 194.84 crore (9.14 per cent) and ₹ 1,188.86 crore (51.10 per cent) respectively. During the current year 2015-16, it increased only by ₹ 80.35 crore (2.29 per cent) over the previous year. Educational institutions and development agencies together accounted for 40.18 per cent of the total financial assistance during the current year.

The increase in assistance during the current year was mainly under Zila Parishads and Other Panchayati Raj Institutions (₹ 131.36 crore), Social Security and Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes (₹ 101.92 crore). The main decrease was under Educational Institutions⁷ (₹ 98.54 crore), Secretariat Economic Services & Tourism (₹ 67.28 crore) and Development Agencies (₹ 62.13 crore).

1.7 Quality of Expenditure

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

1.7.1 Adequacy of Public expenditure

The expenditure responsibilities relating to social sector and economic infrastructure, assigned to the State Governments, are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Fiscal priority (ratio of expenditure category to aggregate expenditure) refers to the priority given to a particular category of expenditure by the State. Low fiscal priority can be stated to have been attached to a particular sector if the priority given to that particular head of expenditure is below the Special Category States' average for that year.

Table 1.16 analyses the fiscal priorities of the State Government with regard to Development Expenditure (DE), Social Sector Expenditure (SSE) and Capital Expenditure (CE), Expenditure on Education and on Health relative to Special Category States in the years 2012-13, 2014-15 and 2015-16.

Table-1.16: Fiscal Priority of the State during the years 2012-13, 2014-15 and 2015-16

Fiscal Priority by the State	AE/GSDP [*]	DE#/AE [®]	SSE/AE [®]	ESE/AE [®]	CE/AE [®]	Education/ AE [®]	Health/AE [®]
Special Category States' Average (Ratio) 2012-13	22.23	69.92	38.42	31.50	15.53	20.86	5.58
Uttarakhand Average (Ratio) 2012-13	13.48	66.23	38.32	26.40	19.93	22.15	4.83
Special Category States' Average (Ratio) 2014-15	23.80	71.77	40.29	31.49	15.27	21.04	5.90
Uttarakhand Average (Ratio) 2014-15	16.21	68.39	39.82	28.57	18.81	18.76	5.32
Special Category States' Average (Ratio) 2015-16	21.66	70.41	39.78	30.63	13.95	20.63	6.41
Uttarakhand Average (Ratio) 2015-16	14.88	66.08	39.40	26.38	15.40	18.73	4.96

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure ESE: Economic Sector Expenditure
Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.
® Exclude only J&K. *Exclude J&K and Manipur

Source: Finance Accounts of relevant Years and Economic Advisor, Office of the Comptroller and Auditor General of India.

⁷ Aided Schools, Aided Colleges, Universities, etc.

A comparative study of average expenditure of Uttarakhand State in 2014-15 and 2015-16 with that of 2012-13 showed the following:

- The State Government's aggregate expenditure as a proportion of the GSDP in 2014-15 and 2015-16 was higher by 2.73 *per cent* and 1.40 *per cent* respectively in comparison to 2012-13.
- Development Expenditure (DE) as a proportion of Aggregate Expenditure (AE) in 2015-16 in comparison to 2012-13 was almost identical though it was higher in 2014-15.
- Social Sector Expenditure as a proportion of AE was higher by almost one *per cent* during 2014-15 and 2015-16 in comparison to 2012-13.
- Economic Sector Expenditure as a proportion of AE was higher by 2.17 *per cent* during 2014-15 and remained almost identical in 2015-16 in comparison to 2012-13.
- The proportion of Capital Expenditure (CE) in AE decreased by 1.12 *per cent* and 4.53 *per cent* in 2014-15 and 2015-16 respectively.

Further comparative study of SCSs' Average and Uttarakhand's Average in 2014-15 and 2015-16 with that of 2012-13 also showed the following:

- AE as a proportion of GSDP in the State has remained on lower side than the SCSs' average during all the three years.
- Development Expenditure as a proportion of Aggregate Expenditure in the State has also remained on lower side than the SCSs' average. Development Expenditure consists of both Economic and Social Service Sector Expenditure.
- The Social Sector Expenditure as a proportion of Aggregate Expenditure in the State was almost identical with that of SCSs during all the three years.
- The Economic Sector Expenditure as a proportion of Aggregate Expenditure in the State was on lower side than that of SCSs during all the three years.
- As observed from the **Table 1.16**, adequate priority needs to be given to Health Sector as the ratio under Health Sector was below the average of SCS during 2012-13, 2014-15 and 2015-16.
- In Education Sector, there is also need of giving priority as expenditure ratio under Education Sector was also below the average of SCS during 2014-15 and 2015-16.

Priority has been given by the State Government to Capital Expenditure in 2012-13, 2014-15 and 2015-16 as the ratio of Capital Expenditure to Aggregate Expenditure has been higher than the average ratio of Special Category States.

1.7.2 Efficiency of expenditure

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods⁸. Apart from improving the allocation towards development

⁸ Refer the glossary in **Appendix-4.1**

expenditure⁹, 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. While **Table 1.17** presents the trends in development expenditure relative to the Aggregate Expenditure of the State both during the current year and the previous year *vis-à-vis* allocations, **Table 1.18** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

The share of Developmental Revenue Expenditure (DRE) in the Total Expenditure (TE) showed an inter-year variation during the period 2011-12 to 2015-16 and remained on an average 49 *per cent* during the period. During the current year 2015-16, DRE showed an increase of 6.34 *per cent* over previous year. The share of Developmental Capital Expenditure in TE also showed inter-year variations during 2011-12 to 2015-16. The share of DCE in TE decreased by three *per cent* during 2015-16 over previous year. The DCE regularly increased ranging between ₹ 161 crore to ₹ 1,173 crore during 2011-12 to 2014-15. However, it decreased by ₹ 619 crore (13.10 *per cent*) during the year 2015-16 as compared to 2014-15. The overall Development Expenditure increased almost by 70.62 *per cent* over the period 2011-12 to 2015-16.

Table-1.17: Development Expenditure

(₹ in crore)

Components of Development Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actuals
Development Expenditure (a to c)	10,607 (68)	11,776 (66)	13,216 (65)	17,955 (68)	19,835	18,098 (66)
(a) Development Revenue Expenditure	8,121 (52)	8,091 (45)	9,366 (46)	13,081 (49)	15,781	13,910 (51)
(b) Development Capital Expenditure	2,240 (14)	3,413 (19)	3,574 (18)	4,725 (18)	3,883	4,106 (15)
(c) Development Loans and Advances	246 (2)	272 (2)	276 (1)	149 (1)	171	82(-)

Figures in parentheses indicate percentage to aggregate expenditure

Table-1.18: Efficiency of Expenditure Use in Selected Social and Economic Services

(in per cent)

Social/Economic Infrastructure	2014-15			2015-16		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S & W	O&M		S & W	O & M
Social Services (SS) expenditure on major components						
General Education	0.60	15.55	0.004	0.47	15.42	0.013
Health and Family Welfare	0.99	3.51	0.037	0.52	3.37	0.021
WS, Sanitation, & HUD	1.46	0.04	0.008	1.56	0.04	0.008
Total SS	4.69	20.08	0.077	3.15	19.84	0.053
Economic Services(ES) expenditure on major components						
Agriculture & Allied Activities	0.71	2.99	0.132	0.37	2.91	0.069
Irrigation and Flood Control	2.91	1.23	0.190	2.58	1.16	0.172
Power & Energy	0.65	0.0002	0.000	0.21	0.00	0.000
Transport	5.98	0.091	0.004	5.11	0.09	0.023
Total ES	13.31	5.69	0.800	11.84	5.50	0.267
Total (SS + ES)	18.00	25.77	0.877	14.99	25.34	0.320

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance.

⁹ Refer the glossary in **Appendix-4.1**

The State Government in its Budget 2015-16 and in the Medium Term Fiscal Policy presented to the State Legislature along with the Budget 2016-17, has committed that growth of Capital Expenditure will be 12.60 *per cent*. The *FFC* has also recommended that the fiscal deficit shall be 3.25 *per cent* of the GSDP in the year 2015-16. To achieve this, the State Government has to borrow less, and therefore, there would be fewer funds available to capitalize in near future. During the fiscal year 2015-16, the Government capitalised 14.62 *per cent* (₹ 722 crore) less funds over previous year 2014-15 while in 2014-15, it was 33 *per cent* (₹ 1,227 crore) more as compared to the year 2013-14.

During 2015-16, salaries and wages, as a percentage of revenue expenditure in both Social and Economic Services, decreased by less than one *per cent* over the previous year. The expenditure under Operation & Maintenance as a percentage of revenue expenditure has also decreased in both Social and Economic Services during the current year over the previous year.

1.8 Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels, but also meet its requirements under capital expenditure and investments including loans and advances. 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 the cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidies, and take requisite steps to infuse transparency in its financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

1.8.1 Incomplete projects

Information pertaining to incomplete projects as on 31 March 2016 is given in **Table 1.19**.

Table-1.19: Department-wise Profile of Incomplete Projects

(₹ in crore)

Department	No. of Incomplete Projects	Initial Budgeted cost	*Revised Total cost of Projects	Cost Over Runs in Revised Estimates	Cumulative actual expenditure as on 31.3.2016
Public Works Department	182	985.73	1,039.58	53.85	582.13

* Indicates the Revised total cost of the projects as per the last revision by the State Government as on 31.03.2016

Source: Finance Accounts

1.8.2 Investment and returns

As on 31 March 2016, the average return on Uttarakhand Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.20**) was negligible and ranged from 0.004 to 0.18 *per cent* of the investment in the last five years while the Government paid an average interest rate of 7.96 *per cent* on its borrowings during 2011-12 to 2015-16.

Table-1.20: Returns on Investment

Investment/Return/Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year (₹ in crore)	1,338	2,397 [*]	2,677	2,809	2914
Return (Dividend/ interest) (₹ in crore)	0.05	0.19	0.30	0.11	5.10
Return (<i>per cent</i>)	0.004	0.01	0.01	0.004	0.18
Average rate of interest on Government borrowing (<i>per cent</i>)	7.83	8.50	7.57	7.73	8.19
Difference between interest rate and return (<i>per cent</i>)	7.83	8.49	7.56	7.73	8.01

*figure differs from previous year's figure due to pro forma correction made by AG (A&E) office.

Source: Finance Accounts

In this context, no norms on investments and returns have been prescribed by the State Government. Thus, there is a need to formulate norms and identify the projects with low financial but high socio-economic returns.

The major investments (more than 25 *per cent*) were in (i) Uttarakhand Power Corporation Ltd. (₹ 1,139 crore), (ii) Uttarakhand Jal Vidyut Nigam Ltd. (₹ 1,331 crore) and Power Transmission Corporation of Uttarakhand Ltd. (₹ 1,082 crore). The Uttarakhand Power Corporation Ltd. and Power Transmission Corporation of Uttarakhand Ltd. had incurred accumulated losses of ₹ 1,955 crore and ₹ 2 crore respectively as per their latest finalised accounts for the year 2014-15 while Uttarakhand Jal Vidyut Nigam, Limited has an accumulated profit of ₹ 441 crore as per their latest finalised accounts for the year 2015-16.

1.8.3 Implementation of UDAY Scheme

Government of India approved Ujjawal DISCOM Yojana (UDAY) on 5th November 2015. It is a scheme for the financial turnaround of Power Distribution Companies (DISCOMs) and is expected to improve the operational and financial efficiency of the State DISCOMs.

Under the scheme, UPCL, the State Power Distribution utility, submitted (5 March 2016) proposal for its operational and financial turnaround to the State Government. The decision taken (21-03-2016) on the proposal of UPCL, the present status and the likely impact on the fiscal position of the State are summarized in the **Table 1.21**.

Table 1.21: Implementation of UDAY Scheme and its impact on State fiscal position

Sl. No.	State Government's Instructions	Status on 31 March 2016	Impact on the State's fiscal position
1.	The UPCL will issue State guaranteed bonds to pay off outstanding loan of ₹ 520.37 crore (as on 30/09/2015) from Rural Electrification Corporation (at an average rate of interest of 12 <i>per cent</i>).	UPCL has not issued any State guaranteed bonds till date.	Impact will be analysed after initiating action.
2.	The State Government will convert the loan of ₹ 141.04 crore (as on 30-09-2015) (at an average rate of interest of 17.50 <i>per cent</i>), received by UPCL from the Government of UP into equity of the UPCL	Conversion of loan of ₹ 151.13 crore into equity has been approved (24-06-2016) by the Board of Directors of UPCL. The same was shown under Share Application money pending allotment as on 31 st March 2016 in the Annual Financial Statements (Balance Sheet) of UPCL for the F.Y. 2015-16.	No impact as loan is being converted into investment. However, there will be a decline in non-tax revenue in shape of interest receipts in the coming years.
3.	The State Government will convert the loan of ₹ 10.09 crore (as on 30-09-2015) (at an average rate of interest of 6.50 <i>per cent</i>) into equity of UPCL		
4.	State Government approved the adjustment of ₹ 642.09 crore in respect of electricity bills and surcharge receivable from the Jal Sansthan up to March 2015 against the Electricity Duty, Cess and Royalty payable to the State Government by UPCL.	The adjustment of ₹ 642.09 crore in respect of electricity bills and surcharge receivable from Jal Sansthan up to March 2015 was made during the F.Y. 2015-16, details of which are: (a) Adjustments against Electricity Duty – ₹ 444.63 crore. (b) Adjustment against Cess & Royalty ₹ 197.46 crore.	There will be a decline in non-tax revenue to the extent of adjustment taken.

Following are the inference of the implementation of UDAY scheme as indicated in the **Table 1.21** above:

- Financial position of UPCL would improve due to reduced interest payment burden on account of conversion of loan and interest thereon of ₹ 151.13 crore into equity.
- The old debtors and creditors (up to 31/03/2015) have been cleared from the Balance Sheet of UPCL.
- The State Government has forgone Non-Tax revenue to the tune of ₹ 642.09 crore due to adjustment of Electricity Duty, Cess and Royalty with the electricity dues of Jal Sansthan.

1.8.4 Departmentally Managed Commercial Undertakings

Activities of quasi-commercial nature are also performed by the departmentally managed undertakings of certain government departments. The department-wise position of the investments made by the Government up to the year for which *proforma* accounts are finalized, net profit / loss as well as return on capital invested in these undertakings are given in **Appendix-1.5**. It was observed from the finalized accounts of three companies that:

- An amount of ₹ 1.92 crore had been invested by the State Government in ‘Government Irrigation Workshop’, Roorkee, up to 2011-12.
- Out of a total of three undertakings viz; Irrigation Workshop, Roorkee; Regional Food Controllers, Haldwani and Dehradun, only Irrigation Workshop had finalized their accounts up to 2011-12. It was a profit earning entity up to 2007-08 but has been posting net losses thereafter.

1.8.5 Loans and advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the Government has also been providing loans and advances to many of these institutions/ organisations. **Table 1.22** presents the outstanding loans and advances as on 31 March 2016, and interest receipts *vis-à-vis* interest payments during the last three years.

Table-1.22: Average interest received on loans advanced by the State Government

Amount of Loans/Interest Receipts/ Cost of Borrowings	2013-14	2014-15	2015-16	
			BE	Actual
Opening Balance	718.21	940.97	--	1,046.36
Amount advanced during the year	277.99	150.97	172.67	83.15
Amount repaid during the year	55.23	45.58	37.39	27.20
Closing Balance	940.97	1,046.36	--	1,102.30
Net addition	222.76	105.39		55.94
Interest Receipts	3.72	0.14		0.14
Interest receipts as <i>per cent</i> to outstanding Loans and advances	0.40	0.01		0.01
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	7.15	7.19		7.61
Difference between interest payments and interest receipts (<i>per cent</i>)	6.75	7.18		7.60
Outstanding balance for which terms and conditions have been settled	Information not made available by the State Government			

Source: Finance Accounts and Annual Financial Statement (Government of Uttarakhand).

During 2015-16, the Government advanced loans of ₹ 83.15 crore against ₹ 150.97 crore in 2014-15, a sharp decrease of ₹ 67.82 crore (44.92 per cent) over the previous year. Recoveries of loans and advances also showed a decrease of ₹ 18.38 crore over the previous year.

Interest receipts, as a percentage of outstanding loans and advances remained identical during the current year as compared to previous year. Interest payment as per cent to the outstanding Fiscal Liabilities of the State was 7.61 per cent during 2015-16 while the interest received (return) on loans and advances given to various institutions, Corporations/ Government Companies and Government servants, etc. by the State was only 0.01 per cent as against the target of seven per cent by 2009-10 fixed by the Twelfth Finance Commission.

The total loans advanced by the Government as on 31 March 2016 stood at ₹ 1,102.30 crore. The major beneficiaries were Agriculture and Allied Activities (₹ 797.92 crore), Transport (₹ 136.11 crore) and Energy (₹ 108.03 crore) sectors.

Scrutiny of the total outstanding loans revealed that there was no repayment by four sectors over last five year ended March 2016 and in one sector, the repayment was marginal while further loans had been extended resulting in increase in the outstanding balance over the years. **Table 1.23** shows that closing balance indicating no/ marginal repayment.

Table 1.23: Loan and Advances rolling for a long time

(₹ in crore)						
Sl No.	Name of the Sector	2011-12	2012-13	2013-14	2014-15	2015-16
1.	General Services (Other Loans)	16.39	19.47	19.47	19.47	19.47
2.	Water Supply, Sanitation, Housing and Urban Development	42.09	42.09	42.09	42.09	42.09
3.	Agriculture and Allied Activities	294.55	451.46	660.81	795.99	797.92
4.	Special Area Programme	9.53	9.53	9.53	9.53	9.53
5.	Transport	100.11	125.11	135.11	135.11	136.11
Total:		462.67	647.66	867.01	1,002.19	1,005.12

1.8.6 Cash balances and investment of cash balances

Table 1.24 depicts the cash balances and investments made by the State Government out of its cash balances during the year.

Table-1.24: Cash Balances and Investments out of Cash balances

(₹ in crore)		
Particulars	As on 1 st April 2015	As on 31 st March 2016
General Cash Balance(a)		
Cash in Treasuries and local Remittances	00	00
Deposits with Reserve Bank	104.19	3.84
Deposits with other Banks(B)	00	00
Total	104.19	3.84
Investments held in Cash Balance investment account	592.21	344.74
Total (a)	696.40	348.58
(b) Other Cash Balances and Investments		
Cash with departmental offices viz. Public Works Department Officers, Forest Department Officers, District Collectors	(-) 2.15	(-) 13.56
Permanent advances for contingent expenditure with departmental officers	(-) 0.84	(-) 0.84
Investments of earmarked funds	1,078.62	1,128.62
Total (b)	1,075.63	1,114.22
Grand Total (a) + (b)	1,772.03	1,462.80

Source: Finance Accounts.

The closing cash balance (CB) at the end of the current year (₹ 1,462.80 crore) decreased by ₹ 309.23 crore over the previous year (₹ 1,772.03 crore).

The State Government had created an earmarked fund of ₹ 1,128.62 crore from the CB. The same amount was invested from the earmarked fund through RBI. The interest realised on cash balance investment account was ₹ 37.56 crore (6.34 per cent) during 2015-16 while government paid interest at the average rate of 8.19 per cent on its market borrowings during the year. The Government did not resort to overdraft facility and was able to maintain a minimum cash balance of ₹ 0.16 crore for maximum number of days during 2015-16. However, temporary imbalances in cash flow forced the government to obtain Ways and Means Advances (WMA) on nine (ordinary and special) occasions during the year. The State had to pay ₹ 0.19 crore as interest on WMA during the year 2015-16.

There was a credit balance of ₹ 339.29 crore lying under the minor head Treasury Cheques below the major head 'Cheques and Bills' at the end of financial year 2015-16.

During the year 2015-16 the Market Borrowings were within the budgeted target of ₹ 3,900.00 crore though it was higher by ₹ 1,500 crore over the year 2014-15. The fiscal deficit ₹ 6,125.00 crore in 2015-16 and ₹ 5,826.00 crore in 2014-15 was largely managed by Market Borrowings to the tune of ₹ 2,730.00 crore and ₹ 2,091.00 crore respectively.

1.9 Assets and Liabilities

1.9.1 Growth and composition of assets and liabilities

In the existing government accounting system, comprehensive accounting of fixed assets such as land and buildings owned by the Government is not done. However, the government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix-1.4 (Part-B)** gives an abstract of such liabilities and the assets as on 31 March 2016, compared with the corresponding position as on 31 March 2015. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from GoI, receipts in the public account and reserve funds, the assets comprise mainly of capital outlay, loans and advances given by the State Government, and cash balances.

1.9.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix-1.3; Appendix-1.4 & Statement 6** of the State Finance Accounts. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Chart 1.7** and **Chart 1.8**.

Chart 1.7: Composition of Outstanding Fiscal Liabilities as on 31.03.2015 (₹in crore)

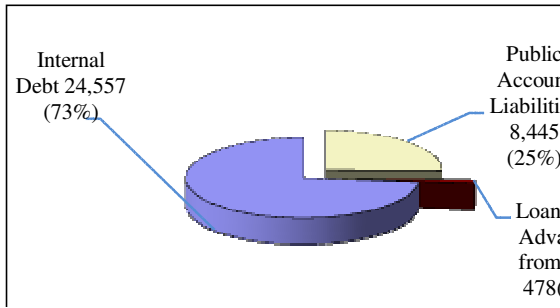
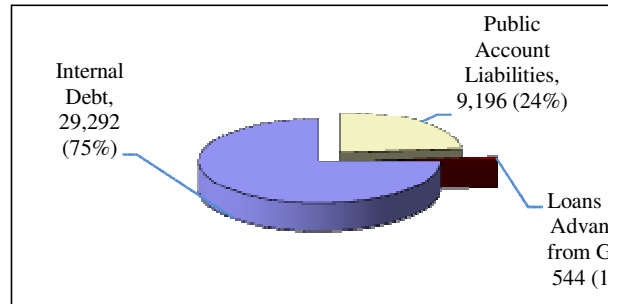


Chart 1.8: Composition of Outstanding Fiscal Liabilities as on 31.03.2016 (₹in crore)



The debt-GSDP ratio for the year of 2015-16 (21.20 per cent) appreciated by 0.53 per cent in comparison to previous year's ratio (20.67 per cent). The ratio remained within the normative assessment of the FFC (22.70 per cent) for the year. The overall fiscal liabilities increased by 65.33 per cent from ₹ 23,609 crore in 2011-12 to ₹ 39,032 crore in 2015-16. The State liabilities which stood at ₹ 39,032 crore at the end of 2015-16 were composed of public debt (₹ 29,836 crore), Small Savings and Provident Fund, etc. (₹ 5,941 crore), and other obligations (₹ 3,255 crore). The increase in the fiscal liabilities (₹ 5,552 crore) at the end of the current year as compared to the previous year 2014-15 was mainly on account of Internal Debt, Small Savings and Provident Fund, Deposits, and Reserve Fund etc. which rose by ₹ 4,736 crore, ₹ 478 crore, ₹ 139 crore and ₹ 183 crore respectively. Fiscal liabilities grew by 16.58 per cent in 2015-16 over the previous year. The buoyancy of these liabilities with respect to GSDP during the year was 1.21 indicating that for each percentage point increase in GSDP, fiscal liabilities grew by 1.21 per cent. These liabilities stood at 1.84 times State's revenue receipts and 3.68 times its own resources.

1.9.3 Transactions under Reserve Funds & Deposits

(a) State Government operated eight Reserve Funds as on 31 March 2016 out of which two Reserve Funds are interest bearing (₹ 407.58 crore) and six are non-interest bearing (₹ 1,214.51 crore). Out of these eight funds, three funds are inoperative (balance ₹ 12.10 crore) and five funds are operative (balance ₹ 1,609.99 crore). As on 1 April 2015, opening balance against these funds was ₹ 1,438.73 crore. During the year, the State Government made book transfers amounting to ₹ 332.46 crore from the Consolidated fund to various Reserve Funds and expenditure met from these funds was ₹ 149.09 crore, leaving a balance of ₹ 1,622.09 crore as on 31 March 2016. During the year an amount of ₹ 50.00 crore has been invested. The total investment to the end of the year stood at ₹ 1,128.62 crore, leaving a balance of ₹ 493.47 crore.

The inoperative reserve funds need to be reviewed for closure and the amount involved transferred to the concerned revenue heads. The same has not been done in the case of the above mentioned inoperative accounts.

(b) The interest liability of ₹ 30.44 crore in respect of Reserve Funds Bearing Interest and Deposits Bearing Interest, under Sectors J and K respectively of the Public Accounts is

annual liability that the State Government is required to discharge. No budget provision for the interest payable was made by the State Government despite the existence of balance in such Reserve Funds and Deposits, as on 01 April 2015, as detailed in the **Table 1.25**.

Table-1.25: Details of Cash balances in Reserve Funds and Deposits

(₹ in crore)				
Sector	Sub-Sector	Rate of Interest	Balance at the beginning of 2015-16	Interest Payable
J- Reserve Fund	(a) Reserve Funds bearing interest (including SDRF)	7.5 per cent (average of W&M interest rate)	279.35	20.95
K- Deposits and Advances	(a) Deposit bearing interest (excluding CPS) MH-8342-117	-do-	126.58	9.49
Total Interest				30.44

Consolidated Sinking Fund: In terms of the recommendations of the Twelfth Finance Commission, the State Government constituted a revised scheme for constitution and administration of the Consolidated Sinking Fund in 2006 for redeeming its outstanding liabilities (internal debt and public account liabilities of the State Government). As per the scheme and in terms of the guidelines of the Reserve Bank of India, States are required to contribute a minimum of 0.5 per cent of their outstanding liabilities (Internal Debt + Public Account liability) as at the end of the previous year. The Fund is administered by the Reserve Bank of India (RBI) subject to such directions/ instructions as the Government may issue from time to time. In the year 2015-16, against the minimum required contribution of ₹ 167.40 crore (0.5 per cent of the outstanding liabilities of ₹ 33,480.26 crore), an amount of ₹ 50 crore has been appropriated from the Consolidated Fund of the State to the Sinking Fund, i.e. less by ₹ 117.40 crore in contravention of the provisions of the Sinking Fund Scheme. The State Government has also not intimated whether contribution to the Fund had been reviewed in accordance with the provisions of the fund on acquiring substantial amounts in the fund. The total accumulations in the Fund was ₹ 1,178.00 crore at the end of 2015-16 which is 3.02 per cent of the outstanding liabilities of ₹ 39,031.87 crore. Of this, an amount of ₹ 1,103.62 crore has been invested by the Reserve Bank of India.

State Disaster Response Fund (SDRF): Government of India replaced the existing Calamity Relief fund in 2010-11 with the State Disaster Response Fund (SDRF). In terms of the guidelines of the Fund, the Centre and Special Category States like Uttarakhand are required to contribute to the Fund in the proportion of 90:10. As per the guidelines, these contributions are to be transferred to the Public Account under Major Head 8121 by operating the Expenditure Major Head 2245. Expenditure incurred during the year on disaster response is adjusted by debiting the Public Account with contra debit to the Expenditure Major Head 2245. Balance outstanding in the Fund, at the end of the year is invested. Government of India provides additional assistance from the National Disaster Response Fund (NDRF) – when the balance available under SDRF is insufficient to meet

the expenditure on account of natural calamities. The funds provided under the NDRF are used directly against the expenditure on natural calamities.

As on 1 April 2015, the Fund had a balance of ₹ 279.35 crore. During 2015-16, the Central Government released an amount of ₹ 253.36 crore towards SDRF. The State Government transferred the entire Central Government release to the Public Account together with its own share ₹ 21.00 crore. Out of the available balance in the Fund, expenditure of ₹ 146.14 crore initially incurred under the MH 2245-Relief on account of Natural Calamities was set off, leaving a balance of ₹ 407.57 crore in the Fund as of 31 March 2016. Contrary to the guidelines, this amount was not invested by the State Government to earn interest.

1.9.4 Status of Guarantees – Contingent liabilities

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

No law had been enacted by the State Legislature under Article 293 of the Constitution fixing the maximum limit within which the government could give guarantees on the security of the Consolidated Fund of the State. The FRBM Act, 2005 prescribed that the State Government shall not give guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government existing at the time of the coming into force of such rule or law. However, the State government has not so far enacted any law or formulated any rule to cap the guarantees.

As per **Statement 9** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years are given in **Table 1.26**.

Table-1.26: Guarantees given by the Government of Uttarakhand

Guarantees	2012-13	2013-14	2014-15	2015-16
Outstanding amount of guarantees	1,570	1,475	1,832	1,743
Percentage of amount guaranteed to total revenue receipts	9.97	8.52	9.05	8.21

Source: Finance Accounts.

The amount of guarantees outstanding as on 31 March 2016 is ₹ 1,743 crore which comprises Power Sector (₹ 819 crore), Co-operatives (₹ 700 crore) and others (₹ 224 crore). No guarantee had been invoked during the year. During scrutiny of the Finance Accounts (Statement 20), it was observed that the maximum amount of Guarantee and Outstanding amount of Guarantee was exclusive of interest. Thus the maximum amount of Guarantee and Outstanding amount of Guarantee indicated in the Finance Accounts did not reflect the correct amount. The complete information of Guarantee fee receivable and received in all the cases during the year was not given in the Finance Accounts due to the fact that information was not being provided by the State Government. It was also found that the Guarantee commission fees was not being deposited in the proper Head of account, rather it was being deposited in the head 0070-60-800-01 instead of 0075-108.

The government has constituted a “Guarantee Redemption Fund” for discharge of invoked guarantees with a corpus of ₹ 25 crore. Neither any amount has been appropriated nor withdrawn from the Fund up to the year 2015-16.

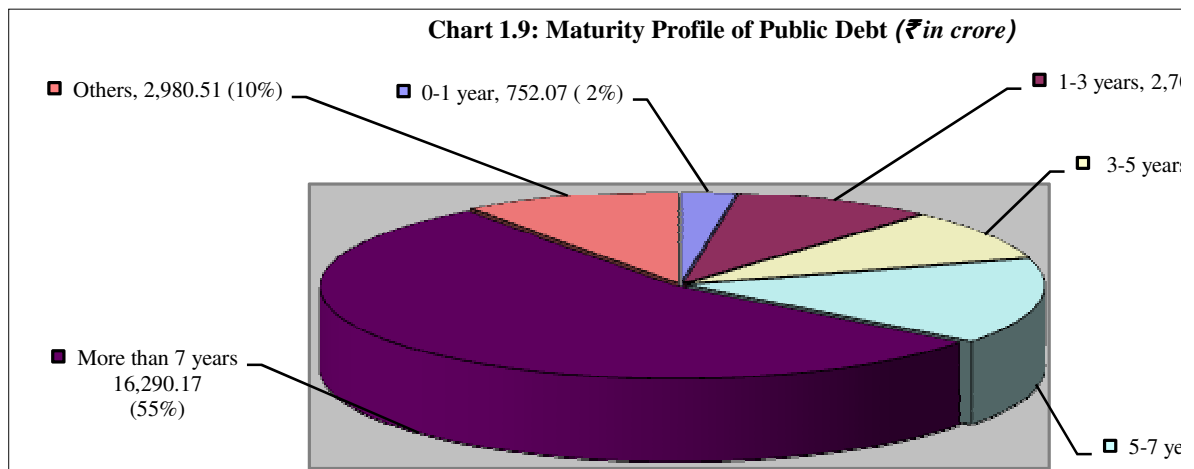
1.10 Debt Management

(i) Debt Profile

The maturity profile of the State's outstanding loans and advances (public debt) is given in **Table 1.27** and **Chart 1.9**.

Table-1.27: Maturity Profile of Public Debt

Maturity profile	Amount	Percentage to total Public Debt
0-1 year	752.07	2.52
1-3 years	2,700.75	9.05
3-5 years	2,642.99	8.86
5-7 years	4,469.72	14.98
More than 7 years	16,290.17	54.60
Other (information not made available by the State Government)	2,980.51	9.99
Total	29,836.21	100



Source: Finance Accounts.

As there was fiscal deficit in last five years, the Government had to borrow to meet its committed expenditure obligations. The maturity profile of outstanding stock of public debt as on 31 March 2016 shows that 54.60 per cent of the Public Debt was in the maturity bucket of seven years and above.

(ii) Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyze various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of debt-GSDP ratio; debt-RR ratio; sufficiency of non-debt receipts; net availability of borrowed funds; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.28** analyzes the debt sustainability of the State according to these indicators for the period of five years beginning from 2011-12.

Table-1.28: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability ¹⁰	2011-12	2012-13	2013-14	2014-15	2015-16
Rate of growth of Outstanding Debt	9.31	8.18	12.64	16.38	16.58
Growth rate of GSDP (percentage)	--	14.12	13.64	8.12	13.65
Ratio of Debt to GSDP ¹¹ (in per cent)	20.44	19.37	19.20	20.67	21.20
Ratio of Debt to Revenue Receipt (in per cent)	172.44	162.19	166.08	165.36	183.82
Sufficiency of Non-debt Receipts (Resource Gap) ¹¹	(+) 86	(+)157	(-) 1,050	(-) 3,176	(-) 299
Net Availability of Borrowed Funds ¹²	308	5	1,301	2,358	2,609
Average Interest Rate of Outstanding Debt	7.83	8.50	7.57	7.73	8.19
Burden of Interest Payments (IP/RR Ratio) in per cent	12.92	13.27	11.87	11.88	13.99
Debt Redemption (Principal +Interest)/ Total Debt Receipts	0.94	1	0.82	0.71	0.76

A low debt-GSDP ratio shows in economy that it produces and sells goods and services sufficient to pay back debts without incurring further Debt.

The trends in **Table 1.28** indicate that the debt-GSDP ratio which was 20.67 per cent in 2014-15, has increased marginally to 21.20 per cent during the current year. At 21.20 per cent, the debt-GSDP ratio was well below the target (22.70 per cent) set forth by FFC for the year 2015-16 in respect of Uttarakhand. The ratio of debt to revenue receipts increased in 2015-16 by 18.46 per cent against a marginal decrease of 0.72 per cent during the year 2014-15. The increase in the current year was due to lower growth rate in revenue receipts and increased rate of borrowings.

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure termed as resource gap. The debt sustainability could be significantly facilitated if the incremental non-debt receipts¹³ could meet the incremental interest burden and the incremental primary expenditure. A positive resource gap strengthens the capacity of State to sustain the debt. **Table 1.28** indicates resource gap for the period 2012-16.

The State had enhanced positive resource gap during 2012-13, which in turn increased the revenue surplus to ₹ 1,787 crore during the year 2012-13. During the years 2013-14 and 2014-15, the resource gap was negative which in turn changed the revenue surplus into revenue deficit by 2014-15. In the current year, there was also negative resource gap of ₹ 299 crore resulting in the revenue deficit (₹ 1,852 crore) in 2015-16. The fiscal deficit was brought down to reasonable limits during 2011-12 (₹ 1,757 crore) which further came down to ₹ 1,600 crore during the year 2012-13 (1.21 per cent of the GSDP). During the years 2013-14, 2014-15 and 2015-16 the Fiscal Deficit deteriorated to ₹ 2,650 crore (1.77 per cent of GSDP), ₹ 5,826 crore (3.60 per cent of GSDP) and ₹ 6,125 crore (3.33 per cent of GSDP).

Debt redemption ratio was 0.94 during the year 2011-12 indicating the fact that the borrowed funds were used for the repayments towards the discharge of past debt obligations during the year (**Appendix-1.3**). However, it again showed an upward trend in 2012-13 but declined during 2013-14 and 2014-15 to 0.82 and 0.71 respectively and again increased to 0.76 during the current year. Thus, more funds were available for

¹⁰ Refer glossary in **Appendix-4.1**.

¹¹ Refer glossary in **Appendix-4.1**.

¹² Refer glossary in **Appendix-4.1**.

¹³ Refer glossary in **Appendix-4.1**.

capitalization of funds/ productive expenditure after paying principal and interest from borrowed funds during the year 2014-15 and 2015-16.

1.10.1 Market Borrowings

Position of Market Borrowing (MB)

Table 1.29 represents the position of the market borrowings of the State Government for the period 2011-16:

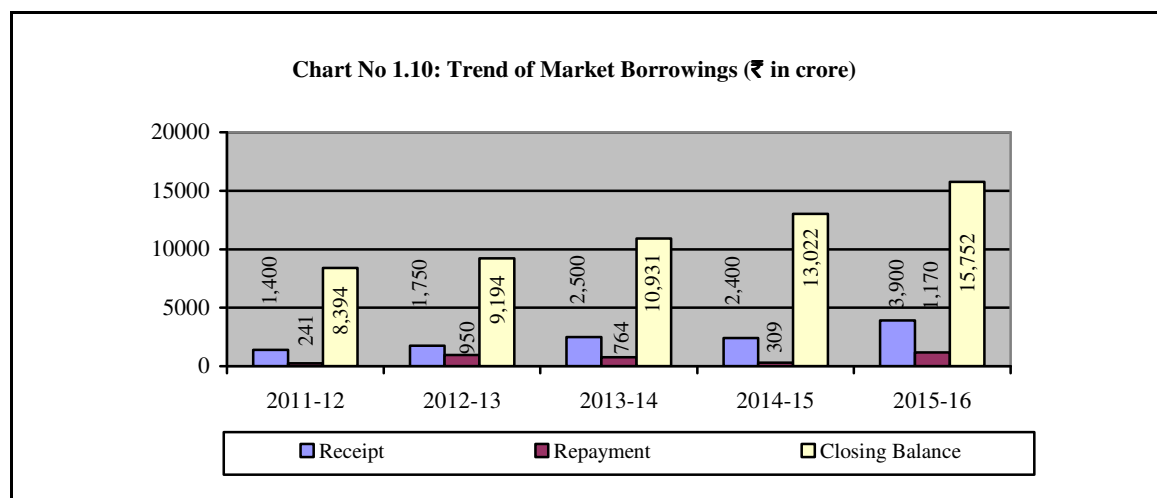
Table-1.29: Position of market borrowings of the State Government

(₹ in crore)

Years	Opening balance as on 1 st April	Receipts during the year	Payments during the year	Closing balance as on 31 st March	Increase (+)/ decrease (-) during the year	
					Amount	Per cent
2011-12	7,235.05	1,400.00	240.73	8,394.32	1,159.27	16.02
2012-13	8,394.32	1,750.00	949.87	9,194.45	800.13	9.53
2013-14	9,194.45	2,500.00	763.89	10,930.56	1,736.11	18.88
2014-15	10,930.56	2,400.00	308.85	13,021.71	2,091.15	19.13
2015-16	13,021.71	3,900.00	1,170.19	15,751.52	2,729.81	20.96
Total		11,950	3,433.53			

Source: Finance Accounts of concerned years.

The above table indicates that the Government of Uttarakhand borrowed and repaid ₹ 11,950 crore and ₹ 3,433.53 crore respectively during the period 2011-12 to 2015-16. During 2011-12 to 2015-16, the repayment was 28.73 per cent of total loans raised by the State Government (₹ 11,950 crore). The interest paid on these loans rose from ₹ 579 crore in 2011-12 to ₹ 1,214 crore in 2015-16 at weighted average interest rate of 8.67 per cent in 2011-12 to 8.32 per cent in 2015-16. Slow pace of repayment will increase the need of rollovers in the coming years. The maturity pressure of existing Market Borrowings on the Government would also be considerable. The above table also shows that the Market Borrowings have an increasing trend from 2011-12 to 2013-14 but the same decreased in 2014-15. However, it again increased during 2015-16 to ₹ 3,900 crore. The receipts during this period showed nearly 2.79 times increase from 2011-12 to 2015-16. This indicated continued dependence of the State Government on the borrowed funds. **Chart 1.10** given below shows the trend of Market Borrowing over the period 2011-12 to 2015-16.



Violation of provisions of FRBM Act

Section 4(d) of the FRBM Act, 2005 stipulates that borrowings are to be used on self-sustained development activities and creation or augmentation of capital assets, and are not to be applied in financing current expenditure. The Government, in each tranche of loan, notified the objective that the proceeds of loans will be utilised for financing development schemes, particularly those relating to Power, Agriculture, Irrigation, Transportation and Industries for the benefit, especially, of weaker sections and backward areas of the State. Market loans raised by the Government with the above objectives are given in **Table 1.30**.

Table-1.30 Details of Market Loans raised and repayments made by the Government during 2011-12 to 2015-16

(₹ in crore)

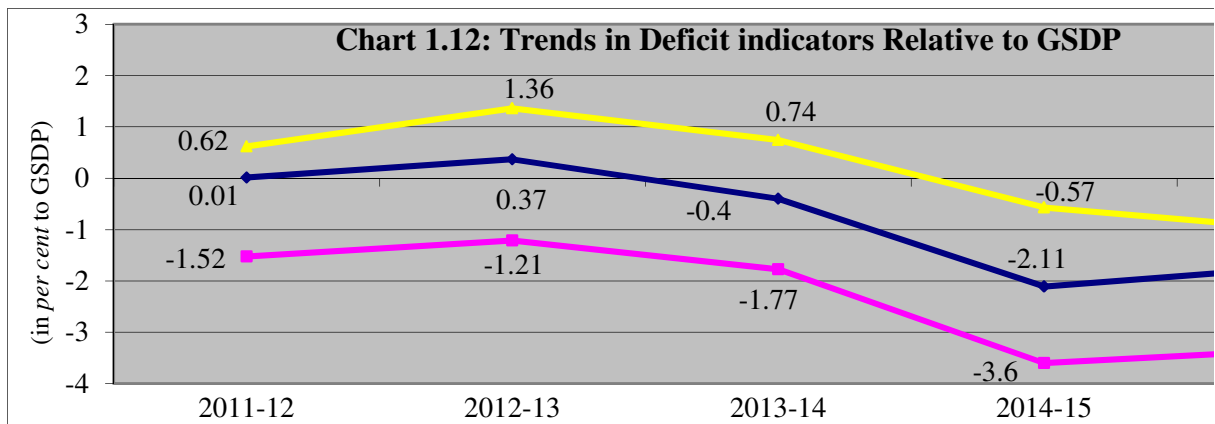
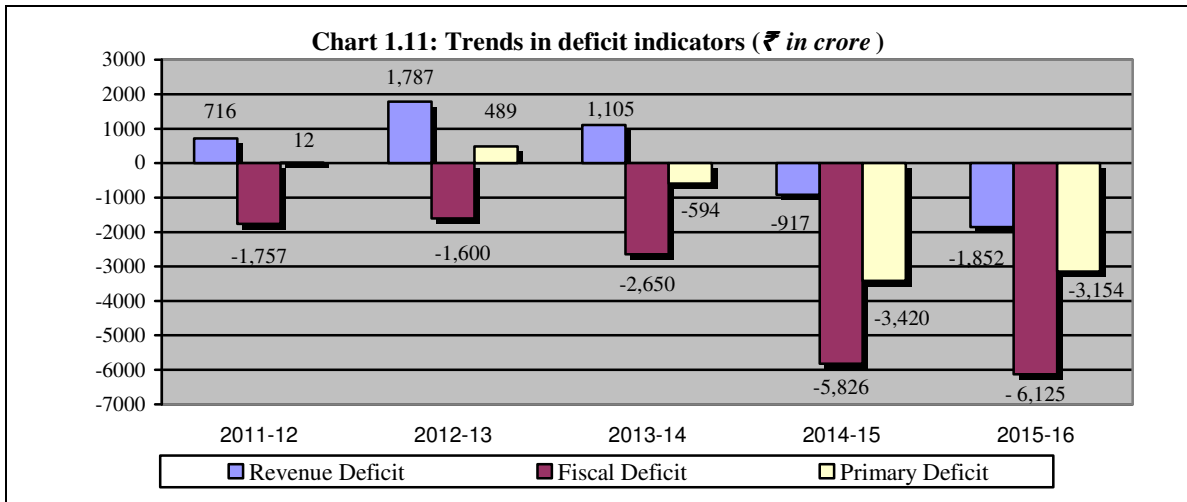
Year	Amount of market borrowing				
	Raised	For the purpose of repayment		For the purpose of capital expenditure	
		Amount	per cent	Amount	per cent
2011-12	1,400.00	240.73	17.20	1,159.27	82.80
2012-13	1,750.00	949.87	54.28	800.13	45.72
2013-14	2,500.00	763.89	30.56	1,736.11	69.44
2014-15	2,400.00	308.85	12.87	2,091.15	87.13
2015-16	3,900.00	1,170.19	30.00	2,729.81	70.00

The above table indicates that the Government utilised on an average 28.98 *per cent* of the fresh borrowings (2011-12 to 2015-16) for making re-payments of matured market loans whereas on an average 71.02 *per cent* were applied for capital expenditure in the respective years. The payment of matured market loans from fresh loans was against the provisions of FRBM Act, besides defeating the very objective for these loans.

1.11 Fiscal Imbalances

1.11.1 Trends in Deficits

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied, are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue, fiscal and primary deficits for the financial year 2015-16. **Charts 1.11** and **1.12** present the trends in deficit indicators over the period 2011-12 to 2015-16.



The State experienced a revenue surplus of ₹ 716 crore during 2011-12, ₹ 1,787 crore in 2012-13 and ₹ 1,105 crore in 2013-14. However, during the year 2014-15 the State could not maintain the revenue surplus and experienced a revenue deficit of ₹ 917 crore which further deteriorated to ₹ 1,852 crore during the current year.

The fiscal deficit during 2011-12 was 1.52 per cent of GSDP below the four per cent target set forth in FRBM Act 2005. The continued efforts of the government towards fiscal consolidation resulted in the decline in fiscal deficit in 2012-13. However, fiscal deficit increased during 2013-14 and 2014-15 and was ₹ 2,650 crore and ₹ 5,826 crore respectively which further increased to ₹ 6,125 crore during the current year 2015-16 and pegged at 3.33 per cent of the GSDP.

The primary deficit turned into positive (₹ 12 crore) during the year 2011-12. It continued to be positive during the year 2012-13 also but became negative during 2013-14 and continued to be negative up to the current year when it was ₹ 3,154 crore.

During 2015-16, the State Government booked Grants-in-Aid of ₹ 54.81 crore under Capital Heads, Major construction works of ₹ 1,188.01 crore under Revenue Heads, Maintenance works of ₹ 2.21 crore under Capital Section and Minor construction works of ₹ 4.33 crore under Capital Section which was against the Government Accounting Rules. The State Government made less contribution to Sinking Fund of ₹ 117.40 crore

and also did not provide interest on Reserves and Deposits of ₹ 30.44 crore during the current year.

The impact of the above misclassifications on Revenue and Fiscal Deficits of the State Government is given in the **Table 1.31**.

Table 1.31: Impact of misclassification on Revenue Deficit and Fiscal Deficit

(₹ in crore)

Sl. No.	Item	Impact on Revenue Deficit		Impact on Fiscal Deficit		Ratios before taking the net Impact (in per cent)		Ratios after taking the net Impact (in per cent)	
		Over Statement	Under Statement	Over Statement	Under Statement	RD/ GSDP	FD/ GSDP	RD/ GSDP	FD/ GSDP
1.	Misclassification between Revenue and Capital Account	1,181.47	--	--	--	1.01	3.33	0.50	3.43
2.	Booking of Grant in aid in Capital Account	--	54.81	--	--				
3.	Less transfer to NSDL	--	0.41	--	--				
4.	Less Contribution to Guarantee Redemption Fund	--	38.87	--	38.87				
5.	Less contribution to Sinking Fund	--	117.40	--	117.40				
6.	Non provision of interest on Reserves and Deposits	--	30.44	--	30.44				
Total (Net) impact		939.54 (Over Statement)		186.71 (Under Statement)					

Source: Finance Accounts.

1.11.2 Components of Fiscal Deficit and its Financing Pattern

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

Table-1.32 Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

Sl.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Components of Fiscal Deficit						
1	Revenue Deficit (-)/ Surplus(+)	(+)716	(+)1,787	(+)1,105	(-) 917	(-) 1,852
2	Net Capital Expenditure	(-) 2,317	(-)3,542	(-)3,532	(-) 4,804	(-) 4,217
3	Net Loans and Advances	(-)156	(+)155	(-)223	(-) 105	(-) 56
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	1,159	800	1,736	(+) 2,091	(+) 2,730
2	Loans from GoI	20	6	(-)16	(+) 33	(+) 66
3	Special Securities Issued to NSSF	332	505	545	(+) 1,145	(+) 1,467
4	Loans from Financial Institutions	131	215	291	(+) 411	(+) 539
5	Small Savings, PF etc.	626	271	322	(+) 420	(+) 478
6	Deposits and Advances	33	219	352	(+) 399	(+) 138
7	Suspense and Misc.	(-)412	479	(-)223	(+) 13	(+) 377
8	Remittances	(-)466	(-)101	317	(+) 450	(+) 33
9	Others ¹⁴	190	66	(-)186	(+) 203	(-) 12
10	Overall Surplus/Deficit (Cash Balance)	144	(-)860	(-)488	(+) 661	(+) 309
Gross Fiscal Deficit		1,757	1,600	2,650	5,826	6,125

Source: Finance Accounts of Government of Uttarakhand, 2011-16.

The fiscal deficit (₹ 6,125 crore) was largely managed by market borrowings (₹ 2,730 crore) and Special Securities issued to the National Small Savings Fund (₹ 1,467 crore). Although there was a decrease in capital expenditure, the fiscal deficit at 3.33 per cent was above the limit of 3.25 per cent of GSDP as per the FFC recommendations.

¹⁴ ₹ 183 crore (reserve fund)-₹ 195 crore (contingency fund).

1.11.3 Quality of Deficit/ Surplus

The ratios of revenue deficit to fiscal deficit, primary revenue deficit and capital expenditure (including loans and advances) indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously eroding and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.33**) would indicate the extent to which the deficit is 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 Expenditure	Capital Expenditure	Loans and Advances	Total Primary Expenditure	Primary revenue deficit (-) /surplus (+)	Primary deficit (-)/ surplus(+)
1	2	3	4	5	6=(3+4+5)	7=(2-3)	8=(2-6)
2011-12	13,782	11,206	2,317	247	13,770	(+)2,576	(+) 12
2012-13	16,175	11,871	3,542	273	15,686	(+)4,304	(+) 489
2013-14	17,556	14,160	3,712	278	18,150	(+)3,396	(-) 594
2014-15	20,428	18,758	4,939	151	23,848	(+) 1,670	(-) 3,420
2015-16	21,261	20,115	4,217	83	24,415	(+) 1,146	(-) 3,154

* Receipts other than Public Debt receipts i.e. such receipts which are not to be paid back.

- Non debt receipts increased by 54.27 per cent from 2011-12 to 2015-16 and were sufficient to meet the primary revenue expenditure. However, the gap showed a fluctuating trend during 2011-12 to 2015-16 ranging between ₹ 833 crore (2015-16) to ₹ 2,872 crore (2014-15).
- Total primary expenditure increased by ₹ 10,645 crore (77.31 per cent) during 2015-16 as compared to 2011-12 mainly due to increase in primary revenue expenditure to the extent of ₹ 8,909 crore (79.50 per cent) during the period 2011-12 to 2015-16.
- The primary revenue surplus showed increasing trend during 2011-12 to 2012-13. However, it showed declining trend from 2013-14 onwards and stood at ₹ 1,146 crore at the end of 2015-16 less by ₹ 524 crore (31.38 per cent) as compared to previous year.
- Due to increase in non-debt receipts, primary deficit turned into primary surplus during 2011-12 and continued to remain positive and stood at ₹ 489 crore at the end of 2012-13 but it turned into primary deficit due to increase in Total Primary Expenditure during 2013-14 and further declined by ₹ 2,826 crore due to increased Total Primary Expenditure during 2014-15. It continued to remain negative in 2015-16 and stood at ₹ 3,154 crore at the end of the current year.

1.12 Follow up on previous Audit Reports on State Finances

In Uttarakhand, none of the Reports on State Finances have been discussed by the Public Account Committee (September 2016). Accordingly, corrective measures taken by the

Government after the Reports were laid before the State Legislature could not be ascertained in audit.

1.13 Conclusion and Recommendations

Revenue receipts grew by ₹ 987.88 crore (4.88 per cent) during the current year over the previous year. This was due to the increase in State's own tax revenue (₹ 1,039.32 crore), State's share of Union taxes/duties (₹ 1,540.89 crore), and non-tax revenue (₹ 109.22 crore). However, during the current year, the grants from the GoI decreased considerably by ₹ 1,701.55 crore.

There was overall decrease of ₹ 160.66 crore (1.49 per cent) under the total receipts from GoI after the implementation of recommendation of FFC.

The State may explore the possibility of mobilizing additional resources through tax and non-tax resources by ensuring better tax compliance and rationalising the user charges/fees respectively.

The expenditure pattern of the State shows that the revenue expenditure as a percentage of total expenditure increased during the current year and remained around 84.30 per cent. The non-plan revenue expenditure (NPRE) increased by ₹ 1,166 crore (7.51 per cent) over the previous year. The expenditure on salaries accounted for 47 per cent and continued to consume a major share of the NPRE during 2015-16. Expenditure on pension payments was ₹ 2,628 crore in 2015-16 which constituted 12.38 per cent of the revenue receipts. The pension payments during the current year were less by ₹ 39 crore than the normative assessment of ₹ 2,667 crore made by the FFC for the current year (Annexure 7.7 of FFC Report).

The Capital Expenditure of the State decreased by ₹ 722 crore during 2015-16 as compared to the previous year, mainly due to decrease in expenditure on (i) Social and (ii) Economic Services. In terms of share of total expenditure, the capital expenditure was 14.91 per cent in 2011-12 and 15.40 per cent in 2015-16. During the current year, it showed a decrease over the previous year by 14.62 per cent and was ₹ 4,217 crore which was more than the target set forth by the State Government in its BEs (₹ 4,005 crore) but below the target set forth in the MTFPS (₹ 4,933 crore). The overall Developmental Expenditure increased by 70.62 per cent over the period 2011-12 to 2015-16.

Whereas major chunk of the non-plan revenue expenditure is on salaries, pension and interest payments which is largely unavoidable, the State Government may explore suitable measures for containing the other components of non-plan revenue expenditure so that a surplus of resources could be gained for allowing scope for assets creation and sustainable development of the State.

The average return on Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives was almost negligible in the past five years whereas on the other hand, the Government paid an average interest of 7.96 per cent on its borrowings during 2011-12 to 2015-16.

The State Government may ensure reasonable return on capital invested in the profit earning State PSUs in view of the substantial high cost of borrowings made by it.

The State was able to attain a revenue surplus of ₹ 716 crore during the year 2011-12 which further appreciated in 2012-13 to ₹ 1,787 crore but depreciated to ₹ 1,105 crore in 2013-14. During the year 2014-15 the revenue surplus turned into revenue deficit of ₹ 917 crore which further increased to ₹ 1,852 crore during 2015-16.

The fiscal deficit was within the reasonable limit of target fixed in FRBM Act in the years 2011-12, 2012-13 and 2013-14 of four *per cent*, 3.5 *per cent*, three *per cent of GSDP respectively*. During 2014-15, the fiscal deficit was ₹ 5,826 crore (3.60 *per cent of GSDP*). The fiscal deficit of the State amounting to ₹ 6,125 crore during 2015-16 (3.33 *per cent of the GSDP*) was above the reasonable limit of 3.25 *per cent* recommended by the *FFC*.

Cash balance of the State at the end of 2015-16 decreased by ₹ 309 crore. The interest received on investment of cash balances was 6.34 *per cent*, while the government borrowed at an average interest rate of 8.19 *per cent*.

The debt-GSDP ratio in 2015-16 was at 21.20 *per cent* increased slightly by 0.53 *per cent* over previous year (20.67 *per cent*). It was well below the target of 22.70 *per cent* set forth by the *FFC*.

The primary surplus in 2011-12, which has appreciated considerably during the year 2012-13 (₹ 489 crore) turned into primary deficit in 2013-14 (₹ 594 crore). During 2014-15 and 2015-16, primary deficit was of the order of ₹ 3,420 crore and ₹ 3,154 crore respectively.

The public debt as on 31 March 2016 was ₹ 29,836 crore 54.60 *per cent* of the debt is in maturity bracket of seven years and above.

The State Government may consider resorting to need-based borrowings only and utilising the existing cash balances to the extent feasible before resorting to fresh borrowings.