

# CHAPTER I

## FINANCES OF THE UNION TERRITORY GOVERNMENT



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The Union Territory (UT) of Puducherry is located on the east coast of India and extends over an area of 490 sq.km. UT consists of four regions, namely, Puducherry, Karaikal, Mahe and Yanam, geographically separated from each other. UT is administered under the provisions of the Government of Union Territories Act, 1963. As per 2011 census, UT's population was 12.48 lakh, which recorded a decadal growth rate of 28.13 *per cent* as compared to 2001 census. The population projection as per National Commission on population was 17 lakh during 2017-18 in UT of Puducherry. The percentage of population below the poverty line was 7.7 *per cent*, which was lower than the all-India average of 21.9 *per cent*. UT's Gross State Domestic Product (GSDP) in 2017-18, at current price, was ₹ 32,215 crore. UT's literacy rate increased from 81.24 *per cent* (as per 2001 census) to 85.80 *per cent* (as per 2011 census). General data relating to UT is given in **Appendix 1.1**.

#### *Gross State Domestic Product*

Gross State Domestic Product is the market value of all officially recognised final goods and services produced/supplied within UT in a given period of time. The growth of GSDP is an important indicator of the economy as it indicates the standard of living of its population. The trends in the annual growth of India's Gross Domestic Product (GDP) and UT's GSDP at current prices are indicated in **Table 1.1**.

**Table 1.1: Trend of growth of GDP and GSDP**

	2013-14	2014-15	2015-16	2016-17	2017-18
India's GDP (₹ in crore)	1,12,33,522	1,24,45,128	1,37,64,037	1,52,53,714	1,67,73,145
Growth rate of GDP (percentage)	12.97	10.79	10.60	10.82	9.96
UT's GSDP (₹ in crore)	21,870	22,574	26,643	29,279	32,215
Growth rate of GSDP (percentage)	15.87	3.22	18.03	9.89	10.03

(Source: GSDP in Puducherry-Directorate of Economics and Statistics, Puducherry; India's GDP-Information from Ministry of Statistics and Programme Implementation)

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The terms and abbreviations used in this Report are listed in the Glossary at Page No.85

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## 1.1 Introduction

This Chapter provides a broad perspective of the finances of the Government of UT of Puducherry during the current year and analyses changes in the major fiscal aggregates relative to the previous year, also keeping in view the overall trends during the last five years.

The structure of Government Accounts and the layout of the Finance Accounts are shown in **Appendix 1.1 - Part B** and **Part C**. The methodology adopted for the assessment of the fiscal position of UT is given in **Appendix 1.2**. A time series data on UT Government finances is given in **Appendix 1.3**.

### 1.1.1 Summary of current year's fiscal transactions

**Table 1.2** presents the summary of UT Government's fiscal transactions during the current year (2017-18) *vis-à-vis* the previous year (2016-17). **Appendix 1.4 - Part A** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

**Table 1.2 : Summary of current year's fiscal operations**

(₹ in crore)

Receipts	2016-17	2017-18	Disbursements	2016-17	2017-18		
					Non-Plan	Plan	Total
<b>Section-A: Revenue</b>							
Revenue receipts	5,383	6,003	Revenue expenditure	5,458	4,148	1,659	5,807
Tax Revenue	2,401	2,806	General services	1,639	1,813	61	1,874
Non-Tax Revenue	1,245	1,374	Social services	2,129	883	1,352	2,235
Share of Union Taxes/Duties	Nil	Nil	Economic services	1,684	1,448	246	1,694
Grants from the Government of India	1,737	1,823	Grants-in-aid and Contributions	6	4	Nil	4
<b>Section-B: Capital</b>							
Miscellaneous Capital receipts	Nil	Nil	Capital expenditure	447	6	388	394
Recoveries of Loans and Advances	2	1	Loans and Advances disbursed	-	-	-	*
Public Debt receipts	820	1,061	Repayment of Public debt	224	570	-	570
Contingency Fund	Nil	Nil	Contingency Fund	Nil	Nil	Nil	Nil
Public Account receipts	845	717	Public Account disbursements	800	-	-	269
Opening Cash balance	1,249	1,370	Closing Cash balance	1,370	-	-	2,112
<b>Total</b>	<b>8,299</b>	<b>9,152</b>	<b>Total</b>	<b>8,299</b>			<b>9,152</b>

(Source: Finance Accounts of respective years)

\* ` 21 lakh for 2017-18

Analysis of receipt and expenditure of 2017-18, as compared to the previous year 2016-17, revealed the following:

- Increase in Tax revenue by ₹ 405 crore, Non-tax revenue by ₹ 129 crore and release of additional grants by Government of India (GOI) of ₹ 86 crore increased the Revenue receipts by ₹ 620 crore.
- Revenue expenditure increased by ₹ 349 crore due to increased expenditure on General services (₹ 235 crore), Social services (₹ 106 crore) and Economic services (₹ 10 crore). However, there was slight decrease in release of Grants-in-aid (₹ 2 crore) as compared with 2016-17.
- Capital expenditure decreased from ₹ 447 crore in 2016-17 to ₹ 394 crore in 2017-18 and as a percentage of the total expenditure it decreased from 7.57 per cent in 2016-17 to 6.35 per cent in 2017-18.
- Public Account receipts and disbursements decreased by ₹ 128 crore and ₹ 531 crore respectively during 2017-18.

### 1.1.2 Review of the fiscal situation

As UT of Puducherry was not covered under Finance Commission, Fiscal Responsibility and Budget Management (FRBM) Act was not enacted. However, fiscal road map based on the principles of GOI's FRBM Act was prepared (June 2012) and approved by GOI. The target prescribed in the fiscal road map and target proposed in the budget are given in **Table 1.3**.

**Table 1.3: Comparison of fiscal variable with road map for 2017-18**

Fiscal variables	Target proposed in the fiscal road map	Target proposed in the budget	Actuals
Revenue deficit(-)/ surplus (+) (₹ in crore)	(+) 16.78	(+) 118.20	(+) 196.01
Fiscal deficit/GSDP (per cent)	(-) 0.64	(-) 1.34	(-) 0.61
Ratio of total outstanding debt of the Government to GSDP (per cent)	25.08	Not available	27.31

(Source: Finance Accounts, fiscal road map and budget documents)

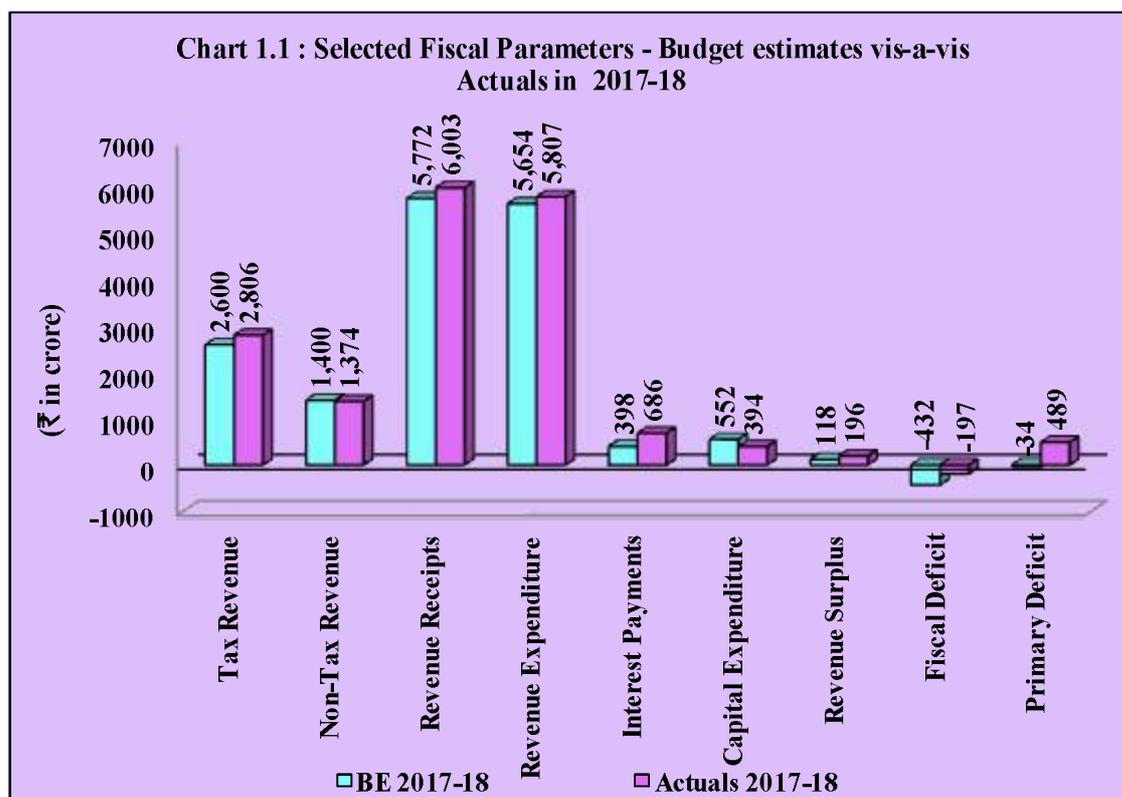
As against the target proposed in the fiscal road map for revenue surplus of ₹ 16.78 crore, UT Government's revenue surplus was ₹ 196.01 crore. The outstanding fiscal liability to GSDP was 27.31 per cent as against 25.08 per cent envisaged in the fiscal road map. The reason for increase was mainly due to increase in tax revenue under goods and services tax.

### 1.1.3 Budget estimates and actuals

The Budget provides description of the estimated revenue and expenditure for a particular fiscal year. The difference in actual receipts and expenditure against budget estimates either due to unforeseen events or under/over

estimation of revenue or expenditure at the stage of budget preparation, adversely impacts the desired fiscal objectives.

**Chart 1.1** presents the budget estimates and actuals for some important fiscal parameters.



(Source: Finance Accounts and budget documents)

- An overall increase in all key fiscal parameters except non-tax revenue as compared to actual and budget estimates was noticed in 2017-18.
- Tax revenue increased by ₹ 405 crore mainly due to goods and services tax, state excise, taxes on vehicles and stamps duty and registration fees.
- Revenue expenditure under General services had increased. However, revenue expenditure under Social services and Economic services decreased.
- Capital expenditure under General Services, medical and public health, water supply and sanitation under Social services and flood control, roads and bridges under Economic services decreased.

The variation between the budget estimates and the actuals is shown in **Table 1.4**.

**Table 1.4: Variation between Budget Estimates and Actuals**

(₹ in crore)

Particulars	Budget Estimate	Actuals	Variation	Increase/Decrease in per cent
Revenue receipts	5,772	6,003	(+) 231	(+) 4.00
Tax revenue	2,600	2,806	(+) 206	(+) 7.92
Non-Tax revenue	1,400	1,374	(-) 26	(-) 1.86
Grants-in-aid from GOI	1,772	1,823	(+) 51	(+) 2.88
Revenue expenditure	5,654	5,807	(+)153	(+) 2.71
Capital expenditure	552	394	(-) 158	(-) 28.62

(Source: Finance Accounts and budget documents)

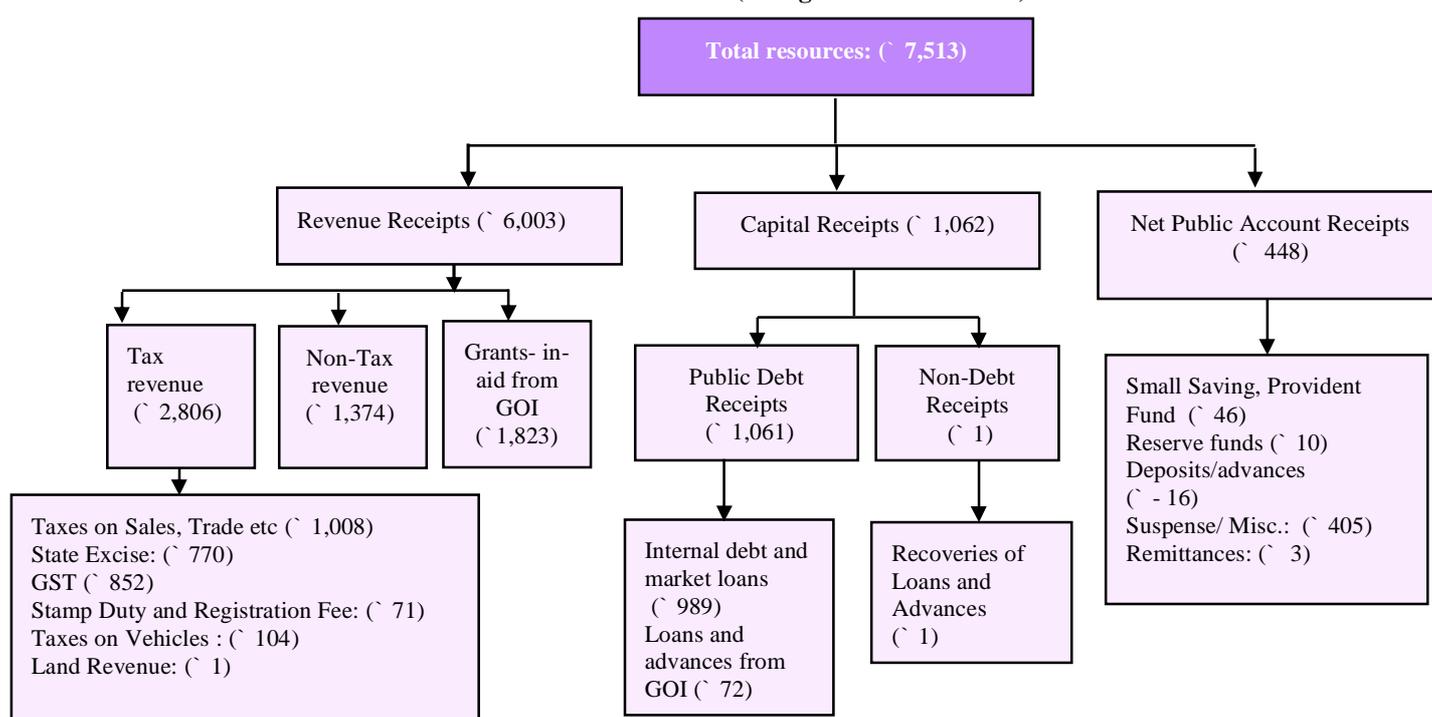
UT Government has received more than the projected Revenue receipts. However, it did not spend as projected in respect of Capital expenditure resulting in non-creation of infrastructure, in spite of increased revenue during 2017-18.

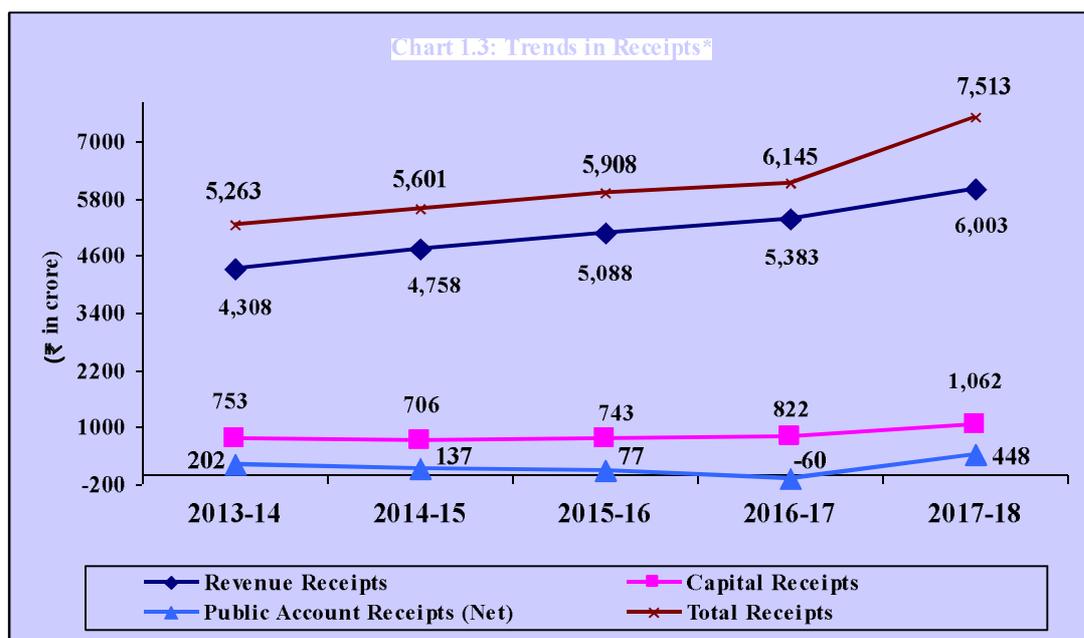
## 1.2 Resources of the Union Territory

### *Resources of the Union Territory as per Annual Finance Accounts*

Revenue and Capital were the two streams of receipts that constitute resources of the Government. **Chart 1.2** presents the receipts and disbursements of UT during the current year, as recorded in its Annual Finance Accounts, while **Chart 1.3** depicts the trends in various components of the receipts during 2013-14 to 2017-18.

**Chart 1.2: Components and sub-components of resources**  
(All figures are ₹ in crore)



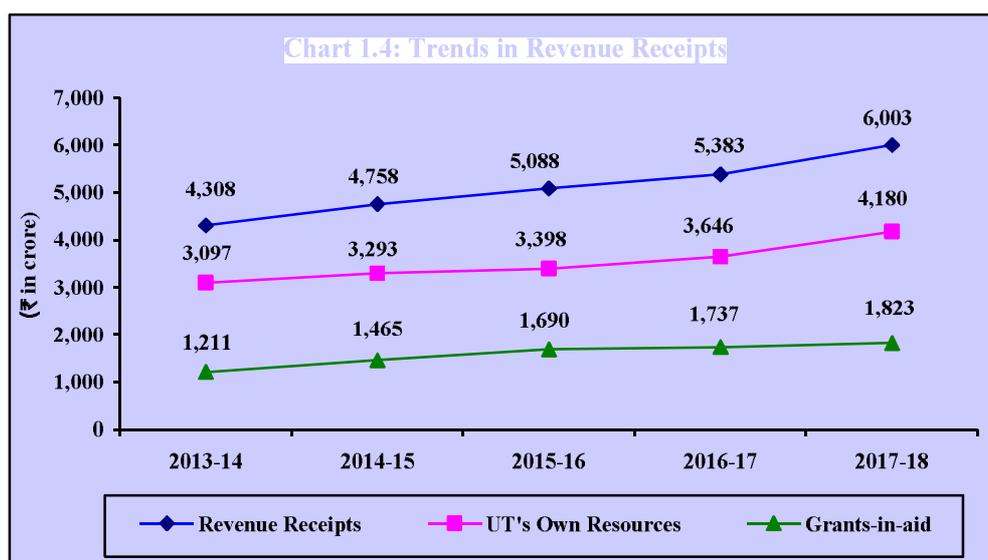


(Source: Finance Accounts of respective years)

\* Total Receipts includes Net Receipts under Public Account

### 1.3 Revenue receipts

The revenue receipts consist of own Tax and Non-tax revenues and Grants-in-Aid (GIA) from GOI. The trends of revenue receipts over the period 2013-14 to 2017-18 were presented in **Appendix 1.3** and depicted in **Chart 1.4**.



(Source: Finance Accounts of respective years)

Revenue receipts of UT increased by ₹ 620 crore (11.52 per cent) over the previous year. Tax revenue, Non-Tax revenue and GIA from GOI increased by ₹ 405 crore, ₹ 129 crore and ₹ 86 crore respectively.

The trends of revenue receipts relative to GSDP are presented in **Table 1.5**.

**Table 1.5: Trends in Revenue receipts relative to GSDP**

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue receipts (RR) (₹ in crore)	4,308	4,758	5,088	5,383	6,003
GSDP (₹ in crore)	21,870	22,574	26,643	29,279	32,215
RR/GSDP ( <i>per cent</i> )	19.70	21.08	19.10	18.39	18.63
Rate of growth of RR ( <i>per cent</i> )	36.94	10.44	6.94	5.80	11.52
UT's own taxes (₹ in crore)	1,904	1,993	2,260	2,401	2,806
Rate of growth of own taxes ( <i>per cent</i> )	(-) 0.68	4.67	13.40	6.24	16.87
Non-Tax Revenue	1,193	1,300	1,138	1,245	1,374
UT's own taxes/Revenue expenditure ( <i>per cent</i> )	42.47	41.52	42.76	43.99	48.32
UT's own taxes/GSDP	0.09	0.09	0.08	0.08	0.09
Revenue expenditure / Revenue receipts ( <i>per cent</i> )	104	101	104	101	97
GSDP growth ( <i>per cent</i> )	15.87	3.22	18.03	9.89	10.03
<b>Buoyancy ratios</b>					
Revenue buoyancy with reference to GSDP (ratio)	2.33	3.24	0.39	0.59	1.15
UT's own tax buoyancy with reference to GSDP (ratio)	(-) 0.04	1.45	0.74	0.63	1.68

(Source: Finance Accounts of respective years)

It is evident from **Table 1.5** that the Own Tax Revenue increased by 16.87 per cent over the previous year, which was higher than the growth rate of GSDP of 10.03 per cent. The Own Tax Revenue as a percentage to GSDP had increased marginally from 0.08 to 0.09, which had been largely constant during the last five years. The revenue expenditure as a percentage to revenue receipts was 97 during the current year due to which the UT Government had witnessed Revenue Surplus during 2017-

reference to GSDP increased to 1.68 during 2017-18 from 0.63 in 2016-17 mainly due to increase in revenue under Goods and Services tax.

### 1.3.1 Union Territory's own resources

UT's performance in mobilisation of resources was assessed in terms of its own resources comprising revenue from its own Tax and Non-Tax sources.

UT's actual Tax and Non-Tax revenue for the year 2017-18 *vis-à-vis* target proposed in the fiscal road map and budget estimates are given in **Table 1.6**.

**Table 1.6: Tax and Non-Tax revenue *vis-à-vis* budget estimates and target proposed in the fiscal road map**

(₹ in crore)

	Target proposed in the fiscal road map	Budget estimate 2017-18	Actuals
Tax revenue	2,720	2,600	2,806
Non-Tax revenue	1,419	1,400	1,374

(Source: Budget documents, Finance Accounts and details furnished by the Department)

The actual Tax revenue increased by ₹ 86 crore (3.16 per cent) and ₹ 206 crore (7.92 per cent) than target proposed in the fiscal road map and budget estimate respectively. Non-Tax revenue decreased by ₹ 45 crore (3.17 per cent) and by ₹ 26 crore (1.86 per cent) from the target proposed in fiscal road map and budget estimates respectively.

### 1.3.1.1 Tax revenue

The details of gross collection in respect of major taxes and duties are given in **Table 1.7**.

**Table 1.7: Components of UT's Tax receipts**

(₹ in crore)

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase in 2017-18 over previous year
Taxes on Sales, Trade, etc.	1,256	1,313	1,439	1,576	1,008	(-) 36.04
Goods and Services Tax <sup>1</sup>	--	--	--	--	852	
State Excise	512	545	674	671	770	(+) 14.75
Taxes on Vehicles	52	59	69	87	104	(+) 19.54
Stamp Duty and Registration fees	83	75	76	66	71	(-) 7.58
Land Revenue	1	1	2	1	1	-
<b>Total</b>	<b>1,904</b>	<b>1,993</b>	<b>2,260</b>	<b>2,401</b>	<b>2,806</b>	<b>(+) 16.87</b>

(Source: Finance Accounts of respective years)

UT's Tax revenue increased from ₹ 2,401 crore in 2016-17 to ₹ 2,806 crore in 2017-18 by ₹ 405 crore (16.87 per cent) over the previous year. It was mainly due to increase in collection under Goods and Services Tax (₹ 852 crore),

<sup>1</sup> Includes UT GST ₹ 246 crore, IGST ₹ 273 crore and GST Compensation Cess ₹ 333 crore

State Excise (₹ 99 crore), Taxes on Vehicles (₹ 17 crore). However, Taxes on Sales, Trade etc. decreased by ₹ 568 crore (36.04 per cent) in 2017-18.

### Goods and Services Tax

In pursuance of the provisions of the Constitution Amendment (One Hundred and First) Act, 2016, States/UT are entitled for compensation for the loss of revenue arising on account of implementation of the Goods and Services Tax. According to GST (Compensation to the States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the UT shall be calculated for every financial year after the receipt of final revenue figure, as audited by the CAG of India. A base year (2015-16) revenue figure of taxes subsumed under GST was finalised under GST Act. In UT of Puducherry, the revenue realised through the taxes since now subsumed into GST was ₹ 1,095.37 crore during the base year (2015-16). The revenue to be protected for any year was to be calculated by applying a growth rate of 14 per cent per annum.

The projected revenue for the year 2017-18 (1 July 2017 to 31 March 2018) in accordance with the base year figure was ₹ 1,067.67 crore. Revenue figure under GST for the year 2017-18 has been depicted in Finance Accounts as per nature of receipts i.e. State Goods and Services (SGST) Tax, Input Tax Credit cross utilisation of SGST and IGST (Integrated Goods and Services Tax), Apportionment of IGST - transfer-in of Tax component to SGST and Advance apportionment from IGST. Against the projected revenue of ₹ 1,067.67 crore, the revenue receipts of the UT Government under GST during the year 2017-18 is given in **Table 1.8**.

**Table 1.8: Projected and actual receipts on implementation of GST Act**

(₹ in crore)

Period	Projected revenue *	Pre-GST taxes	SGST	IGST	Total tax collected	Compensation	Total including compensation	Deficit
1	2	3	4	5	6 =(3+4+5)	7	8 =(6+7)	9 =(2-8)
July 2017 to March 2018	1,067.67	1,008.45	245.73	272.58	1,526.76	333.00**	1,859.76	Yet to be finalised

\* Projected based on a growth rate of 14 per cent

\*\*Compensation due to be received for the 2017-18 is under reconciliation.

(Figures excluding refunds, as worked out by UT Government)

As seen from **Table 1.8**, against the projected revenue of ₹ 1,067.67 crore for the year 2017-18, the receipt was ₹ 1,526.76 crore under the new tax regime, which was ₹ 459.09 crore more than the projected revenue. Further, during the current year, the UT Government had received

compensation for loss of revenue amounting to ₹ 333 crore. As the compensation figures due for 2017-18 are under reconciliation, it appears that the excess compensation amount received during the current year may get adjusted by offsetting the GOI grants-in-aid in the next financial year.

### *1.3.1.2 Non-Tax revenue*

The components of Non-Tax revenue receipts are given in **Table 1.9**.

**Table 1.9: Components of UT's Non-Tax receipts**

(₹ in crore)						
Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18	Variation in 2017-18 over previous year in percentage
Interest receipts	62	91	88	66	99	50
Dividends and Profits	6	2	4	--	2	--
Other Non-Tax receipts	1,125	1,207	1,046	1,179	1,273	7.97
<b>Total</b>	<b>1,193</b>	<b>1,300</b>	<b>1,138</b>	<b>1,245</b>	<b>1,374</b>	<b>10.36</b>

(Source: Finance Accounts of respective years)

The Non-Tax revenue receipts increased from ₹ 1,245 crore in 2016-17 to ₹ 1,374 crore in 2017-18. The increase was due to interest receipts (₹ 33 crore), dividends and profits (₹ two crore) and other Non-Tax receipts increased by ₹ 94 crore.

### *1.3.1.3 Grants-in-aid from GOI*

The Grants-in-aid (GIA) received from GOI for the years 2013-14 to 2017-18 are given in **Table 1.10**.

**Table 1.10: Grants-in-aid from GOI**

(₹ in crore)					
	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan grants	514	513	807	747	28
Grants for UT's Plan scheme	664	804	699	795	11
Grants for Centrally Sponsored Schemes	33	148	184	195	383
Other transfers/Grants to State/Union Territories with Legislature	--	--	--	--	1,401
<b>Total</b>	<b>1,211</b>	<b>1,465</b>	<b>1,690</b>	<b>1,737</b>	<b>1,823</b>
Percentage of increase/decrease of GIA over previous year	9.00	20.97	15.36	2.78	4.95
Total grants as a percentage of revenue receipts	28.10	30.79	33.21	32.27	30.37

(Source: Finance Accounts of respective years)

Grants-in-Aid received from GOI as a percentage over previous year increased by 4.95 during 2017-18. The total grant as a percentage of revenue receipts decreased from 32.27 in 2016-17 to 30.37 in 2017-18.

The overall GIA received during 2017-18 increased by ` 86 crore, due to increase of ` 1,401 crore in other transfers/Grants to State/Union Territories with Legislature and ` 188 crore in grants for centrally sponsored schemes, which was offset by decrease of ` 719 crore under Non-Plan grants and ` 784 under Grants for UT's Plan scheme.

#### 1.4 Capital receipts

Public debt receipts, recoveries of loans and advances and miscellaneous capital receipts were the capital receipts of UT Government. The trends in growth of capital receipts for the period from 2013-14 to 2017-18 are given in **Table 1.11**.

**Table 1.11: Growth of capital receipts**

	(₹ in crore)				
Source of receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Capital receipts	753	706	743	822	1,062
Miscellaneous capital receipts	Nil	Nil	Nil	Nil	Nil
Recovery of loans and advances	3	2	2	2	1
Public debt receipts	750	704	741	820	1,061
Rate of growth of Public debt receipts ( <i>per cent</i> )	41.78	(-) 6.13	5.26	10.66	29.39
Rate of growth of non-debt capital receipts ( <i>per cent</i> )	Nil	(-) 33.33	Nil	Nil	(-) 50.00
Rate of growth of capital receipts ( <i>per cent</i> )	41.54	(-) 6.24	5.24	10.63	29.20

(Source: Finance Accounts of respective years)

The capital receipts increased by ` 240 crore in 2017-18 entirely due to increase in Public Debt receipts.

## 1.5 Public Account receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc., which do not form part of the Consolidated Fund, were kept in the Public Account and were not subject to vote by UT Legislature. For Public Account Receipts, the Government acts as a banker. Public Account Receipts for the period from 2013-14 to 2017-18 are given in **Table 1.12**.

**Table 1.12: Trends in composition of Public Account Receipts**

(₹ in crore)

Resources under various heads	2013-14	2014-15	2015-16	2016-17	2017-18
Public Account receipts	910.80	981.76	1,015.31	844.70	717.32
(a) Small savings, Provident Fund, etc.	266.34	289.93	303.43	311.42	328.36
(b) Reserve Fund	50.00	95.56	1.00	1.83	10.00
(c) Deposits and advances	269.59	195.80	392.45	193.47	153.18
(d) Suspense and miscellaneous	5.43	(-) 2.49	(-) 95.96	15.23	(-) 63.59
(e) Remittance	319.44	402.96	414.39	322.75	289.37

(Source: Finance Accounts of respective years)

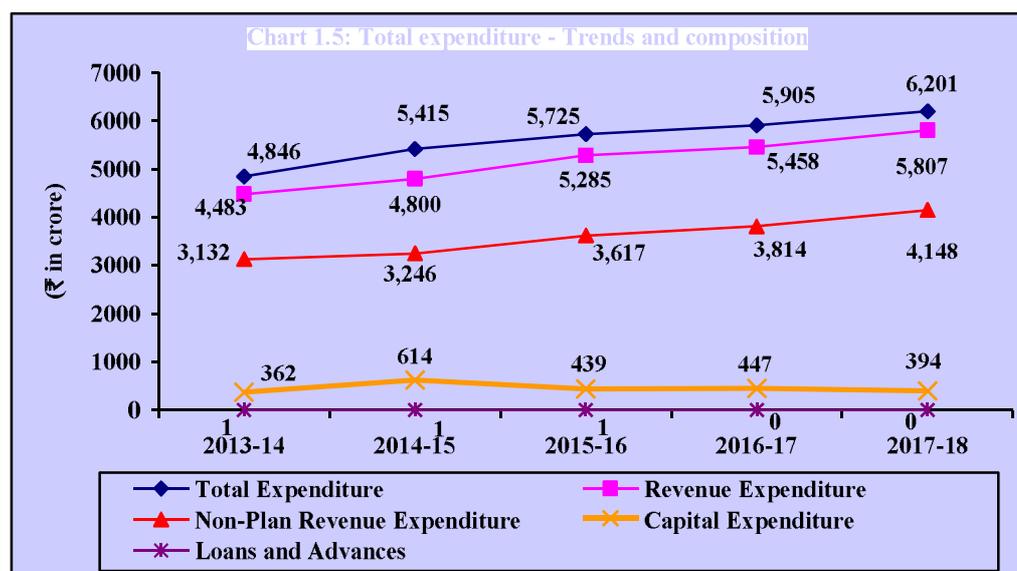
The Public Account receipts decreased from ₹ 844.70 crore in 2016-17 to ₹ 717.32 crore in 2017-18.

## 1.6 Application of Resources

In view of budgetary constraints in raising public expenditure, which is financed by deficit or borrowings, it is important to ensure that in the process of ongoing fiscal correction and consolidation process, development expenditure was prioritised over revenue expenditure.

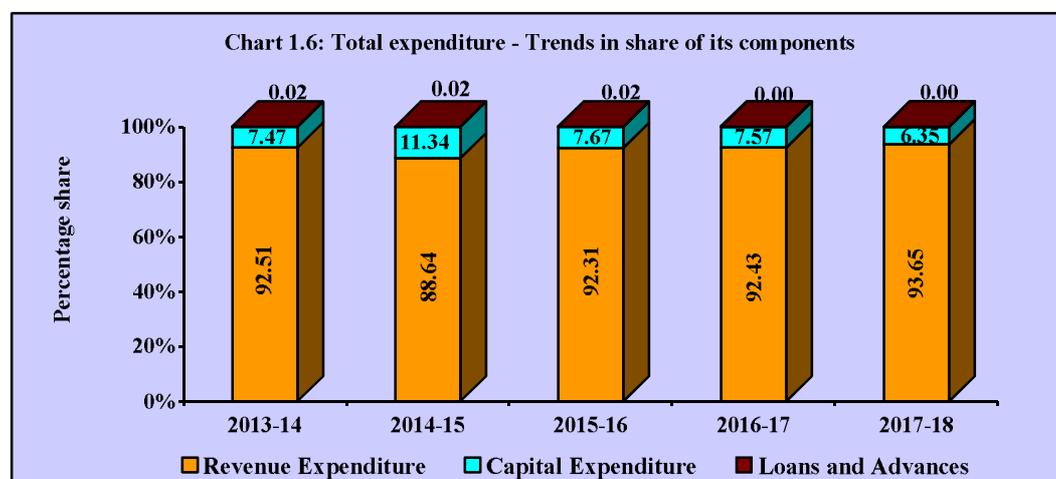
### 1.6.1 Growth and composition of expenditure

**Chart 1.5** presents the trends and composition of total expenditure over a period of five years (2013-14 to 2017-18) and its composition in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Charts 1.6** and **1.7**.



(Source: Finance Accounts of respective years)

Total expenditure<sup>2</sup> of UT increased by 5.01 per cent from ₹ 5,905 crore in 2016-17 to ₹ 6,201 crore in 2017-18. The revenue expenditure increased by ₹ 349 crore (6.39 per cent) and the capital expenditure decreased by ₹ 53 crore (11.86 per cent) during 2017-18 as compared to the previous year.



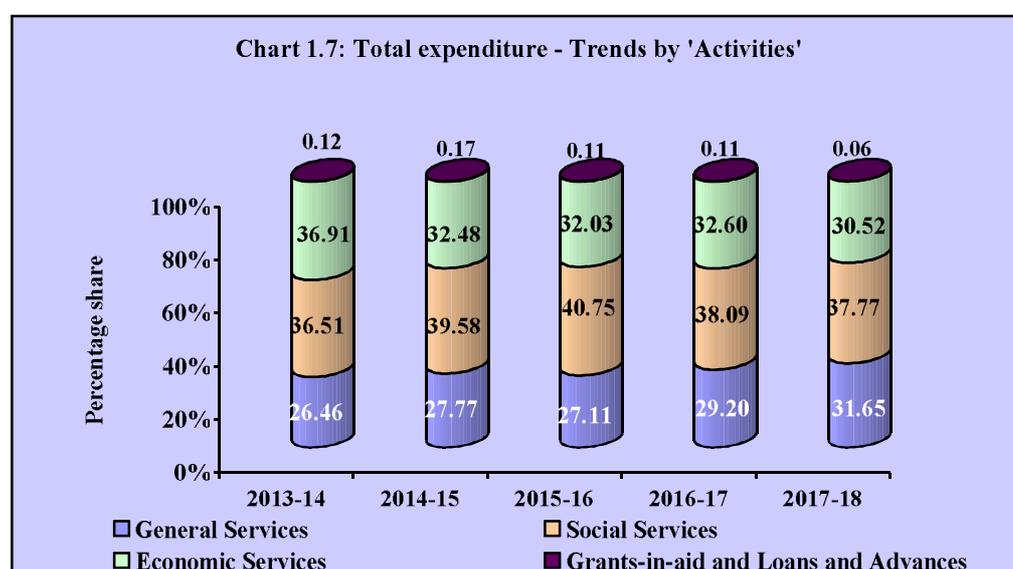
(Source: Finance Accounts of respective years)

Revenue expenditure was 93.65 per cent of the total expenditure, of which, 71.43 per cent was the Non-Plan component. The proportion of capital expenditure to aggregate expenditure decreased from 7.57 per cent in 2016-17 to 6.35 per cent in 2017-18.

<sup>2</sup> Total expenditure includes revenue expenditure, capital expenditure and disbursement of loans and advances

It may be seen from **Chart 1.6** that the revenue expenditure as a share of total expenditure was increasing consistently over a period of five years. Though the UT Government could cap the revenue expenditure to 88.64 *per cent* in 2014-15, it steadily increased during 2015-16 to 2017-18 and stood at 93.65 *per cent* in 2017-18.

During the current year, the capital expenditure decreased by 11.86 *per cent* over the previous year ( ` 53 crore) from ` 447 crore to ` 394 crore in 2017-18. The actual expenditure incurred during 2017-18 was ` 261 crore out of ` 394 crore on works such as development of tourist circuits, construction of fishing harbour, construction of Police Stations and other infrastructure facilities.



(Source: Finance Accounts of respective years)

During 2017-18, the expenditure on General Services and Social Services increased by 13.81 *per cent* and 4.12 *per cent* respectively over the previous year, while the expenditure on Economic Services decreased by 1.69 *per cent* over the previous year.

### 1.6.2 Revenue expenditure

Revenue expenditure of ` 5,807 crore during 2017-18 increased by ` 349 crore as compared to ` 5,458 crore in 2016-17. It constituted 93.65 *per cent* of total expenditure of ` 6,201 crore during the year. However, as a percentage of GSDP, the revenue expenditure declined from 18.64 in 2016-17 to 18.02 in 2017-18. The buoyancy of revenue expenditure with reference to revenue receipts during 2017-18 stood at 0.55. During 2017-18, the ratio of revenue surplus to GSDP increased to 0.69 from a revenue deficit to GSDP ratio of 0.27 in 2016-17.

### 1.6.3 Committed expenditure

The committed expenditure of UT Government on the revenue account mainly consists of interest payments, expenditure on salaries and pension and subsidies. **Table 1.13** presents the trends of expenditure on these components during 2013-14 to 2017-18.

**Table 1.13: Components of committed expenditure**

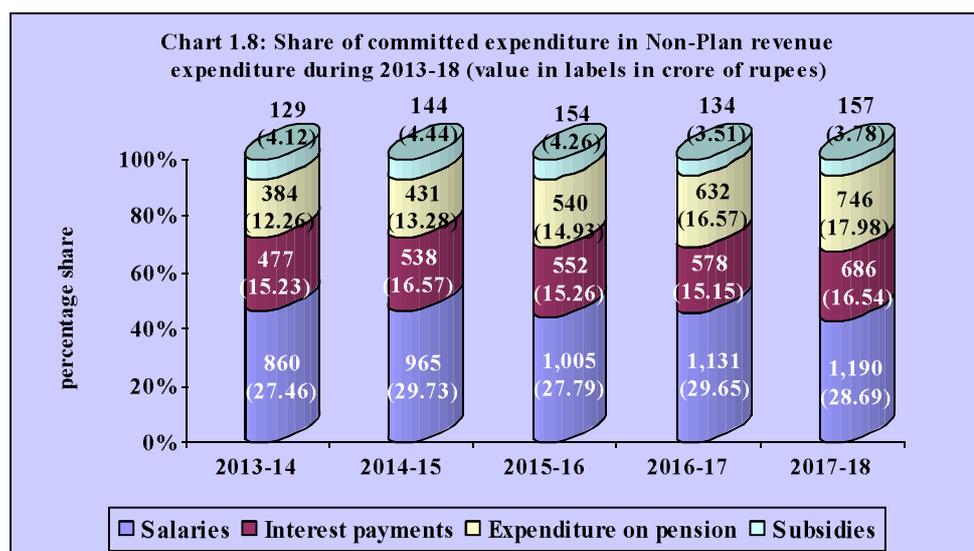
(₹ in crore)					
Components of Committed expenditure	2013-14	2014-15	2015-16	2016-17	2017-18
Salaries, of which	1,172 (27)	1,332 (28)	1,377 (27)	1,558 (29)	1,645 (27)
Non-Plan Head	860	965	1,005	1,131	1,190
Plan Head	312	367	372	427	455
Interest payments	477 (11)	538 (11)	552 (11)	578 (11)	686 (11)
Expenditure on Pension	384 (9)	431 (9)	540 (11)	632 (12)	746 (12)
Subsidies	129 (3)	144 (3)	154 (3)	134 (2)	157 (3)
<b>Total</b>	<b>2,162</b> <b>(50)</b>	<b>2,445</b> <b>(51)</b>	<b>2,623</b> <b>(52)</b>	<b>2,902</b> <b>(54)</b>	<b>3,234</b> <b>(54)</b>

(Source: Finance Accounts of respective years)

Figures in bracket indicate percentage to revenue receipts

The total committed expenditure of UT Government was increasing consistently over the period of five years. It increased from ` 2,902 crore in 2016-17 to ` 3,234 crore in 2017-18 by ` 332 crore. However, as a percentage to revenue receipts it remained constant at 54 *per cent* in both the years.

**Chart 1.8** presents the share of committed expenditure in Non-Plan revenue expenditure on salaries, interest payments and pension during 2013-14 to 2017-18. The committed expenditure as a percentage to revenue expenditure increased from 53 *per cent* in 2016-17 to 56 *per cent* in 2017-18.



(Source: Finance Accounts of respective years)

**Expenditure on salaries** during the current year was ` 1,645 crore, which increased by ` 87 crore (5.58 per cent) over the previous year.

**Pension payments** increased by 18.04 per cent from ` 632 crore in 2016-17 to ` 746 crore in 2017-18 and it stood at around 12 per cent of revenue receipts and 13 per cent of revenue expenditure respectively.

**Interest payments** increased by ` 108 crore (18.69 per cent) in 2017-18 over the previous year mainly due to increase in internal debt, which increased from ` 5,461 crore in 2016-17 to ` 6,016 crore in 2017-18 (10.16 per cent). The interest payments was 11 per cent of the total revenue receipts for the fifth consecutive year .

**Subsidies** at three per cent of both revenue receipts and revenue expenditure in 2017-18, represents the expenditure booked under the object head 'Subsidies' under Welfare of Scheduled Castes, Social Security and Welfare, Crop Husbandry, Animal Husbandry, Fisheries, Food Storage and Warehousing, Minor Irrigation, Village and Small Industries, Tourism and other General Economic Services.

#### 1.6.4 Financial assistance by UT Government to Local Bodies and other Institutions

The Panchayati Raj system in Puducherry was governed by the provisions of the Pondicherry Village and Commune Panchayat Act, 1973, which has devolved several powers to Village and Commune Panchayats. The Act was further amended in 1994, so as to conform to the 73<sup>rd</sup> amendment to the Constitution. In Puducherry, there were five Municipalities, 10 Commune Panchayats and 98 Village Panchayats. The quantum of assistance provided by way of grants and loans to Local Bodies and other institutions during the current year relative to the previous years are presented in **Table 1.14**.

**Table 1.14: Financial assistance to Local Bodies and other institutions**

(₹ in crore)

Financial assistance to Institutions	2013-14	2014-15	2015-16	2016-17	2017-18
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	37.08	50.56	45.96	32.12	104.37
Municipalities	44.89	43.98	53.83	41.95	7.64
Panchayati Raj Institutions	18.36	12.14	1.10	3.58	0.77
Development agencies and Autonomous Bodies	348.59	459.75	433.37	504.92	381.23
Co-operatives	32.63	68.72	61.49	57.45	14.62
Other Institutions*	5.75	25.49	120.56	28.88	150.90
<b>Total</b>	<b>487.30</b>	<b>660.64</b>	<b>716.31</b>	<b>668.90</b>	<b>659.53</b>
Assistance as a percentage of revenue expenditure	11	14	14	12	11

(Source: Information furnished by the Director of Accounts and Treasuries, Puducherry)

\* Welfare societies and religious institutions

Financial assistance extended to Local Bodies and other institutions decreased from ` 668.90 crore in 2016-17 to ` 659.53 crore in 2017-18.

## 1.7 Quality of expenditure

Quality of expenditure involves three aspects, viz., adequacy of the expenditure (*i.e.*, adequate provisions for providing public services), efficiency of utilisation of funds and its effectiveness.

### 1.7.1 Adequacy of Public expenditure

An analysis of fiscal priority (percentage of expenditure category to aggregate expenditure) of UT Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year and comparison of fiscal priority given to different categories of expenditure of UT of Puducherry in 2014-15 and 2017-18 is given in **Table 1.15**.

**Table 1.15: Fiscal priority of UT in 2014-15 and 2017-18**

Fiscal priority of UT		AE/ GSDP	DE/ AE	SSE/ AE	CE/ AE	ESE/ AE	Expenditure on Education, Sports, Art and Culture/AE	Expenditure on Health and Family Welfare /AE
Puducherry (Percentage)	2014-15	24	72	40	11	32	12	8
	2017-18	19	68	38	6	31	12	8
General Category States (Percentage)	2014-15	15	67	38	14	29	17	5
	2017-18	16	68	37	14	30	16	5

AE: Aggregate expenditure; DE: Development expenditure; SSE: Social Sector expenditure;  
CE: Capital expenditure; ESE: Economic Sector expenditure

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

(Source: Directorate of Economics and Statistics, Puducherry and Finance Accounts for Expenditure figures)

The decrease in aggregate expenditure of UT Government as a percentage to GSDP, from 24 *per cent* in 2014-15 to 19 *per cent* in 2017-18, indicated that UT Government of Puducherry spent lesser proportion of its GSDP on aggregate expenditure in 2017-18.

The percentage of development expenditure to aggregate expenditure decreased from 72 *per cent* in 2014-15 to 68 *per cent* in 2017-18, while the percentage in Education, Sports, Art and Culture and Health and Family Welfare remained constant at 12 *per cent* and 8 *per cent* in 2014-15 and 2017-18 respectively. The proportion of capital expenditure to aggregate expenditure stood at 6 *per cent* during 2017-18 which was much lesser than 11 *per cent* during 2014-15.

**Table 1.16** analyses the fiscal priority set by UT Government in key areas of Education, Sports, Art and Culture and Health and Family Welfare.

**Table 1.16: Fiscal priority of UT in 2014-15 and 2017-18**

Fiscal priority of UT		Per capita expenditure on Education, Sports, Art and Culture (in ₹)	Per capita expenditure on Health and Family Welfare (in ₹)
Puducherry	2014-15	5,304	3,530
	2017-18	6,102	4,041

(Source: Directorate of Economics and Statistics, Puducherry and Finance Accounts for Expenditure figures)

Per capita expenditure on, Education, Sports Art and Culture increased from ` 5,304 in 2014-15 to ` 6,102 in 2017-18 and also on health and family welfare from ` 3,530 in 2014-15 to ` 4,041 in 2017-18.

### 1.7.2 Efficiency of utilisation of funds

UT Government should take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods<sup>3</sup>. Apart from improving the allocation towards development expenditure, the efficiency of utilisation of funds was reflected by the ratio of capital expenditure to total expenditure. The higher the ratio of total expenditure the better would be the quality of expenditure. **Table 1.17** depicts the trends in development expenditure relative to the aggregate expenditure of UT during 2013-14 to 2017-18.

**Table 1.17: Development expenditure**

Components of Development Expenditure	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Development expenditure (a to c)	3,558.19 (73)	3,902.36 (72)	4,165.91 (73)	4,174.67 (71)	4,234.64 (68)
a. Development Revenue expenditure	3,243.06 (67)	3,375.71 (62)	3,809.86 (67)	3,813.12 (65)	3,928.39 (63)
b. Development Capital expenditure	315.13 (6)	526.65 (10)	356.05 (6)	361.55 (6)	306.25 (5)
c. Development Loans and Advances	Nil	Nil	Nil	Nil	Nil

(Source: Finance Accounts of respective years)

Figures in bracket indicate percentage of aggregate expenditure

<sup>3</sup> **Core public goods** were goods which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good

**Merit goods** were commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need rather than the ability and willingness to pay the Government and therefore wishes to encourage their consumption

Development expenditure increased by ` 59.97 crore from ` 4,174.67 crore in 2016-17 to ` 4,234.64 crore in 2017-18. However, the percentage of development expenditure as against aggregate expenditure decreased from 71 *per cent* in 2016-17 to 68 *per cent* in 2017-18. Further, the development capital expenditure, as a percentage of aggregate expenditure also decreased from six *per cent* in 2016-17 to five *per cent* in 2017-18.

**Table 1.18** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services during 2016-17 and 2017-18.

**Table 1.18: Efficiency of utilisation of funds in selected Social and Economic Services**  
(in percentage)

Social/Economic Infrastructure	2016-17		2017-18	
	Share of CE to TE	In RE, the share of S and W	Share of CE to TE	In RE, the share of S and W
<b>Social Services (SS)</b>				
General Education	1.89	74.06	1.65	80.36
Health and Family Welfare	0.89	59.56	1.61	62.67
Water Supply, Sanitation and Housing and Urban Development	37.28	35.76	23.10	24.09
<b>Total (SS)</b>	<b>5.38</b>	<b>43.29</b>	<b>12.35</b>	<b>43.86</b>
<b>Economic Services (ES)</b>				
Agriculture and Allied Activities	3.76	27.90	1.85	25.04
Irrigation and Flood Control	65.43	75.12	55.53	69.26
Power and Energy	7.18	8.62	5.64	9.19
Transport	68.27	55.32	70.52	72.21
<b>Total (ES)</b>	<b>12.50</b>	<b>14.80</b>	<b>10.51</b>	<b>15.54</b>
<b>Total (SS+ES)</b>	<b>8.66</b>	<b>30.70</b>	<b>7.23</b>	<b>31.65</b>

TE: Total Expenditure on the sector/services concerned; CE: Capital Expenditure;  
RE: Revenue Expenditure; S and W: Salaries and Wages

(Source: Finance Accounts and figures furnished by the Director of Accounts and Treasuries for wages)

### *Expenditure on Social Services*

The share of capital expenditure in the total expenditure under Health and Family Welfare increased from 0.89 *per cent* in 2016-17 to 1.61 *per cent* in 2017-18, while the share of General Education decreased from 1.89 *per cent* in 2016-17 to 1.65 *per cent* in 2017-18. In respect of Water Supply, Sanitation, Housing and Urban Development, it decreased from 37.28 *per cent* in 2016-17 to 23.10 *per cent* in 2017-18. The share of salaries and wages in the revenue expenditure on Social Services increased from 43.29 *per cent* in 2016-17 to 43.86 *per cent* in 2017-18.

### Expenditure on Economic Services

The capital expenditure on Economic Services, as a percentage of total expenditure on Economic Services, decreased steeply from 12.50 in 2016-17 to 10.51 in 2017-18. The share of salaries and wages in the revenue expenditure on Economic Services increased from 14.80 *per cent* in 2016-17 to 15.54 *per cent* in 2017-18.

## 1.8 Financial analysis of Government expenditure and investments

The Union Territory Government should initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds, rather than bearing the same on its budget in the form of implicit subsidies. This section presents information on incomplete projects and a broad financial analysis of investments by UT Government during the current year *vis-à-vis* the previous years.

### 1.8.1 Incomplete projects

The information pertaining to incomplete projects in the Public Works Department as on 31 March 2018 is given in **Table 1.19**.

**Table 1.19: Profile of incomplete projects**

(₹ in crore)

Department	No. of incomplete Projects	Expenditure during the year	Cumulative expenditure as on 31.3.2018
Public Works Department	12	0.95	76.96

(Source: Finance Accounts)

Failure to complete the projects on time, led to escalation of project costs and postponement of revenue realisation from the projects, impacting the accrual of the projects' benefits to the society at large.

### 1.8.2 Investment and returns

As of March 2018, Government invested ` 1,027.79 crore<sup>4</sup> (` 710.92 crore in 11 Government Companies and one Statutory Corporation and ` 316.56 crore in 358 Co-operative Institutions) as indicated in **Table 1.20**.

<sup>4</sup> There are 14 PSUs as per Finance Accounts 2017-18. Out of which, 3 PSUs viz., Tamil Nadu Industrial Investment Corporation Limited, Chennai; National Minorities Development and Finance Corporation Limited; and Cannanore Spinning and Weaving Mill, Mahe are not owned by UT of Puducherry.

**Table 1.20: Return on Investment**

Investment/Return/Cost of Borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Investment at the end of the year ( ` in crore)	981.85	998.93	1,018.52	1,030.67	1,027.79
Return ( ` in crore)	6.30	1.63	3.93	Nil	0.09
Return ( <i>per cent</i> )	0.6	0.2	0.4	Nil	0.01
Average rate of interest on Government borrowings ( <i>per cent</i> )	7.7	7.9	7.5	7.20	8.02
Difference between interest rate and return ( <i>per cent</i> )	7.1	7.7	7.1	7.20	8.01

(Source: Finance Accounts of respective years)

It was seen from **Table 1.20** that though the average rate of interest on UT Government's borrowings was 8.02 *per cent*, the return on investment was 0.01 *per cent* in 2017-18 as against Nil in 2016-17.

*A performance based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in the service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which were endowed with low financial but high socio-economic returns and justify if high cost borrowings were worth to be channelised there.*

The Government of Puducherry had made an investment of ` 710.92 crore in form of equity and loans in 12 PSUs (11 Government Companies and one Statutory Corporation). These companies did not finalise their respective accounts (for periods ranging between one and eight years) at the end of 31 March 2018, which is in violation of the provisions of the Companies Act, 2013. The Government of Puducherry continued to invest in these PSUs despite the low return on investment (0.01 *per cent*), indicative of poor quality of investment decisions. The Government investments are thus at an increased risk of being utilised for objectives other than the intended one. This would hamper audit in assuring the Legislature that the funds were being utilised for the purpose that they were sanctioned.

### 1.8.3 Loans and advances by UT Government

During 2017-18, UT Government did not provide any loans and advances to any institution/organisation. **Table 1.21** presented the outstanding loans and advances as on 31 March 2018 and interest receipts *vis-à-vis* interest payments during the last five years.

**Table 1.21: Outstanding loans and interest received on loans and advances by UT Government**

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Opening balance</b>	<b>14.12</b>	<b>12.41</b>	<b>11.42</b>	<b>10.63</b>	<b>9.25</b>
Amount advanced during the year	1.30	1.45	1.31	0.27	0.21
Amount repaid during the year	3.01	2.44	2.10	1.65	1.35
<b>Closing balance</b>	<b>12.41</b>	<b>11.42</b>	<b>10.63</b>	<b>9.25</b>	<b>8.11</b>
Net increase (+)/decrease (-)	(-) 1.71	(-) 0.99	(-) 0.79	(-) 1.38	(-)1.14
Interest receipts	2.46	2.48	2.23	1.88	1.55
Interest receipts as percentage of outstanding loans and advances	18.55	20.81	20.22	18.91	19.11
Interest payments as percentage of outstanding fiscal liabilities of UT Government	7.28	7.65	7.12	6.96	7.80
Difference between interest payments and interest receipts ( <i>per cent</i> )	11.27	13.16	13.10	11.95	11.31

(Source: Finance Accounts of respective years)

The quantum of loan advanced decreased from ₹ 0.27 crore in 2016-17 to ₹ 0.21 crore in 2017-18 and repayment of loan by the loanees decreased from ₹ 1.65 crore in 2016-17 to ₹ 1.35 crore in 2017-18. The total amount of ₹ 0.21 crore advanced during the year was only loans and advances given to Government servants.

#### 1.8.4 Cash balance and investment of cash balances

**Table 1.22** shows the cash balance and investment of cash balances for 2016-17 and 2017-18.

**Table 1.22: Cash balance and investment of cash balances**

(₹ in crore)

	Opening balance as on 1 April 2017	Closing balance as on 31 March 2018
<b>(a) General cash balance</b>		
(i) Cash in treasuries	Nil	Nil
(ii) Deposits with RBI	0.15	0.15
(iii) Deposits with other banks	Nil	Nil
(iv) Local remittances	Nil	Nil
<b>Total</b>	<b>0.15</b>	<b>0.15</b>
(v) Investment held in cash balance investment account	1,082.10	1,792.64
<b>General cash balance – Total (a)</b>	<b>1,082.25</b>	<b>1,792.79</b>

	Opening balance as on 1 April 2017	Closing balance as on 31 March 2018
<b>(b) Other cash balances and investments</b>		
(vi) Departmental cash balances	0.57	0.46
(vii) Permanent Imprest	1.67	1.69
(viii) Investment out of earmarked funds	285.72	316.95
<b>Total (b)</b>	<b>287.96</b>	<b>319.10</b>
<b>Grand Total (a) + (b)</b>	<b>1,370.21</b>	<b>2,111.89</b>

(Source: Finance Accounts of respective years)

The cash balance increased from ` 1,370.21 crore in 2016-17 to ` 2,111.89 crore in 2017-18. During the year, the cash balance investment<sup>5</sup> was ` 1,792.64 crore which increased by ` 710.54 crore. The surplus cash balance was mainly due to receipt of ` 370.63 crore GOI grants received in the months of February and March 2018. The surplus cash balance was invested in treasury bills in RBI. During the year, interest received on investment account was ` 47.90 crore.

During the year 2017-18, despite having a cash balance of ` 1,792.64 crore in 'Investments held in cash balance investment Account', the Government resorted to market borrowings to the tune of ` 988.71 crore. Audit analysis showed that the interest realised on the cash balance investment account was in an average rate of 6.01 *per cent* while the Government paid an average interest of 8.02 *per cent* on its market borrowings during the year. Hence, it would have been prudent for the UT Government to have utilised the available cash balance to minimise its borrowings.

**Recommendation:** The UT Government should consider restricting to need-based borrowings and utilising the existing cash balances before resorting to market borrowings at higher rates of interest.

## 1.9 Assets and Liabilities

### 1.9.1 Growth and composition of Assets and Liabilities

Comprehensive accounting of fixed assets like land and buildings owned by the Government was not done in the existing Government accounting system. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred.

<sup>5</sup> Cash balance investment was the mandatory investment required to be done by each State/UT Government with RBI. This balance was the combined cash and cash equivalent balance of Consolidated Fund, Contingency Fund and Public Account

**Appendix 1.4 - Part B** gives an abstract of such liabilities and assets as on 31 March 2018, compared with the corresponding position on 31 March 2017. While the liabilities consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by UT Government and cash balances. The ratio of cumulative assets to liabilities as on 31 March 2018 was 0.89, which indicated that assets were not sufficient to meet the liabilities.

### 1.9.2 Fiscal liabilities

Fiscal liabilities were internal debt, loans and advances from GOI and the Public Account liabilities comprising small savings and provident funds, reserve funds and deposits. The trends in outstanding fiscal liabilities of UT were presented in **Appendix 1.3**. The composition of fiscal liabilities for the period 2013-14 to 2017-18 was presented in **Chart 1.9** and the trends of fiscal liabilities relative to revenue receipts and GSDP are presented in **Table 1.23**.

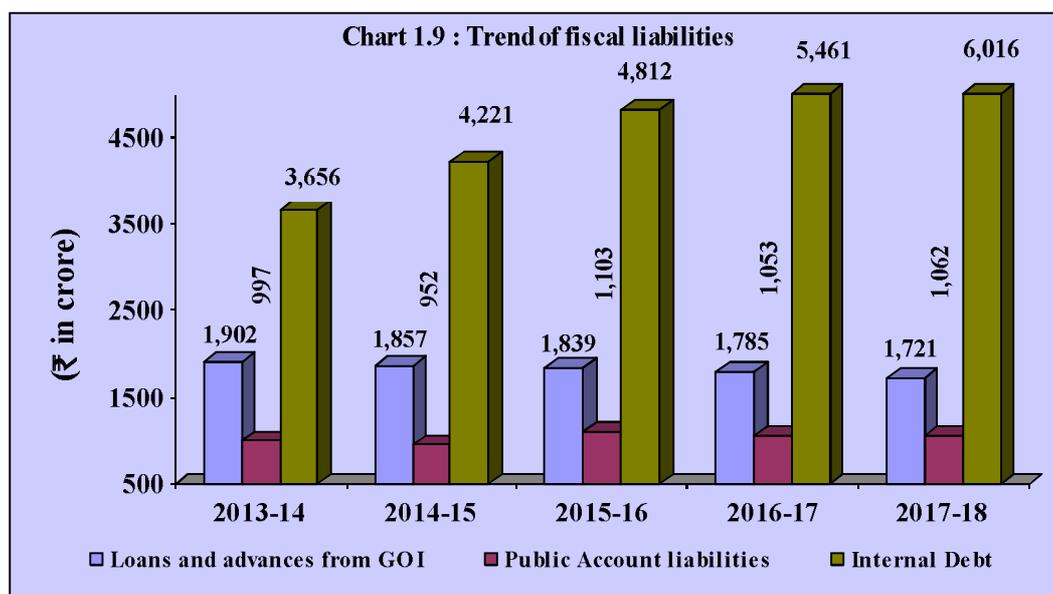
**Table 1.23: Trend of fiscal liabilities**

	2013-14	2014-15	2015-16	2016-17	2017-18
Fiscal liabilities ( ` in crore)	6,555	7,030	7,754	8,299	8,799
Rate of growth of fiscal liabilities (per cent)	11.48	7.25	10.30	7.03	6.02
Fiscal liabilities as percentage of revenue receipts	152	148	152	154	147
Fiscal liabilities as percentage of GSDP	30	31	29	28	27

(Source: Finance Accounts of respective years)

The outstanding fiscal liabilities showed a steady increase from ` 6,555 crore in 2013-14 to ` 8,799 crore in 2017-18. The fiscal liabilities at the end of 2017-18 represented 147 *per cent* of revenue receipts ( ` 6,003 crore) during the year. The fiscal liabilities as a percentage of revenue receipts which had shown a steady increase over the last three years from 2014-15 (148 *per cent*) to 2016-17 (154 *per cent*), decreased to 147 *per cent* in 2017-18. The fiscal liabilities represented about 27 *per cent* of GSDP during 2017-18, which was a marked reduction from the previous years.

It may be seen from the **Table 1.23** that the fiscal liabilities of UT Government was increasing over the period of five years and the rate of growth oscillated from 11.48 *per cent* in 2013-14 to 6.02 *per cent* in 2017-18. The fiscal liabilities as percentage to GSDP also declined from 30 in 2013-14 to 27 in 2017-18, though there was a marginal increase in 2014-15 and 2015-16. This was indicative of a good fiscal correction path adopted by UT Government.



(Source: Finance Accounts of respective years)

While internal debt, which constituted 66 *per cent* of total fiscal liabilities in 2016-17, increased to 68.37 *per cent* in 2017-18, loans and advances from GOI decreased from 22 to 20 *per cent* of the fiscal liabilities during the same period as indicated in **Chart 1.9**. The Public Account liabilities increased from ` 1,053 crore in 2016-17 to ` 1,062 crore in 2017-18.

#### *Short contribution to Sinking Fund*

The Government of Puducherry's contribution towards Reserve Fund (Sinking Fund) is required to be at least 0.5 *per cent* of outstanding liabilities at the end of 31 March 2017 i.e. ` 6,514 crore (Internal Debt: ` 5,461 crore + Public Accounts Liability: ` 1,053 crore), which amounts to ` 32.57 crore during the financial year 2017-18. The Government of Puducherry, however, contributed only ` 10 crore, a short contribution of 69 *per cent* of the required contribution of ` 32.57 crore. Thus, the Government of Puducherry was not able to discharge its liability during the current fiscal year and has deferred its liability to future years. The fiscal deficit is understated to that extent.

#### *1.9.3 Contingent liabilities*

##### *Status of Guarantees*

Guarantees for the purpose of Administration of Union Territories, prior to the amendment of the Union Territories Act on 6 September 2001, were given by GOI under Article 292 of the Constitution of India. In the event of the guarantees being invoked, the payment would initially be charged to the Consolidated Fund of India and the amount subsequently recovered from the Government of UT. Consequent to amendment of UT Act on

6 September 2001 and issue of its notification by the Government of India on 10 May 2006, the Government of UT of Puducherry was empowered to give guarantees.

The maximum amount for which guarantees were given by UT Government and GOI on behalf of UT and outstanding guarantees for the last five years is given in **Table 1.24**.

**Table 1.24: Guarantees given by UT and GOI on behalf of UT of Puducherry**

Guarantees	2013-14	2014-15	2015-16	2016-17	2017-18
Maximum amount guaranteed (₹ in crore)	20.98	37.50	56.18	56.18	63.18
Outstanding amount of guarantees (₹ in crore)	4.95	27.80	44.48	44.48	49.16
Percentage of maximum amount guaranteed to total Revenue receipts	0.49	0.79	1.10	1.04	1.05

(Source: Finance Accounts of respective years)

As a percentage of revenue receipts, the maximum amount guaranteed increased from 1.04 in 2016-17 to 1.05 in 2017-18. No guarantee was invoked during any of the five years.

## 1.10 Debt Management

Apart from the magnitude of debt of UT Government, it was important to analyse various indicators that determine the debt sustainability of UT. This section assesses the sustainability of debt of UT Government in sufficiency of non-debt receipts, net availability of borrowed funds<sup>6</sup>, burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of UT Government's debts.

**Table 1.25** indicates the debt sustainability of UT for a period of five years beginning from 2013-14.

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<sup>6</sup> Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts were used in debt redemption, indicating the net availability of borrowed funds

Table 1.25: Debt Sustainability - Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2013-14	2014-15	2015-16	2016-17	2017-18
Outstanding debt	5,558	6,078	6,651	7,246	7,737
Rate of growth of outstanding debts* (percentage)	10.91	9.36	9.43	8.95	6.77
Debt/GSDP (percentage)	25.41	26.92	24.96	24.75	24.02
Rate of growth of GSDP	15.87	3.22	18.03	9.89	10.03
Average interest rate of outstanding debt	8.36	8.50	8.18	8.07	8.25
Burden of interest payments (IP/RR) (percentage)	11.07	11.31	10.85	10.74	11.43
Debt repayment/Debt receipts (percentage)	27.20	25.99	22.81	27.32	53.72
Net debt available to UT Government	104.84	25.45	51.60	35.93	(-) 127.47
Maturity profile of internal debt and GOI loans (in years)					
0 – 1	212.74 (3.83)	221.63 (3.65)	233.58 (3.51)	591.55 (8.16)	619.21 (8.00)
1 – 3	448.60 (8.07)	819.99 (13.49)	1,191.79 (17.92)	1,371.12 (18.92)	1,672.86 (21.62)
3 – 5	1,114.87 (20.06)	1,279.76 (21.06)	1,549.06 (23.29)	1,611.70 (22.24)	1,321.62 (17.08)
5 – 7	1,426.65 (25.67)	1,467.49 (24.14)	1,192.30 (17.93)	1,200.08 (16.56)	1,370.19 (17.71)
7 and above	2,345.40 (42.20)	2,279.63 (37.50)	2,484.28 (37.35)	2,471.83 (34.12)	2,753.10 (35.59)
	9.96* (0.17)	9.96* (0.16)	Nil	Nil	Nil
Outstanding Public debt as on 31 March 2018					7,736.98

(Source: Finance Accounts of respective years)

Figures in bracket represents percentage to total outstanding Public Debt

\* Maturity profile not available due to non-receipt of terms and conditions from Ministry of Finance, New Delhi which was included in 2016-17 under 3-5 years

The rate of growth of outstanding debt, which was at 10.91 per cent in 2013-14 decreased to 6.77 per cent in 2017-18. A declining trend in Debt-GSDP ratio can be considered as leading towards stability. UT's Debt-GSDP ratio was gradually decreasing from 2013-14 and stood at 24.02 per cent during 2017-18. The burden of interest payment, which was 11.31 per cent in 2014-15 declined during 2015-16 and 2016-17, but it increased to 11.43 per cent of revenue receipts in 2017-18. The debt repayment to debt receipts which was 22.81 per cent in 2015-16 increased to 27.32 per cent in 2016-17 which steeply increased to 53.72 per cent in

2017-18. The net debt available to UT Government decreased from ₹ 104.84 crore in 2013-14 to ₹ 35.93 crore in 2016-17. The net debt available to UT Government steeply decreased to (-) ₹ 127.47 crore in 2017-18. This was mainly due to increased repayment of interest on public debt of ₹ 618 crore (58.25 per cent) of ₹ 1,061 crore borrowings received during the year and debt repaid ₹ 570 crore during the year. The financial outgo on account of debt services thus impacted the finances of UT by increasing revenue expenditure due to high interest payments. The developmental works were also affected due to paucity of funds as seen from the actual capital expenditure (₹ 394 crore) which was lesser than the budget estimate of ₹ 552 crore by 29 per cent.

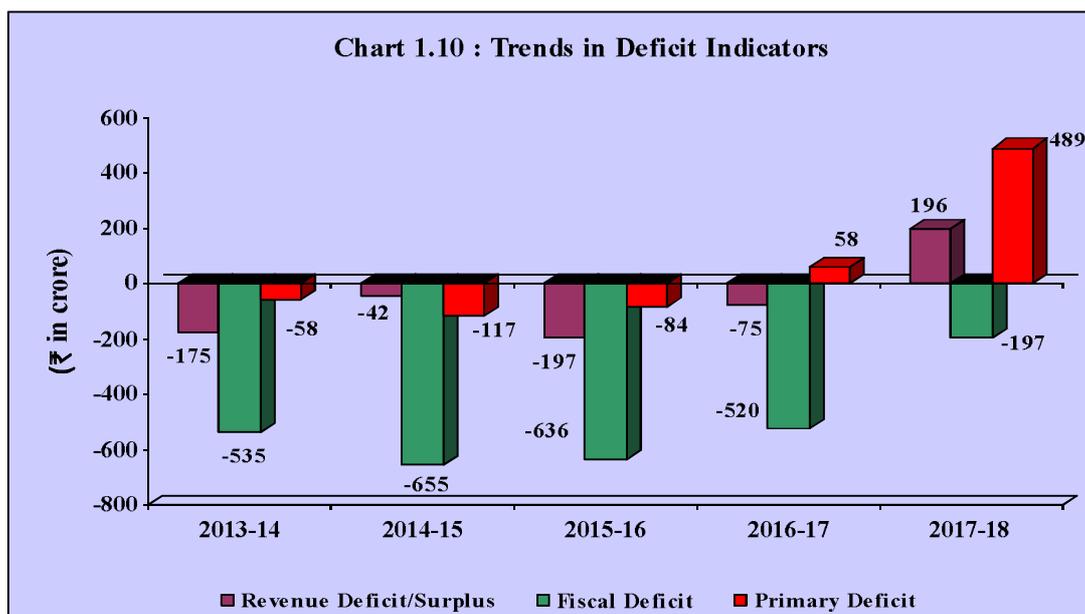
The maturity profile of UT Government's Public debt indicates that nearly 64.41 per cent of the total Public debt was repayable within next seven years, which indicates a year-on-year increase in its repayment burden, specifically between the 3<sup>rd</sup> and 7<sup>th</sup> year from borrowings and beyond.

## **1.11 Fiscal imbalances**

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal soundness or imbalances in the finances of UT Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit was an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit was financed and the resources were applied, were important pointers to its fiscal health. This section presents the trends, nature, magnitude and manner of financing these deficits.

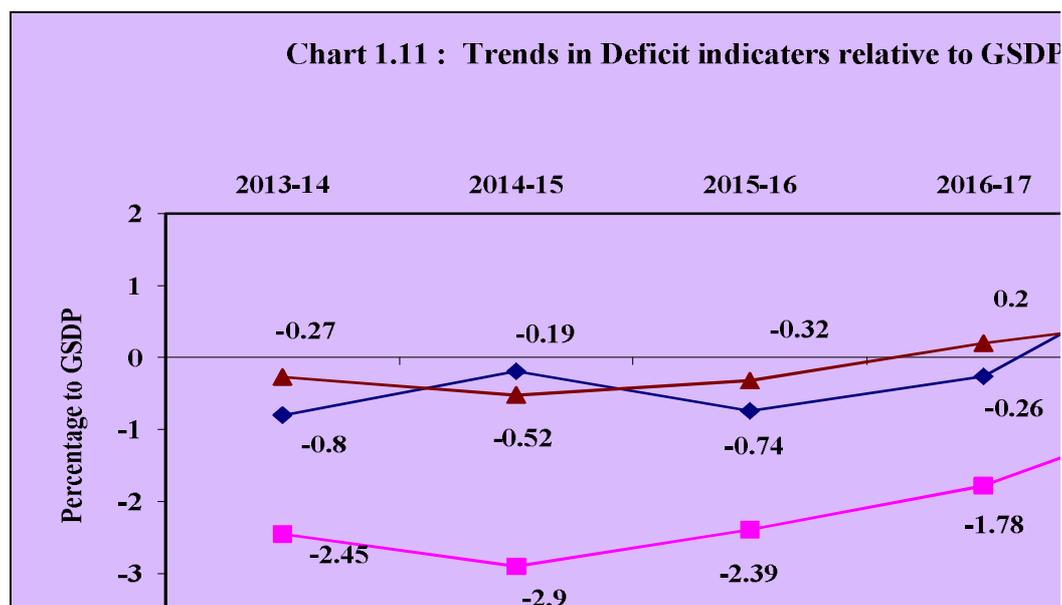
### **1.11.1 Trends in deficits**

**Charts 1.10** and **1.11** present the trends in deficit indicators over the period 2013-14 to 2017-18.



(Source: Finance Accounts of respective years)

**Chart 1.11** below depicts the trends in deficit indicators relative to GSDP of UT of Puducherry for the period from 2013-14 to 2017-18.



(Source: Finance Accounts of respective years)

Revenue deficit indicates the excess of revenue expenditure over revenue receipts. The revenue deficit of ₹ 75 crore during 2016-17, significantly improved to a revenue surplus of ₹ 196 crore in 2017-18. The turnaround from a revenue deficit state to a revenue surplus state is a positive sign of improved finances. The fiscal deficit decreased from ₹ 520 crore in 2016-17 to ₹ 197 crore in 2017-18. The primary surplus of ₹ 58 crore in 2016-17 increased to ₹ 489 crore in 2017-18.

### 1.11.2 Composition of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.26**.

**Table 1.26: Components of fiscal deficit and its financing pattern**

(` in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Split up of fiscal deficit</b>		<b>535</b>	<b>655</b>	<b>636</b>	<b>520</b>	<b>197</b>
1	Revenue Deficit(-)/ Surplus(+)	(-) 175	(-) 42	(-) 197	(-)75	196
2	Net Capital Expenditure	362	614	439	447	394
3	Net Loans and Advances	2	1	--	2	1
<b>Financing pattern of fiscal deficit*</b>						
1	Market Borrowings	630	566	591	651	554
2	Loans from GOI	(-) 84	(-) 46	(-) 18	(-) 54	(-) 64
3	Small Savings, Provident Funds etc.	33	51	39	64	46
4	Deposits and Advances	80	(-) 34	129	(-) 94	(-) 16
5	Suspense and Miscellaneous	6	(-) 25	(-) 85	(-) 37	405
6	Remittances	32	50	(-) 7	5	3
7	Reserve Funds	50	96	1	2	10
	<b>Total</b>	<b>747</b>	<b>658</b>	<b>650</b>	<b>537</b>	<b>938</b>
8	Overall Surplus/Deficit (cash balance)	212	3	14	17	741

\* All these figures were net of disbursements/outflows during the year

(Source: Finance Accounts of respective years)

The fiscal deficit decreased by ` 323 crore during 2017-18, which was due to revenue surplus of ` 196 crore. The decrease in fiscal deficit, along with increase in interest payments by ` 108 crore, led to primary surplus of ` 489 crore during the year. UT was increasingly relying on market borrowings for financing its fiscal deficit.

### 1.11.3 Quality of Deficit/Surplus

The bifurcation of the primary deficit as shown in **Table 1.27** indicated the extent to which the deficit was on account of enhancement in capital

expenditure, which was desirable to improve the productive capacity of UT's economy.

**Table 1.27: Primary Deficit/Surplus - Bifurcation of Factors**

(₹ in crore)

Year	Revenue Receipts	Recovery of Loans and Advances	Non-debt receipts (Revenue Receipts + Recovery of Loans and Advances)	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances disbursed	Primary Expenditure	Primary Revenue Deficit (-) / Surplus (+)	Primary Deficit (-) / Surplus (+)
(1)	(2)	(3)	(4) (2+3)	(5)	(6)	(7)	(8) (5+6+7)	(9) (2-5)	(10) (4-8)
2013-14	4,308	3	4,311	4,006	362	1	4,369	302	(-)58
2014-15	4,758	2	4,760	4,262	614	1	4,877	496	(-) 117
2015-16	5,088	2	5,090	4,734	439	1	5,174	354	(-) 84
2016-17	5,383	2	5,385	4,880	447	-	5,327	503	58
2017-18	6,003	1	6,004	5,121	394	0	5,515	882	489

(Source: Finance Accounts of respective years)

As non-debt receipts increased by ₹ 619 crore from ₹ 5,385 crore in 2016-17 to ₹ 6,004 crore in 2017-18, it was enough to meet the primary expenditure. As a result, the primary surplus of ₹ 58 crore in 2016-17 increased to ₹ 489 crore in 2017-18.

## 1.12 Follow up

Separate Report on UT Finances is being prepared from the year 2008-09 onwards and presented to UT legislature. The Public Accounts Committee had discussed the reports till the year 2011-12.

## 1.13 Conclusion

**Fiscal status:** Union Territory of Puducherry had achieved revenue surplus (₹ 196 crore) during 2017-18 as against the target in the fiscal roadmap (₹ 16.78 crore) was due to tax revenue under goods and service tax. The ratio of fiscal deficit to GSDP (0.61 *per cent*) is above the target of fiscal roadmap (0.64 *per cent*) and budget estimates of 2017-18 (1.34 *per cent*). UT's Debt-GSDP ratio decreased from 24.75 *per cent* in 2016-17 to 24.02 *per cent* in 2017-18.

**Revenue receipts:** Revenue receipts increased by 11.52 *per cent* in 2017-18 over the previous year. Buoyancy of revenue receipts with reference to GSDP increased from 0.59 in 2016-17 to 1.15 in 2017-18.

**High proportion of Revenue expenditure in total expenditure:** The Revenue expenditure of ₹ 5,807 crore during 2017-18 constituted 93.65 per cent of total expenditure. The committed expenditure such as salaries, pension and interest payments constituted 56 per cent of Revenue expenditure.

**Enhanced development expenditure:** Development expenditure increased by ₹ 60 crore from ₹ 4,175 crore in 2016-17 to ₹ 4,235 crore in 2017-18. However, Development expenditure, as a percentage of aggregate expenditure, marginally decreased from 71 per cent in 2016-17 to 68 per cent in 2017-18.

**Adequacy of expenditure:** The ratio of aggregate expenditure as a percentage of GSDP declined from 24 per cent in 2014-15 to 19 per cent in 2017-18. However, as compared to General Category States, it had increased from 15 per cent in 2014-15 to 16 per cent in 2017-18.

**Low return on investments:** As on 31 March 2018, Government invested ₹ 1,028 crore in 12 PSUs and 358 Co-operative Institutions. Though the average rate of interest on UT Government's borrowings was 8.02 per cent, the average rate of return on investments was 0.01 per cent during 2017-18. The PSUs did not finalise their accounts, which ranged between one and eight years as at the end of 31 March 2018.

**High ratio of fiscal liabilities to GSDP:** The outstanding fiscal liabilities increased from ₹ 6,555 crore in 2013-14 to ₹ 8,799 crore in 2017-18. The fiscal liabilities represented about 27 per cent of GSDP in 2017-18.

**Maturity Profile:** The maturity profile of UT Government's Public debt indicated that nearly 64.41 per cent of the total Public debt was repayable within the next seven years.

#### *Fiscal Snapshot of the UT Government of Puducherry*

During 2017-18, the internal debt receipts of the UT Government increased by 32 per cent over the previous year. The increased debt was utilised mainly in repayment of principal amount of maturing internal debt. The capital expenditure, which is one of the determining factors of fiscal deficit, decreased by 12 per cent over the previous year. The decreased capital expenditure together with Revenue Surplus had, therefore, contributed to lower fiscal deficit compared to previous year.