

**CHAPTER-1**

**FINANCES OF  
THE STATE GOVERNMENT**



## CHAPTER-1

### FINANCES OF THE STATE GOVERNMENT

This chapter provides an overview of the finances of the State Government during the financial year 2016-17 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 categorisation 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) of its Gross State Domestic Product<sup>1</sup> (GSDP) at current prices for the period 2007-08 to 2016-17 has been over 17.50 *per cent*, against the CAGR of SCS of 15.70 *per cent*.

The social indicators, *viz.* literacy rate and rate of infant mortality at birth, indicated that the State had better literacy rate 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                             | 2012-13   | 2013-14     | 2014-15*    | 2015-16*    | 2016-17*    |
|----------------------------------|-----------|-------------|-------------|-------------|-------------|
| India's GDP (₹ in crore)         | 99,44,013 | 1,12,33,522 | 1,24,45,128 | 1,36,82,035 | 1,51,83,709 |
| Growth rate of GDP (percentage)  | 13.82     | 12.97       | 10.79       | 9.94        | 10.98       |
| State's GSDP (₹ in crore)        | 1,31,613  | 1,49,074    | 1,61,439    | 1,76,171    | 1,95,192    |
| Growth rate of GSDP (percentage) | 14.12     | 13.27       | 8.29        | 9.13        | 10.80       |

Source: Central Statistics office and Directorate of Economic and Statistics Government of Uttarakhand.

\* Provisional \* Quick \* Advance estimates.

The growth rate of GSDP declined sharply during 2012-13 to 2014-15 from 14.12 *per cent* in 2012-13 to 8.29 *per cent* in 2014-15. However, it appreciated in

<sup>1</sup> Refer glossary in **Appendix-4.1**.

2015-16 to 9.13 per cent and again appreciated to 10.80 per cent in 2016-17. Rate of growth of GSDP in comparison to GDP varied over the period 2012-13 to 2016-17. The growth rate of GSDP was higher than the GDP growth rate during 2012-13 and 2013-14 and less in 2014-15. However, it was more or less identical in the years 2015-16 and 2016-17.

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*) was further revised in December 2016 according to the recommendations of the Fourteenth Finance Commission (*FFC*) (*Appendix-1.2 Part B*). The targets set forth by the *FFC* regarding the fiscal health of the State are discussed in Paragraph 1.1.2. The State's own Fiscal Correction Path (FCP) through the Mid Term Fiscal Policy Statement (MTEPS) 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 (2016-17) *vis-à-vis* the previous year (2015-16). *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                             | 2015-16          | 2016-17          | Disbursements                     | 2015-16          | 2016-17   |           |                  |
|--------------------------------------|------------------|------------------|-----------------------------------|------------------|-----------|-----------|------------------|
|                                      |                  |                  |                                   |                  | Non-Plan  | Plan      | Total            |
| <b>Section-A: Revenue</b>            |                  |                  |                                   |                  |           |           |                  |
| Own Tax revenue                      | 9,377.79         | 10,897.31        | General services                  | 8,409.98         | 9,923.93  | 10.16     | 9934.09          |
| Non-tax revenue                      | 1,219.66         | 1,345.82         | Social services                   | 9,926.69         | 5,873.53  | 4,655.04  | 10,528.57        |
| Share of Union Taxes/ Duties         | 5,333.19         | 6,411.57         | Economic services                 | 3,983.21         | 2,223.90  | 1,678.76  | 3,902.66         |
| Grants from Government of India      | 5,303.79         | 6,234.27         | Grants-in-aid and Contributions   | 766.56           | 906.18    | --        | 906.18           |
| Revenue receipts                     | <b>21,234.43</b> | <b>24,888.97</b> | Revenue expenditure               | <b>23,086.44</b> |           |           | <b>25,271.50</b> |
| <b>Section-B: Capital and Others</b> |                  |                  |                                   |                  |           |           |                  |
| Misc. Capital Receipts               | --               |                  | Capital Outlay                    | 4,217.38         | 878.27    | 4,075.95  | 4,954.22         |
| Recoveries of Loans and Advances     | 27.20            | 34.85            | Loans and Advances disbursed      | 83.15            | 99.10     | 65.95     | 165.05           |
| Public Debt receipts*                | 6,798.23         | 6,500.67         | Repayment of Public Debt*         | 1,996.56         | --        | --        | 1,127.40         |
| --                                   | --               | --               | Appropriation to Contingency Fund | --               | --        | --        | --               |
| Contingency Fund                     | 190.76           | 394.77           | Contingency Fund                  | 385.46           | --        | --        | 227.70           |
| Public Account receipts#             | 37,745.87        | 27,855.02        | Public Account disbursements#     | 36,536.73        | --        | --        | 26,607.34        |
| Opening Cash Balance                 | 1,772.03         | 1,464.88**       | Closing Cash Balance              | 1,462.80         |           |           | 2,785.95         |
| <b>Total</b>                         | <b>67,768.52</b> | <b>61,139.16</b> | <b>Total</b>                      | <b>67,768.52</b> | <b>--</b> | <b>--</b> | <b>61,139.16</b> |

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

# Public Account receipts and disbursements do not include Departmental Balances and Cash Balance Investment Account.

In other places of the Report Net figure of Public Account Receipts have been taken for analysing the State resources.

\*\*Differs with the closing balance of 2015-16 due to pro forma corrections made in the Finance Accounts 2016-17.

The following are the significant changes during the current year (2016-17) over the previous year (2015-16):

- Revenue receipts at ₹ 24,888.97 crore were higher by ₹ 3,654.54 crore (17.21 per cent) over the previous year. This was due to the increase in State's Own Tax Revenue (₹ 1,519.52 crore), State's share of Union Taxes/Duties (₹ 1,078.38 crore), Grants-in-aid from GoI (₹ 930.48 crore) and Non-Tax Revenue (₹ 126.16 crore).
- Revenue expenditure grew by ₹ 2,185.06 crore (9.46 per cent) during the year, over the previous year.
- Revenue receipts were less than Revenue Expenditure by ₹ 382.53 crore resulting in revenue deficit to this extent during the current year.
- Capital expenditure during the year increased by ₹ 736.84 crore (17.47 per cent) over the previous year as detailed in Paragraph 1.6.1.
- Recovery of loans and advances increased by ₹ 7.65 crore (28.13 per cent) from ₹ 27.20 crore to ₹ 34.85 crore during the current year.
- Public Debt receipts (excluding ways and means advances) at ₹ 6,500.67 crore, decreased by ₹ 297.56 crore during the year over the previous year.
- Net Public Account Receipts increased from ₹ 1,209.14 crore in 2015-16 to ₹ 1,247.68 crore in 2016-17.
- The cash balance of the State at the end of the current year increased by ₹ 1,323.15 crore as compared to the closing balance at the end of 2015-16 mainly due to increase in deposits with Reserve Bank (₹ 1,153.81 crore).

### 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 been revised by the State Government (December, 2016) and the targets have been fixed as per the recommendations of the *FFC*.

Table-1.2: Review of the fiscal situation

(₹ in crore)

| Fiscal variables                                            | 2016-17                             |                                |                           |            |                                     |                   |                   |
|-------------------------------------------------------------|-------------------------------------|--------------------------------|---------------------------|------------|-------------------------------------|-------------------|-------------------|
|                                                             | Targets as prescribed by <i>FFC</i> | Targets proposed in the Budget | Projections made in MTFPS | Actuals    | Percentage variation of actual over |                   |                   |
|                                                             |                                     |                                |                           |            | Targets of <i>FFC</i>               | Targets of Budget | Projections MTFPS |
| Revenue Deficit (-)/ Surplus (+)<br>(₹ in crore)            | *                                   | (+) 25.48                      | (-) 41.33                 | (-) 382.53 | *                                   | (-) 1,601.30      | (-) 825.55        |
| Fiscal Deficit/ GSDP<br>(in per cent)                       | 3.25                                | 2.95                           | 2.19                      | 2.80       | (+) 13.85                           | (+) 5.08          | (-) 27.85         |
| Ratio of outstanding fiscal liability to GSDP (in per cent) | 22.64                               | 19.79                          | 19.80                     | 22.84      | (-) 0.88                            | (-) 15.41         | (-) 15.35         |

\*No target for Revenue Deficit has been prescribed by *FFC*.

The State Government has been on a fiscal consolidation path since the enactment of the FRBM Act, 2005. During 2012-14, the State Government was able to maintain revenue surplus. The revenue surplus turned into revenue deficit during 2014-15 (₹ 917 crore) and continued in the year 2015-16. However, during the current year, the State has been

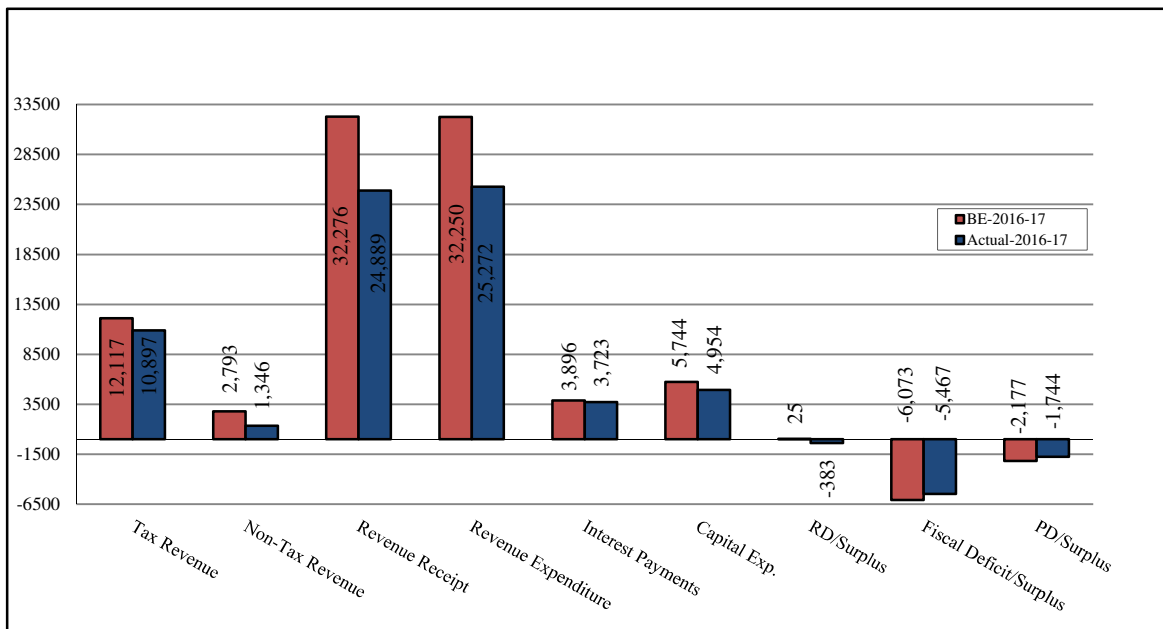
able to considerably bring down the revenue deficit (₹ 382.53 crore). The fiscal deficit at 2.80 per cent of GSDP was lower than the *FFC* norm but the ratio of outstanding fiscal liabilities to GSDP at 22.84 was slightly higher than the *FFC* norm of 22.64.

**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-optimisation 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 2016-17:

**Chart-1.1: Selected Fiscal Parameters: Budget Estimates vis-à-vis Actuals**

(₹ in crore)

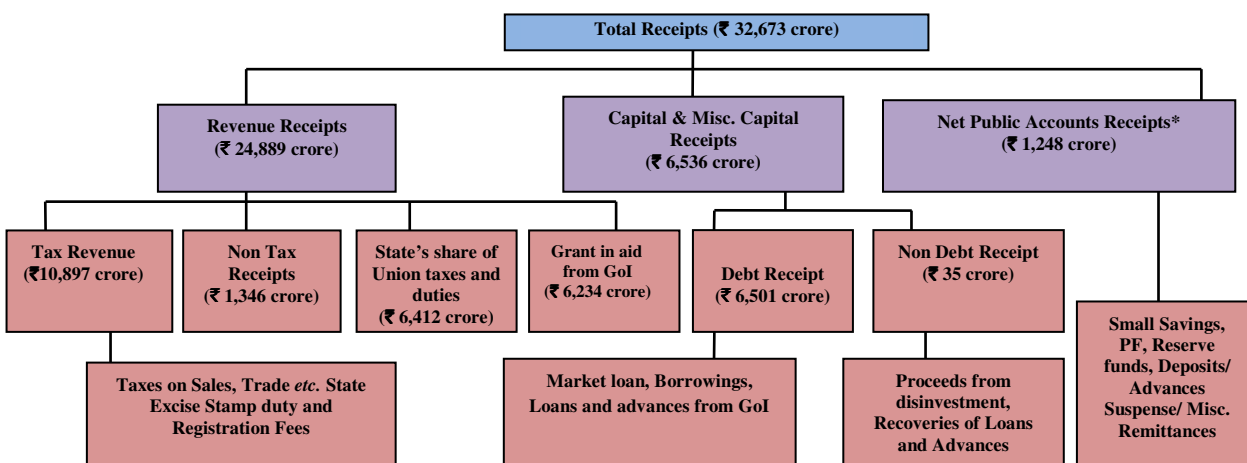


From the above **Chart-1.1** it is evident that:

- The overall revenue receipts were short by ₹ 7,387 crore (23 per cent) mainly due to less receipt of funds of ₹ 5,117 crore (45 per cent) from the GoI under grants-in-aid and less realisation of both Tax and Non-Tax Revenue by ₹ 1,220 crore (10 per cent) and ₹ 1,447 crore (52 per cent) against the BEs for the current year. The unachieved targets were to some extent counter-balanced by enhanced amount of ₹ 397 crore (seven per cent) received by the State under Central Devolution.

- The State Government was able to restrict the revenue expenditure in 2016-17 and it was ₹ 6,978 crore (22 per cent) less than the BEs for the current year.
- The budgetary projection of ₹ 5,744 crore under Capital head could not be utilised in full by the State Government during the year as the actual expenditure of ₹ 4,954 crore was less to the extent of ₹ 790 crore (14 per cent).
- The year 2016-17 ended with a Revenue Deficit of ₹ 383 crore against the assessment of Revenue Surplus of ₹ 25 crore made in the BEs.
- The actual fiscal deficit (₹ 5,467 crore) and primary deficit (₹ 1,744 crore) during 2016-17 were well below the assessments made in the BEs by 10 per cent (₹ 606 crore) and 20 per cent (₹ 433 crore) respectively.

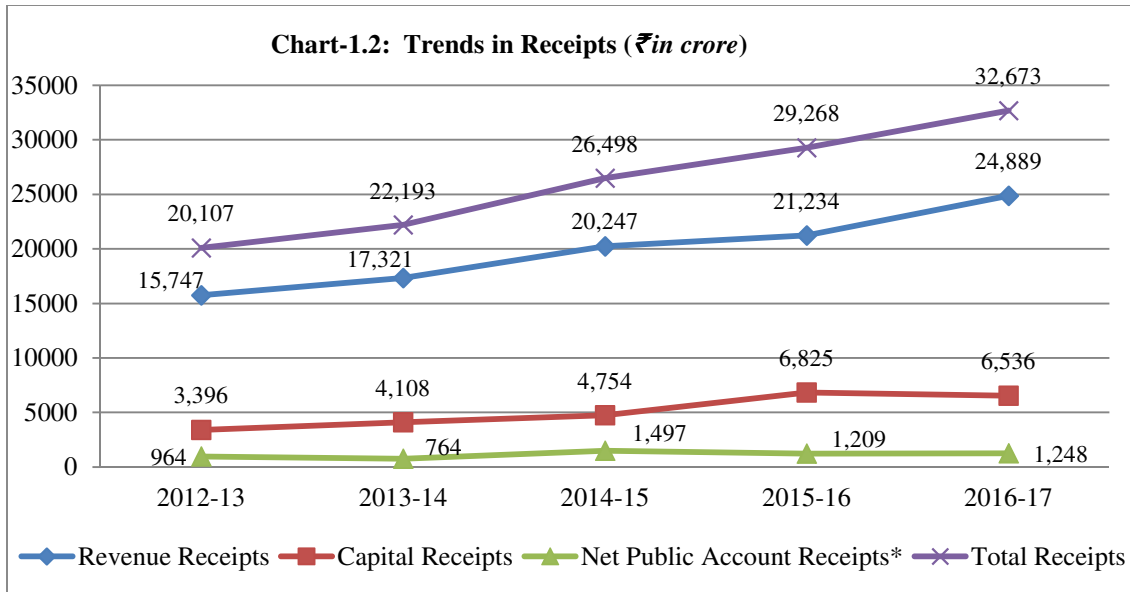
## 1.2 Resources of the State



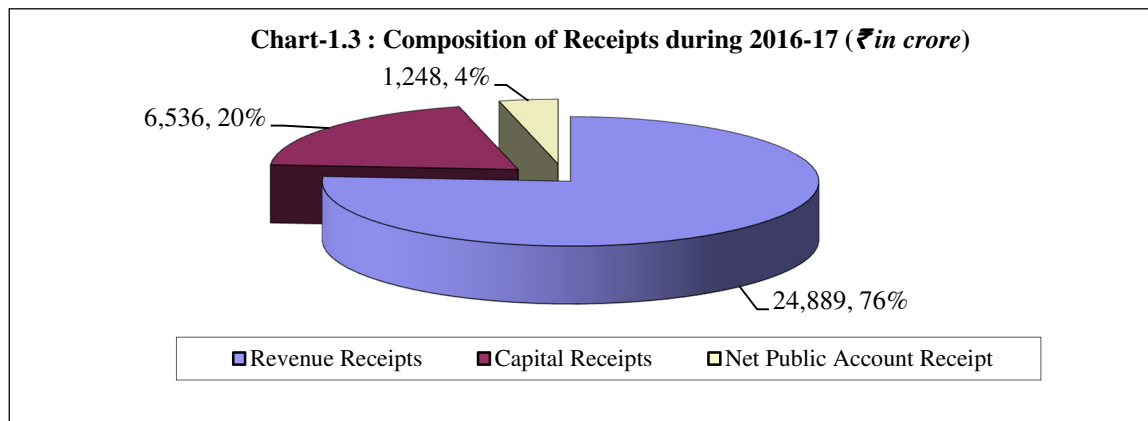
\*Net Public Account Receipts (₹1,248 crore) = Public Accounts Receipts (₹27,855 crore) less Public Accounts Disbursements (₹26,607 crore).

### 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 utilised 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 2016-17. **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 by ₹ 12,566 crore (62 per cent) from ₹ 20,107 crore in 2012-13 to ₹ 32,673 crore in 2016-17. Of total receipts, four per cent (₹ 1,248 crore) came from the net Public Account whereas 20 per cent (₹ 6,536 crore) and 76 per cent (₹ 24,889 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 17 per cent over the previous year. This was mainly due to increase in State's Own Tax Revenue by ₹ 1,520 crore (16 per cent), Non-Tax Revenue by ₹ 126 crore (10 per cent), Grant-in-Aid from Government of India by ₹ 930 crore (18 per cent) and Central devolution by ₹ 1,079 crore (20 per cent). As a percentage in the composition of total receipts, revenue receipts increased by three per cent during the current year while the share of capital receipts in the total receipts decreased by three per cent (refer Table-1.1).

Net Public Account receipts at ₹ 1,248 crore accounted for four per cent of total receipts during 2016-17 as detailed in paragraph 1.5.



### 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. However, despite the Government of India's decision to release all assistance pertaining to CSSs/ACA to the State Government and not to implementing agencies, the Government of India directly transferred funds amounting to ₹ 719.50 crore (Funds routed outside State Budget-Unaudited figures) to various State Implementing Agencies during the year 2016-17 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                           | Funds Transferred |
|---------------|---------------------------------------------------------------------------|----------------------------------------------------|-------------------|
| 1.            | Mahatma Gandhi National Rural Employment Guarantee Yojna                  | Uttarakhand Rajya Rozgar Guarantee Sanstha         | 372.55            |
| 2.            | Border Management Scheme                                                  | Public Works Department, Champawat                 | 200.00            |
| 3.            | Swadesh Darshan-Integrated Development of Theme Based                     | Tourism Development Board                          | 40.50             |
| 4.            | Digital India Programme                                                   | Information Technology Development Agency Dehradun | 19.49             |
| 5.            | Capacity Building for Panchayat Sashaktikaran Abhiyan                     | Director, Panchayati Raj                           | 13.21             |
| 6.            | National Mission on Pilgrimage Rejuvenation and Spirituality Augmentation | Tourism Development Board                          | 12.92             |
| 7.            | Others (50)                                                               | Various agencies                                   | 60.83             |
| <b>Total:</b> |                                                                           |                                                    | <b>719.50</b>     |

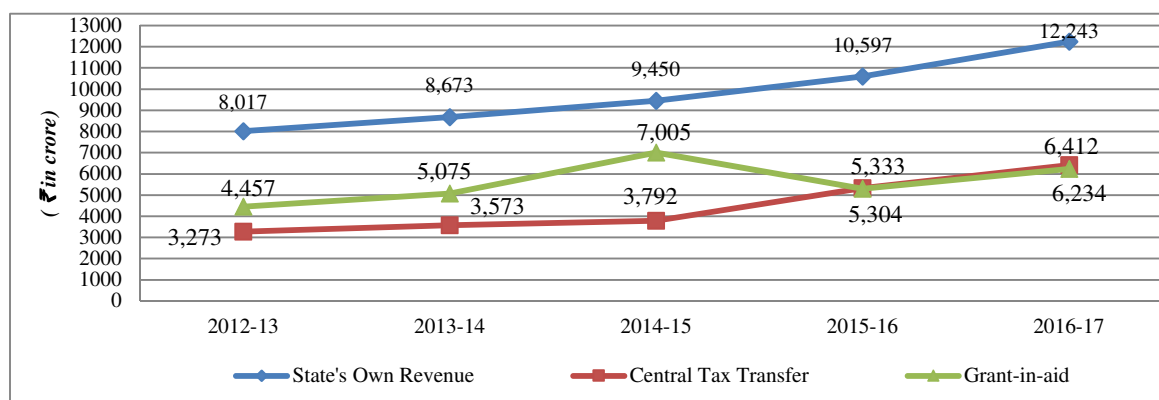
Source: Finance Account- Appendix VI.

Out of total funds of ₹ 1,629.70 crore transferred directly by Government of India to implementing agencies (including Central implementing agencies) in the State, an amount of ₹ 719.50 crore (44 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 2012-13 to 2016-17 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 2012-13 to 2016-17. They increased from ₹ 15,747 crore in 2012-13 to ₹ 24,889 crore in 2016-17 at an average rate of 12.80 *per cent* per annum out of which State's own revenue, Central tax transfers and Grant-in-Aid increased by ₹ 4,226 crore (52.71 *per cent*), ₹ 3,139 crore (95.91 *per cent*) and ₹ 1,777 crore (39.86 *per cent*) respectively during the said period.

49.19 *per cent* of the revenue receipts during 2016-17 came from the State's own tax and non-tax revenue.

State's own receipts constituted on an average around 49.35 *per cent* of its revenue receipts, over the period 2012-13 to 2016-17. 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**

|                                             | 2012-13  | 2013-14  | 2014-15  | 2015-16  | 2016-17  |
|---------------------------------------------|----------|----------|----------|----------|----------|
| Revenue Receipts (RR) (₹ in crore)          | 15,747   | 17,321   | 20,247   | 21,234   | 24,889   |
| Rate of growth of RR ( <i>per cent</i> )    | 15.02    | 10.00    | 16.89    | 4.87     | 17.21    |
| Gross State Domestic Product (GSDP)         | 1,31,613 | 1,49,074 | 1,61,439 | 1,76,171 | 1,95,192 |
| RR/ GSDP ( <i>per cent</i> )                | 11.96    | 11.62    | 12.54    | 12.05    | 12.75    |
| <b>Buoyancy Ratios<sup>2</sup></b>          |          |          |          |          |          |
| Revenue Buoyancy <i>w.r.t.</i> GSDP         | 1.06     | 0.75     | 2.04     | 0.53     | 1.59     |
| State's Own Tax Buoyancy <i>w.r.t.</i> GSDP | 1.01     | 1.11     | 1.61     | 1.36     | 1.50     |

The growth rate of Revenue Receipts was 15.02 *per cent* during 2012-13 over the previous year 2011-12 and thereafter it declined down to 10 *per cent* in 2013-14. The growth rate for 2014-15 increased by 6.89 percentage points over the previous year but again decreased sharply by 12.02 percentage points in 2015-16. However, it again picked up sharply during the current year 2016-17 and stood at 17.21 *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 2012-13 to 2016-17 due to fluctuations in the growth rate of Revenue Receipts. It declined to 0.53 in 2015-16 from 2.04 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. However, the Revenue buoyancy has again appreciated to 1.59 during the current year 2016-17.

### **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 mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The *FFC* projections, BEs and MTFPS projections *vis-à-vis* actual in respect of State's own resources during 2016-17 are given in **Table-1.5**.

<sup>2</sup> Refer glossary in **Appendix-4.1**.

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

| States Own resources | FFC projections | Budget Estimates | MTFPS projections | Actual | Percentage variation of actual over |                  |                   |
|----------------------|-----------------|------------------|-------------------|--------|-------------------------------------|------------------|-------------------|
|                      |                 |                  |                   |        | FFC projections                     | Budget Estimates | MTFPS projections |
| Own Tax Revenue      | 14,487          | 12,117           | 10,867            | 10,897 | (-) 24.78                           | (-)10.07         | (+) 0.28          |
| Non-Tax Revenue      | 2,678           | 2,793            | 1,316             | 1,346  | (-)49.74                            | (-)51.81         | (+) 2.28          |

(₹ in crore)

As shown in **Table-1.5**, the State's own resources vis-à-vis projections made by the FFC, and by the State Government in BEs and MTFPS showed that own tax revenues during 2016-17 were less by ₹ 3,590 crore and ₹ 1,220 crore respectively against the FFC projections and BEs. However, it was higher than the projections made in the MTFPS, by ₹ 30 crore.

The Non-tax revenue (NTR) was less by ₹ 1,332 crore and ₹ 1,447 crore respectively as compared to the FFC projections and the BEs. However, the MTFPS targets were met by the Government and the actual realisation was higher by ₹ 30 crore.

### 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                    | 2012-13           | 2013-14           | 2014-15           | 2015-16           | 2016-17            |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Taxes on Sales, Trades etc.     | 4,289 (18)        | 4,903 (14)        | 5,465 (11)        | 6,105 (12)        | 7,154 (17)         |
| State Excise                    | 1,118 (32)        | 1,269 (14)        | 1,487 (17)        | 1,735 (17)        | 1,906 (10)         |
| Taxes on Vehicles               | 304 (-9)          | 369 (21)          | 394 (7)           | 471 (20)          | 556 (18)           |
| Stamp Duty and Registration Fee | 648 (24)          | 687 (6)           | 714 (4)           | 871 (22)          | 778 (-11)          |
| Taxes on Goods and Passengers   | --                | --                | --                | --                | --                 |
| Other Taxes                     | 55 (-80)          | 128 (133)         | 279 (118)         | 195 (-30)         | 503 (158)          |
| <b>Total</b>                    | <b>6,414 (14)</b> | <b>7,356 (15)</b> | <b>8,339 (13)</b> | <b>9,377 (12)</b> | <b>10,897 (16)</b> |

(₹ in crore)

Figures in the parentheses indicate percentage increase/decrease over previous year.

The State's own tax revenue increased by 16 per cent from ₹ 9,377 crore in 2015-16 to ₹ 10,897 crore in 2016-17. This increase also led to the appreciation in the rate of growth during the year in comparison to previous year by four per cent. The revenue from taxes on Sales, Trade, etc. not only comprised a major share of tax revenue (65.65 per cent) but also registered an increase of 17 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                                  | 2012-13         | 2013-14         | 2014-15         | 2015-16         | 2016-17         |
|-----------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest receipts                             | 114.76          | 51.12           | 108.17          | 89.22           | 71.77           |
| Dividends & Profits                           | 0.19            | 0.30            | 0.11            | 5.10            | 15.21           |
| Other non-tax receipts                        | 1,487.93        | 1,265.12        | 1,002.16        | 1,125.34        | 1,258.84        |
| <b>Total</b>                                  | <b>1,602.88</b> | <b>1,316.54</b> | <b>1,110.44</b> | <b>1,219.66</b> | <b>1,345.82</b> |
| Per cent increase/decrease over previous year | 41.08           | (-) 17.86       | (-)15.65        | 9.84            | 10.34           |

(₹ in crore)

Non-tax revenue at ₹ 1,602.88 crore in 2012-13 showed decreasing trend during the period 2013-14 and 2014-15. However, it increased in the year 2015-16. During the

current year it increased again which was mainly due to increase in Non Ferrous Mining and Metallurgical Industries (22.93 per cent), Education, Sports, Art and Culture (98.08 per cent) and Public Works (265.95 per cent). This was partially counter balanced by decrease in receipts from Power (22.83 per cent). The major contributors to Non-tax revenue during 2016-17 were Forestry and Wild Life ₹ 318.21 crore (23.64 per cent), Non-ferrous Mining & Metallurgical Industries ₹ 335.17 crore (24.90 per cent), Power ₹ 130.08 crore (9.67 per cent) and Interest Receipts ₹ 71.77 crore (5.33 per cent).

### **1.3.2 Grants-in-aid from GoI**

Grants-in-aid (GIA) received from the GoI during 2012-13 to 2016-17 are depicted in **Table-1.8**.

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

| Particulars                                        | (₹ in crore) |              |              |              |              |
|----------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
|                                                    | 2012-13      | 2013-14      | 2014-15      | 2015-16      | 2016-17      |
| Non-Plan grants                                    | 869          | 981          | 944          | 1,043        | 824          |
| Grants for State Plan schemes                      | 3,040        | 3,558        | 4,083        | 1,173        | 1,532        |
| Grants for Central Plan schemes                    | 8            | 13           | 99           | 609          | 843          |
| Grants for Centrally Sponsored Plan schemes        | 540          | 523          | 1,879        | 2,479        | 3,035        |
| <b>Total</b>                                       | <b>4,457</b> | <b>5,075</b> | <b>7,005</b> | <b>5,304</b> | <b>6,234</b> |
| Percentage of increase/decrease over previous year | 9            | 14           | 38           | (-) 24       | 18           |
| Percentage of Revenue Receipts                     | 28           | 29           | 35           | 25           | 25           |

The grants-in-aid from GoI had shown an increase over the period 2012-13 to 2014-15 but it decreased by ₹ 1,701 crore (24.28 per cent) during 2015-16 over the previous year. During the current year the receipts under Grants-in-aid from GoI again increased by ₹ 930 crore (17.53 per cent) 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 ₹ 1,078.38 crore (20.22 per cent) from ₹ 5,333.19 crore in 2015-16 to ₹ 6,411.57 crore in 2016-17. The overall increase in Central tax transfers was due to increase in Corporation tax (₹ 378.88 crore), Union Excise Duties (₹ 295.79 crore), Taxes on income other than Corporation tax (₹ 266.18 crore), Service Tax (₹ 107.56 crore) and Customs (₹ 29.85 crore).

### **1.3.4 Optimisation of Fourteen Finance Commission grants**

The *FFC* submitted its report in December 2014, covering the five year period commencing from April 1, 2015. The GoI allocated grants-in-aid of ₹ 3,856.52 crore on the recommendations of *FFC* to the State Government, to be utilised for Local Bodies and Disaster Relief Fund during 2015-16 to 2019-20. Position of releases by GoI during 2016-17 and onward transfers by the State Government is given in **Table-1.9**.

Table-1.9: Transfers recommended and actual release of Grants-in-aid

(₹ in crore)

| Transfers                      | Recommendations of the FFC 2015-16 to 2019-20 | Recommendations of the FFC 2016-17 | Actual Release from GoI during 2016-17 | Transfers made by State during 2016-17 |
|--------------------------------|-----------------------------------------------|------------------------------------|----------------------------------------|----------------------------------------|
| <b>1. Local Bodies</b>         |                                               |                                    |                                        |                                        |
| <b>(A) Grants to PRIs</b>      | 1,882.69                                      | 318.37                             | 318.37                                 | 318.37                                 |
| (i) General Grant              | 1,694.42                                      | 281.45                             | 281.45                                 | 281.45                                 |
| (ii) Performance Grant         | 188.27                                        | 36.92                              | 36.92                                  | 36.92                                  |
| <b>(B) Grants to ULBs</b>      | 815.83                                        | 140.41                             | 66.09                                  | 66.09                                  |
| (i) General Grant              | 652.66                                        | 108.41                             | 41.56                                  | 41.56                                  |
| (ii) Performance Grant         | 163.17                                        | 32.00                              | 24.53                                  | 24.53                                  |
| <b>Total (1)</b>               | <b>2,698.52</b>                               | <b>458.78</b>                      | <b>384.46</b>                          | <b>384.46</b>                          |
| <b>2. Disaster Relief Fund</b> | 1,158.00                                      | 220.00                             | 220.00*                                | 220.00                                 |
| <b>Grand Total</b>             | <b>3,856.52</b>                               | <b>678.78</b>                      | <b>604.46</b>                          | <b>604.46</b>                          |

Source: FFC Report and Finance Accounts.

(\*₹198 crore as central share and ₹22 crore as state share)

The grants recommended by the FFC formed two parts - a basic grant and performance grant for duly constituted gram panchayats and municipalities. The State did not receive its full share from the GoI during 2016-17 under grants to ULBs. However, the actual utilisation by the PRIs and ULBs was not made available by the State Department.

## 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-1.10.

Table-1.10: Trends in growth and composition of receipts

(₹ in crore)

| Sources of State's Receipts                        | 2012-13                  | 2013-14      | 2014-15      | 2015-16      | 2016-17      |              |
|----------------------------------------------------|--------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Capital Receipts (CR)</b>                       | <b>3,396</b>             | <b>4,108</b> | <b>4,754</b> | <b>6,825</b> | <b>6,536</b> |              |
| Miscellaneous Capital Receipts                     | --                       | 180          | 135          | --           | --           |              |
| Recovery of Loans and Advances                     | 428                      | 55           | 46           | 27           | 35           |              |
| Public Debt Receipts                               | Market Loan              | 1,750        | 2,500        | 2,400        | 3,900        | 5,450        |
|                                                    | Other Internal Resources | 1,183        | 1,338        | 2,112        | 2,801        | 905          |
|                                                    | GoI                      | 35           | 35           | 61           | 97           | 146          |
|                                                    | <b>Total</b>             | <b>2,968</b> | <b>3,873</b> | <b>4,573</b> | <b>6,798</b> | <b>6,501</b> |
| Rate of growth of debt capital receipts (per cent) | 27                       | 30           | 18           | 49           | (-)/4        |              |
| Rate of growth of non-debt capital receipts        | 370                      | (-) 45       | (-) 23       | (-) 85       | 30           |              |
| Rate of growth of GSDP                             | 14.12                    | 13.27        | 8.29         | 9.13         | 10.80        |              |
| Rate of growth of CR (per cent)                    | 40                       | 21           | 16           | 44           | (-)/4        |              |

Capital Receipts comprising debt and non-debt receipts of the State increased at an average growth rate of 23 per cent over the period 2012-13 to 2016-17. The debt receipts had a predominant share in capital receipts and accounted for 87.40 to 99.60 per cent during 2012-13 to 2016-17.

#### 1.4.1 Recoveries of loans and advances

Recoveries from loans and advances continued to decline from 2012-13 onwards from a high of ₹ 428 crore in 2012-13 to ₹ 27 crore in 2015-16. However, the recoveries have shown an increase (₹ eight crore) during the current year.

#### 1.4.2 Debt receipts from internal sources

Internal Debt receipts comprising Market loans, loans from financial institutions, etc. over the period 2012-13 to 2016-17 continued to be a major source of receipts of the State Government. They increased by ₹ 3,422 crore (116.67 per cent) over the period 2012-13 to 2016-17. However, debt receipt showed a decrease of ₹ 346 crore (5.16 per cent) over the previous year.

Trends in market borrowings are detailed in Paragraph 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 (₹ 654.54 crore) is only 1.86 per cent of its total Public Debt (₹ 35,209.59 crore). Receipt of Loans and Advances from GoI increased tri-fold (₹ 111 crore) over the period 2012-13 to 2016-17. During the current year, it increased by ₹ 48.43 crore (49.92 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. Here the Government acts as a banker/trustee for the public money. The balance after disbursement is the fund available with the Government for use. Trends of receipts and disbursement under various segments of Public Accounts are given in **Table-1.11**.

**Table-1.11: Trends of Public Account Receipts and Disbursement during 2015-16 and 2016-17**

(₹ in crore)

| Source of State's Receipts            | Public Account Receipts |                  | Disbursement from Public Accounts |                  | Excess of receipts over Disbursements (Net Public Account Receipt) |                 |
|---------------------------------------|-------------------------|------------------|-----------------------------------|------------------|--------------------------------------------------------------------|-----------------|
|                                       | 2015-16                 | 2016-17          | 2015-16                           | 2016-17          | 2015-16                                                            | 2016-17         |
| a. Small Savings, Provident fund etc. | 1,513.13                | 1,528.82         | 1,035.39                          | 1,116.13         | 477.74                                                             | 412.69          |
| b. Reserve Funds                      | 332.46                  | 280.00           | 149.09                            | 356.63           | 183.37                                                             | (-) 76.63       |
| c. Deposits and Advances              | 3,798.92                | 3,276.70         | 3,660.57                          | 3,412.01         | 138.35                                                             | (-) 135.31      |
| d. Suspense and Miscellaneous         | 27,622.77               | 29,078.90        | 27,246.38                         | 28,028.62        | 376.39                                                             | 1,050.28        |
| e. Remittances                        | 4,478.59                | (-) 6,309.40     | 4,445.30                          | (-) 6,306.05     | 33.29                                                              | (-) 3.35        |
| <b>Total</b>                          | <b>37,745.87</b>        | <b>27,855.02</b> | <b>36,536.73</b>                  | <b>26,607.34</b> | <b>1,209.14</b>                                                    | <b>1,247.68</b> |

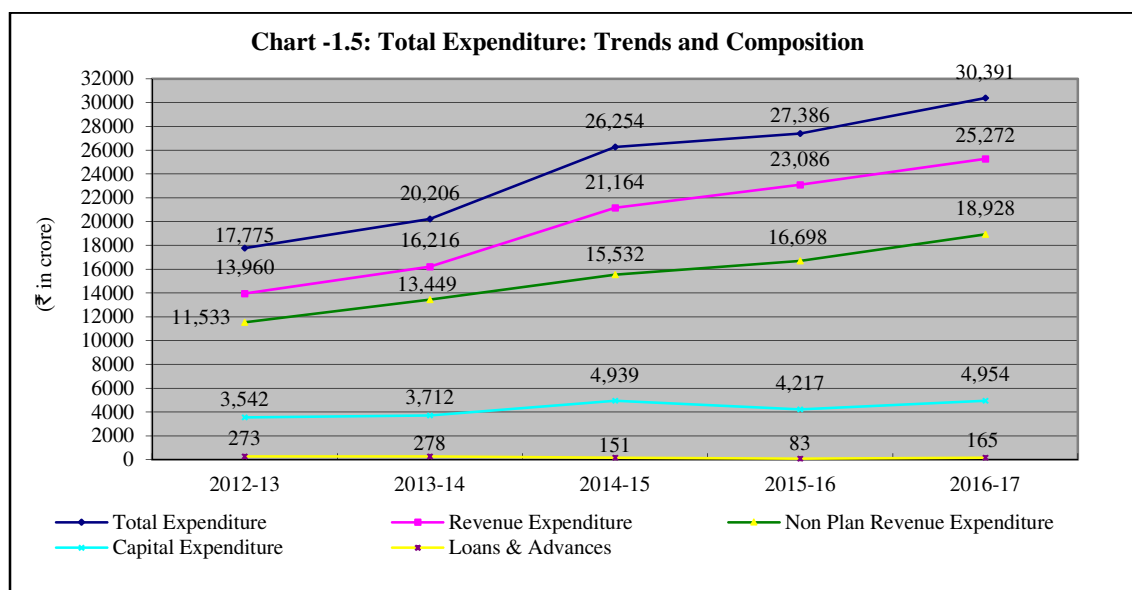
During the year 2016-17, excess of receipt over disbursement of ₹ 870.19 crore under Cheques and Bills formed the bulk of the excess of receipts over disbursements under Suspense and Miscellaneous (₹ 1,050.28 crore). This ultimately resulted in excess of receipts over disbursements under Public Account Receipt by ₹ 1,247.68 crore.

## 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 (2012-13 to 2016-17) and its composition in terms of 'expenditure by nature' as depicted in **Chart-1.6**.



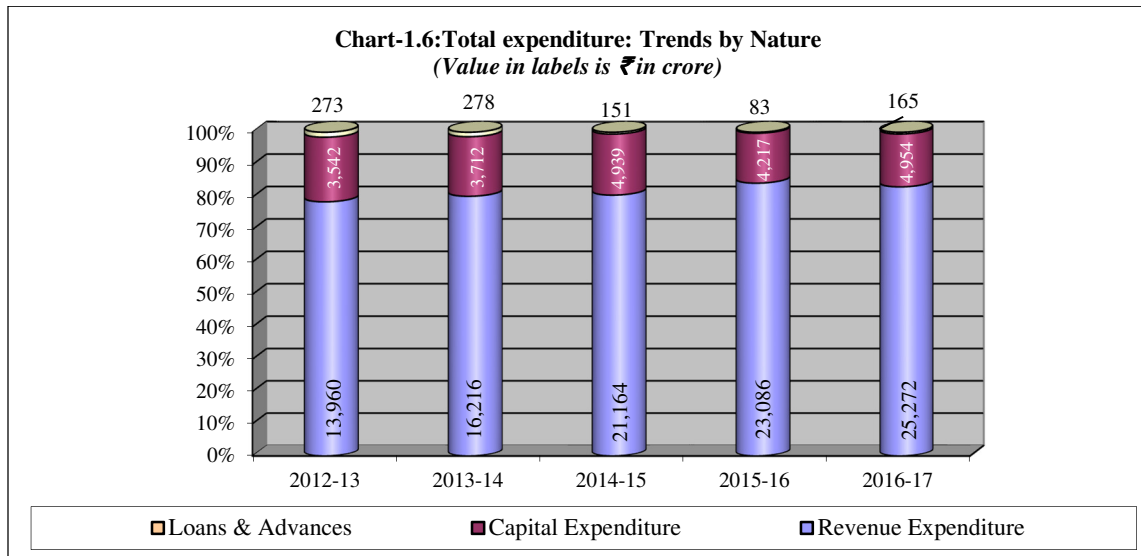
**Total Expenditure (TE)** of the State increased at an average rate of 14.65 per cent per annum during 2012-13 to 2016-17. An increase of ₹ 3,005 crore (10.97 per cent) in Total Expenditure during 2016-17 over the previous year was due to increase in Revenue Expenditure (RE) by ₹ 2,186 crore, Capital Expenditure (CE) by ₹ 737 crore and Loans and Advances by ₹ 82 crore.

**Revenue Expenditure (RE):** The RE of ₹ 25,272 crore during the current year was 83.16 per cent of TE (₹ 30,391 crore). The increase in RE (₹ 2,186 crore) during the

current year was due to increase in expenditure towards (i) Grants-in-aid and Contribution (₹ 140 crore), (ii) Social Services (₹ 602 crore), and (iii) General Services (₹ 1,524 crore) which included increase in the interest payments amounting to ₹ 752 crore.

**Capital Expenditure (CE):** The CE had shown a decrease of ₹ 722 crore (14.62 per cent) during 2015-16 over the previous year. However, the CE has again increased by ₹ 737 crore. As per cent of TE, it declined from 19.93 per cent in 2012-13 to 16.30 per cent in 2016-17. The CE showed an increasing trend during the period 2012-13 to 2014-15 while it decreased by 14.62 per cent during 2015-16 over previous year. It again increased during the current year 2016-17 by 17.48 percentage points. However, it was still below the target set forth by the State Government in its Budget (₹ 5,744.36 crore) but was above the target of the Mid Term Fiscal Policy Statement (MTFPS) (₹ 4,414.83 crore).

The relative share of these components of expenditure in total expenditure had shown a fluctuating trend during the period 2012-13 to 2016-17. The share of expenditure on General Services including interest payments, which is considered as non-developmental expenditure, fluctuated between one to two per cent during the period 2012-13 to 2016-17. The share of expenditure on Social and Economic Services during the year 2016-17 have decreased marginally by 1.64 per cent and 0.59 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 ₹ 340 crore (14.01 per cent) in 2013-14, ₹ 2,865 crore (103.54 per cent) in 2014-15 and ₹ 756 crore (13.42 per cent) in 2015-16 over the previous years. However, it decreased marginally during the current year (₹ 44 crore). There was decline of PRE in the Economic and General Services, (₹ 291.90 crore and ₹ 17.91 crore) and increase in the Social Services (₹ 265.51 crore).



**Non-Plan Revenue Expenditure (NPRE)** of the State increased by ₹ 7,395 crore (64.12 per cent) from ₹ 11,533 crore in 2012-13 to ₹ 18,928 crore in 2016-17. During the current year, the increase in NPRE of ₹ 2,230 crore (13.35 per cent) was mainly due to increase in expenditure under Interest Payments (₹ 752 crore), Salaries (₹ 822 crore) and Pension (₹ 542 crore). **Table-1.12** depicts the details of actual NPRE with reference to projections made by the State Government at different stages during the year 2016-17.

**Table -1.12: Actual NPRE vis-à-vis projections for 2016-17**

(₹ in crore)

| Non-Plan Revenue Expenditure (NPRE) | Assessment made by State Government in |        | Actuals |
|-------------------------------------|----------------------------------------|--------|---------|
|                                     | Budget                                 | MTFPS  |         |
|                                     |                                        | 22,250 | ***     |

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

\*\*\*PRE & NPRE clubbed w.e.f FY-2017-18

During the current year, the NPRE (₹ 18,928 crore) was less than the projections made by the State Government in its Budget (₹ 22,250 crore).

### 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-1.13** presents the trends in the expenditure on these components during 2012-13 to 2016-17.

**Table-1.13: Components of Committed Expenditure**

(₹ in crore)

| Components of Committed Expenditure | 2012-13          | 2013-14           | 2014-15           | 2015-16           | 2016-17       |                   |                                           |
|-------------------------------------|------------------|-------------------|-------------------|-------------------|---------------|-------------------|-------------------------------------------|
|                                     |                  |                   |                   |                   | BE            | Actual            | Percentage of variation of Actual over BE |
| Salaries & Wages, of which          | 5,724<br>(36.35) | 6,431<br>(37.13)  | 7,309<br>(36.10)  | 7,848<br>(36.96)  | 11,753        | 8,670<br>(34.83)  | (-) 26.23                                 |
| Non-Plan Head                       | 5,423            | 6,115             | 6,944             | 7,407<br>(34.88)  |               | 8,073<br>(32.44)  |                                           |
| Plan Head*                          | 301              | 316               | 365               | 441<br>(2.08)     |               | 597<br>(2.40)     |                                           |
| Interest Payments                   | 2,089<br>(13.27) | 2,056<br>(11.87)  | 2,406<br>(11.88)  | 2,971<br>(13.99)  | 3,896         | 3,723<br>(14.96)  | (-) 4.44                                  |
| Expenditure on Pensions             | 1,366<br>(8.67)  | 2,131<br>(12.30)  | 2,452<br>(12.11)  | 2,628<br>(12.38)  | 3,529         | 3,170<br>(12.74)  | (-) 10.17                                 |
| Subsidies                           | 163<br>(1.04)    | 24<br>(0.14)      | 209<br>(1.03)     | 211<br>(0.99)     | 350           | 208<br>(0.84)     | (-) 40.57                                 |
| Total Committed Expenditure         | 9,342<br>(59.33) | 10,642<br>(61.44) | 12,376<br>(61.13) | 13,658<br>(64.32) | 19,528        | 15,771<br>(63.37) | (-) 19.24                                 |
| Other Components                    | 2,191<br>(13.91) | 2,807<br>(16.21)  | 3,156<br>(15.59)  | 3,040<br>(14.32)  | 2,722         | 3,157<br>(12.68)  | (+) 15.98                                 |
| Total NPRE                          | 11,533           | 13,449            | 15,532            | 16,698            | 22,250        | 18,928            | (-) 14.93                                 |
| <b>Total Revenue Expenditure</b>    | <b>13,960</b>    | <b>16,216</b>     | <b>21,164</b>     | <b>23,086</b>     | <b>32,250</b> | <b>25,272</b>     | <b>(-) 21.64</b>                          |
| <b>Revenue Receipts</b>             | <b>15,747</b>    | <b>17,321</b>     | <b>20,247</b>     | <b>21,234</b>     | <b>32,276</b> | <b>24,889</b>     | <b>(-) 22.89</b>                          |

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 59 per cent of revenue receipts in 2012-13, increased by four per cent during the current year and was 63 per cent of revenue receipts. It increased by ₹ 6,429 crore over the period 2012-13 to 2016-17. High levels of committed expenditure leave little scope for the Government to spend more on developmental activities.

### **Salaries and Wages**

During the current year expenditure on salaries (₹ 8,670 crore) accounted for 46 *per cent* of NPRES (₹ 18,928 crore). The expenditure on salaries over the period 2012-13 to 2016-17 grew at an average of 10.60 *per cent*. The actual expenditure on salaries during 2016-17 was well below the target fixed by the State Government in its Budget (₹ 11,753 crore) and MTFPS (₹ 9,736 crore) for the current year. However, over estimation made in the BEs (36 *per cent*) for the year 2016-17 was not fully corrected by the Government in the Fiscal Correction Path and the projections made in the MTFPS were also overestimated (12 *per cent*) *vis-à-vis* actuals for the year 2016-17.

### **Pension Payments**

Expenditure on pension payments was ₹ 3,170 crore in 2016-17, which constituted 12.74 *per cent* of the revenue receipts. During the current year, it increased by 20.62 *per cent* over the previous year 2015-16 and exceeded the normative assessment (₹ 2,934 crore) by eight *per cent* (₹ 236 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 (₹ 252.90 crore) and matching government contribution (₹ 252.90 crore) amounting to ₹ 505.80 crore have been booked under MH-0071-117-Defined Contribution Pension Scheme for Government employees. A total amount of ₹ 503.35 crore has been transferred to National Securities Depository Limited (NSDL) leaving a balance of ₹ 2.45 crore that is yet to be transferred to the Fund. Further, the State Government had parked the legacy balances<sup>3</sup> of ₹ 173.27 crore in the Public Account under Major Head 8342-117-Defined Contribution Pension Scheme for Government employees. During the year, no interest has been credited to the Fund. However, an amount of ₹ 2.89 crore has been transferred to NSDL leaving a balance of ₹ 170.38 crore in the Fund. Uncollected, unmatched and untransferred amounts, with accrued interest, represent outstanding liabilities under the Scheme.

### **Interest Payments**

As shown in **Table-1.13**, interest payments increased by 78.22 *per cent* during 2012-13 to 2016-17 primarily on account of past borrowings. Interest payments during 2016-17 included interest on Internal Debt<sup>4</sup> (₹ 3,099 crore), Small Savings, Provident Fund *etc.* (₹ 502 crore), other obligations (₹ 75 crore) and loans and advances from Government of India (₹ 47 crore). Interest payments (₹ 3,723 crore) during the current year were 14.96 *per cent* of Revenue receipts against 11.62 *per cent* recommended by FFC.

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<sup>3</sup> Legacy balances are the amounts relating to the period between date of announcement of the Scheme (1 October 2005) and the date on which the Scheme was notified by the State Government (31 March 2008).

<sup>4</sup> Refer glossary in **Appendix-4.1**.

However, these were lower by ₹ 173 crore than the target of ₹ 3,896 crore set by the State Government in its Budget but exceeded the MTFPS target of ₹ 3,414 crore by ₹ 309 crore (9.05 per cent).

### 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 are examples of implicit subsidies.

Explicit subsidy of the Government was ₹ 163.23 crore (2012-13), ₹ 23.63 crore (2013-14), ₹ 208.71 crore (2014-15), ₹ 211.38 crore (2015-16) and ₹ 207.99 crore (2016-17) as per Appendix II of Finance Accounts.

The amount of subsidy given during the year showed a marginal decrease of ₹ 3.39 crore (1.60 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-1.14**.

**Table -1.14: Financial Assistance to Local Bodies etc.**

(₹ in crore)

| Financial Assistance to Institutions                                                                                | 2012-13         | 2013-14         | 2014-15         | 2015-16         | 2016-17         |                 |
|---------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                                                                                                     |                 |                 |                 |                 | BE              | ACTUAL          |
| Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)                                        | 501.83          | 431.05          | 714.27          | 615.73          | 923.12          | 650.63          |
| Municipal Corporations and Municipalities                                                                           | 306.28          | 321.19          | 380.17          | 334.11          | 622.96          | 397.77          |
| Zila Parishads and Other Panchayati Raj Institutions                                                                | 190.59          | 347.21          | 301.10          | 432.46          | 631.37          | 508.40          |
| Development Agencies                                                                                                | 480.80          | 562.37          | 891.07          | 828.94          | 1,519.02        | 953.33          |
| Hospitals and Other Charitable Institutions                                                                         | 134.78          | 108.99          | 335.89          | 338.94          | 469.37          | 319.17          |
| Energy (Non-conventional source of energy)                                                                          | 12.89           | 6.88            | 5.11            | 18.63           | 18.30           | 18.12           |
| Agriculture Research and Educational Institution, Land Reforms for updating land records and Wild life Preservation | 79.71           | 111.16          | 245.18          | 270.21          | 144.06          | 337.78          |
| Co-operatives                                                                                                       | 9.75            | 11.83           | 4.64            | 4.12            | 8.54            | 5.07            |
| Animal Husbandry, Dairy Development and Fisheries                                                                   | 8.75            | 10.43           | 28.58           | 27.09           | 52.22           | 32.00           |
| Secretariat Economic Services & Tourism                                                                             | 36.28           | 49.33           | 68.80           | 1.52            | 43.53           | 30.69           |
| Social Security & Welfare of Scheduled Caste, Scheduled Tribe & Other Backward Classes                              | 254.31          | 285.85          | 412.94          | 514.86          | 665.76          | 446.96          |
| Other Institutions                                                                                                  | 115.75          | 80.27           | 127.67          | 209.16          | 748.68          | 150.30          |
| <b>Total</b>                                                                                                        | <b>2,131.72</b> | <b>2,326.56</b> | <b>3,515.42</b> | <b>3,595.77</b> | <b>5,846.93</b> | <b>3,850.22</b> |
| Assistance as per percentage of RE                                                                                  | 15.27           | 14.35           | 16.61           | 15.58           | 18.13           | 15.23           |

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

The total assistance to local bodies and other institutions increased by ₹ 1,718.50 crore (80.62 per cent) from ₹ 2,131.72 crore in 2012-13 to ₹ 3,850.22 crore in 2016-17. The assistance during the current year also showed an increase ₹ 254.45 crore over the previous year. Educational institutions and development agencies together accounted for 41.66 per cent of the total financial assistance during the current year.

There was increase in financial assistance under Development Agencies (₹ 124.39 crore), Zila Parishads (₹ 75.94 crore), Agriculture Research and Educational Institution, Land Reforms for updating land records and Wild life Preservation (₹ 67.57 crore), Secretariat Economic Services & Tourism (₹ 29.17 crore) Municipal Corporations and Municipalities (₹ 63.66 crore) and Educational Institutions (Aided Schools, Aided Colleges, Universities, etc) (₹ 34.90 crore). Financial assistance declined in Social Security & Welfare of Scheduled Caste, Scheduled Tribe & Other Backward Classes (₹ 67.90 crore), Other Institutions (₹ 58.86 crore) and Hospitals and Other Charitable Institutions (₹ 19.77 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 in that category to aggregate expenditure (AE)] 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 expenditure incurred in that particular head of expenditure is below the Special Category States' average for that year.

**Table-1.15** 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, 2015-16 and 2016-17.

**Table-1.15: Fiscal Priority of the State during the years 2012-13, 2015-16 and 2016-17**

| <i>(in per cent)</i>                             |          |         |         |         |        |                |            |
|--------------------------------------------------|----------|---------|---------|---------|--------|----------------|------------|
| 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 | 24.80    | 61.10   | 34.30   | 30.70   | 15.10  | 18.10          | 5.30       |
| Uttarakhand Average (Ratio) 2012-13              | 13.51    | 66.24   | 38.32   | 26.40   | 19.93  | 22.15          | 4.83       |
| Special Category States' Average (Ratio) 2015-16 | 24.70    | 63.90   | 36.30   | 30.10   | 14.00  | 18.50          | 6.00       |
| Uttarakhand Average (Ratio) 2015-16              | 15.55    | 66.08   | 39.40   | 26.38   | 15.40  | 18.73          | 4.96       |
| Special Category States' Average (Ratio) 2016-17 | 27.40    | 61.50   | 34.20   | 30.00   | 13.60  | 16.60          | 5.40       |
| Uttarakhand Average (Ratio) 2016-17              | 15.57    | 64.09   | 37.76   | 25.79   | 16.30  | 18.91          | 4.60       |

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.

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

A comparative study of average expenditure of Uttarakhand State in 2015-16 and 2016-17 with that of 2012-13 showed the following:

- The State Government's aggregate expenditure as a proportion of the GSDP in 2015-16 and 2016-17 was higher by 2.04 *per cent* and 2.06 *per cent* respectively in comparison to 2012-13.
- Development Expenditure (DE) as a proportion of Aggregate Expenditure (AE) in 2015-16 and 2016-17 was lesser by 0.16 *per cent* and 2.15 *per cent* respectively in comparison to 2012-13.
- Social Sector Expenditure as a proportion of AE was higher by 1.08 *per cent* during 2015-16 while it was lesser by 0.56 *per cent* in 2016-17 in comparison to 2012-13.
- Economic Sector Expenditure as a proportion of AE was lesser by 0.02 *per cent* and 0.61 *per cent* respectively during 2015-16 and 2016-17 in comparison to 2012-13.
- The proportion of Capital Expenditure (CE) in AE decreased by 4.53 *per cent* and 3.63 *per cent* in 2015-16 and 2016-17 respectively in comparison to 2012-13.

Further comparative study of SCSs' Average and Uttarakhand's Average in 2015-16 and 2016-17 with that of 2012-13 also showed the following:

- Aggregate Expenditure (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 remained higher 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 also higher than that of SCSs during all the three years.
- The Economic Sector Expenditure as a proportion of Aggregate Expenditure in the State was lower than that of SCSs during all the three years.
- Priority has been given by the State Government to Capital Expenditure in 2012-13, 2015-16 and 2016-17 as the ratio of Capital Expenditure to Aggregate Expenditure has been higher than the average ratio of Special Category States.
- In Education Sector, expenditure as a proportion of Aggregate Expenditure in the State was higher than that of SCSs during all the three years.
- As observed from the **Table-1.15**, adequate priority needs to be given to Health Sector as the ratio under Health Sector was below the average of SCS during all the three years.

### 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 goods<sup>5</sup>. Apart from improving the allocation towards development expenditure<sup>6</sup>, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure (and/or GSDP) and proportion of Revenue Expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table-1.16** 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-1.17** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services.

The share of Developmental Revenue Expenditure (DRE) in the Total Expenditure (TE) remained on an average of 48 *per cent* during the period. Although, DRE increased by 3.75 *per cent* over the previous year but its share in the TE declined (four *per cent*) during the current year. The Development Capital Expenditure (DCE) continued to increase over the period 2012-13 to 2014-15 but it decreased by ₹ 619 crore (13.10 *per cent*) during the year 2015-16 as compared to 2014-15. However, it again increased by ₹ 776 crore during 2016-17. The share of DCE in TE also increased by one *per cent* during 2016-17 over previous year. The overall Development Expenditure increased almost by 65.40 *per cent* over the period 2012-13 to 2016-17 although its share in TE remained at around 65-66 *per cent*.

Table-1.16: Development Expenditure

(₹ in crore)

| Components of Development Expenditure | 2012-13        | 2013-14        | 2014-15        | 2015-16        | 2016-17 |                |
|---------------------------------------|----------------|----------------|----------------|----------------|---------|----------------|
|                                       |                |                |                |                | BE      | Actuals        |
| Development Expenditure               | 11,776<br>(66) | 13,216<br>(65) | 17,955<br>(68) | 18,098<br>(66) | 25,717  | 19,477<br>(64) |
| (a) Development Revenue Expenditure   | 8,091<br>(45)  | 9,366<br>(46)  | 13,081<br>(49) | 13,910<br>(50) | 19,866  | 14,431<br>(47) |
| (b) Development Capital Expenditure   | 3,413<br>(19)  | 3,574<br>(18)  | 4,725<br>(18)  | 4,106<br>(15)  | 5,457   | 4,882<br>(16)  |
| (c) Development Loans and Advances    | 272<br>(2)     | 276<br>(1)     | 149<br>(1)     | 82<br>(1)      | 394     | 164<br>(01)    |

Figures in parentheses indicate percentage to aggregate expenditure

Table-1.17: Efficiency of Expenditure Use in Selected Social and Economic Services

(in per cent)

| Social/Economic Infrastructure                              | 2015-16           |                     |              | 2016-17           |                     |              |
|-------------------------------------------------------------|-------------------|---------------------|--------------|-------------------|---------------------|--------------|
|                                                             | Ratio of CE to TE | In RE, the share of |              | Ratio of CE to TE | In RE, the share of |              |
|                                                             |                   | S & W               | O & M        |                   | S & W               | O & M        |
| <b>Social Services (SS) expenditure on major components</b> |                   |                     |              |                   |                     |              |
| General Education                                           | 0.47              | 15.42               | 0.013        | 0.63              | 15.58               | 0.008        |
| Health and Family Welfare                                   | 0.52              | 3.37                | 0.021        | 0.38              | 3.30                | 0.020        |
| Water Supply, Sanitation, & Housing and Urban Development   | 1.56              | 0.04                | 0.008        | 1.17              | 0.04                | 0.009        |
| <b>Total SS</b>                                             | <b>3.15</b>       | <b>19.84</b>        | <b>0.053</b> | <b>3.12</b>       | <b>19.91</b>        | <b>0.105</b> |

<sup>5</sup> Refer the glossary in **Appendix-4.1**

<sup>6</sup> Refer the glossary in **Appendix-4.1**

| Economic Services(ES) expenditure on major components |              |              |              |              |              |              |
|-------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Agriculture & Allied Activities                       | 0.37         | 2.91         | 0.069        | 2.81         | 2.83         | 0.093        |
| Irrigation and Flood Control                          | 2.58         | 1.16         | 0.172        | 1.53         | 1.10         | 0.118        |
| Power & Energy                                        | 0.21         | 0.00         | 0.000        | 0.43         | 0.00         | 0.000        |
| Transport                                             | 5.11         | 0.09         | 0.023        | 4.56         | 0.09         | 0.327        |
| <b>Total ES</b>                                       | <b>11.84</b> | <b>5.50</b>  | <b>0.267</b> | <b>12.95</b> | <b>5.38</b>  | <b>0.542</b> |
| <b>Total (SS + ES)</b>                                | <b>14.99</b> | <b>25.34</b> | <b>0.320</b> | <b>16.06</b> | <b>25.29</b> | <b>0.646</b> |

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

The State Government in its Budget 2016-17 had committed a substantial growth in Capital Expenditure for the year 2016-17. However, the Government after review through Fiscal Correction Path revised the projections of Capital Expenditure and lowered the target in the Mid Term Fiscal Policy Statement presented to the State Legislature along with the Budget 2017-18. During the fiscal year 2016-17, the Government capitalised 17.48 per cent (₹ 737 crore) more funds over previous year 2015-16.

During 2016-17, salaries and wages, as a percentage of revenue expenditure in Social Services increased marginally but decreased in Economic Services. The expenditure under Operation & Maintenance as a percentage of revenue expenditure has increased 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 2017 is given in Table-1.18.

Table-1.18: 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 31.3.2017 |
|-------------------------|----------------------------|-----------------------|---------------------------------|-------------------------------------|-----------------------------------------------|
| Public Works Department | 297                        | 1,716.37              | 1,773.77                        | 57.40                               | 1,007.56                                      |

\* Indicates the Revised total cost of the projects as per the last revision by the State Government as on 31.03.2017

Source: Finance Accounts

### 1.8.2 Investment and returns

As on 31 March 2017, the average return on Uttarakhand Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives

(Table-1.19) was negligible and ranged from 0.004 to 0.49 *per cent* of the investment in the last five years while the Government paid an average interest rate of 8.18 *per cent* on its borrowings during 2012-13 to 2016-17.

**Table-1.19: Returns on Investment**

| Investment/Return/Cost of Borrowings                                 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|----------------------------------------------------------------------|---------|---------|---------|---------|---------|
| Investment at the end of the year (₹ in crore)                       | 2,397   | 2,677   | 2,809   | 2,914   | 3,124   |
| Return (Dividend/ interest) (₹ in crore)                             | 0.19    | 0.30    | 0.11    | 5.10    | 15.21   |
| Return ( <i>per cent</i> )                                           | 0.01    | 0.01    | 0.004   | 0.18    | 0.49    |
| Average rate of interest on Government borrowing ( <i>per cent</i> ) | 8.50    | 7.57    | 7.73    | 8.19    | 8.90    |
| Difference between interest rate and return ( <i>per cent</i> )      | 8.49    | 7.56    | 7.73    | 8.01    | 8.41    |

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. (₹ 1,087 crore), (ii) Uttarakhand Jal Vidyut Nigam Ltd. (₹ 1,085 crore) and Power Transmission Corporation of Uttarakhand Ltd. (₹ 421 crore). The Uttarakhand Power Corporation Ltd. had incurred accumulated losses of ₹ 2,051 crore as per their latest finalised accounts for the year 2015-16, while Uttarakhand Jal Vidyut Nigam, Ltd. and Power Transmission Corporation of Uttarakhand Ltd. have an accumulated profit of ₹ 423 crore and ₹ 67 crore respectively as per their latest finalised accounts for the year 2015-16.

### **1.8.3 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 *pro forma* accounts are finalised, net profit/ loss as well as return on capital invested in these undertakings are given in **Appendix-1.5**. It was observed from the finalised 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, Roorkee had finalised their accounts up to 2011-12. It was a profit earning entity up to 2007-08 but has been posting net losses thereafter.

### **1.8.4 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-1.20** presents the outstanding loans and advances as on 31 March 2017, and interest receipts *vis-à-vis* interest payments during the last three years.



Table-1.20: Average interest received on loans advanced by the State Government

| Amount of Loans/Interest Receipts/ Cost of Borrowings                                          | 2014-15                                                | 2015-16  | 2016-17 |                       |
|------------------------------------------------------------------------------------------------|--------------------------------------------------------|----------|---------|-----------------------|
|                                                                                                |                                                        |          | BE      | Actual                |
| Opening Balance                                                                                | 940.97                                                 | 1,046.36 | ---     | 1,596.45 <sup>#</sup> |
| Amount advanced during the year                                                                | 150.97                                                 | 83.15    | 395.22  | 165.05                |
| Amount repaid during the year                                                                  | 45.58                                                  | 27.20    | 41.13   | 34.85                 |
| Closing Balance                                                                                | 1,046.36                                               | 1,102.31 |         | 1,726.65              |
| Net addition                                                                                   | 105.39                                                 | 55.95    |         | 130.20                |
| Interest Receipts                                                                              | 0.14                                                   | 0.14     |         | 0.17                  |
| Interest receipts as <i>per cent</i> to outstanding Loans and advances                         | 0.01                                                   | 0.01     |         | 0.01                  |
| Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government | 7.19                                                   | 7.61     |         | 8.35                  |
| Difference between interest payments and interest receipts ( <i>per cent</i> )                 | 7.18                                                   | 7.60     |         | 8.34                  |
| 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).

<sup>#</sup> Differs with the closing balance of previous year due to apportionment of unallocated balances between Uttar Pradesh and Uttarakhand.

During 2016-17, the Government advanced loans of ₹ 165.05 crore against ₹ 83.15 crore in 2015-16, an increase of ₹ 81.90 crore (98.50 *per cent*) over the previous year. Recoveries of loans and advances also showed an increase of ₹ 7.65 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. However, interest payment as *per cent* to the outstanding Fiscal Liabilities of the State was 8.35 *per cent* during 2016-17, higher than the previous year, 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* to be achieved by 2009-10 as fixed by the Twelfth Finance Commission.

The total loans advanced by the Government as on 31 March 2017 stood at ₹ 1,726.65 crore. The major beneficiaries were Agriculture and Allied Activities (₹ 895.31 crore), Transport (₹ 140.29 crore) and Energy (₹ 132.40 crore) sectors.

Scrutiny of the total outstanding loans revealed that there was no repayment by four sectors as detailed in **Table 1.21** over last five years ended March 2017 and in one sector (Agriculture and Allied Activities), the repayment was marginal while further loans had been extended resulting in increase in the outstanding balance over the years. **Table-1.21** shows details of Loans and Advances rolling for a long time.

Table 1.21: Loan and Advances rolling for a long time

| Sl. No.       | Name of the Sector                                      | 2012-13       | 2013-14       | 2014-15        | 2015-16        | 2016-17             |
|---------------|---------------------------------------------------------|---------------|---------------|----------------|----------------|---------------------|
| 1.            | General Services (Other Loans)                          | 19.47         | 19.47         | 19.47          | 19.47          | 19.47               |
| 2.            | Water Supply, Sanitation, Housing and Urban Development | 42.09         | 42.09         | 42.09          | 42.09          | 47.89               |
| 3.            | Agriculture and Allied Activities                       | 451.46        | 660.81        | 795.99         | 797.92         | 895.31              |
| 4.            | Special Area Programme                                  | 9.53          | 9.53          | 9.53           | 9.53           | 503.68 <sup>#</sup> |
| 5.            | Transport                                               | 125.11        | 135.11        | 135.11         | 136.11         | 140.29              |
| <b>Total:</b> |                                                         | <b>647.66</b> | <b>867.01</b> | <b>1002.19</b> | <b>1005.12</b> | <b>1,606.64</b>     |

<sup>#</sup> Increased by ₹ 494.15 crore due to apportionment of unallocated balances between Uttar Pradesh and Uttarakhand.

1.8.5 Cash balances and investment of cash balances

Table-1.22 depicts the cash balances and investments made by the State Government out of its cash balances during the year.

Table-1.22: Cash Balances and Investments out of Cash balance

| Particulars                                                                                                           | (₹ in crore)                        |                                      |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------|
|                                                                                                                       | As on 1 <sup>st</sup><br>April 2016 | As on 31 <sup>st</sup><br>March 2017 |
| <b>General Cash Balance(a)</b>                                                                                        |                                     |                                      |
| Cash in Treasuries and local Remittances                                                                              | 00                                  | 00                                   |
| Deposits with Reserve Bank                                                                                            | 3.84                                | 1,157.65                             |
| Deposits with other Banks(B)                                                                                          | 00                                  | 00                                   |
| <b>Total</b>                                                                                                          | <b>3.84</b>                         | <b>1,157.65</b>                      |
| Investments held in Cash Balance investment account                                                                   | 344.74                              | 451.51                               |
| <b>Total (a)</b>                                                                                                      | <b>348.58</b>                       | <b>1609.16</b>                       |
| <b>(b) Other Cash Balances and Investments</b>                                                                        |                                     |                                      |
| Cash with departmental offices viz. Public Works Department Officers, Forest Department Officers, District Collectors | (-) 13.56                           | (-)11.02                             |
| Adjustment due to pro forma correction                                                                                | (+ ) 2.05                           | --                                   |
| Permanent advances for contingent expenditure with departmental officers                                              | (-) 0.84                            | (-) 0.81                             |
| Adjustment due to pro forma correction                                                                                | (+ ) 0.03                           | --                                   |
| Investments of earmarked funds                                                                                        | 1,128.62                            | 1,188.62                             |
| <b>Total (b)</b>                                                                                                      | <b>1,116.30</b>                     | <b>1,176.79</b>                      |
| <b>Grand Total (a) + (b)</b>                                                                                          | <b>1,464.88</b>                     | <b>2,785.95</b>                      |

Source: Finance Accounts.

# Pro forma correction Adjustment of unallocated balance between U.P. and Uttarakhand.

The closing Cash Balance (CB) at the end of the current year (₹ 2,785.95 crore) increased by ₹ 1,321.07 crore over the previous year (₹ 1,464.88 crore).

The State Government had created earmarked funds of ₹ 1,188.62 crore from the CB. The said amount of earmarked funds consisting of Sinking Fund Investment Account (₹ 1153.62 crore) and Guarantee Redemption Fund Investment Account (₹ 35 crore) was invested through RBI. The interest realised on cash balance investment account was ₹ 24.06 crore (6.98 per cent) during 2016-17 while government paid interest at the average rate of 8.90 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 (275 days) during 2016-17. However, temporary imbalances in cash flow forced the Government to obtain Ways and Means Advances (WMA) on 90 (special) occasions during the year. The State had to pay ₹ 3.84 crore as interest on WMA during the year 2016-17.

There was a credit balance of ₹ 1,209.48 crore lying under the minor head 'Treasury Cheques' below the major head 'Cheques and Bills' at the end of financial year 2016-17.

During the year 2016-17 the Market Borrowings of ₹ 5,450 crore exceeded the budgeted target of ₹ 4,900 crore by ₹ 550 crore. The fiscal deficit of ₹ 5,467 crore in 2016-17 was largely managed by Market Borrowings to the tune of ₹ 5,081 crore.

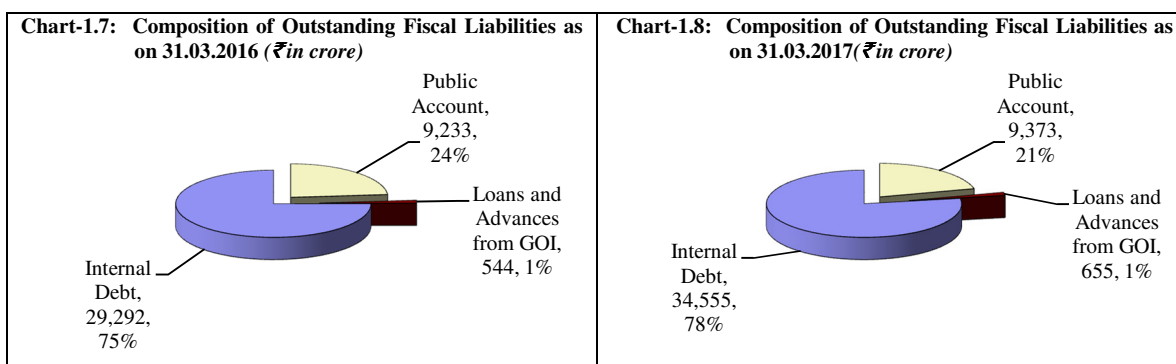
## 1.9 Assets and Liabilities

### 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 2017, compared with the corresponding position as on 31 March 2016. 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**.



The Fiscal Liabilities to GSDP ratio for the year of 2016-17 (22.84 per cent) increased by 0.66 per cent in comparison to previous year's ratio (22.18 per cent). The ratio was slightly on the higher side of the normative assessment of the *FFC* (22.64 per cent) for the year. The overall fiscal liabilities increased by 74.56 per cent from ₹ 25,540 crore in 2012-13 to ₹ 44,583 crore in 2016-17. The fiscal liabilities comprised of public debt (₹ 35,210 crore), Small Savings and Provident Fund, etc. (₹ 6,390 crore), and other obligations (₹ 2,983 crore). The increase in the fiscal liabilities (₹ 5,514 crore) at the end of the current year as compared to the previous year 2015-16 was mainly on account of Internal Debt, Small Savings and Provident Fund, etc. which rose by ₹ 5,263 crore and ₹ 413 crore respectively. This was partly offset by decrease in Deposits of ₹ 135 crore and Reserve Fund of ₹ 137 crore. Fiscal liabilities grew by 14.11 per cent in 2016-17 over the previous year. The buoyancy of these liabilities with respect to GSDP during the year was 1.31 indicating that for each percentage point increase in GSDP, fiscal liabilities

grew by 1.31 *per cent*. These liabilities stood at 1.79 times State's revenue receipts and 3.64 times its own resources.

### 1.9.3 Transactions under Reserve Funds & Deposits

(a) State Government operated seven Reserve Funds as on 31 March 2017 out of which one Reserve Fund is interest bearing (₹ 271.89 crore) and six are non-interest bearing funds (₹ 1,273.57 crore Net). Out of these seven funds, three funds are inoperative (balance ₹ 0.57 crore Debit) and four funds are operative (balance ₹ 1,546.03 crore Credit). As on 1 April 2016, opening balance against these funds was ₹1,622.09 crore. During the year, the State Government transferred funds amounting to ₹ 280.00 crore from the Consolidated Fund to various Reserve Funds and expenditure met from these funds was ₹ 356.62 crore, leaving a balance of ₹ 1,545.46 crore as on 31 March 2017. During the year an amount of ₹ 60.00 crore has been invested. The total investment to the end of the year stood at ₹ 1,188.62 crore, leaving a balance of ₹ 356.84 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 ₹ 57.95 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 2016, as detailed in the **Table-1.23**.

Table-1.23: Details of Cash balances in Reserve Funds and Deposits

| (₹ in crore)             |                                                     |                                                    |                                     |                  |
|--------------------------|-----------------------------------------------------|----------------------------------------------------|-------------------------------------|------------------|
| Sector                   | Sub-Sector                                          | Rate of Interest                                   | Balance at the beginning of 2016-17 | Interest Payable |
| J- Reserve Fund          | (a) Reserve Funds bearing interest (including SDRF) | 7.5 <i>per cent</i> (average of W&M interest rate) | 407.58                              | 30.57            |
| K- Deposits and Advances | (a) Deposit bearing interest                        | -do-                                               | 365.01                              | 27.38            |
| <b>Total Interest</b>    |                                                     |                                                    |                                     | <b>57.95</b>     |

**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 2016-17, against the minimum required contribution of ₹ 195.34 crore (0.5 *per cent* of the outstanding

liabilities of ₹ 39,068.63 crore), an amount of ₹ 50 crore has been appropriated from the Consolidated Fund of the State to the Sinking Fund, *i.e.* less by ₹ 145.34 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 ₹ 1,228.00 crore at the end of 2016-17 which is 2.75 *per cent* of the outstanding liabilities of ₹ 44,582.67 crore. Of this, an amount of ₹ 1,153.62 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 deduct 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 2016, the Fund had a balance of ₹ 407.57 crore. During 2016-17, the Central Government released an amount of ₹ 198.00 crore towards SDRF. The State Government transferred the entire Central Government release together with its own share of ₹ 22.00 crore to the Public Account. Out of the available balance in the Fund, expenditure of ₹ 355.68 crore initially incurred under the MH 2245-Relief on account of Natural Calamities was set off, leaving a balance of ₹ 271.89 crore in the Fund as of 31 March 2017. 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 enacted so far 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-1.24**.

**Table-1.24: Guarantees given by the Government of Uttarakhand**

| Guarantees                                                | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|-----------------------------------------------------------|---------|---------|---------|---------|
| Outstanding amount of guarantees                          | 1,475   | 1,832   | 1,743   | 1,258   |
| Percentage of amount guaranteed to total revenue receipts | 8.52    | 9.05    | 8.21    | 5.05    |

Source: Finance Accounts.

The amount of guarantees outstanding as on 31 March 2017 is ₹ 1,258 crore which comprises Power Sector (₹ 989 crore), Co-operatives (₹ 50 crore) and others (₹ 219 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 since information was not provided by the State Government.

The government has constituted a “Guarantee Redemption Fund” for discharge of invoked guarantees with a corpus of ₹ 25 crore. An amount of ₹ 10 crore has been contributed from the Consolidated Fund to the Guarantee Redemption Fund during 2016-17. The Guarantee Redemption Fund had a balance of ₹ 60.89 crore as on 31 March 2017 (Including interest of ₹ 25.89 crore as intimated by RBI). The entire balance under the Fund has been invested.

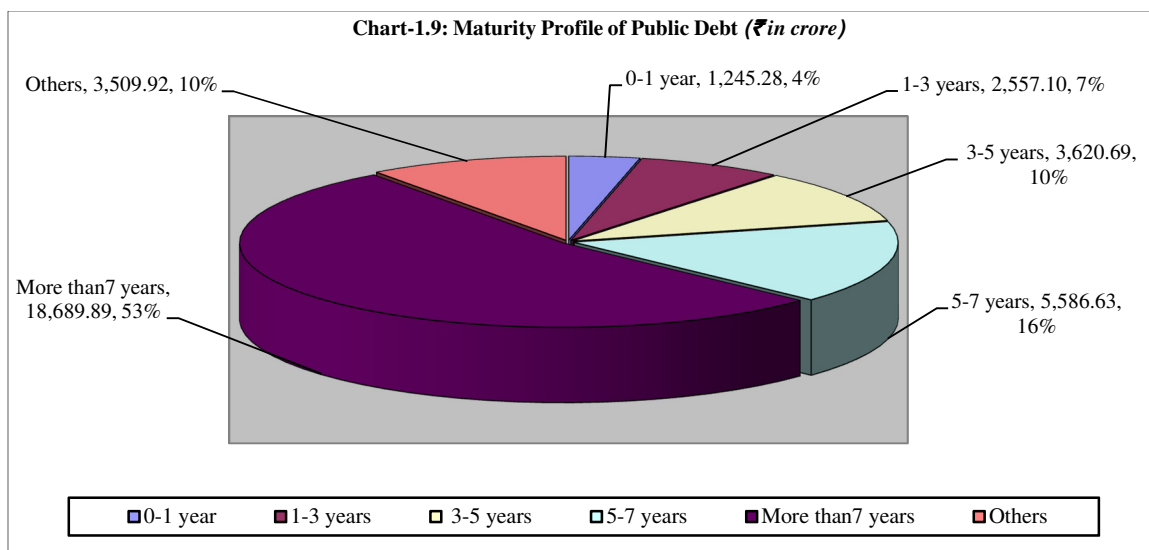
## 1.10 Debt Management

### (i) Debt Profile

The maturity profile of the State's outstanding loans and advances (public debt) is given in **Table-1.25** and **Chart-1.9**.

**Table-1.25: Maturity Profile of Public Debt**

| Maturity profile                                                | Amount           | Percentage to total Public Debt |
|-----------------------------------------------------------------|------------------|---------------------------------|
| 0-1 year                                                        | 1,245.28         | 3.54                            |
| 1-3 years                                                       | 2,557.10         | 7.26                            |
| 3-5 years                                                       | 3,620.69         | 10.28                           |
| 5-7 years                                                       | 5,586.63         | 15.87                           |
| More than 7 years                                               | 18,689.89        | 53.08                           |
| Others (information not made available by the State Government) | 3,509.92         | 9.97                            |
| <b>Total</b>                                                    | <b>35,209.51</b> | <b>100.00</b>                   |



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 2017 shows that 53 per cent of the Public Debt was in the maturity bucket of seven years and above.

## (ii) Debt Sustainability

Debt sustainability implies State's ability to service debt. Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability of the State. The analysis of variations in debt sustainability indicators for the period of five years beginning from 2012-13 is given in **Table-1.26**.

**Table-1.26: Debt Sustainability: Indicators and Trends**

| Indicators of Debt Sustainability <sup>7</sup>              | (₹ in crore) |          |          |          |          |
|-------------------------------------------------------------|--------------|----------|----------|----------|----------|
|                                                             | 2012-13      | 2013-14  | 2014-15  | 2015-16  | 2016-17  |
| Outstanding Public Debt                                     | 18,799       | 21,355   | 25,035   | 29,836   | 35,210   |
| Rate of growth of Outstanding Public Debt                   | 8.64         | 13.60    | 17.23    | 19.18    | 18.01    |
| State's GSDP                                                | 1,31,613     | 1,49,074 | 1,61,439 | 1,76,171 | 1,95,192 |
| Growth rate of GSDP                                         | 14.12        | 13.27    | 8.29     | 9.13     | 10.80    |
| Average Interest Rate of Outstanding Public Debt (per cent) | 8.45         | 7.83     | 8.15     | 8.53     | 9.67     |
| Interest Payments/Revenue Receipts (per cent)               | 9.68         | 9.08     | 9.34     | 11.02    | 12.64    |
| Percentage of Debt Repayment to Debt Receipts               | 49.60        | 34.00    | 19.55    | 29.38    | 17.35    |
| Net Debt available to the State*                            | -29          | 984      | 1,788    | 2,462    | 2,227    |

\* Net Debt available to the State Government is calculated as Excess of Public Debt receipts and Loans and Advances receipt from GOI over Public Debt repayment, Loans and Advances Disbursements and Interest Payment on Public Debt.

From the above **Table-1.26** it is observed:

- The growth rate of outstanding Public Debt continued to increase up to 2015-16. However, it declined during the current year. In contrast the Growth rate of GSDP has shown increasing trend over the period 2014-15 to 2016-17.

<sup>7</sup> Refer glossary in **Appendix-4.1**.

- During the period 2012-13 to 2016-17, the average interest rate of Public Debt ranged between 7.83 per cent and 9.67 per cent.
- The State had utilised 9.08 to 12.64 per cent of revenue receipts for Interest Payments on Public Debt during 2012-13 to 2016-17.
- The percentage of Debt Repayment to Debt Receipts showed a fluctuating trend over the period 2012-13 to 2016-17. In 2012-13, 49.60 per cent of Public Debt Receipt was used for the purpose of Repayment of Public Debt while in 2016-17, only 17.35 per cent was used for this purpose.
- The net funds available from Public Debt after repayments (including interest) continued to remain positive from 2013-14 onwards leaving a better scope for capitilisation of funds.

### **1.10.1 Market Borrowings**

#### **Position of Market Borrowing (MB)**

**Table-1.27** represents the position of the market borrowings of the State Government for the period 2012-17:

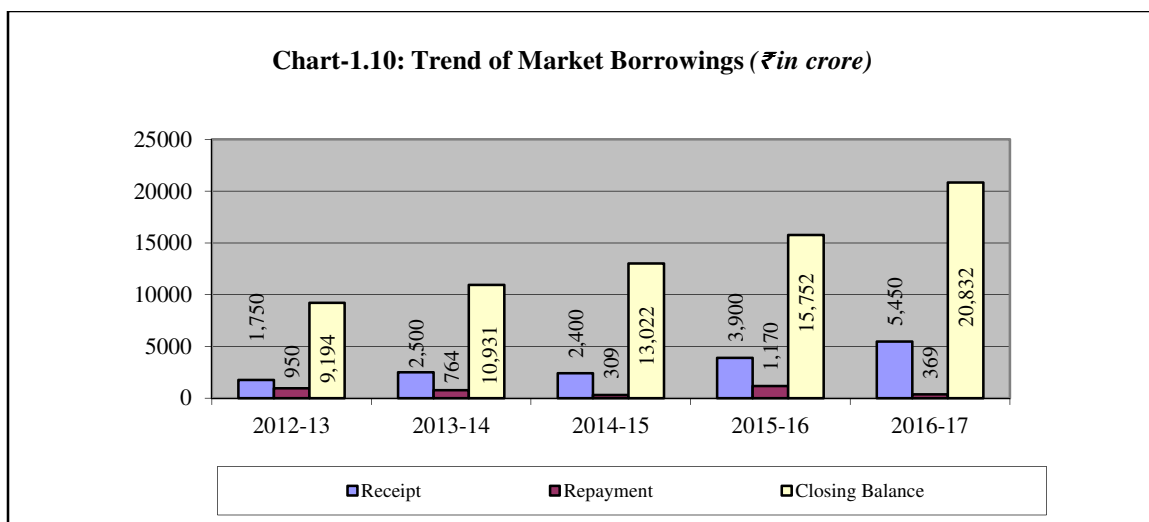
**Table-1.27: Position of market borrowings of the State Government**

| Years        | Opening balance as on 1 <sup>st</sup> April | Receipts during the year | Payments during the year | Closing balance as on 31 <sup>st</sup> March | Increase (+)/ decrease (-) during the year |          |
|--------------|---------------------------------------------|--------------------------|--------------------------|----------------------------------------------|--------------------------------------------|----------|
|              |                                             |                          |                          |                                              | Amount                                     | Per cent |
| 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    |
| 2016-17      | 15,751.52                                   | 5,450.00                 | 369.23                   | 20,832.28                                    | 5,080.76                                   | 32.26    |
| <b>Total</b> |                                             | <b>16,000.00</b>         | <b>3,562.03</b>          |                                              |                                            |          |

Source: Finance Accounts of concerned years.

The above table indicates that the Government of Uttarakhand borrowed and repaid ₹ 16,000 crore and ₹ 3,562.03 crore respectively during the period 2012-13 to 2016-17. During 2012-13 to 2016-17, the repayment was 22.26 per cent of total loans raised by the State Government (₹ 16,000 crore). The interest paid on these loans rose from ₹ 743 crore in 2012-13 to ₹ 1,535 crore in 2016-17 at weighted average interest rate of 8.79 per cent in 2012-13 to 7.49 per cent in 2016-17. The above table also shows that the Market Borrowings had an increasing trend from 2012-13 and 2013-14 but decreased in 2014-15. However, it again increased during 2015-16 to ₹ 3,900 crore and continued the same trend during the current year also. The receipts during this period showed nearly 3.11 times increase from 2012-13 to 2016-17. This indicated continued dependence of the State Government on the borrowed funds. **Chart-1.10** given below shows the trend of Market Borrowings over the period 2012-13 to 2016-17.

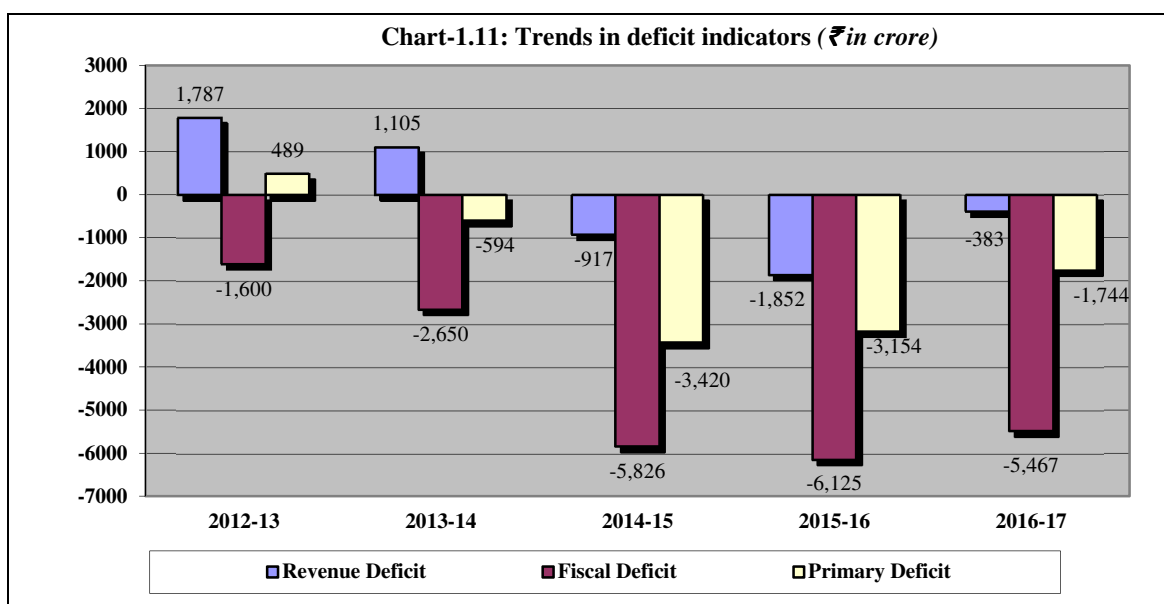


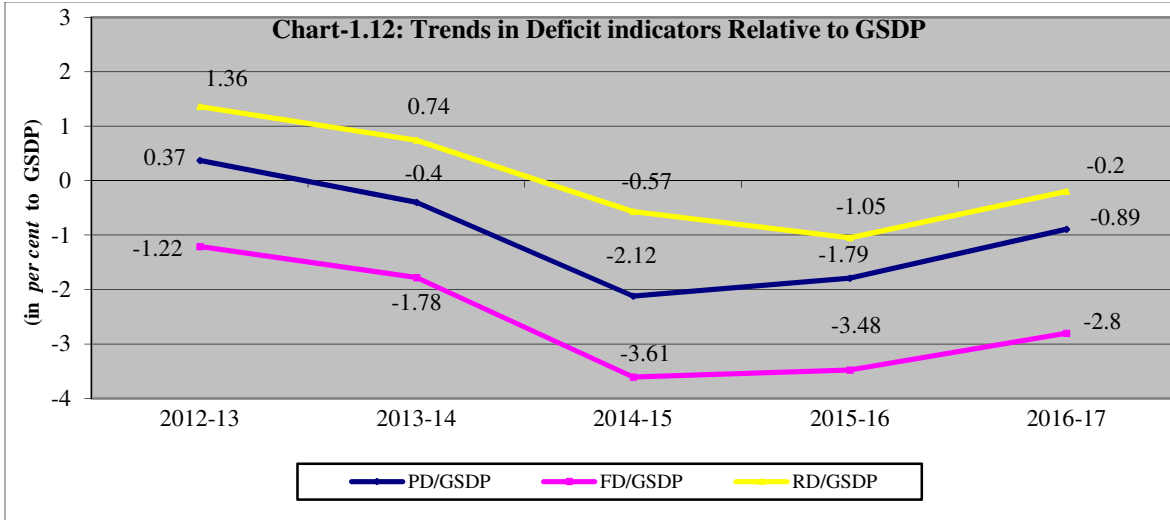


## 1.11 Fiscal Imbalances

### 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 2016-17. **Charts-1.11** and **1.12** present the trends in deficit indicators over the period 2012-13 to 2016-17.





*Source: GSDP figures provided by Central Statistics and Directorate of Economic and Statistics, Government of Uttarakhand*

The State experienced a revenue surplus of ₹ 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 2015-16. During 2016-17, the State was able to bring down the revenue deficit to a considerably lower level of ₹ 383 crore, 0.20 per cent of GSDP.

The fiscal deficit during 2012-13 was 1.22 per cent of GSDP below the 3.5 per cent target set forth in FRBM (Amendment) Act 2011. 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 year 2015-16 and was 3.48 per cent of the GSDP. The fiscal deficit of 2.80 per cent during the current year 2016-17 was well below the normative target of FFC 3.25 per cent of GSDP.

The primary surplus<sup>8</sup> (₹ 489 crore) during 2012-13 turned into primary deficit during the year 2013-14 and continued to be deficit till the current year. However, the primary deficit has reduced from ₹ 3,154 crore (2015-16) to the current level of ₹ 1,744 crore.

During 2016-17, the State Government booked Grants-in-Aid of ₹ 137.91 crore under Capital Heads, Major construction works of ₹ 1,166.76 crore under Revenue Heads, Maintenance works of ₹ 0.75 crore under Capital Section and Minor construction works of ₹ 1.66 crore under Capital Section which was against the Government Accounting Rules. The State Government made less contribution of ₹ 145.34 crore towards Sinking Fund and did not make any provision of interest on Reserves and Deposits of ₹ 57.95 crore during the current year.

<sup>8</sup> Refers to the amount by which a government's total expenditure exceeds its total revenue excluding interest payments on its debt.

The above impacted the Revenue and Fiscal Deficits of the State Government as given in **Table-1.28**.

**Table-1.28: Impact 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 | RS/ GSDP                                         | FD/ GSDP |
| 1.                 | Misclassification between Revenue and Capital Account (Net) | 1,164.35 <sup>9</sup>      | --              | --                          | --              | 0.20                                              | 2.80     | 0.22                                             | 2.90     |
| 2.                 | Booking of Grant in aid in Capital Account                  | --                         | 137.91          | --                          | --              |                                                   |          |                                                  |          |
| 3.                 | Less transfer to NSDL                                       | --                         | 2.45            | --                          | --              |                                                   |          |                                                  |          |
| 4.                 | Less Contribution to Guarantee Redemption Fund              | --                         | ---             | --                          | ---             |                                                   |          |                                                  |          |
| 5.                 | Less contribution to Sinking Fund                           | --                         | 145.34          | --                          | 145.34          |                                                   |          |                                                  |          |
| 6.                 | Non provision of interest on Reserves and Deposits          | --                         | 57.95           | --                          | 57.95           |                                                   |          |                                                  |          |
| Total (Net) impact |                                                             | 820.70<br>(Over Statement) |                 | 203.29<br>(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-1.29**.

**Table-1.29: Components of Fiscal Deficit and its Financing Pattern***(₹ in crore)*

| Sl.                                        | Particulars                            | 2012-13  | 2013-14  | 2014-15   | 2015-16   | 2016-17   |
|--------------------------------------------|----------------------------------------|----------|----------|-----------|-----------|-----------|
| <b>Components of Fiscal Deficit</b>        |                                        |          |          |           |           |           |
| 1.                                         | Revenue Deficit (-)/ Surplus(+)        | (+)1,787 | (+)1,105 | (-) 917   | (-) 1,852 | (-) 383   |
| 2.                                         | Net Capital Expenditure                | (-)3,542 | (-)3,532 | (-) 4,804 | (-) 4,217 | (-) 4,954 |
| 3.                                         | Net Loans and Advances                 | (+)155   | (-)223   | (-) 105   | (-) 56    | (-) 130   |
| <b>Financing Pattern of Fiscal Deficit</b> |                                        |          |          |           |           |           |
| 1.                                         | Market Borrowings                      | 800      | 1,736    | (+) 2,091 | (+) 2,730 | (+) 5,081 |
| 2.                                         | Loans from GoI                         | 6        | (-)16    | (+) 33    | (+) 66    | (+) 111   |
| 3.                                         | Special Securities issued to NSSF      | 505      | 545      | (+) 1,145 | (+) 1,467 | (-) 348   |
| 4.                                         | Loans from Financial Institutions      | 215      | 291      | (+) 411   | (+) 539   | (+) 529   |
| 5.                                         | Small Savings, PF etc.                 | 271      | 322      | (+) 420   | (+) 478   | (+) 413   |
| 6.                                         | Deposits and Advances                  | 219      | 352      | (+) 399   | (+) 138   | (-) 135   |
| 7.                                         | Suspense and Misc.                     | 479      | (-)223   | (+) 13    | (+) 377   | (+) 1,050 |
| 8.                                         | Remittances                            | (-)101   | 317      | (+) 450   | (+) 33    | (-) 3     |
| 9.                                         | Others <sup>10</sup>                   | 66       | (-)186   | (+) 203   | (-) 12    | (+) 90    |
| 10.                                        | Overall Surplus/Deficit (Cash Balance) | (-)860   | (-)488   | (+) 661   | (+) 309   | (-) 1,321 |
| Gross Fiscal Deficit                       |                                        | 1,600    | 2,650    | 5,826     | 6,125     | 5,467     |

Source: Finance Accounts of Government of Uttarakhand, 2012-13 to 2016-17.

The fiscal deficit (₹ 5,467 crore) in 2016-17 was largely managed by market borrowings (₹ 5,081 crore-93 per cent) and Loans from Financial Institutions (₹ 529 crore-10 per cent).

### 1.11.3 Quality of Deficit/ Surplus

The contribution of Revenue Deficit and net Capital Expenditure (including loans and advances) to Fiscal Deficit indicate the quality of deficit in the State's finances. The share

<sup>9</sup> ₹ 1,166.76 crore-(₹ 0.75 crore+₹ 1.66 crore).

<sup>10</sup> ₹ 167 crore (Contingency Fund) - ₹ 77 crore (Reserve Fund).

of revenue deficit in fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously being eroded and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table-1.30**) would indicate the extent to which the deficit is on account of deficit in capital account which may be desirable to improve the productive capacity of the State's economy.

**Table-1.30: 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)                         |
| 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                       |
| 2016-17 | 24,924             | 21,549                      | 4,954               | 165                | 26,668                    | (+) 3,375                                | (-) 1,744                       |

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

- Non-debt receipts increased by 54.09 per cent from 2012-13 to 2016-17 and were sufficient to meet the primary revenue expenditure. However, the gap between non-debt receipts and primary revenue expenditure narrowed in 2016-17 to ₹ 3,375 crore from ₹ 4,304 crore in 2012-13.
- The primary revenue surplus showed decreasing trend during 2012-13 to 2015-16. However, it increased almost tri-fold over the previous year and stood at ₹ 3,375 crore at the end of 2016-17 primarily due to increase of 20 per cent in devolution of State's share of Union taxes and duties from ₹ 5,333 crore in 2015-16 to ₹ 6,412 crore in 2016-17 and increase of nearly 18 per cent in grants from GoI.
- The State experienced primary surplus during 2012-13. This primary surplus turned into primary deficit due to increase in total primary expenditure during 2013-14 and further declined by ₹ 2,826 crore during 2014-15. The primary deficit reduced by ₹ 1,410 crore during 2016-17 and stood at ₹ 1,744 crore due to increase in State's share of Union taxes and grants-in-aid from GoI.

**Table-1.31: Components of Fiscal Deficit**

(₹ in crore)

| Item                             | 2012-13         | 2013-14        | 2014-15        | 2015-16        | 2016-17        |
|----------------------------------|-----------------|----------------|----------------|----------------|----------------|
| 1                                | 2               | 3              | 4              | 5              | 6              |
| Revenue Deficit (-)/ Surplus (+) | (+) 1,787       | (+) 1,105      | (-) 917 (16)   | (-) 1,852 (30) | (-) 383 (07)   |
| Net Capital Expenditure          | (-) 1,755 (100) | (-) 2,427 (92) | (-) 4,804 (82) | (-) 4,217 (69) | (-) 4,954 (91) |
| Net Loans and Advances           | (+) 155         | (-) 223 (08)   | (-) 105 (02)   | (-) 56 (01)    | (-) 130 (02)   |
| Fiscal Deficit                   | (-) 1,600       | (-) 2,650      | (-) 5,826      | (-) 6,125      | (-) 5,467      |

Figures in parentheses indicate percentage to Fiscal Deficit.

There is an improvement in quality of Fiscal Deficit since contribution of Revenue Deficit showed a decline from 16 *per cent* of Fiscal Deficit in 2014-15 to seven *per cent* in 2016-17. The percentage of the Net Capital Expenditure to Fiscal Deficit has increased from 82 *per cent* in 2014-15 to 91 *per cent* in 2016-17.

The Fiscal Deficit declined by 10.74 *per cent* in 2016-17 and was 2.80 *per cent* of GSDP as compared to 3.48 *per cent* in 2015-16.

### **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 Accounts Committee (September 2017), although the reports are being presented to the State Legislature every year. Accordingly, corrective measures taken by the Government after the Reports were laid before the State Legislature could not be ascertained in audit.

### **1.13 Conclusions**

The Gross State Domestic Product stood at ₹ 1,95,192 crore at current prices as against the projection of ₹ 2,06,182 crore made in the MTFPS.

Revenue receipts grew by ₹ 3,654.54 crore (17.21 *per cent*) during the current year over the previous year. This was due to the increase in State's own tax revenue (₹ 1,519.52 crore), State's share of Union taxes/duties (₹ 1,078.38 crore), Grants-in-aid from GoI (₹ 930.48 crore), and non-tax revenue (₹ 126.16 crore).

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 83.16 *per cent*. The NPRES increased by 64.12 *per cent* due to increase in expenditure on salaries, pension and interest payments.

The Capital Expenditure declined from 19.93 *per cent* of total expenditure in 2012-13 to 16.30 *per cent* in 2016-17. During the current year, Capital Expenditure was ₹ 4,954 crore which was less than the target set forth by the State Government in its BEs (₹ 5,744.36 crore).

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, the Government paid an average interest of 8.18 *per cent* on its borrowings during 2012-13 to 2016-17.

The total fiscal liabilities to GSDP ratio in 2016-17 increased by 0.66 *per cent* over previous year. It was slightly above the target of 22.64 *per cent* set forth by the FFC.

The public debt as on 31 March 2017 was ₹ 35,210 crore, out of which 53.08 *per cent* is in maturity bracket of seven years and above.

Ratio of Interest Payments to Revenue Receipts increased from 13.30 *per cent* in 2012-13 to 15 *per cent* in 2016-17 indicating that an increasing proportion of the State's revenue are being directed for servicing public debt.

The State had a revenue surplus of ₹ 1,787 crore in 2012-13 which declined 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. However, the Government was able to bring down the revenue deficit by 79 *per cent* during 2016-17.

The fiscal deficit of the State amounting to ₹ 6,125 crore during 2015-16 (3.48 *per cent* of the GSDP) was above the reasonable limit of 3.25 *per cent* recommended by the *FFC*. However, the fiscal deficit at ₹ 5,467 crore, 2.80 *per cent* of GSDP during 2016-17 was well below the target of 3.25 *per cent* recommended by the *FFC*.

#### **1.14 Recommendations**

- The States's own tax revenue fell short of the budget estimates and *FFC* projections. Growth rate of collections from State excise duties has consistently declined during 2012-13 to 2016-17. Growth rate of collections from stamp duty and registration fee has also shown a consistent decline during the five year period and during 2016-17 collection from this source has been less than the previous year. The State Government may examine reasons for the same and take necessary action to increase its tax receipts;
- The State Government may increase its capital expenditure, particularly in social and economic sectors since it adds to the asset base which in turn would contribute to economic growth;
- The State may resort to need-based borrowing after utilising its available cash balances. It may strive to improve its debt redemption ratio which has declined from 49.60 *per cent* in 2012-13 to 17.35 *per cent* in 2016-17;
- The State Government may ensure reasonable return on capital invested in profit making State PSUs in view of the substantial high cost of borrowings made by it; and
- The State may ensure time-bound completion of the incomplete projects and ensure that there are no further cost overruns.