

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

Profile of Chhattisgarh

This chapter provides an audit perspective on finances of the State Government during 2017-18 and analyses changes in major fiscal aggregates relative to 2016-17 keeping in view overall trends during the preceding five years.

The analysis is based on details contained in the Finance Accounts of the Government of Chhattisgarh (GoCG). The profile of the State is given in *Appendix 1.1 (Part-A)*.

1.1 Gross State Domestic Product (GSDP)¹

The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices and constant prices (Base year 2011-12) are given in **Table 1.1**.

Table 1.1: GDP of India and GSDP of the State

Year	2013-14	2014-15	2015-16	2016-17	2017-18
India's GDP at current prices (₹ in crore)	1,12,33,522	1,24,67,959	1,37,64,037	1,52,53,714	1,67,73,145
Growth rate of India's GDP at current prices (in per cent)	12.97	10.99	10.40	10.82	9.96
State's GSDP at current prices (₹ in crore)	2,06,833	2,21,142	2,34,212	2,62,263	2,91,681
Growth rate of GSDP at current prices (in per cent)	16.52	6.92	5.91	11.98	11.22
State's GSDP at constant prices (₹ in crore)	1,82,579	1,85,882	1,97,069	2,13,649	2,27,866
Growth rate of GSDP at constant prices (in per cent)	10.00	1.81	6.02	8.41	6.65

(Source: Website of the Ministry of Statistics and Programme Implementation, Government of India.)

Per capita GSDP of the State (₹1,10,628) was less than the per capita GDP of India (₹1,29,800) during 2017-18. However, it was better than the neighbouring States of Madhya Pradesh (₹ 88,817), Jharkhand (₹ 74,390) and Uttar Pradesh (₹ 61,558).

The structure of Government accounts is explained in **Part B** and the layout of the Finance Accounts is depicted in **Part C** of *Appendix 1.1*.

1.1.1 Summary of fiscal transaction in 2017-18

The methodology adopted for assessment of the fiscal position of the State is given in *Appendix 1.2*.

Table 1.2 and 1.3 presents a summary of State Government's fiscal transactions during 2013-18. *Appendix 1.3 (Part A and B)* provides an abstract of receipts and disbursements as well as the overall fiscal position during 2017-18.

¹ GDP and GSDP are the market value of all officially recognised final goods and services produced within the Country and the State respectively in a given period and are important indicators of the Country and State economy.

The trends in revenue receipts (RR)/revenue expenditure (RE) capital expenditure (CE) relative to GSDP are presented in **Table 1.4:**

Table 1.4: Revenue receipts (RR)/revenue expenditure (RE) capital expenditure (CE) relative to GSDP

(₹ in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18	Average
Revenue receipts relative to GSDP						
RR at current prices (₹ in crore)	32,050	37,988	46,068	53,685	59,647	
Rate of growth of RR at current prices (<i>per cent</i>)	8.36	18.53	21.27	16.53	11.11	15.16
RR at constant prices (₹ in crore)	28,292	31,931	38,762	43,734	46,597	
Rate of growth of RR at constant prices (<i>per cent</i>)	2.30	12.86	21.39	12.83	6.55	11.19
RR/GSDP (<i>per cent</i>)	15.50	17.18	19.67	20.47	20.45	18.65
Revenue expenditure relative to GSDP						
RE at current prices (₹ in crore)	32,859	39,561	43,701	48,165	56,230	
Rate of growth of RE at current prices (<i>per cent</i>)	21.83	20.40	10.46	10.21	16.74	15.93
RE at constant prices (₹ in crore)	29,006	33,253	36,771	39,237	43,928	
Rate of growth of RE at constant prices (<i>per cent</i>)	15.01	14.64	10.58	6.71	11.96	11.78
RE/GSDP (<i>per cent</i>)	15.89	17.89	18.66	18.37	19.28	18.02
Capital expenditure relative to GSDP						
CE at current prices (₹ in crore)	4,574	6,544	7,945	9,471	10,001	
Rate of growth of CE at current prices (<i>per cent</i>)	(-)7.01	43.07	21.41	19.21	5.60	16.46
CE at constant prices (₹ in crore)	4,038	5,501	6,685	7,715	7,813	
Rate of growth of CE at constant prices (<i>per cent</i>)	(-)12.21	36.23	21.53	15.41	1.26	12.44
CE/GSDP (<i>per cent</i>)	2.21	2.96	3.39	3.61	3.43	3.12

As evident from the above table, RR, RE and CE have increased from 2013-14 to 2017-18 even after adjusting for inflation. However, RR and CE as percentage of GSDP has decreased marginally during 2017-18 as compared to 2016-17, whereas the RE has been increased even adjusting for inflation during the same period.

Revenue expenditure increased from ₹ 48,165 crore in 2016-17 to ₹ 56,230 crore in 2017-18 (₹ 8,065 crore), was mainly due to increase in Housing (₹ 2,014 crore), Crop Husbandry (₹ 1,714 crore) and Power (₹ 1,590 crore).

Capital Expenditure increased from ₹ 9,471 crore in 2016-17 to ₹ 10,001 crore in 2017-18 (₹ 530 crore). The decrease of CE as percentage of GSDP (5.60 *per cent*) as compared to 2016-17 (19.21 *per cent*) was mainly due to less CE in Power (₹ 446 crore) and Minor irrigation (₹ 261 crore).

1.1.2 Review of fiscal position

Table 1.5 depicts the performance of the State during 2017-18 under major variables provided in the budget, based on recommendations of the Fourteenth Finance Commission (14th FC) and targeted in the medium term fiscal policy (MTFP) statement placed in legislature under fiscal responsibility and budget management (FRBM) Act.

Major fiscal variables for the year 2017-18, as set in FRBM Act, 14th FC and in the budget documents of the State are presented in **Table 1.5.**

Table 1.5: Major fiscal variables for 2017-18

Fiscal variables	2017-18			
	14 th FC Targets	Targets prescribed in FRBM Act	Targets as per Budget	Actuals
Revenue Deficit (-) / Surplus (+)	Revenue Surplus	Surplus of ₹ 4,780.97 crore	Surplus of ₹ 4,780.97 crore	Surplus of ₹ 3,417.32 crore (1.17 per cent of GSDP)
Fiscal Deficit	To maintain Fiscal Deficit of maximum 3.50 per cent of GSDP	To maintain Fiscal Deficit of maximum 3.50 per cent of GSDP (₹ 9,646.64 crore)	₹ 9,646.64 crore	₹ 6,810.32 crore (2.33 per cent of GSDP)
Ratio of total outstanding debt to GSDP (in per cent)	17.05	18.47	19.87	18.14

The fiscal deficit (₹ 6,810.32 crore) was less than the budget estimates (BE) (₹ 9,646.64 crore) mainly due to decrease in capital expenditure (₹ 4,453 crore) and Revenue Surplus (₹ 1,364 crore) against budget.

Revenue surplus was less than the BE (₹ 4,780.97 crore) mainly due to more expenditure than BE in Irrigation and Flood Control (₹ 316 crore) and Rural Development (₹ 198 crore).

Ratio of total outstanding debt to GSDP (18.14 per cent) was higher than the prescribed target of 14th FC (17.05 per cent), as the State Government has raised borrowing from market loan of ₹ 8,100 crore for Chhattisgarh State Development Loan.

1.1.2.1 Composition of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficit is reflected in the **Table 1.6**.

Table 1.6: Components of fiscal deficit and its financing pattern

Particulars	₹ in crore				
	2013-14	2014-15	2015-16	2016-17	2017-18
1	2	3	4	5	6
Composition of Fiscal Deficit					
Revenue Deficit (-)/Surplus (+)	(-809.31)	(-1,573.28)	2,366.65	5,520.65	3,417.32
Net Capital Expenditure	(-4,566.55)	(-6,541.22)	(-7,942.17)	(-9,468.14)	(-9,997.64)
Net Loans and Advances ²	318.58	106.23	131.69	(-99.78)	(-230.00)
Excluded expenditure under UDAY	-	-	870.12	-	-
Total	(-5,057.28)	(-8,008.27)	(-4,573.71)	(-4,047.27)	(-6,810.32)
Financing pattern of Fiscal Deficit*					
Market borrowings	2,843.99	3,807.65	4,666.75	3,897.68	8,100.00
Loans from GOI	(-134.50)	(-148.49)	(-18.79)	211.57	292.41
Special securities issued to NSSF	1.42	414.18	389.09	(-420.53)	(-431.13)
Loans from financial institutions (NABARD)	531.33	645.80	525.92	638.58	691.28
Ways and Means advances from RBI	0.00	383.80	(-383.80)	0.00	0.00
Small Savings, PF etc.	265.40	443.83	514.30	426.96	640.61
Deposits and Advances	1,818.98	466.62	(-69.54)	550.68	120.95
Suspense and Miscellaneous	(-1,243.93)	1,449.74	(-1,823.27)	(-629.98)	(-1,611.16)

² Includes inter-state settlements.

1	2	3	4	5	6
Remittances	(-) 98.03	193.52	11.94	49.14	70.92
Others ³	305.16	264.02	389.93	639.80	(-) 765.14
Total	4,289.82	7,920.67	4,202.53	5,363.90	7,108.74
Overall Surplus (+)/Deficit (-)	(-) 767.46	(-) 87.60	(-)371.18	1,316.63	298.42
Total	5,057.28	8,008.27	4,573.71	4,047.27	6,810.32

* All these figures are net of disbursement/outflows during the year

(Source: Finance Accounts of the respective years)

1.1.2.2 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit⁴ and capital expenditure (including loans and advances) indicate the quality of deficit in the State's finances. The bifurcation of the primary deficit (**Table 1.7**) indicates the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the Government.

Table 1.7: Components of Primary deficit/surplus in the State

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure ⁵	Capital expenditure	Loans and advances	Primary expenditure ⁶	Primary revenue deficit (-)/surplus (+)	Primary deficit (-) / surplus (+)	Ratio of Primary deficit to GSDP (in per cent)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)	9
2013-14	33,699	31,508	4,574	1,318	37,400	2,191	(-) 3,709	1.79
2014-15	38,187	37,835	6,544	88	44,467	352	(-) 6,281	2.84
2015-16	46,367	41,552	7,075*	165	49,662	4,815	(-) 2,425	1.04
2016-17	53,861	45,478	9,471	273	55,222	8,383	(-)1,361	0.52
2017-18	59,790	53,131	10,001	370	63,502	6,659	(-)3,712	1.27

(Source: Finance Accounts of the respective years)

* Excluded expenditure of ₹ 870.12 crore under UDAY.

As evident from the above, the non-debt receipts of the State were not enough to meet the primary expenditure.

1.1.3 Budget estimates and actuals

Shortfalls of actual receipts and expenditure against budget estimates, either due to unanticipated and unforeseen events or under/over estimation of expenditure or revenue at the stage of budget preparation, adversely impact the desired fiscal objectives.

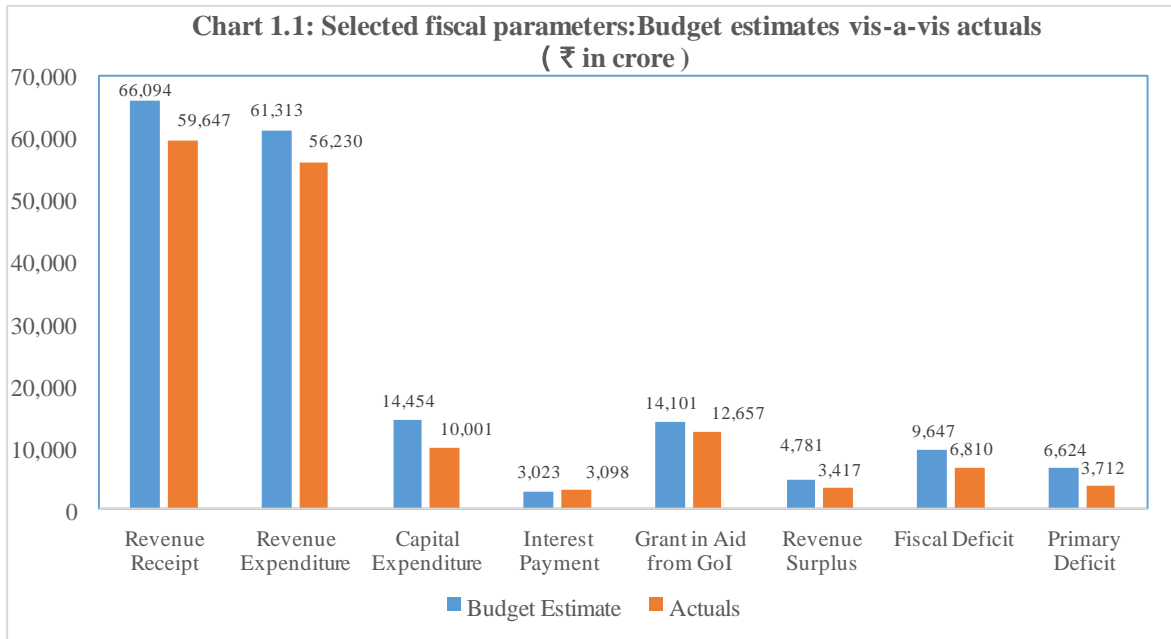
Actual *vis-à-vis* Budget estimates of selected fiscal parameters for 2017-18 are shown in **chart 1.1** and **Appendix 1.4**.

³ Includes Contingency Fund and Reserve Funds.

⁴ Primary revenue deficit is defined as the gap between non-interest revenue expenditure of the State and its non-debt receipts. This indicates the extent to which the non-debt receipts of the State are sufficient to meet the primary expenditure incurred under revenue account.

⁵ Revenue expenditure minus interest payment called Primary Revenue Expenditure.

⁶ Primary expenditure includes revenue, capital and loans and advances but not interest payment.



(Source: Finance Accounts of the State Government 2017-18 and Budget Estimate 2017-18 of the State)

As may be seen, the State Government was able to achieve significant revenue surplus only by significant reduction in actual revenue expenditure (₹ 5,083 crore) in comparison to budget estimates, were mainly under education, sports, art and culture (₹ 1,914 crore), pension and miscellaneous general services (₹ 1,290 crore) and social welfare and nutrition (₹ 545 crore), subsequently achieved the target of fiscal deficit. Further the less capital expenditure (₹ 4,453 crore) were mainly under transport (₹ 2,517 crore) and irrigation and flood control (₹ 894 crore).

Recommendation: The Finance Department should rationalize the budget preparation exercise, so that persisting gap between the budget estimates and actuals is bridged.

1.1.4 Gender Budgeting

The Gender Budget of the State is part of the overall budget and is designed to benefit women. As per the gender budget document, schemes relating to women were bifurcated into two categories- (1) Schemes in which 100 per cent budget provisions related to women, and (2) Schemes in which at least 30 per cent of budget provision related to women.

During scrutiny of records it was noticed that, based on the Finance Ministry proposal (budget speech 2006-07), the State had created the Gender budget cell (June 2012). The gender budget cell was entrusted with implementing of the gender budget by coordinating between various departments and the department of Women and Child Development was entrusted with the monitoring of the impact analysis. However, the department did not provide any information regarding the functioning of the gender budget cell.

Further it was noticed that, the State Government made budget provisions of ₹ 4,904.25 crore (original budget of ₹ 3,639.26 crore and supplementary budget of ₹ 1,264.99 crore) were made for 28 schemes which are 100 percent women centric works (*Appendix 1.5*) during 2017-18. Out of total budget of

₹ 4,904.25 crore, expenditure of ₹ 4,002.51 crore (81.61 per cent) only was incurred and ₹ 897.93 crore (18.33 per cent) was either surrendered or re-appropriated and expenditure of ₹ 3.81 crore (0.08 per cent) was incurred in excess on available budget after surrender.

Whereas, the budget provisions of ₹ 9,555.67 crore for 99 schemes in which a part of budget (minimum 30 per cent) was to be spent on women centric works, was made without distinct sub-heads or object heads. Thus, the actual amount spent on women under these schemes could not be verified in audit.

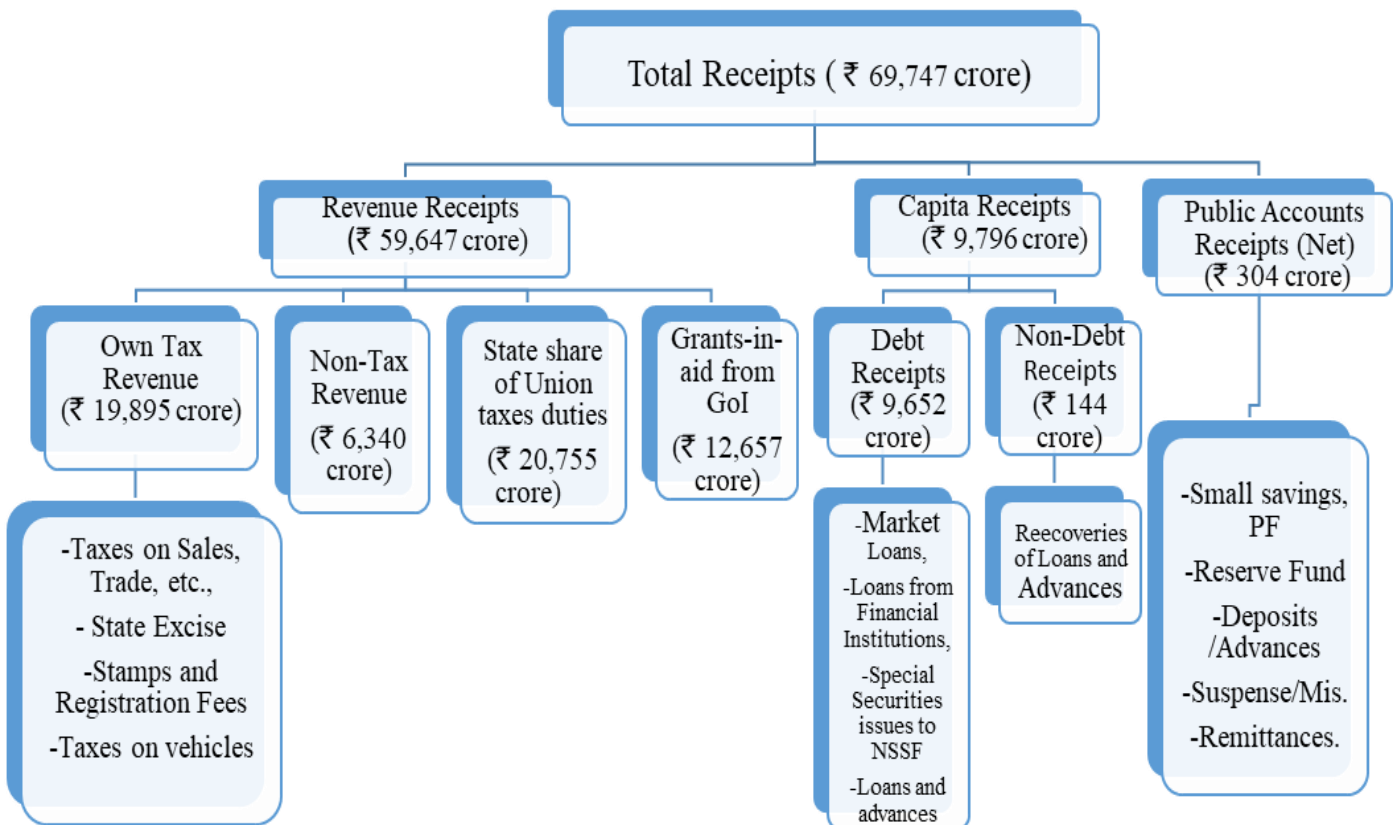
Recommendation: The Finance Department should review all gender budget schemes periodically, so that, provisions for women centric works are fully utilized and also open distinct sub-heads or object heads to ascertain actual expenditure.

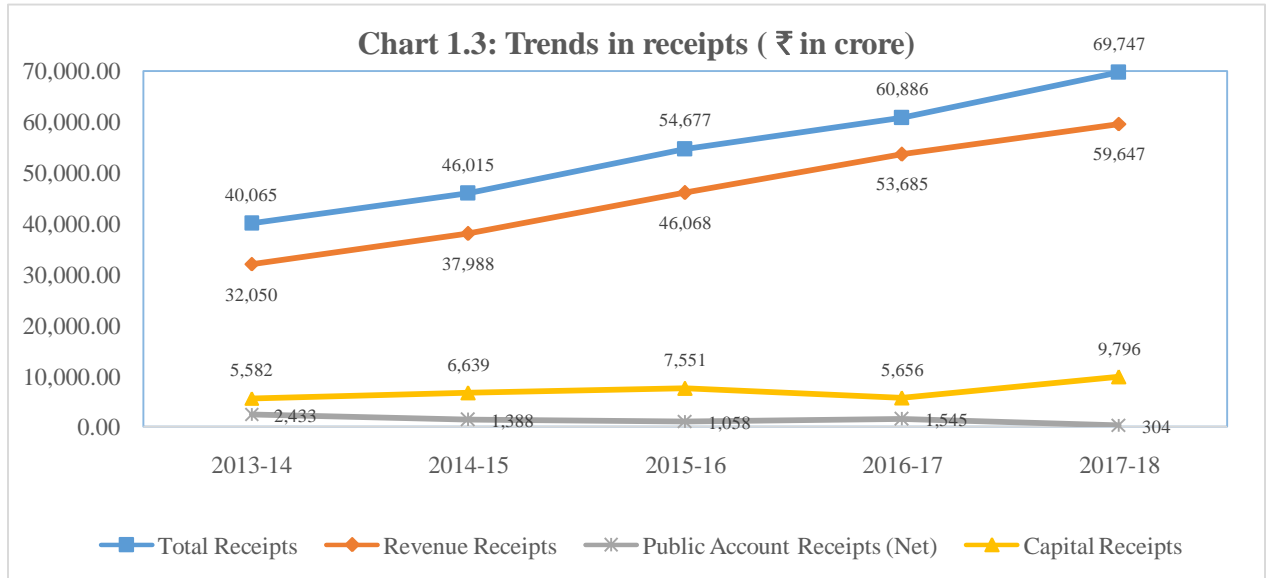
1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

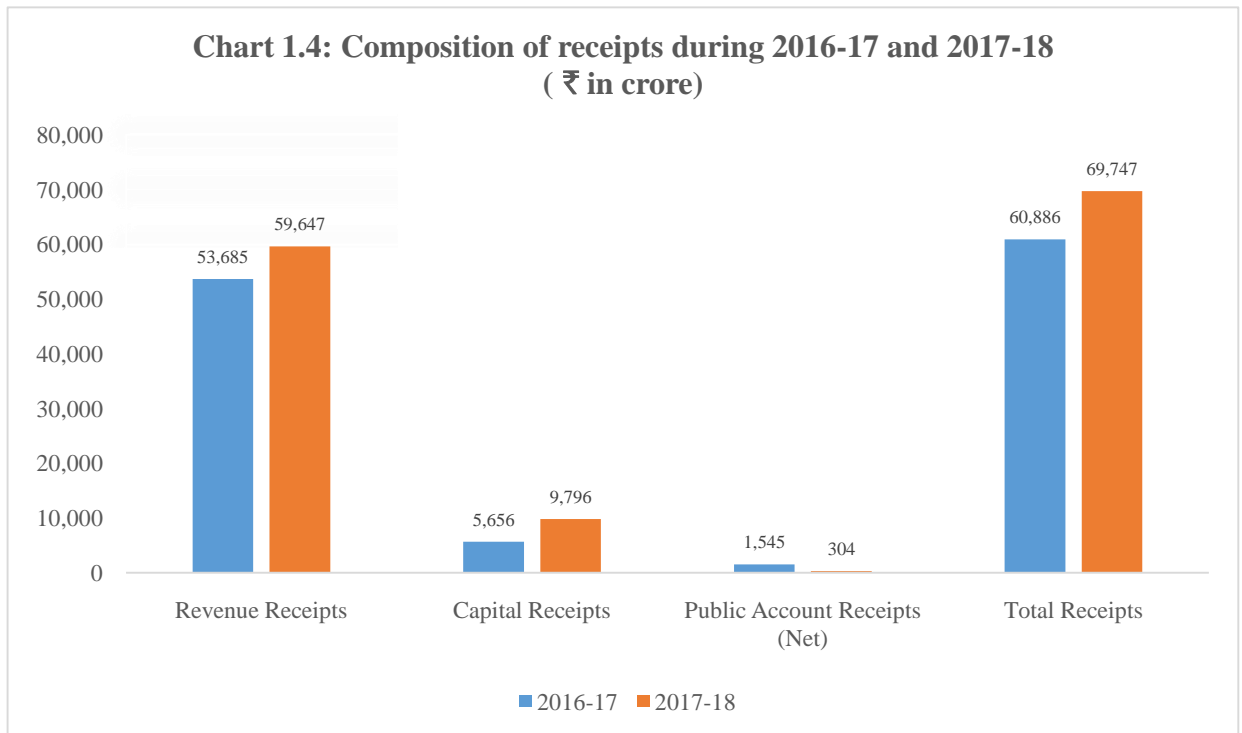
Chart 1.2, 1.3 and 1.4 present different perspectives of the financial resources of the State as depicted in the Financial Accounts.

Chart 1.2: Composition and sub-components of resources





(Source: Finance Accounts of the State Government 2017-18)



(Source: Finance Accounts of the State Government 2017-18)

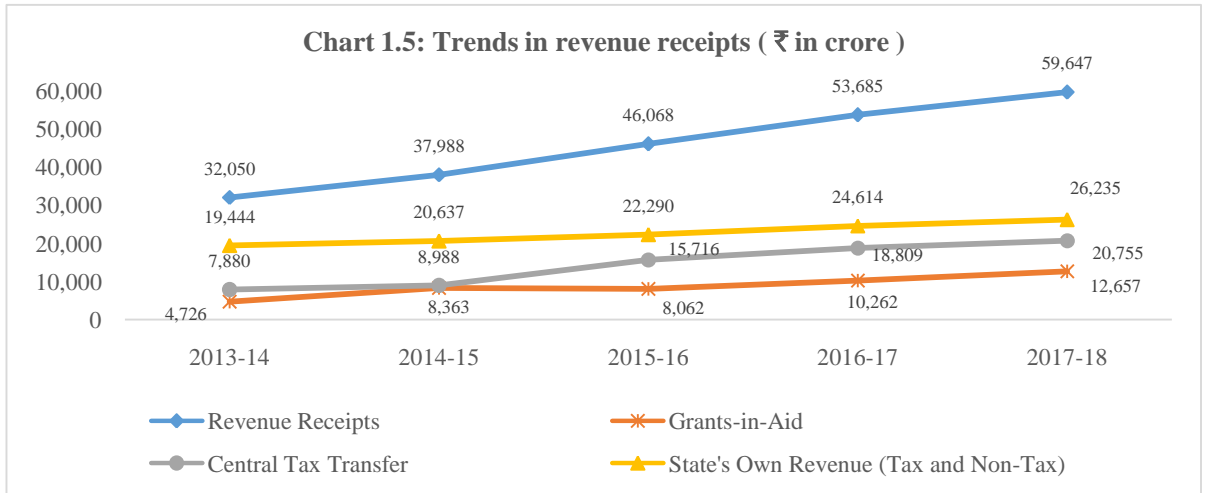
1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

Till 31 March 2014, the Central Government had been transferring a sizeable quantum of funds directly to the State Implementing Agencies for implementing various schemes/programmes in social and economic sectors, which were recognized as critical. Since these funds were not routed through the State Budget/State treasury system, expenditure thereon was not mentioned in the Finance Accounts of the State. With effect from 1 April 2014, GOI decided to release all assistance pertaining to Centrally Sponsored Schemes/Additional Central Assistance through the State Government.

However, during 2017-18, ₹ 6,490.81 crore were transferred directly to the State implementing agencies as against ₹ 1,112.05 crore in 2016-17, an increase in direct transfer of funds of ₹ 5,378.76 crore (483.68 per cent) over the previous year. The funds transferred mainly to those agencies which implement the schemes i.e. Food Subsidy for decentralised procurement of Food Grains under National Food Security Mission, Mahatma Gandhi National Rural Guarantee Programme, Solar Power-off Grid, Member of Parliament Local Area Development Scheme etc.

1.3 Revenue receipts

The trends and composition of revenue receipts during 2013-18 are presented in *Appendix I.6* and in **Chart 1.5**.



(Source: Finance Accounts of the respective years)

The increase in Revenue receipts (₹ 5,962 crore; 11.11 per cent) during 2017-18 was mainly due to more receipt in tax revenue (₹ 950 crore), non-tax revenue (₹ 671 crore), share of Union taxes (₹ 1,946 crore) and Grants-in-Aid from GoI (₹ 2,395 crore).

The trend of State's own tax revenue receipts relative to GSDP is presented in **Table 1.8**.

Table 1.8: Trends in State's own tax revenue receipts relative to GSDP and Revenue Receipt

	2013-14	2014-15	2015-16	2016-17	2017-18
State's own tax (₹ in crore)	14,343	15,707	17,075	18,945	19,895
State's own tax / GSDP (in per cent)	6.93	7.10	7.29	7.22	6.82
State's own tax /Revenue receipts (in per cent)	44.75	41.35	37.07	35.39	33.35

While the State's own tax revenue receipts increased in real terms from ₹ 14,343 crore in 2013-14 to ₹ 19,895 crore in 2017-18. The proportion of State's own tax with respect to GSDP decreased to 6.82 per cent in 2017-18 from 7.22 per cent in 2016-17

The ratio of State's own tax revenue to GSDP of Chhattisgarh (6.82 per cent) was better than the neighbouring states of Madhya Pradesh (6.34 per cent), Jharkhand (4.84 per cent) but lower than the Uttar Pradesh (7.08 per cent).

1.3.1 State's own resources

Details of State's actual own tax and non-tax revenues for 2017-18 in comparison to the 14th Finance Commission assessment and budget estimates are given in the **Table 1.9**.

Table 1.9: Tax revenues and non-tax revenues

	14 th FC projections	Budget estimates	FRBM projections	Actuals
Own Tax Revenues	27,672	23,421	23,421	19,895
Non-Tax Revenues	5,833	7,704	7,704	6,340

(Source: Finance Accounts 2017-18, FRBM documents, Budget books and 14thFC report).

The short collection of own tax revenue against budget estimates was mainly due to less collection of taxes on sales, trade etc. (₹ 6,995 crore) due to implementation of GST, taxes on goods and passengers (₹ 1,289 crore), stamps and registration fees (₹ 353 crore), land revenue (₹ 154 crore) and taxes on vehicles (₹ 20 crore). However, State Goods and service tax (₹ 4,387 crore) was introduced and collection of taxes was increased mainly under State excise (₹ 886 crore) during the same period. (*Appendix 1.4 and 1.6*).

1.3.1.1 Tax revenues

Details of tax revenue during 2013-18 are given in **Table 1.10** below.

Table 1.10: Components of tax revenue

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage increase during 2017-18 with respect to 2016-17
Taxes on sales, trades etc.	7,930	8,429	8,908	9,927	6,450	
State Goods and Service Tax (GST introduced in July 2017)	-	-	-	-	4,387	9.17
State Excise	2,549	2,892	3,338	3,444	4,054	17.71
Taxes on vehicles	651	703	829	985	1,180	19.80
Stamps and Registration fees	990	1,023	1,185	1,211	1,197	(-)1.16
Land Revenue	226	332	364	504	446	(-)11.51
Taxes on Goods and Passengers	945	982	1,040	1,340	478	(-)64.33
Other taxes ⁷	1,052	1,346	1,411	1,534	1,703	11.02
Total	14,343	15,707	17,075	18,945	19,895	5.01
Growth Rate (in per cent)	10.04	9.51	8.71	10.95	5.01	

(Source: Finance Accounts of the respective years)

Following the GST implementation in July 2017, the overall revenue of the state grew by 12.84 *per cent* in percentage terms and ₹ 2,433 crore in real terms (including ₹ 1,483 crore received as compensation of GST). Thus, it appears that GST implementation gave a substantial boost in revenue collection.

Further, Tax Revenue on State Excise grew at an annual rate 12 *per cent* and during 2017-18 an increase of ₹ 610 crore was noticed. The reason for the growth was on account of increase on the Countervailing Duty (CVD) and

⁷ Other taxes- hotel receipts, taxes on income and expenditure, taxes and duties on electricity and taxes and duties on services and commodities.

taking over of retail sale of liquor by the Chhattisgarh Beverages Corporation Ltd.

1.3.1.2 Non-tax revenues

Details of receipts from non-tax revenues during 2013-18 are given in **Table 1.11** below:

Table 1.11: Components of Non-Tax Revenue

(₹ in crore)

Revenue head	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage increase during 2017-18 with respect to 2016-17
Non-ferrous Mining and Metallurgical Industries	3,236.01	3,572.68	3,709.52	4,141.47	4,911.44	18.59
Major Irrigation	339.82	410.95	502.17	437.35	461.23	5.46
Forestry and Wild Life	405.91	348.72	409.75	405.15	291.17	(-28.13)
Interest receipts	380.90	171.89	108.23	157.24	180.44	14.75
Other non-tax receipts ⁸	738.53	425.67	485.12	528.04	496.14	-6.04
Total	5,101.17	4,929.91	5,214.79	5,669.25	6,340.42	11.84

(Source: Finance Accounts of the respective years)

The share of NTR in Revenue Receipts during 2017-18 marginally increased to 10.63 per cent as compared to 10.56 per cent during 2016-17. NTR increased (₹ 671 crore; 11.84 per cent) during 2017-18 over the previous year mainly due to increase in receipts under non-ferrous mining and metallurgical industries by ₹ 770 crore (18.59 per cent), Urban Development by ₹ 25.00 crore (365.43 per cent) and major irrigation by ₹ 24.00 crore (5.46 per cent).

1.3.2 Cost of collection of taxes

Details of collection and cost thereof in respect of major revenue receipts during 2017-18 are given in **Table 1.12**.

Table 1.12: Cost of collection of taxes and duties

Heads of revenue	Gross collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All-India average percentage of previous year
	(₹ in crore)		(in per cent)	
Taxes on sales, trade etc.	6,449.60	67.24	1.04	0.69
Taxes on vehicles	1,180.01	15.51	1.31	2.01
State Excise	4,054.00	171.67	4.23	2.61
Stamps and Registration fees	1,197.47	22.27	1.86	2.99

(Source: Information compiled by the Revenue Audit wing of the AG (Audit))

1.3.3 Grants-in-Aid from Government of India

The State Government receives Grants-in-Aid and share of Union taxes and duties, based on the recommendations of the Finance Commission. As per the office memorandum of Ministry of Finance, dated 23 August 2016, GoI, has decided to do away with the practice of classifying expenditure as Plan and Non-plan in the budget from 2017-18 onwards. Details of Grants-in-Aid from GoI are given below in **Table 1.13**

⁸ Minor irrigation (₹ 122 crore), Public works (₹ 54 crore), Medical and Public Health (₹ 52.56 crore), dividends (₹ 4.80 crore given by Chhattisgarh State Warehousing Corporation, Chhattisgarh State Forest Development Corporation, etc.), etc.

Table 1.13: Grants-in-Aid released by Government of India*(₹ in crore)*

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Grants for Centrally Sponsored Schemes	4,726.16	8,987.80	8,061.59	10,261.63	9,275.76
Finance Commission Grants					1,460.23
Grants under proviso to Article 275(1) of the Constitution					109.64
Grants from Central Road Fund					212.28
Compensation for loss of revenue arising out of implementation of Goods and Service Tax (Grants-in-aid-General)					1,483.00
Other Transfers/Grants to State					116.25
Total	4,726.16	8,987.80	8,061.59	10,261.63	12,657.16
Revenue Receipts	32,050	37,988	46,068	53,685	59,647.07
Total grants as a percentage of Revenue Receipts	14.75	23.66	17.50	19.11	21.22

(Source: Finance Accounts of the respective years)

1.3.4 Central Tax Transfers

Details of GoI tax transfers to the State Government during 2013-18 are given in **table 1.14** below:

Table 1.14: Trends in Central tax transfers*(₹ in crore)*

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Central tax transfer (CTT)	7,880.22	8,363.03	15,716.47	18,809.16	20,754.81
CTT as share of RR	24.59	22.01	34.12	35.04	34.80

(Source: Finance Accounts of the respective years)

The increase of CTT in 2017-18 over the previous year was mainly under Integrated Goods and Service Tax (₹ 2,094 crore), Taxes on income other than Corporation tax (₹ 1,181 crore), Corporation tax (₹ 333 crore) and Central Goods and Service Tax (₹ 291 crore). However, collection of taxes was mainly less under Union Excise Duties (₹ 768 crore), Service Tax (₹ 677 crore) and Custom (₹ 496 crore).

1.3.5 Short collection of revenue

1.3.5.1 Under-assessment, non-levy, short levy of taxes

During 2017-18, test check of the records of 81 units out of 501 units⁹, pertaining to commercial taxes, state excise, stamps and registration fees, land revenue, mining receipts, taxes on vehicles, forestry and wild life and electricity duty revealed short levy/ non levy of taxes, duties and fees/loss of revenue, etc., aggregating ₹ 4,227.18 crore in 22,986 cases. The Departments concerned accepted under-assessment and other deficiencies of ₹ 133.78 crore in 17,155 cases pointed out by Audit.

⁹ Commercial tax department (55 units), Stamp duty and registration department (114 units) State excise department (27 units), Land revenue department (165 units), Energy department (17 units), Transport department (24 units), Geology and mining department (32 units), Forest department (67 units).

1.3.5.2 Arrears of revenue

Details of arrears of revenue are detailed in **table 1.15** below.

Table 1.15: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding		Amount outstanding for more than five years	
		as on 31 March 2017	as on 31 March 2018	as on 31 March 2017	as on 31 March 2018
1	Taxes on sales, trade, etc.	1887.09	2,459.64	831.28	1,074.29
2	State excise	49.91	51.20	19.91	26.49
3	Taxes and duties on electricity	708.53	951.63	108.35	189.58
4	Taxes on vehicles	26.65	27.72	9.80	8.06
5	Stamp and registration fees	17.23	54.17	2.35	15.37
6	Non-ferrous mining and metallurgical industries	0.85	0.77	0.85	0.77
7	Forestry and Wildlife	8.67	--	3.30	--
Total		2,698.93	3,545.13	975.84	1,314.56

The Forest Department and Revenue Department did not furnish the requisite information on arrears of revenue.

Recommendation: The Finance Department should evolve a mechanism to ensure that arrears of revenue are expeditiously collected.

1.4 Capital receipts

Trends of receipts under the capital section during 2013-18 are given in **Table 1.16** and **Appendix 1.6**.

Table 1.16: Trends in growth and composition of Capital Receipts

Sources of State's Receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Miscellaneous Capital Receipts (₹ in crore)	7.64	3.03	2.84	2.37	3.32
Recovery of Loans and Advances (₹ in crore)	1,637.27	194.86	296.39	172.99	138.59
Inter-State Settlement (₹ in crore)	5.14	0.91	0.52	0.38	1.24
(A) Total – Non-Debt Capital Receipts (₹ in crore)	1,650.05	198.80	299.75	175.74	143.15
Rate of growth of non-debt Capital Receipts (<i>per cent</i>)	6.74	(-)87.95	50.78	(-)41.37	(-)18.54
Internal Debt (₹ in crore)	3,917.30	6,430.98	7,105.87	5,098.40	9,187.89
Loans and advances from the Central Government (₹ in crore)	14.59	8.69	145.28	381.53	464.55
(B) Public Debt Receipts (₹ in crore)	3,931.89	6,439.67	7,251.15	5,479.93	9,652.44
Capital Receipts (CR) (A+B) (₹ in crore)	5,581.94	6,638.47	7,550.90	5,655.67	9,795.59
Rate of growth of Public Debt Capital Receipts (<i>per cent</i>)	91.08	63.78	12.60	(-)24.43	76.14
Rate of Growth of GSDP at current price (<i>per cent</i>)	16.52	6.92	5.91	11.98	11.22
Rate of growth of CR (<i>per cent</i>)	54.90	18.93	13.74	(-)25.10	73.20

(Source: Finance Accounts of the respective years)

There was no disinvestment during 2017-18. However, ₹ 3.56 crore of share capital investment by the co-operative institutes have been refunded during 2017-18.

1.4.1 Recoveries of Loans and Advances

During 2017-18, recovery of loans was mainly from Chhattisgarh State Marketing Corporation Limited Raipur (₹ 26 crore), Loans for Infrastructure Development to Urban bodies (₹ 24.84 crore), *Bhoramdev* Co-operative Sugar Mill (₹ 20 crore), Special Occasion-Loans to *Nagar Nigam* (₹ 18.40 crore), Chhattisgarh State Warehousing Corporation for Godown Construction (₹ 16.39 crore) and *Mahamaya* Co-operative Sugar Mill *Ambikapur* (₹ 10 crore).

1.4.2 Debt receipts from internal sources

Details of debt receipts from internal sources during 2013-14 to 2017-18 are given in **Table 1.17**.

Table 1.17: Composition of internal debt of State Government

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Market loans	3,000.00	4,200.00	4,850.00	4,200.00	8,100.00
Compensation and other Bonds	0.00	0.00	870.12	0.00	0.00
Loans from financial institutions	674.62	796.13	673.52	898.40	1,087.89
Special securities issued to National Small Savings Fund	242.68	658.81	712.23	0.00	0.00
Ways and means advances, from Reserve Bank of India	0.00	776.04	0.00	0.00	0.00
Total	3,917.30	6,430.98	7,105.87	5,098.40	9,187.89

(Source: Finance Accounts of the respective years)

The impact of borrowing at a higher rate of interest than received on investment and loan and advances by the State Government is discussed in *paras 1.8.3 and 1.8.4*.

1.4.3 Loans and advances from Government of India

Loans and advances of ₹ 465 crore from GoI were received during 2017-18 mainly in Chhattisgarh Road Sector Development Project Phase II (₹ 446.67 crore) and Sustainable Urban Transport Project (₹ 17.64 crore).

1.4.4 Provisional adjustment of compensation cess

1.4.4.1 Goods and Services Tax

The State Government implemented the Goods and Services Tax (GST) Act, which became effective from 1 July 2017. According to GST (Compensation to the States) Act, 2017, Central Government will compensate the States for loss revenue arising on account of implementation of GST for a period of five years. The compensation payable to the state shall be calculated for every financial year after the receipt final revenue figures, as audited by the C & AG of India. Base year (2015-16) revenue figures of taxes subsumed under GST was finalized under GST Act. In case of Chhattisgarh State, the revenue was ₹ 7,357.43 crore during the base year 2015-16. The projected revenue for any year in the State shall be calculated by applying the projected growth rate (14 per cent per annum) over the base year revenue of the State.

The projected revenue for the year 2017-18 (1st July 2017 to 31st March 2018) in accordance with base year figure was ₹ 7,171.29 crore. Revenue figure under GST for the year 2017-18 has been depicted in the Finance Accounts as per nature of Receipts i.e. State Goods and Services Tax (SGST), Input Tax Credit cross utilization of SGST and IGST (Integrated Goods and Services Tax), Apportionment of IGST-transfer-in of Tax component to SGST and Advance apportionment from IGST. Against the projected revenue of ₹ 7,171.29 crore, the revenue receipt of the State Government under GST during the year 2017-18 is given in **Table 1.18**.

Table 1.18: Pre-GST and SGST collected provisional apportionment of IGST and compensation of IGST received from Government of India against the protected revenue of the State for period July 2017 to March 2018.

(₹ in crore)

Month	Monthly revenue to be protected for nine months	Pre-GST taxes collected ¹⁰	SGST collected	Advance apportionment of IGST	Total amount received	Compensation to be received ¹¹	Compensation Actually received (up to 31-3 2018)	Balance
1	2	3	4	5	6=3+4+5	7(2-6)	8	9(7-8)
July and August 2017	1,593.62	893.75	324.48	78.71	1,296.94	296.68	0	296.68
September and October 2017	1,593.62	145.31	639.86	276.84	1,062.01	531.61	253	278.61
November and December 2017	1,593.62	72.74	602.66	375.15	1,050.55	543.07	562	(-18.93)
January and February 2018	1,593.62	26.01	756.74	685.61	1,468.36	125.26	219	(-93.74)
March 2018	796.81	50.49	459.5	187.01	697	99.81	449	(-349.19)
Total	7,171.29	1,188.30	2,783.24	1,603.32	5,574.86	1,596.43	1,483.00	113.43

From the above table it is evident that compensation of GST of ₹ 113.43 crore less transferred from GoI during the period July 2017 to March 2018. However, compensation of ₹ 106 crore of March 2018, was received in May 2018 which was not depicted in the accounts of 2017-18 and will be shown in the accounts of 2018-19. Hence, ₹ 7.43 crore of compensation of GST due during the above period was less transferred to the State by GoI (November 2018).

¹⁰ Include VAT & CST (net of refund) and revenue from the taxes subsumed in GST by excluding VAT and CST on petroleum products and liquor.

¹¹ Figures for compensation are provisional.

1.4.4.2 Advance apportionment of IGST and its adjustment against GST compensation

The Government of India is to apportion IGST to State Government under section 17 of IGST Act, 2017. The State Tax Division, Ministry of Finance, Department of Revenue (GoI) sanctioned (February 2018) provisional/advance settlements of apportionment of ₹ 322 crore with the condition that the amount will be adjusted during April 2018 to January 2019 from regular settlement of IGST in ten equal installments. However, during January 2018, the advance settlement of ₹ 322 crore was adjusted from compensation payable to states by GoI for the months of November and December 2017 after adding ₹ 322.00 crore as revenue received during that period which is irregular as per the sanction order. Thus, the State Government received ₹ 322 crore of GST compensation during 2017-18.

Recommendation: Government should initiate action to claim the balance amount of compensation of GST from GoI.

1.5 Public accounts balances

Receipts and disbursements under small savings, provident funds, reserve funds, deposits, suspense, remittances, etc., which do not form part of the Consolidated Fund of the State are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker or trustee. The status of receipts and disbursement under Public accounts are shown in statement 21 of the Finance Accounts and the details of Public Account (net) are given in **Table 1.19**.

Table 1.19: Net Public Account Receipts and its composition during 2017-18

(₹ in crore)

S. N.	Public Account Receipts	Receipts	Disbursement	Net Public Receipts
1	Small Savings, Provident Funds, etc.	1,435.87	795.26	640.61
2	Reserve Funds	1,224.59	1,702.52	(-)477.93
3	Deposits and Advances	4,039.17	3,918.22	120.95
4	Suspense and Miscellaneous	1,55,385.53	1,56,996.70	(-)1,611.17
	Less-- Departmental Balances	2.81	4.39	(-)1.58
	Less- Permanent Cash Imprest	0.00	0.00	0.00
	Less-Cash Balance Investment Account	1,00,028.39	1,01,587.25	(-)1,558.86
	Total- Suspense and Miscellaneous	55,354.33	55,405.06	(-)50.73
5	Remittances	10,003.60	9,932.68	70.92
Total- 1 to 5		72,057.56	71,753.74	303.82

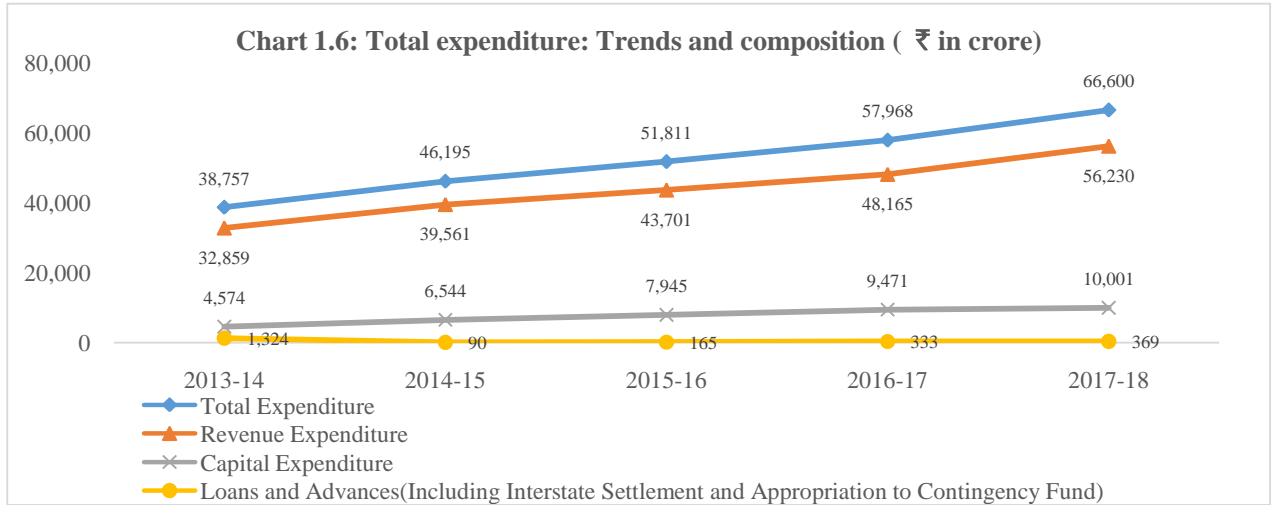
(Source: Finance Accounts of the years 2017-18)

The net availability of funds under Small Savings, Deposits and Advances and remittances had a predominant share in financing the deficit.

1.6 Application of resources

Growth and composition of expenditure

Chart 1.6 present the trends and composition of total expenditure during 2013-18 respectively



(Source: Finance Accounts of the respective years)

1.6.1 Capital expenditure

Capital expenditure increased (₹ 530 crore; 5.60 per cent) during 2017-18 over the previous year mainly due to increase in expenditure under capital outlays on transport (₹ 309 crore), and Rural Development (₹ 289 crore). However, during the same year CE decreased mainly under the Power (₹ 446 crore) and Minor irrigation (₹ 261 crore).

Table 1.20: Ratio of Capital expenditure to GSDP

	2013-14	2014-15	2015-16	2016-17	2017-18
Capital expenditure (CE) (₹ in crore)	4,574	6,544	7,945	9,471	10,001
Ratio of CE to GSDP (in per cent)	2.21	2.96	3.39	3.61	3.43

The ratio of CE to GSDP of Chhattisgarh (3.43 per cent) was more than the neighbouring states of Uttar Pradesh (2.84 per cent) but less than the Jharkhand (4.68 per cent) and Madhya Pradesh (4.37 per cent).

1.6.2 Revenue expenditure

Revenue expenditure constituted 84 per cent of total expenditure during 2017-18 against 83 per cent on 2016-17. During 2017-18, the revenue expenditure was 19 per cent of the GSDP. As compared to previous year Revenue Expenditure increased from ₹ 48,165 crore in 2016-17 to ₹ 56,230 crore in 2017-18 (₹ 8,065 crore; 16.74 per cent) mainly due to increase in Social Services and Economic Services by ₹ 3,030 crore, and ₹ 3,447 crore, respectively.

1.6.3 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of expenditure on salaries and wages, subsidies, pension and interest payments. Table 1.21 presents the trend in the expenditure on these components during 2013-18.

designated fund manager through the National Securities Depository Limited (NSDL) / Trustee Bank.

Deductions of National Pension System contributions from the employees commenced from March 2006 along with arrears of contribution for the period December 2004 to February 2006. During 2006-18 against employee's contribution of ₹ 1,697.89 crore, the State Government contributed ₹ 1,688.26 crore resulting in short contribution of ₹ 9.63 crore.

As on 31 March 2018, ₹ 14.51 crore (Including contribution of employees on deputation ₹ 3.48 crore) remained in the Public Account, pending transfer to NSDL/Trustee Bank. Short contribution of ₹ 9.63 crore and non-transfer of ₹ 14.51 crore resulted in unnecessary creation of liability of ₹ 24.14 crore to the State Government.

Recommendation: The State Government should ensure that employees' contributions along with the matching employer's share are transferred to NSDL immediately.

Subsidies

Subsidies amounted to ₹ 5,005 crore in 2017-18 consuming 8.39 per cent of the revenue receipts. Such subsidies were mainly to major activities were under Chief Minister's Food Assistance Scheme (₹ 2,048 crore), Grant for free supply of electricity to Agriculture Pumps up to five horsepower (₹ 819 crore) and subsidy to consumers for relief in Electricity Fees (₹ 514 crore).

Some of the subsidies given as Grants-in-Aid (in kind) during 2017-18 are given in **Table 1.23**.

Table 1.23: Grants-in-Aid (in kind) provided by the State Government
(₹ in crore)

Name of the Department	Scheme Name	2016-17	2017-18
School Education	Free cycle distribution to High School girls.	106.17	59.41
School Education	Free supply of text books to students.	93.57	88.14
School Education	Free distribution of books and stationary to tribal students	0.70	0.68
Agriculture	Free supply of electricity to agriculture pumps of 5 H.P.	259.48	849.67
Communication	Free supply of laptops/tablets to students of technical education, medical education and higher education.	5.54	47.07
Total		465.46	1,044.97

(Source: Finance Accounts of respective years)

1.7 Quality of Expenditure

Developmental expenditure (expenditure on social and economic services) constituted 78 per cent of total expenditure.

1.7.1 Adequacy of public expenditure

The fiscal priorities of the State Government with regard to development expenditure, social services expenditure and capital expenditure during 2017-18 are analysed, taking 2013-14 as base year, are shown in **Table 1.24**.

Table 1.24: Fiscal priority of the State in 2013-14 and 2017-18

(in per cent)

Fiscal Priority by the State	AE/ GSDP	DE [#] /AE	SSE/AE	CE/AE	Education / AE	Health/ AE
Average (Ratio) 2013-14 of						
General Category States	14.70	66.50	37.60	13.60	17.20	4.50
Chhattisgarh	20.94	76.73	38.65	11.80	18.32	4.01
Average (Ratio) 2017-18 of						
General Category States	16.10	67.90	36.70	14.40	15.50	4.90
Chhattisgarh	22.83	77.87	40.72	15.57	18.79	6.02
AE : Aggregate Expenditure, DE : Development Expenditure, SSE : Social Sector Expenditure, CE : Capital Expenditure (Capital Account only), # Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure, Development Loans and Advances disbursed.						

The ratio depicting the adequacy of public expenditure of Chhattisgarh in 2017-18 was higher than the average of general category states and higher than the performance of the State itself in 2013-14.

1.7.2 Efficiency of expenditure use

Table 1.25 presents the trends in development expenditure relative to the aggregate expenditure of the State during 2017-18 *vis-à-vis* the budget amount and expenditure in the previous years.

Table 1.25: Development expenditure

(₹ in crore)

Components	2013-14	2014-15	2015-16	2016-17	2017-18	
					B.E.	Actuals
Development Revenue Expenditure	24,038 (62)	29,541 (64)	32,392 (63)	35,518 (61)	45,224	41,995 (63)
Development Capital Expenditure	4,392 (11)	6,287 (14)	7,582 (15)	9,283 (16)	13,980	9,698 (15)
Development Loans and Advances	1,309 (03)	78 (0.17)	164 (0.32)	273 (0.47)	265	169 (0.25)
Total Development Expenditure	29,739 (77)	35,906 (78)	40,138 (77)	45,074 (78)	59,469	51,862 (78)
Aggregate Expenditure (RE+CE+L&A)	38,757	46,195	51,811	57,968		66,600
Figures in brackets indicate percentage to aggregate expenditure.						

(Source: Finance Accounts of the respective years)

1.7.3 Expenditure on selected social and economic services

Table 1.26 provides details of capital expenditure and the components of revenue expenditure on the maintenance of selected social and economic services.

Table 1.26: Efficiency of expenditure use in selected social and economic services*(in per cent)*

Social/Economic Infrastructure	2016-17			2017-18		
	Ratio of CE to TE	In RE the share of		Ratio of CE to TE	In RE the share of	
		ME	S &W		ME	S&W
Social Services (SS)						
General Education	0.89	0.11	34.44	1.00	0.12	36.56
Public Health and Family Welfare	0.56	0.63	44.23	0.6	0.65	43.10
Water Supply Sanitation and Housing and Urban Development	1.89	0.98	3.29	1.64	0.66	2.57
Total Social Services of which	4.24	0.48	27.68	3.98	0.34	28.13
Economic Services (ES)						
Agriculture and Allied Activities	0.16	0.64	18.72	0.13	0.48	16.61
Irrigation and Flood Control	3.26	4.95	47.42	2.52	11.63	51.70
Total Economic Services of which	11.77	2.52	14.27	10.58	2.44	12.72

(Source: Finance Accounts of respective years)

TE: Total Expenditure in the concerned sector; CE: Capital Expenditure in the concerned sector; ME: Maintenance Expenditure; RE: Revenue Expenditure in the concerned sector; S&W: Salaries and Wages

1.8 Financial analysis of Government expenditure and investments

This section presents a broad financial analysis of investment and other capital expenditure of the Government.

1.8.1 Financial result of irrigation projects

The 13th and 14th Finance Commission had prescribed cost recovery rate on irrigation projects (revenue receipts as compared to revenue expenditure) for assessing commercial viability of these projects. The position of irrigation projects in the State for the period 2013-18 is depicted in **Table 1.27**.

Table 1.27: Cost recovery position of irrigation projects

Year	Revenue expenditure	Revenue receipts	Cost recovery assessment of 13 th and 14 th FC	Revenue receipts to revenue expenditure	Gap in cost recovery
	₹ in crore		In per cent		
2013-14	411.19	756.44	60	184	(-)124
2014-15	448.12	544.85	75	122	(-)47
2015-16	486.45	630.18	35	130	(-)95
2016-17	508.63	624.47	35	123	(-)88
2017-18	531.51	588.88	35	111	(-)76

The favourable cost recovery portion is despite the fact that the State Government had not declared any irrigation scheme as commercial under the Finance Commission guidelines. The gap in cost recovery of irrigation projects of Chhattisgarh (- 76 per cent) was better than the neighboring states of Madhya Pradesh (- 47 per cent) and Uttar Pradesh (21 per cent).

Recommendation: The State Government may initiate measures to declare irrigation projects as commercial for assessing cost recovery as per Finance Commission recommendations.

1.8.2 Incomplete projects

The details of incomplete project which were to be completed on or before 31 March 2018 is given in **Table 1.28**.

Table 1.28: Department-wise profile of incomplete projects

(₹ in crore)

Department	Number of incomplete projects	Estimated cost	Incomplete Projects			Cumulative expenditure of all 110 incomplete projects as on 31 March 2018	
			Initial estimated cost of 42 incomplete projects whose cost was revised.	Revised cost of 42 incomplete projects	Cost overrun of 42 incomplete projects which were revised		
			No.	Amount			
Public Works	16	479.20	4	234.97	737.22	502.25	633.83
Water Resources	94	3,233.18	38	1,467.10	3,808.11	2,341	3,433.02
Total	110	3,712.38	42	1,702.07	4,545.33	2,843.25	4,066.85

(Source: Finance Accounts 2017-18)

Blocking of funds on incomplete works impinge negatively on the quality of expenditure. Delay in completion of project works increases the risk of cost escalation. Besides, due to delay in completion of these projects the intended benefits from the projects could not be achieved. Since the State Government has not evaluated the cost of 68 incomplete projects, the actual amount of expenditure to be incurred by the State could not be ascertained and due to delay in completion of these projects, the intended benefits from the projects could not be achieved.

Recommendation: The Public Works Department and Water Resource Department may re-evaluate the cost of all incomplete projects and evolve a mechanism for timely completion of projects.

1.8.3 Investment and returns

As on 31 March 2018, Government had invested ₹ 6,866.37 crore in 13 Government Companies (₹ 6,459.45 crore), 1,523 Co-operative Institutions and Local Bodies (₹ 199.15 crore), two Statutory Corporations (₹ 37.82 crore), one Rural Bank (₹ 25.15 crore) and five Joint Stock Companies (₹ 144.80 crore).

The position of dividend/interest received on investment during 2013-18 is given in **Table 1.29**.

Table 1.29: Dividend/interest received on investment

Investment/Return/Cost of borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Investment at the end of the year* (₹ in crore)	1,866.44	1,872.53	6,192.22	6,778.60	6,866.37
Return on investment (₹ in crore)	14.21	0.86	5.73	0.55	4.80
Return on investment (per cent)	0.76	0.05	0.09	0.01	0.07
Average rate of interest on Government borrowing (per cent)	6.12	6.16	6.25	6.62	6.38
Difference between interest rate and return (per cent)	5.36	6.11	6.16	6.61	6.31
loss due to difference between interest rate of market borrowing and interest received on the returns (₹ in crore)	100.04	114.41	381.44	448.07	433.27

(*The investment at the end of the year does not include un-apportioned investment between Madhya Pradesh and Chhattisgarh as on 31 March 2018)

Over the past five years the State Government has incurred a notional loss of ₹ 1,477.23 crore on account of difference between the interest on Government's borrowing cost and the return on investment. It was of specific

interest to observe that in spite of the poor return on investment, the Finance Department has regularly provided budgetary support by way of infusion of equity, loans, grants in aid/subsidies to these PSUs including those that had not even finalized their accounts.

Recommendation: The State Government should review investment in companies/corporations/banks whose financial performance do not even meet the borrowing cost of capital.

1.8.4 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisations. Details are given in **Table 1.30**.

Table 1.30: Average interest received on loans advanced by the State Government

	(₹ in crore)				
Quantum of loans/interest receipts/cost of borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Opening balance	1,864.72	1,545.99	1,395.41	1,273.96 ¹³	941.98 ¹⁴
Amount advanced during the year	1,318.53	88.32	164.73	272.71	368.76
Amount repaid during the year	1,637.27	194.86	296.39	172.99	138.59 ¹⁵
Closing Balance	1,545.99	1,439.45	1,263.75	1,373.69	1,172.16
Net addition	(-)318.74	(-)106.54	(-)131.66	99.72	230.17
Interest receipts	274.43	47.30	47.02	30.19	27.61
Interest receipts as a percentage to outstanding loans and advances	17.75	3.17	3.54	2.28	2.36
Interest payments as a percentage to outstanding fiscal liabilities of the State Government.	6.12	6.16	6.25	6.62	6.38
Difference between interest receipts and interest payments (<i>per cent</i>)	11.63	(-) 2.99	(-)2.71	(-)4.34	(-)4.02
Loss due to the difference between interest rate of market borrowing and interest received on loans	0.00	2.64	4.46	11.89	14.82

Over the past five years (except in year 2013-14) the State Government has incurred a loss of ₹ 33.81 crore towards interest on account of difference in the interest received on the loans advanced and that paid by the Government on its borrowings.

Details of loans and advances by the Government are given in section 1 of Statement 18 of Finance Accounts details of entities that were in arrears of repayment of loans are given in section 2 of Statement 18 of finance accounts.

¹³ Increased by ₹ 10.21 crore due to receipt of balances from Principal Accountant General, Madhya Pradesh.

¹⁴ Change in opening balance (₹ 431.71 crore) was due to apportionment and conversion of loans to capital expenditure of ₹ 438.00 crore given to *Naya Raipur* Development Authority for land acquisition during the year 2006-07, net increase (₹ 6.74 crore) under apportionment of loans and advances of Government servants and net decreased (₹ 0.41 crore) under Statutory corporation and (₹ 0.03 crore) under Co-operative societies /corporation/banks.

¹⁵ Including ₹ 0.71 crore write-off of irrecoverable loans and advances of Chhattigarh Infrastructure Development Corporation.

Recommendation: The State Government should ensure that loans are advanced to various entities at interest rate equal to or greater than the interest rate which Government pay on borrowed funds.

1.8.5 Cash balances and investment of cash balances

Details of the cash balances and investments by the State Government during the year are shown in **Table 1.31**.

Table 1.31: Cash balances and investment of cash balances

(₹ in crore)

	Opening balance as on 01 April 2017	Closing balance as on 31 March 2018
(a) General Cash Balances		
(1) Cash in treasuries	0.00	0.00
(2) Deposits with Reserve Bank	339.18	637.60
(3) Remittances in transit	0.00	0.00
Total (1+2+3)	339.18	637.60
(4) Investment held in 'Cash Balance Investment Account'	2,512.00	4,070.85
Total (a)- General Cash Balances (1+2+3+4)	2,851.18	4,708.45
(b) Other Cash Balances and Investments		
(1) Cash with the Departmental Officers viz. Forest, Public Works Departments, Military Secretary to the Governor	8.70	10.28
(2) Permanent advances for contingent expenditure with Departmental Officers	0.34	0.34
(3) Investment of Earmarked Funds	1,798.63	2,085.84
Total (b) Other Cash Balances and Investments (1+2+3)	1,807.67	2,096.46
Total (a) and (b)	4,658.85	6,804.91

(Source: Finance Account 2017-18)

The cash balance was invested in GoI treasuries bills by the RBI.

1.8.6 Variance in Cash Balance Investment Figures between Finance Accounts and Reserve Bank of India

During the scrutiny of the records of AG (A&E) and information received from the Central Accounts Section, Reserve Bank of India, it was noticed that difference of ₹ 4.52 crore under cash balance investment exist between the information provided by Central Accounts Section, Reserve Bank of India and figures worked out by Accountant General (A&E) as of March 2018.

1.9 Assets and Liabilities

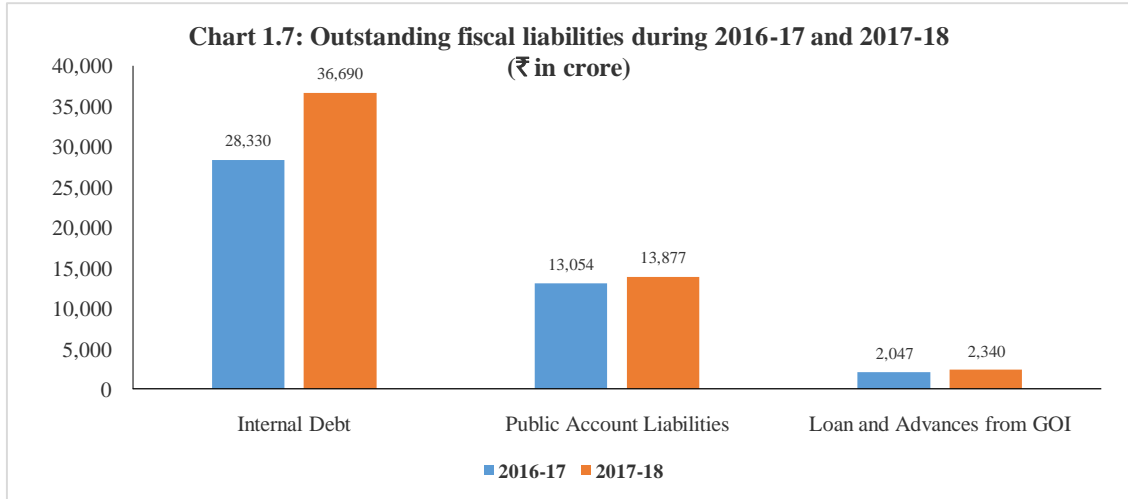
1.9.1 Growth and composition of Assets and Liabilities

While the Government accounting system does not provide for comprehensive accounting of fixed assets like land and buildings owned by the Government, these details can be derived from the accounting of financial liabilities and assets created out of expenditure incurred. *Appendix 1.3 (Part B)* gives an abstract of such liabilities and assets, as on 31 March 2018, compared with the corresponding position on 31 March 2017. While the liabilities consist mainly of internal borrowings, loans and advances from GoI, and receipts from public

accounts and reserve funds, the assets comprise mainly of capital outlay and loans and advances given by the State Government and the cash balances.

1.9.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.3 (Part B)** and the comparison of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Chart 1.7**.



(Source: Finance Accounts 2016-17 and 2017-18)

The fiscal liabilities of the State, the ratio of these liabilities to GSDP and revenue receipts are brought out in **Table 1.32**.

Table 1.32: Fiscal Liabilities – basic parameters

(₹ in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18
Internal debt	12,943	18,195	24,214	28,330	36,690
Loans and advances from GOI	2,003	1,854	1,836	2,047	2,340
Public Account liabilities	9,958	10,932	11,691	13,881 ¹⁶	13,877
Total Fiscal liabilities	24,904	30,981	37,741¹⁷	44,258	52,907
Rate of growth of fiscal liabilities (in per cent)	29.25	24.40	21.82	17.27	19.54
Fiscal liabilities/GSDP (in per cent) ¹⁸	12.04	14.01	16.11	16.88	18.14
Fiscal liabilities/ Revenue receipts (in per cent)	77.70	81.55	81.93	80.90	88.70

(Source: Finance Accounts 2017-18)

During 2017-18, the outstanding debt to GSDP ratio stood at 18.14 per cent, which was within the normative projection made by the FRBM (18.47 per cent) and higher the prescribed targets of 14th Finance Commission (17.05 per cent).

¹⁶ Figures of 2016-17 changed (₹ 827 crore) due to pro-forma adjustments made in Finance Accounts and apportionment.

¹⁷ Figures of 2015-16 changed due to pro-forma adjustments made in Finance Accounts.

¹⁸ Percentage changed due to changes in the GSDP figures

1.9.3 Transactions under Reserve Fund

There are 16 Reserve Funds in the Public Accounts of the State Government, which have been created for specific purposes. Details are given in **table 1.33**.

Table 1.33: Position of Reserve Funds during 2017-18

(₹ in crore)

Head of Account	Opening balance as on 1 April 2017 Credit (+), Debit (-)	Receipts during 2017-18	Disbursement during 2017-18	Closing balance as on 31 March 2018 Credit (+), Debit (-)
(a) Reserve Funds bearing Interest				
8121- General and Other Reserve Funds	693.20	263.04	780.69	175.55
Total -Reserve Funds bearing Interest	693.20	263.04	780.69	175.55
(b) Reserve Funds not bearing Interest				
8222- Sinking funds	1746.94	200.00	0.00	1,946.94
8223-Famine Relief Fund	3.69	0.09	0.00	3.78
8228- Revenue Reserve Funds	4.63	0.00	0.00	4.63
8229-Development and Welfare Funds ¹⁹	1,678.24	761.46	921.83	1,517.87
8235- General and Other Reserve Funds	0.01	0	0	0.01
Total -(b)- Reserve Funds not bearing Interest	3,433.51	961.55	921.83	3,473.23
Total Reserve Funds (a) and (b)	4,126.71	1,224.59	1,702.52	3,648.78
Reserve Funds Investment Account	(-)1,798.63	0	287.21	(-)2,085.84

(Source: Finance Accounts 2017-18)

Out of 16 reserve funds (with a closing balance of ₹ 3,648.78 crore), 12 were operative and four reserve funds (with a closing balance of ₹ 18.99 crore) were not operated between the period 2000-2001 and 2017-18. The state Government had invested ₹ 2,085.84 crore (57.17 per cent) upto 31 March 2018. Details of inoperative funds are given in the **Table 1.34**:

Table 1.34: Details of inoperative Reserve Funds

Name of Reserve Fund	Balance as on 31 March 2018 (₹ in crore)	Year from which inoperative
8229-Development and Welfare Funds		
Development Fund for Agriculture Purposes	0.06 (credit)	2000-01
Compensatory Afforestation Fund	18.89 (Credit)	2008-09
Development Fund for Educational Purposes	0.03 (Credit)	2011-12
8235-General and Other Reserve Fund		
Other Funds	0.01 (Credit)	2000-01
Total	18.99 (Credit)	

Further, Reserve Fund, *Gramin Vikas Nidhi*, which was constituted in 2001-02 for providing employment in rural areas, had a cumulative balance of ₹ 214.76 crore as on 31 March 2018 but no expenditure has been made from this fund since its inception.

Transfers into reserve funds and disbursement therefrom are effected through debit and credit entries under the appropriate revenue and expenditure heads

¹⁹ Opening balance reduced by ₹ 14.90 crore due to meeting of expenditure of ₹ 12.90 crore of 2014-15 from *Paryavaran Upkar Nidhi* and ₹ 2.00 crore of 2016-17 from *Adhosanrachana Vikash Upakar Nidhi*.

under the Consolidated Fund. These represent actual cash transfers only if they impact the Reserve Bank Deposits either directly or by way of investment. Since there was no actual cash outflow, these transactions depicted by GoCG against reserve fund are only book entries, which violate the spirit underlying the creation and operation of reserve funds. Their only impact is to depict an unduly favourable revenue surplus and fiscal deficit position for the relevant years.

Recommendation: The Finance Department should review the practice of treating transaction and balances under reserve funds and adhere to the principles of cash accounting by actual investment of balances with the Reserve Bank of India. The State Government is also requiring to initiate action to close inoperative funds and remit the balances into the Consolidated Fund if continuation.

1.9.4 State Disaster Response Fund (SDRF)

The SDRF had a closing balance of ₹ 175.55 crore as of March 2018. In terms of the SDRF guidelines 2010, balances under funds are to be invested by the State Executive Committee in (a) Central Government dated securities (b) auctioned treasury bills and (c) interest earning deposits and certificates of deposits with Scheduled Commercial Banks and the interest earned should be credited to concerned fund.

Grants-in-Aid received from National Disaster Response fund of ₹ 49.31 crore during March 2018, which was not transferred to the SDRF, resulting in overstatement of revenue surplus and understatement of fiscal deficit. However, the amount was transferred to SDRF in June 2018.

As per SDRF guidelines, the Government was required to pay interest on the uninvested balances (₹ 693.20 crore) at the rate of interest to be paid on overdrafts. However, GoCG had not paid any interest to SDRF since the creation of the fund. This works out to ₹ 281.88 crore as estimated at the applicable rates of interest for the period 2010-18. Of this, unpaid interest for 2017-18 alone amounted to ₹ 56.01 crore, resulting in overstatement of revenue surplus and understatement of fiscal deficit for the year which increased the liability of the State Government to that extent.

Recommendation: The State Government should invest balances lying under this fund as per the guidelines.

1.9.5 Consolidated Sinking Fund (CSF)

Following the recommendations of the 12th Finance Commission, the State has created a Consolidated Sinking Fund for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds etc. Further, as per recommendation of the 12th Finance Commission, a minimum annual contribution of 0.50 *per cent* of outstanding liabilities at the beginning of the year was required to be transferred in the fund.

During 2017-18, GoCG was required to transfer a minimum of ₹ 217.15 crore (0.50 *per cent* of outstanding debt of ₹ 43,430.86 crore at the beginning of the year) to fund, against which ₹ 200 crore was transferred. The State Government made short contribution ₹ 17.15 crore resulting in over statement of revenue surplus and understatement of fiscal deficit. The balance in the CSF (investment account) from the year 2006-07 to 2017-18 was ₹ 1,946.94 crore.

Recommendation: GoCG should follow the recommendation of the 12th Finance Commission and transfer the required amount to the Consolidated Sinking Fund for amortisation of debt.

1.9.6 Status of guarantees – contingent liabilities

The maximum amount for which guarantee was given by the State and outstanding guarantees for the last five years are given in **Table 1.35**.

Table 1.35: Guarantees given by the Government of Chhattisgarh

(₹ in crore)					
Guarantees	2013-14	2014-15	2015-16	2016-17	2017-18
Maximum amount guaranteed	7,571.99	9,080.06	14,883.41	12,641.13	6,549.89
Outstanding amount of guarantees	3,358.27	2,314.47	1,988.24	3,982.97	3,881.92

(Source: Finance Accounts of the respective years)

Guarantees of ₹ 3,881.92 crore was outstanding at the end of March 2018. The outstanding amount of guarantees in the nature of contingent liabilities was about 6.51 per cent of the total Revenue Receipts of the State. The FRBM Act of the State includes a provision that the State Government shall not give new guarantees in excess of 1.5 per cent of GSDP. The new guarantees (₹ 349.19 crore) were within the prescribed limit of 1.5 per cent (0.12 per cent) of GSDP provided in the FRBM Act.

As per the recommendation of the 12th Finance commission, the Government of Chhattisgarh was required to constitute a Guarantee Redemption Fund (GRF) with minimum annual contribution of 0.50 per cent of outstanding guarantee at the beginning of the year. Accordingly, the State Government was required to create a GRF and transfer ₹ 132.51 crore to the fund from 2005-06 to 2017-18 out of which, ₹ 19.91 crore pertains to 2017-18 alone. In contrary to the Finance Commission recommendations, the State Government has decided not to form Guarantee Redemption Fund as maximum guarantees sanctioned by the State Government were of the “medium and low risk”.

During the year 2017-18, a sum of ₹ 5.00 crore was recovered as guarantee fees against receivable of ₹ 11.67 crore mainly due to short receipt from Guarantees given to Banks and Financial Institutions for repayment of principal and payment of interest (₹ 6.67 crore).

Recommendation: The State Government should create GRF after weighting the risk of guarantees and decide the quantum of contribution towards the fund as per recommendation of the 12th FC.

1.9.6.1 Off-budget borrowing

The Government of Chhattisgarh issued guarantee in favour of Chhattisgarh State Power Distribution Company Limited (CSPDCL) to raise ₹ 500 crore through Private Placement Bonds during 2014, out of which, the State Government utilised ₹ 300 crore during 2017-18 to electrify the villages which are not covered under any other schemes. GoCG undertook to repay the principal and interest on these bonds. Thus, in effect the liability on the loan entirely vested with GoCG and not with CSPDCL.

Similarly, GoCG issued Guarantee (June 2017) to raise ₹ 800 crore from the bank with 0.5 per cent guarantee fees to Chhattisgarh Housing Board (CHB).

The Housing and Environment Department of State of Chhattisgarh (HECG) entered into an agreement (July 2017) with CHB. As per this agreement, CHB will construct 6,424 residential houses for Government officials. For this CHB will take loan from the bank and the HECG shall pay the interest and installment amount on the loan obtained for the activity on actual basis. During the year 2017-18, CHB availed loans of ₹ 161.02 crore from Canara Bank. No repayment was made by the HECG during the year. Thus, liability of ₹ 161.02 crore was created on the part of GoCG.

In the same way, GoCG issued Guarantee to Chhattisgarh Police Housing Corporation Limited (CPHCL) for availing loans of ₹ 800 crore from Banks for construction of 10,000 residential houses for Police Officers and Employees. During 2017-18, CPHCL availed loans of ₹ 170.15 crore (₹132.63 crore from Allahabad Bank and ₹ 37.52 crore from Canara Bank). GoCG had approved provision of 100 crore in yearly budget for repayment of loan relating to CPHCL.

Thus, in effect, liability of repayment on the loans entirely vested with GoCG and not with CSPDCL, CHB and CPHCL, though not reflected in the accounts of GoCG. Consequently, the liability of GoCG was understated by ₹ 631.17 crore.

Recommendation: The effected liability on the loans should be reflected in the accounts of GoCG.

1.10 Debt Management

1.10.1 Debt profile

This section assesses the sustainability of debt²⁰ of the State Government in terms of debt stabilisation²¹; sufficiency of non-debt receipts²²; net availability of borrowed funds²³; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities.

1.10.2 Debt Sustainability

Table 1.36 analyses the debt sustainability of the State according to these indicators for a period of five years beginning from 2013-14.

²⁰ Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time. It also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings and returns from such borrowings. It means that a rise in fiscal deficit should match the increase in capacity to service the debt.

²¹ A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided the primary balances are either zero or positive or are moderately negative.

²² Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

²³ Net availability of borrowed funds defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

Table 1.36: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2013-14	2014-15	2015-16	2016-17	2017-18
Outstanding Debt /GSDP (in <i>per cent</i>)	12.04	14.01	16.11	16.88	18.14
Sufficiency of incremental non-debt receipts (Resource Gap) (₹ in crore)	(-2,405)	(-) 2,196.41	2,563.71	1,396.51	(-2,762)
Net debt available to the State (₹ in crore)	4,283	4,551	4,687	3,003	5,550
Burden of interest payments (interest payment/revenue receipt) (in <i>per cent</i>)	0.04	0.05	0.05	0.05	5.19

(Source: Finance Accounts of the respective years)

1.10.3 Maturity Profile

The Maturity profile of the State debt during 2017-18, is shown in **table 1.37**.

Table 1.37: Maturity Profile of State

Year	Amount (₹ in crore)	Percentage
0 to 1	1,216.24	3.12
1 to 3	3,543.85	9.08
3 to 5	4,248.51	10.89
5 to 7	9,258.09	23.72
7 to 9	10,090.75	25.85
9 and above	10,672.56	27.34
Total	39,030.01	100.00

(Source: Finance Accounts of the year 2017-18)

The maturity profile of the State debt as on 31 March 2018 indicates that State has to pay more than 72.66 *per cent* of the debt within nine years. It further indicates that the liability of the State to repay the debt would be ₹ 10,090.75 crore (25.85 *per cent* of total liabilities) during next seven to nine years i.e. financial year 2025 to 2027.

Table 1.38: Net funds available on account of public debt and other obligations

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Receipts under public debt and other obligations ²⁴ (₹ in crore)	10,310	11,914	12,902	11,804	15,851
Repayment (principal and interest) under public debt and other obligations ²⁵ (₹ in crore)	6,027	7,363	8,215	8,801	10,301
Net fund available (₹ in crore)	4,283	4,551	4,687	3,003	5,550
Percentage of net fund available to receipts under public debt and other obligations (in <i>per cent</i>)	41.54	38.20	36.33	25.44	35.01

As evident from the above table, 64.99 *per cent* of borrowed funds were used for discharging existing liabilities and could not be used for capital formation/development activities of the State. As compared to the neighboring States, net availability of borrowed funds of Chhattisgarh (35.01 *per cent*) were more than that of Jharkhand (22.24 *per cent*), Uttar Pradesh (17.27 *per cent*) and Madhya Pradesh (13.37 *per cent*).

²⁴ Total Receipts of ₹ 15,851 crore = internal debt ₹ 9,188 crore, GOI loans of ₹ 465 crore and other obligation of ₹ 6,198 crore

²⁵ Total Repayment of ₹ 10,301 crore = principal and interest on account of internal debt of ₹ 3,302 crore, GoI loans of ₹ 306 crore and also discharged other obligations of ₹ 6,693 crore