

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 2017-18. **Appendix-1.1** contains the structure and layout of the Finance Accounts of the State Government. **Appendix-1.2 (Part-A)** briefly outlines the methodology adopted for the assessment of the fiscal position of the State.

An Entry Conference was held with Secretary, Finance Department on 8 August 2018 and an Exit Conference was held on 19 December 2018 wherein the audit findings were discussed. Government responses have been suitably incorporated.

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 Product¹ (GSDP) and Per Capita GSDP at current prices for the period 2008-09 to 2017-18 has been over 16.30 *per cent* and 14.70 *per cent*, against the CAGR of SCS of 14.60 *per cent* and 13.30 *per cent* respectively. **Further, Per Capita GSDP CAGR of Uttarakhand State (14.70 *per cent*) was well above the all India Per Capita GDP CAGR (11.50 *per cent*).**

The social indicators, *viz.* literacy rate and rate of infant mortality at birth, indicate that the State had better literacy rate but had higher 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 in the **Table-1.1** below:

Table-1.1: Annual growth rate of GDP and GSDP at Current Prices and Constant Prices

Year	2013-14	2014-15	2015-16*	2016-17*	2017-18*
Current Prices					
India's GDP (₹ 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 GDP (percentage)	12.97	10.99	10.40	10.82	9.96
State's GSDP (₹ in crore)	1,49,074	1,61,439	1,75,772	1,95,606	2,17,609
Growth rate of GSDP (percentage)	13.27	8.29	8.88	11.28	11.25
Constant Prices (Base year – 2011-12)					
India's GDP (₹ in crore)	98,01,370	1,05,27,674	1,13,86,145	1,21,96,006	1,30,10,843
Growth rate (per cent)	6.39	7.41	8.15	7.11	6.68
State's GSDP (₹ in crore)	1,34,182	1,41,278	1,51,901	1,62,451	1,73,444
Growth rate (per cent)	8.5	5.3	7.5	6.9	6.8

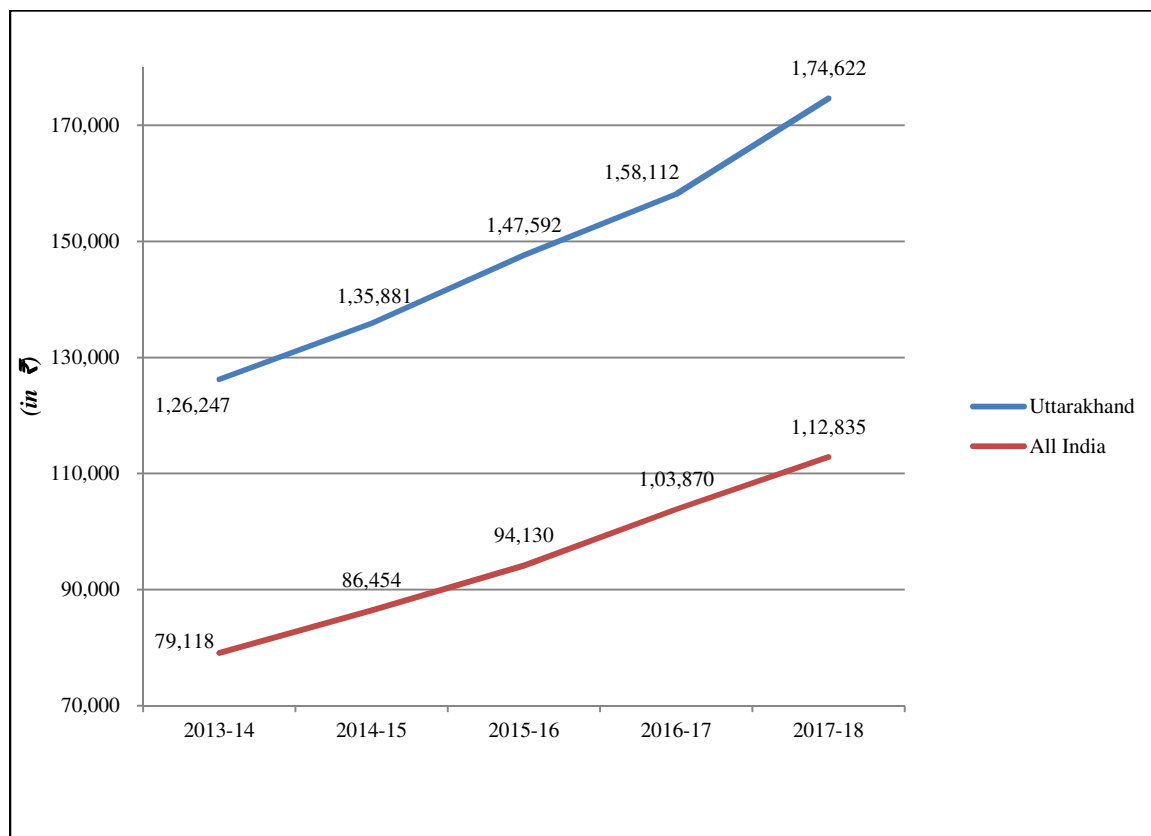
Source: Central Statistics office and Directorate of Economic and Statistics Government of Uttarakhand.

* Provisional * Quick * Advance estimates.

¹ Refer glossary in **Appendix-4.1**.

The growth rate of GSDP declined sharply from 13.27 per cent in 2013-14 to 8.29 per cent in 2014-15. However, the growth rate has improved since 2015-16 although there was marginal decline in 2017-18. The growth rate of GSDP which was lower than All India growth rate during 2014-15 and 2015-16 showed improvement during 2016-17 and 2017-18.

Chart-1.1: Comparison of Per Capita Annual Income of Uttarakhand vis-à-vis National Average



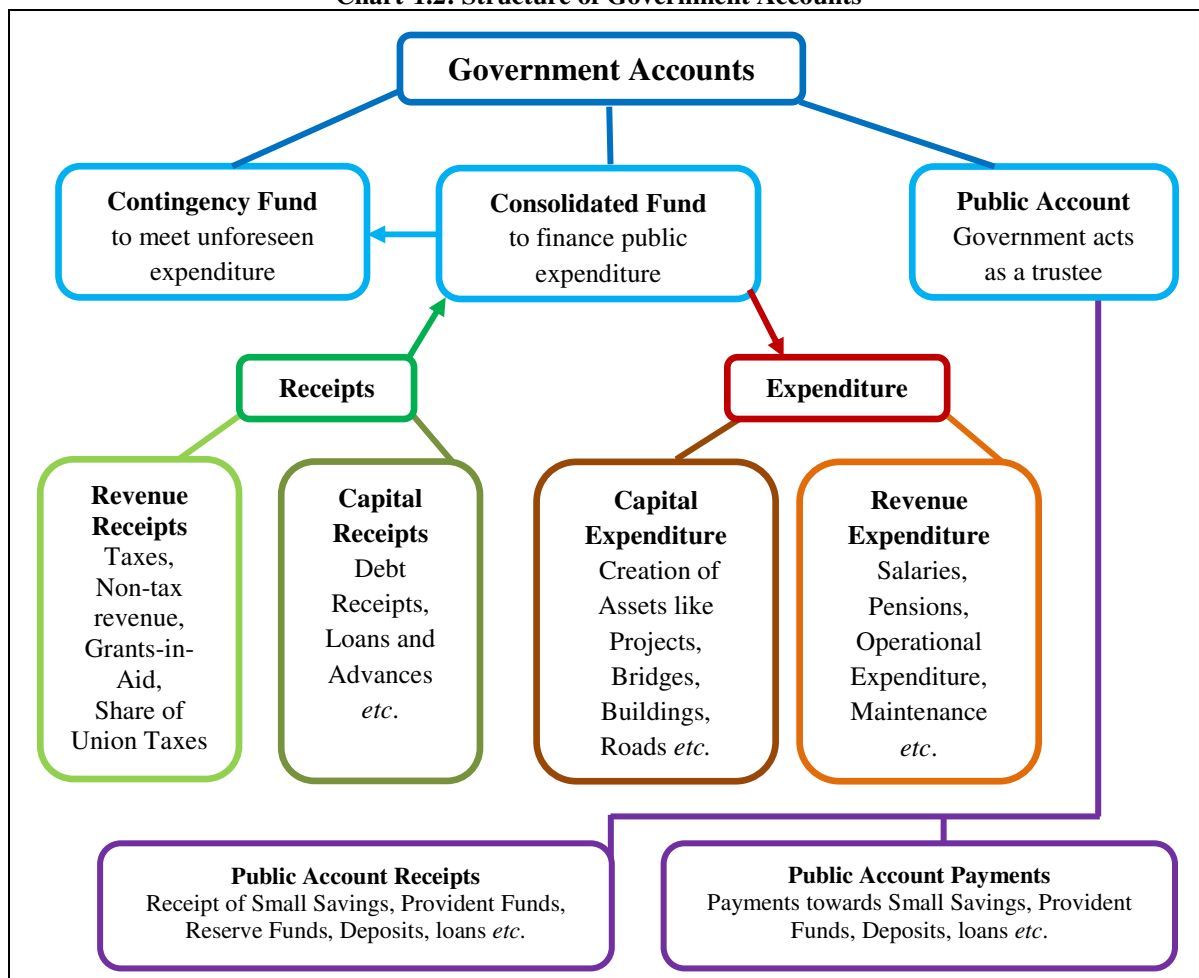
Source: Economic Survey of Uttarakhand 2019.

The Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005 which was revised in 2011 as per the recommendation of the Thirteenth Finance Commission was further revised in December 2016 according to the recommendations of the Fourteenth Finance Commission (*FFC*) (*Appendix-1.2 Part B*). Fiscal Performance of the State vis-a-vis targets set forth by the *FFC* are discussed in paragraph 1.1.2. The outcome indicators of the State's own Fiscal Correction Path (FCP) through the Mid Term Fiscal Policy Statement (MTFPS) prepared on 8 June 2017 are also given in *Appendix-1.2 (Part B)*.

1.1.1 Summary of Current Year's Fiscal Transactions

Government finances generally comprise the following:

Chart-1.2: Structure of Government Accounts



Source: Based on Budget Manual.

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

Table-1.2: Summary of Current Year's Fiscal Operations

Receipts		2016-17	2017-18	Disbursements		2016-17	2017-18
(₹ in crore)							
Section-A: Revenue							
Own Tax revenue		10,897.31	10,164.93	General services		9,934.09	12,408.50
Non-tax revenue		1,345.82	1,769.53	Social services		10,528.57	10,929.44
Share of Union Taxes/ Duties		6,411.57	7,084.91	Economic services		3,902.66	4,276.21
Grants from Government of India		6,234.27	8,085.20	Grants-in-aid and Contributions		906.18	1,468.54
Revenue receipts		24,888.97	27,104.57	Revenue expenditure		25,271.50	29,082.69
Section-B: Capital and Others							
Misc. Capital Receipts		--	--	Capital Outlay		4,954.22	5,914.37
Recoveries of Loans and Advances		34.85	33.50	Loans and Advances disbursed		165.05	76.83
Public Debt receipts*		6,500.67	7,526.08	Repayment of Public Debt*		1,127.40	1,720.72
Appropriation from Contingency Fund		--	--	Appropriation to Contingency Fund		--	(-)250.00
Contingency Fund		394.77	104.66	Contingency Fund		227.70	481.50
Public Account receipts [#]		27,855.02	37,571.25	Public Account disbursements [#]		26,607.34	35,366.30
Opening Cash Balance		1,464.88 ^{\$}	2,785.95	Closing Cash Balance		2,785.95	2,733.60
Total		61,139.16	75,126.01	Total		61,139.16	75,126.01

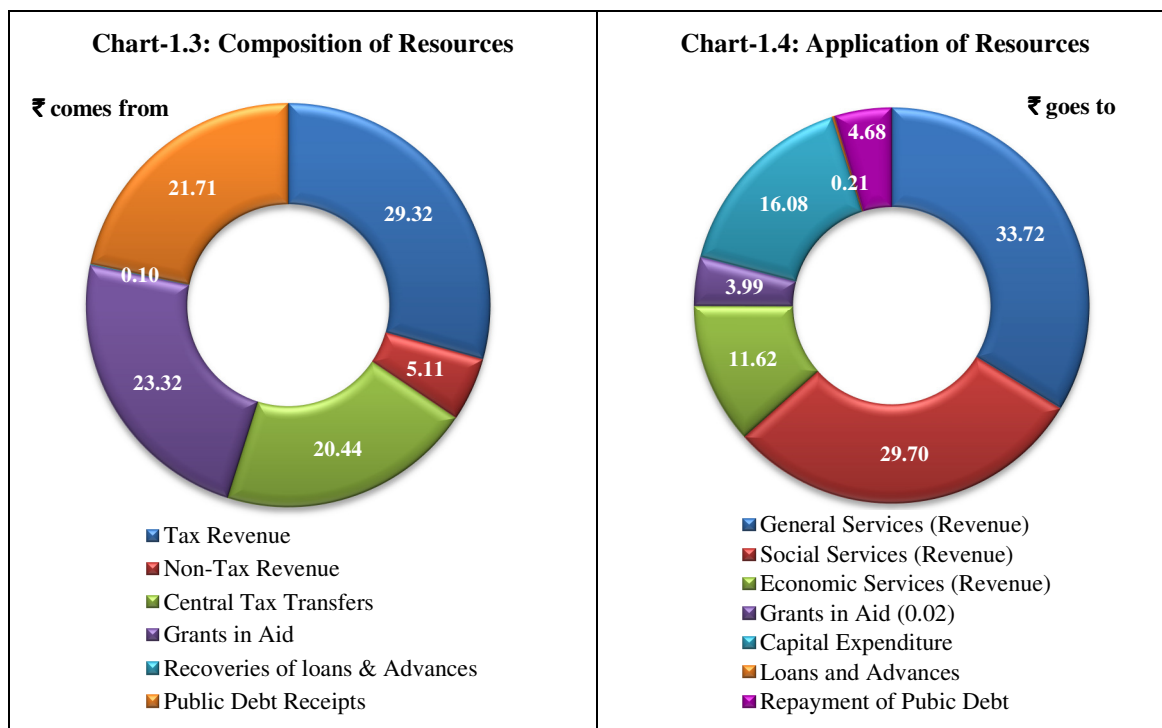
*Excluding net transactions under Ways and means advances and overdraft.

[#] 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.

^{\$} Differ with the closing balance of 2015-16 due to pro-forma correction made in Finance Account 2016-17.

Composition of resources and application of funds in the Consolidated Fund of the State during 2017-18 is given in *Chart-1.3* and *Chart-1.4*:



Source: Finance Accounts.

Comparison of key elements of State Finances in 2017-18 (*Chart-1.3* and *Chart-1.4*) with that of the previous year 2016-17 is summarized below:

Table-1.3: Improving / worsening of various components

Positive Indicators	Parameters requiring close watch
<ul style="list-style-type: none"> Non-Tax Revenue increased by 31 per cent Capital Expenditure increased by 19 per cent Public Debt Repayment increased by 53 per cent 	<ul style="list-style-type: none"> Own-Tax Revenue decreased by 7 per cent Recovery of Loans and Advances decreased by 4 per cent Public Debt Receipts increased by 16 per cent Revenue Expenditure increased by 15 per cent

Source: Finance Accounts.

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-1.4**. 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-1.4: Review of the fiscal situation

Fiscal variables	2017-18						
	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 (+) (₹ in crore)	Nil	42.25	38.28	(-)1,978.12	Not Computable	(-)4,781.94	(-) 5,267.50
Fiscal Deficit/ GSDP (in per cent)	3.25	2.50	2.49	3.65	(+) 12.31	(+) 46	(+) 46.59
Ratio of outstanding fiscal liability to GSDP (in per cent)	22.60	21.49	24.12	23.82	(+) 5.40	(+) 10.84	(-)1.24

*No target for Revenue Deficit has been prescribed by *FFC* and in *FRBM*, Act.

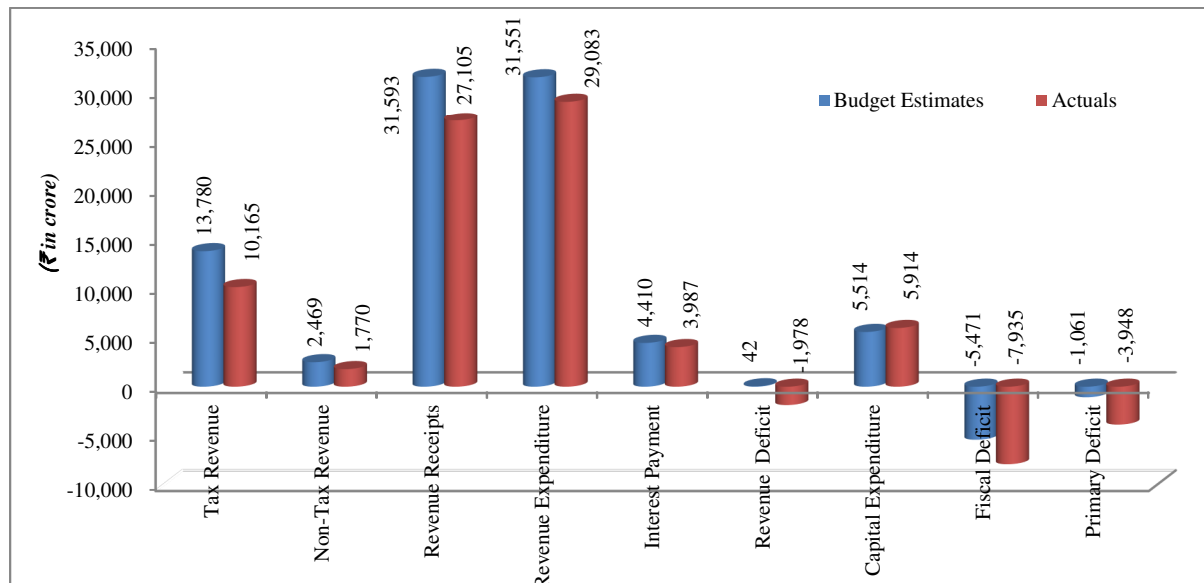
The State Government has been on a fiscal consolidation path since the enactment of the FRBM Act, 2005. During 2012-14, the State Government was able to maintain revenue surplus. The revenue surplus turned into revenue deficit during 2014-15 (₹ 917 crore) and continued in the year 2015-16 (₹ 1,852 crore). During the year 2016-17, the State was able to considerably bring down the revenue deficit (₹ 383 crore).

However, the revenue deficit during the current year has once again increased to ₹ 1,978.12 crore (0.91 per cent of GSDP). The fiscal deficit at 3.65 per cent of GSDP was higher than the FFC norm of 3.25 per cent during the year and the ratio of outstanding fiscal liabilities to GSDP at 23.82 per cent was also higher than the FFC norm of 22.60 per cent.

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 during 2017-18 is shown below:

Chart-1.5: Budget Estimates and Actuals for the year 2017-18



Source: Budget Estimates and Finance Accounts.

From the above **Chart-1.5** it is evident that:

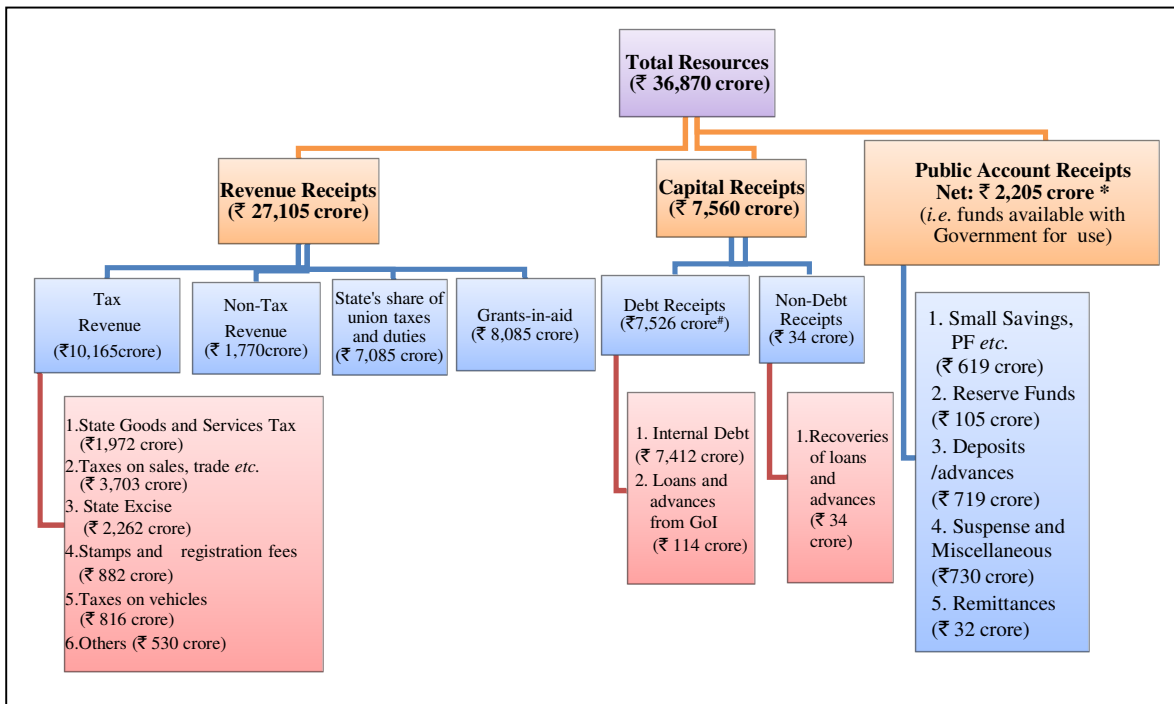
- **The overall revenue receipts were short by ₹ 4,488 crore (14.21 per cent) mainly due to less Tax revenue by ₹ 3,615 crore (26.23 per cent) and Non-Tax Revenue by ₹ 699 crore (28.31 per cent).**
- **The State Government was able to restrict the revenue expenditure in 2017-18 to**

some extent and it was ₹ 2,468 crore (7.82 per cent) less than the BEs for the current year.

- The budgetary projection of ₹ 5,514 crore proved inadequate as the State's Capital expenditure of ₹ 5,914 crore exceeded the BE by ₹ 400 crore (7.25 per cent).
- The year 2017-18 ended with a Revenue Deficit of ₹ 1,978 crore against the assessment of Revenue Surplus of ₹ 42 crore made in the BEs.
- The targets for fiscal deficit (₹ 5,471 crore) and primary deficit (₹ 1,061 crore) during 2017-18 could not be achieved by the State, as both the fiscal deficit and primary deficit exceeded the BEs by ₹ 2,464 crore and ₹ 2,887 crore respectively.

This indicates that the achievements fell short of the target in all the parameters.

1.2 Receipts of the State

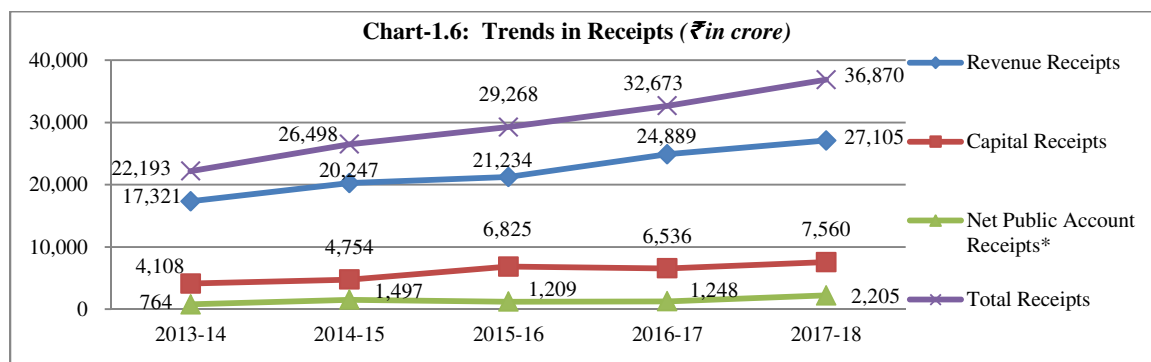


Source: Finance Accounts, #Excludes Ways and Means Advances.
 *Net Public Account Receipts (₹ 2,205 crore) = Public Accounts Receipts (₹ 37,571 crore) less Public Accounts Disbursements (₹ 35,366 crore).

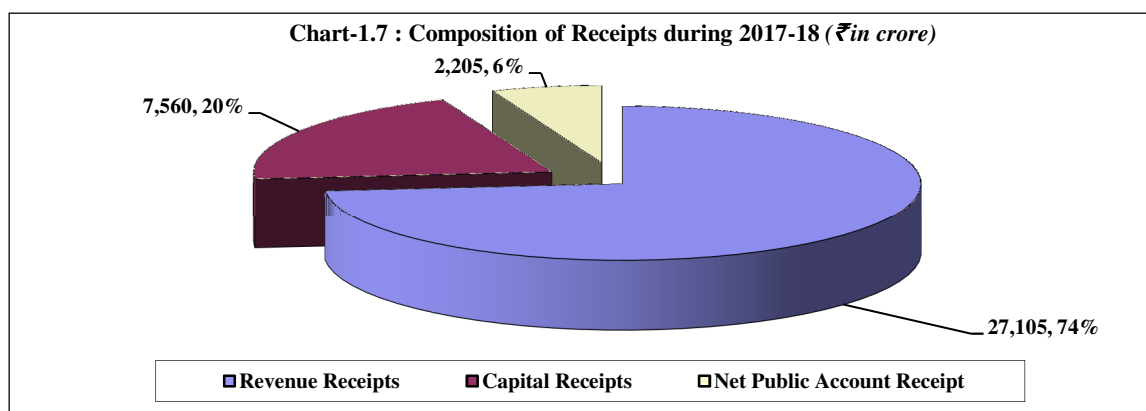
1.2.1 Trend and Composition of Receipts of the State

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. **Chart-1.6** depicts the trends in various components of receipts of the State during the period 2013-14 to 2017-18 and 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 ₹ 14,677 crore (66 per cent) from ₹ 22,193 crore in 2013-14 to ₹ 36,870 crore in 2017-18. Of total receipts, six per cent (₹ 2,205 crore) came from the net of Public Account Receipts whereas 20 per cent (₹ 7,560 crore) and 74 per cent (₹ 27,105 crore) share of the total receipts came from Capital Receipts and Revenue Receipts respectively.

The revenue receipts of the State during the current year grew by nine per cent over the previous year. This was mainly due to increase in Grant-in-Aid from Government of India by ₹ 1,851 crore (29.69 per cent), State's share of Union taxes/duties by ₹ 673 crore (10.50 per cent) and Non-Tax Revenue by ₹ 424 crore (31.50 per cent). The increase was partially counterbalanced by decrease in State's Own Tax Revenue by ₹ 732 crore (6.72 per cent). Contribution of revenue receipts to total receipts of the State decreased by two per cent during the current year while the share of net public account receipts in the total receipts increased by two per cent over the previous year (Refer Table-1.2).

1.2.2 Funds transferred to implementing agencies in the State

The Government of India has transferred significant amount of 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 Centrally Sponsored Schemes /Additional Central Assistance to the State Government and not to implementing agencies, the Government of India directly transferred funds amounting to ₹ 1,001.37 crore (Funds routed outside State Budget-Unaudited figures) to various State Implementing Agencies during the year 2017-18 as detailed in **Table-1.5**.

Table-1.5: 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 CS	Uttarakhand Rajya Rozgar Guarantee Sanstha	508.47
2.	E-Courts Phase II	Registrar General, High court of Uttarakhand	87.85
3.	Schemes of State Financed From Central Road Fund	Uttarakhand Government	86.20
4.	Support to Discom For Purchase of Gas Based power	Uttarakhand Power Corporation Limited	76.16
5.	MPs Local Area Development Scheme MPLADS	District Magistrates of various Districts	35.00
6.	Border Area Development Programme	Uttarakhand Government	31.00
7.	Solar Power-grid Interactive	Uttarakhand Renewable Energy Development Agency	27.09
8.	Package for (other than North East) Special Category States	State Industrial Development Corporation of Uttarakhand Ltd.	26.94
9.	Integrated Development of Tourist Circuits around specific Themes (Swadesh)	Uttarakhand Tourist Development Board	24.11
10.	Others (93)	Various agencies	98.55
Total			1,001.37

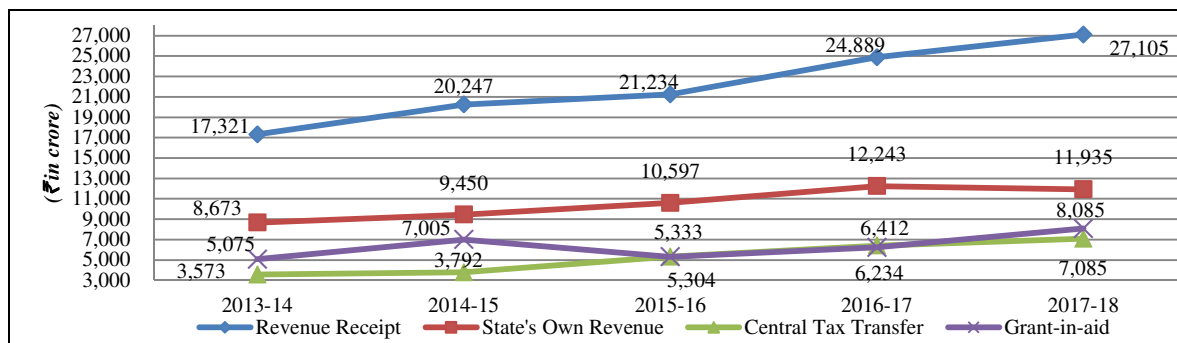
Source: Finance Account- Appendix VI.

Out of total funds of ₹ 2,175.18 crore transferred by Government of India to implementing agencies (including Central Bodies and other organisations outside the purview of the State Government) in the State, an amount of ₹ 1,001.37 crore (46 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 during the period 2013-14 to 2017-18 are presented in **Appendix-1.3** and are also depicted in **Chart-1.8**.

Chart-1.8: Trends in Revenue Receipts



The revenue receipts have shown a constant increase over the period 2013-14 to 2017-18. These increased from ₹ 17,321 crore in 2013-14 to ₹ 27,105 crore in 2017-18 at an average rate of 11.57 per cent per annum out of which State's own revenue, Central tax

transfers and Grant-in-Aid increased by ₹ 3,262 crore (37.61 per cent), ₹ 3,512 crore (98.29 per cent) and ₹ 3,010 crore (59.31 per cent) respectively during the said period. 44.03 per cent of the revenue receipts during 2017-18 came from the State's own revenue.

State's own revenue constituted on an average around 47.98 per cent of revenue receipts over the period 2013-14 to 2017-18. The growth in revenue receipts relative to GSDP are presented in **Table-1.6**.

Table-1.6: Trends in revenue receipts relative to GSDP

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Receipts (RR) (₹ in crore)	17,321	20,247	21,234	24,889	27,105
Rate of growth of RR (per cent)	10.00	16.89	4.87	17.21	8.90
Gross State Domestic Product (GSDP)	1,49,074	1,61,439	1,75,772	1,95,606	2,17,609
RR/ GSDP (per cent)	11.62	12.54	12.08	12.72	12.46
Buoyancy Ratios²					
Revenue Buoyancy w.r.t. GSDP	0.75	2.04	0.55	1.53	0.79
State's Own Tax Buoyancy w.r.t. GSDP	1.11	1.61	1.40	1.44	(-) 0.60

The growth rate of Revenue Receipts was 10 per cent during 2013-14. The growth rate for 2014-15 increased to 16.89 per cent but it again decreased sharply to 4.87 per cent in 2015-16. However, it again picked up sharply during the year 2016-17 to 17.21 per cent, but again declined to 8.90 per cent in 2017-18.

Revenue buoyancy, which is directly proportionate to growth of Revenue Receipts and GSDP, fluctuated widely during the period 2013-14 to 2017-18 due to fluctuations in the growth rate of Revenue Receipts. It declined to 0.55 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. The Revenue buoyancy again appreciated to 1.53 during the year 2016-17. However, it again decreased to 0.79 during the current year.

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, the *BEs* and the *MTFPS* projections *vis-à-vis* actual in respect of State's own resources during 2017-18 are given in **Table-1.7**.

Table-1.7: 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	13,780	13,450	10,165	(-) 29.83	(-) 26.23	(-) 24.42
Non-Tax Revenue	2,678	2,469	2,477	1,770	(-) 33.91	(-) 28.31	(-) 28.54

As shown in **Table-1.7**, the State's own tax revenues during 2017-18 were less by ₹ 4,322 crore, ₹ 3,615 crore and ₹ 3,285 crore respectively against the *FFC* projections, the *BEs* and the *MTFPS*.

The Non-tax revenue (NTR) was less by ₹ 908 crore, ₹ 699 crore and ₹ 707 crore respectively as compared to the *FFC* projections, the *BEs* and the *MTFPS*.

² Refer glossary in **Appendix-4.1**.

In sum, the State could not even achieve their own targets projected in the budget and in the MTFPS.

Goods and Services Tax

State Government implemented the Goods and Services Tax (GST) Act which became effective from 1st July 2017. According to GST (Compensation to the States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG of India. A base year (2015-16) revenue figure was finalised under GST Act. **In case of Uttarakhand, the revenue was ₹ 4,961.22 crore during the base year (2015-16). The projected revenue for any year in a State shall be calculated by applying the projected growth rate (14 per cent per annum) over the base year revenue of that State.**

The projected revenue for the year 2017-18 (1st July 2017 to 31st March 2018) in accordance with the base year figure was ₹ 4,835.70 crore. Revenue figure under GST for the year 2017-18 has been depicted in Finance Accounts as per nature of receipts *i.e.* State Goods and Services (SGST) Tax, cross utilization of Input Tax Credit between SGST and IGST, Apportionment of IGST and Advance apportionment from IGST. **Against the projected revenue of ₹ 4,835.70 crore, the revenue receipt of the State Government under GST during the year 2017-18 was ₹ 5,259.37 crore as detailed below.**

Table-1.8: Pre-GST and SGST collected, provisional apportionment of IGST and compensation of IGST received from Government of India against the projected revenue of the State for the period from July 2017 to March 2018

(₹ in crore)

Month	Monthly revenue to be protected	Pre-GST taxes collected	SGST collected	Provisional apportionment of IGST	Total amount received	Compensation received	Deficit (+) / Surplus (-)	Remarks
	1	2	3	4	5=(2+3+4)	6	7={1-(5+6)}	8
July 2017	537.30	644.91	0	0	644.91	0	(-) 107.61	The State has received more revenue after taking into account the compensation component than the protected revenue.
August 2017	537.30	237.31	0	0	237.31	0	299.99	
September 2017	537.30	152.92	0	(-) 62.56	90.36	0	446.94	
October 2017	537.30	181.52	279.09	(-) 9.87	450.74	223.00	(-) 136.44	
November 2017	537.30	162.53	307.25	27.98	497.76	460.00	(-) 420.46	
December 2017	537.30	191.38	263.41	38.10	492.89	0	44.41	
January 2018	537.30	168.28	268.76	80.07	517.11	183.00	(-) 162.81	
February 2018	537.30	165.32	273.75	240.05	679.12	0	(-) 141.82	
March 2018	537.30	100.39	257.65	8.13	366.17	417.00	(-) 245.87	
Total	4,835.70	2,004.56	1,649.91	321.90	3,976.37	1,283.00	(-) 423.67	

Advance apportionment from IGST

The GoI is to apportion IGST to State Governments under sections 17 of the IGST Act, 2017. The State Tax Division, Ministry of Finance, Department of Revenue (GoI) sanctioned (February 2018) provisional/advance settlement of apportionment of ₹ 217 crore with the condition that amount will be adjusted in the year 2018-19 from the regular settlement of IGST on the basis of monthly returns in ten equal installments starting from April 2018. **However, the GoI adjusted these ₹ 217 crore against the**

bi-monthly compensation due to State for November-December 2017. The GoI had not released compensation for this bi-monthly period.

1.3.1.1 Tax revenue

Gross collection in respect of major taxes and duties is given in **Table-1.9**.

Table-1.9: Components of State's own resources

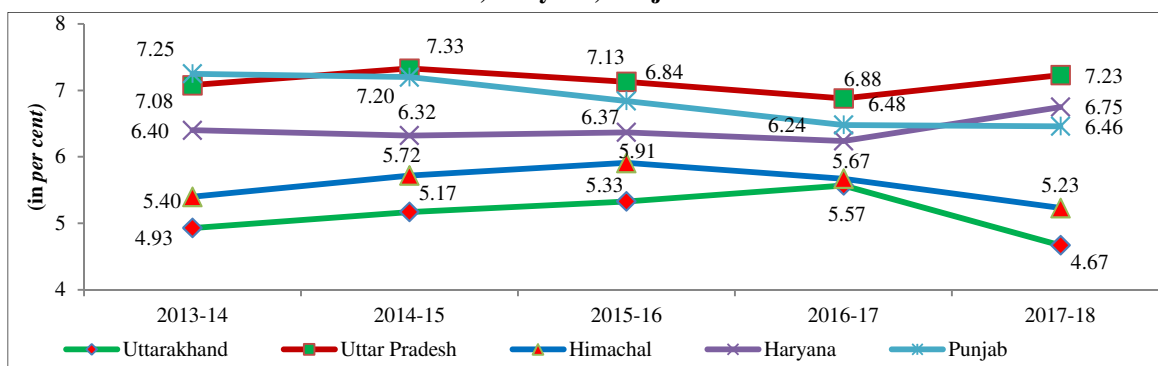
Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18
Taxes on Sales, Trades etc. & SGST*	4,903 (14)	5,465 (11)	6,105 (12)	7,154 (17)	5,675 (-21)
State Excise	1,269 (14)	1,487 (17)	1,735 (17)	1,906 (10)	2,262 (19)
Taxes on Vehicles	369 (21)	394 (7)	471 (20)	556 (18)	816 (47)
Stamp Duty and Registration Fee	687 (6)	714 (4)	871 (22)	778 (-11)	882 (13)
Taxes on Goods and Passengers	--	--	--	--	--
Other Taxes	128 (133)	279 (118)	195 (-30)	503 (158)	530 (5)
Total	7,356 (15)	8,339 (13)	9,377 (12)	10,897 (16)	10,165 (-7)

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

* Figures of SGST have been included only in the year 2017-18.

The State's own tax revenue decreased by seven per cent from ₹ 10,897 crore in 2016-17 to ₹ 10,165 crore in 2017-18. The revenue from taxes on Sales, Trade, etc. which comprised a major share of tax revenue (55.83 per cent) had registered an increase of 17 per cent during 2016-17 over the previous year. During the current year, the total collections under Taxes on Sales, Trades, etc. decreased by 21 per cent from ₹ 7,154 crore to ₹ 5,675 crore. The reasons for lower revenue collection can be attributed, *inter-alia*, to majority of items falling in lower tax rate³; and tax collection from the goods produced in the State moving outwards⁴ as Uttarakhand is a manufacturing surplus State.

Chart-1.9: Comparison of Own Tax Revenue to GSDP of Uttarakhand with respect to Himachal Pradesh, Haryana, Punjab and Uttar Pradesh



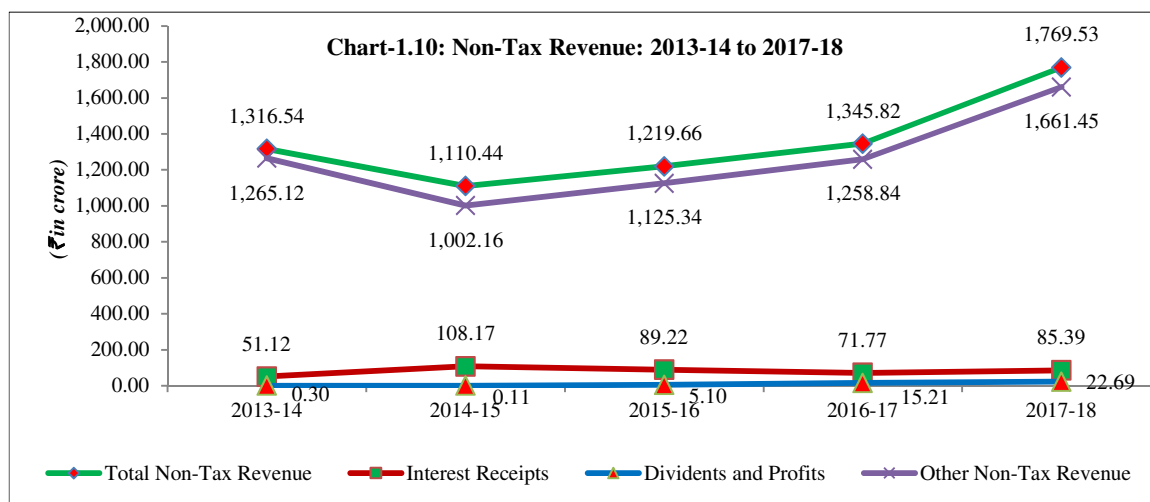
The Own Tax GSDP ratio of Uttarakhand is lower than the ratio of Himachal Pradesh and Uttar Pradesh (Mother State of Uttarakhand). The ratio also happens to be lower than States of Haryana and Punjab.

³ Prior to GST, all goods were taxed by the State alone at 5 per cent and 14.5 per cent. Post GST, the applicable tax rates for the State are 2.5 per cent, 6 per cent, 9 per cent and 14 per cent. Out of these majority of the items fall under the rates 2.5 per cent and 6 per cent.

⁴ Pre-GST, tax was collected in the State of origin/production irrespective of whether the goods were consumed in the state or not. But, post GST, as Uttarakhand is a manufacturing surplus state, the entire tax collection from the goods produced in the state is moving outwards.

1.3.1.2 Non-tax revenue

Trend of non-tax revenue and its components is given in **Chart-1.10**.



During the current year Non-tax revenue increased by ₹ 423.71 crore (31.48 per cent) mainly due to increase in receipts under Power (₹ 156.13 crore; 120.03 per cent), Non Ferrous Mining and Metallurgical Industries (₹ 104.64 crore; 31.22 per cent), Other Administrative Services (₹ 104.66 crore; 269.05 per cent) and Education, Sports, Art and Culture (₹ 26 crore; 31.39 per cent). The major contributors to Non-tax revenue during 2017-18 were Non-ferrous Mining & Metallurgical Industries (₹ 439.81 crore; 24.85 per cent), Forestry and Wild Life (₹ 312.20 crore; 17.64 per cent), Power (₹ 286.21 crore; 16.17 per cent) and Other Administrative Services (₹ 143.56 crore; 8.11 per cent).

1.3.2 Grants-in-aid from GoI

Grants-in-aid (GIA) received from the GoI during 2013-14 to 2017-18 are depicted in **Table-1.10**.

Table-1.10: Trends in Grants-in-aid receipt from GoI

Particulars	₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan grants	981	944	1,043	824	714
Grants for State Plan schemes	3,558	4,083	1,173	1,532	1,621
Grants for Central Plan schemes	13	99	609	843	76
Grants for Centrally Sponsored Plan schemes	523	1,879	2,479	3,035	4,391
Other Transfer / Grants to States (GST Compensation)	--	--	--	--	1,283
Total	5,075	7,005	5,304	6,234	8,085
Percentage of increase/decrease over previous year	14	38	(-) 24	18	30
Percentage of Revenue Receipts	29	35	25	25	30

The grants-in-aid from GoI at ₹ 5,075 crore in 2013-14 increased to ₹ 7,005 crore (38.03 per cent) in 2014-15 but it decreased by ₹ 1,701 crore (24.28 per cent) during 2015-16 over the previous year. In 2016-17 and 2017-18, receipts under Grants-in-aid from GoI increased by ₹ 930 crore (17.53 per cent) and ₹ 1,851 crore (29.69 per cent) respectively over the previous year. **The increase in 2017-18 can be attributed to the Compensation of ₹ 1,283 crore received in lieu of loss of revenue after**

implementation of GST in the State (with effect from 01 July 2017) and increase in devolution of grants under State Plan schemes (₹ 89 crore) and Centrally Sponsored Plan schemes (₹ 1,356 crore).

1.3.3 Central tax transfers

The FFC had recommended that the States' share of central taxes be increased to 42 per cent from 2015-16 onwards. Consequently, the State's share in the net proceeds of Central Taxes (excluding Service Tax) has been fixed at 1.05 per cent.

Table-1.11: Devolution of different components of State's share of Union Taxes

(₹ in crore)

Component of State's share of Union taxes	FFC award period			Increase/ Decrease in 2017-18 over 2016-17	
	2015-16	2016-17	2017-18	Amount	Percentage
Corporation Tax	1,677.14	2,056.02	2,169.91	113.89	5.54
Customs	854.57	884.42	715.10	-169.32	-19.14
Income Tax	1,162.76	1,428.94	1,832.34	403.40	28.23
Other Taxes and Duties on commodities and services	4.15	0.02	0	-0.02	-100.00
Service Tax	919.96	1,027.52	804.25	-223.27	-21.73
Wealth Tax	0.43	4.71	-0.07	-4.78	-101.49
Union Excise Duties	714.15	1,009.94	747.50	-262.44	-25.99
CGST	NA	NA	100.52	100.52	NA
IGST	NA	NA	715.36	715.36	NA
Grand total	5,333.16	6,411.57	7,084.91	673.34	10.50
Devolution as percentage of Revenue Receipts of State	25.12	25.76	26.14		

NA: Not applicable due to implementation of GST Act with effect from 1 July 2017

Source: Finance Accounts.

As can be seen from the above, the devolution as a percentage of Revenue Receipts of the State has been increasing over the past three years.

1.3.4 Optimisation of Fourteen Finance Commission grants

The FFC submit edits report in December 2014, covering the five year period commencing from April 1, 2015. The GoI allocated grants-in-aid of ₹ 3,855.50 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 2017-18 and onward transfers by the State Government is given in Table-1.12.

Table-1.12: 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 2017-18	Actual Release from GoI during 2017-18	Transfers made by State during 2017-18
1. Local Bodies				
(A) Grants to PRIs	1,882.68	366.98	325.20	325.20
(i) General Grant	1,694.40	325.20	325.20	325.20
(ii) Performance Grant	188.28	41.78	00	00
(B) Grants to ULBs	815.82	161.47	107.56	107.56
(i) General Grant	652.65	125.26	107.56	107.56
(ii) Performance Grant	163.17	36.21	00	00
Total (1)	2,698.50	528.45	432.76	432.76
2. Disaster Relief Fund	1,157.00	231.00	207.90	231.00*
Grand Total	3,855.50	759.45	640.66	663.76

Source: FFC Report and Finance Accounts.

(*State share of ₹23.10 crore was also released along with the central share of ₹207.90 crore).

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 of General Grant from the GoI for Urban Local Bodies (ULBs) and also did not get share of performance grant for ULBs as well as Panchayati Raj Institutions (PRIs)

during 2017-18. However, the actual utilization of grants 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. The public debt receipts fall broadly under two categories (a) Loans/ Advances from the Union government and (b) Internal Debt consisting of borrowings 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. Borrowings from banks, financial institutions and the open market comprise most of capital receipts as detailed in **Table-1.13**.

Table-1.13: Trends in growth and composition of receipts

Sources of State's Receipts		(₹ in crore)				
		2013-14	2014-15	2015-16	2016-17	2017-18
Capital Receipts (CR)		4,108	4,754	6,825	6,536	7,560
Miscellaneous Capital Receipts		180	135	--	--	--
Recovery of Loans and Advances		55	46	27	35	34
Public Debt Receipts	Market Loan	2,500	2,400	3,900	5,450	6,660
	Other Internal Resources	1,338	2,112	2,801	905	752
	GoI	35	61	97	146	114
	Total	3,873 <i>(94.28)</i>	4,573 <i>(96.19)</i>	6,798 <i>(99.60)</i>	6,501 <i>(99.46)</i>	7,526 <i>(99.55)</i>

Figures in parentheses indicate percentage of total.

Capital Receipts comprising debt and non-debt receipts of the State increased at an average growth rate of 18.60 per cent over the period 2013-14 to 2017-18. The debt receipts had a predominant share in capital receipts and accounted between 94.28 and 99.60 per cent during 2013-14 to 2017-18.

1.4.1 Recoveries of loans and advances

Recoveries from loans and advances continued to decline from 2013-14 onwards from ₹ 55 crore in 2013-14 to ₹ 27 crore in 2015-16. However, the recoveries showed an increase (₹ eight crore) during the year 2016-17 but declined again marginally (₹ one crore) during the year 2017-18.

1.4.2 Debt receipts from internal sources

Internal Debt receipts comprising Market loans, loans from financial institutions, etc. over the period 2013-14 to 2017-18 continued to be a major source of receipts of the State Government. They increased by ₹ 3,653 crore (94.32 per cent) over the period 2013-14 to 2017-18. Total debt receipt during the year showed an increase of ₹ 1,025 crore (15.77 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. **The State Government's outstanding liability on account of loans from the GoI (₹ 728.58 crore) is only 1.78 per cent of its total Public Debt (₹ 41,014.94 crore).** Receipt of Loans and Advances from GoI increased more than threefold from ₹ 35 crore to ₹ 114 crore over the period 2013-14 to 2017-18. During the current year, it decreased by ₹ 32 crore (21.92 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. The trends of receipts and disbursement under various segments of Public Accounts are given in **Table-1.14**.

Table-1.14: Public Account Receipts and Disbursement during 2016-17 and 2017-18

(₹ in crore)

Source of State's Receipts	Public Account Receipts		Disbursement from Public Accounts		Excess of receipts over Disbursements (Net Public Account Receipt)	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
Small Savings, Provident fund etc.	1,528.82	1,840.79	1,116.13	1,221.32	412.69	619.47
Reserve Funds	280.00	232.34	356.63	127.26	(-) 76.63	105.08
Deposits and Advances	3,276.70	4,727.47	3,412.01	4,008.79	(-) 135.31	718.68
Suspense and Miscellaneous	29,078.90	31,936.91	28,028.62	31,206.55	1,050.28	730.36 ⁵
Remittances	(-) 6,309.40	(-) 1,166.25	(-) 6,306.05	(-) 1,197.62	(-) 3.35	31.37
<i>Total</i>	<i>27,855.02</i>	<i>37,571.26</i>	<i>26,607.34</i>	<i>35,366.30</i>	<i>1,247.68</i>	<i>2,204.96</i>

Increase in net public account receipts is primarily on account of rise in net collections under small savings and provident fund and deposits and advances.

1.6 Application of Resources

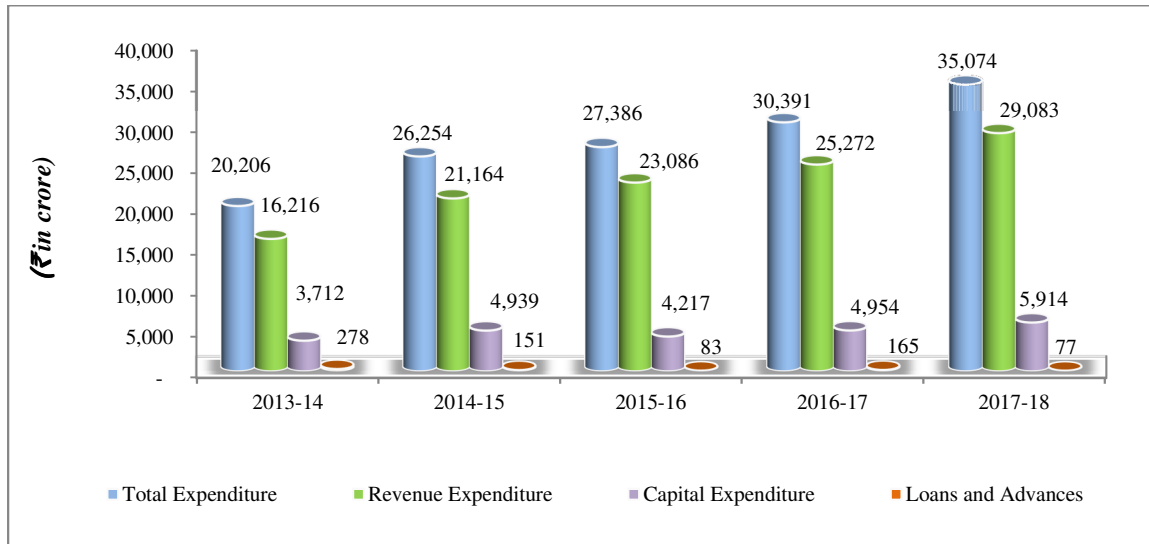
The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development 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-1.11 presents the trends in total expenditure over a period of five years (2013-14 to 2017-18) and its composition in terms of 'expenditure by nature' as depicted in **Chart-1.11**.

⁵ Does not include departmental balances, balances under Permanent cash imprest and cash balance investment account.

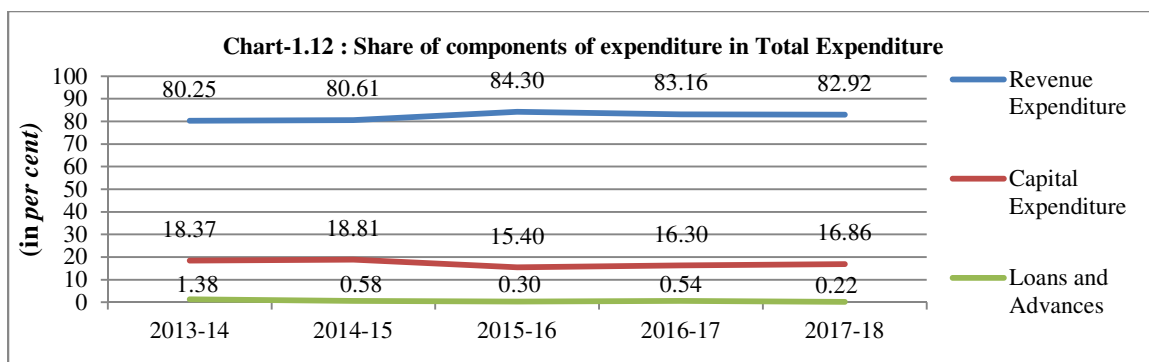
Chart-1.11: Composition of expenditure during last three years



Total Expenditure (TE) of the State increased at an average rate of 14.86 per cent per annum during 2013-14 to 2017-18. There was an increase of ₹ 4,683 crore (15.41 per cent) in Total Expenditure during 2017-18 over the previous year. This was largely due to increase in Revenue Expenditure (RE) by ₹ 3,811 crore, Capital Expenditure (CE) by ₹ 960 crore which was marginally counterbalanced by decrease in the disbursement of Loans and Advances by ₹ 88 crore.

Revenue Expenditure (RE): The RE of ₹ 29,083 crore during the current year was 82.92 per cent of TE (₹ 35,074 crore). Although RE in 2017-18 was higher than that of the previous year by ₹ 3,811 crore, it accounted for 82.92 per cent of TE (₹ 35,074 crore) which was lower than the corresponding figure of 83.16 per cent in 2016-17. The increase in RE during the current year as compared to the previous year was due to increase in expenditure towards (i) General Services (₹ 2,474 crore) which included increase in pension and interest payments amounting to ₹ 1,863 crore and ₹ 264 crore (ii) Grants-in-aid and Contribution (₹ 562 crore), (iii) Social Services (₹ 401 crore), and (iv) Economic Services (₹ 374 crore).

Capital Expenditure (CE): Total CE increased from ₹ 3,712 crore in 2013-14 to ₹ 4,217 crore in 2015-16, ₹ 4,954 crore in 2016-17, and ₹ 5,914 crore in 2017-18. However, as per cent of TE, CE declined from 18.37 per cent in 2013-14 to 16.86 per cent in 2017-18. The Capital Expenditure incurred by the State during the year 2017-18 exceeded the BE and MTFPS targets by ₹ 400 crore and ₹ 362 crore respectively.



The relative share of these components of expenditure in total expenditure had shown a fluctuating trend during the period 2013-14 to 2017-18. The revenue expenditure over the period 2013-14 to 2017-18 had an average share of 82.25 per cent, while the share of capital expenditure declined from 18.81 per cent in 2014-15 to 16.86 per cent in 2017-18. The share of loans and advances in the total expenditure also declined from 1.38 per cent in 2013-14 to 0.22 per cent in 2017-18.

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-1.15** and **Chart-1.13** presents the trends in the expenditure on these components during 2013-14 to 2017-18.

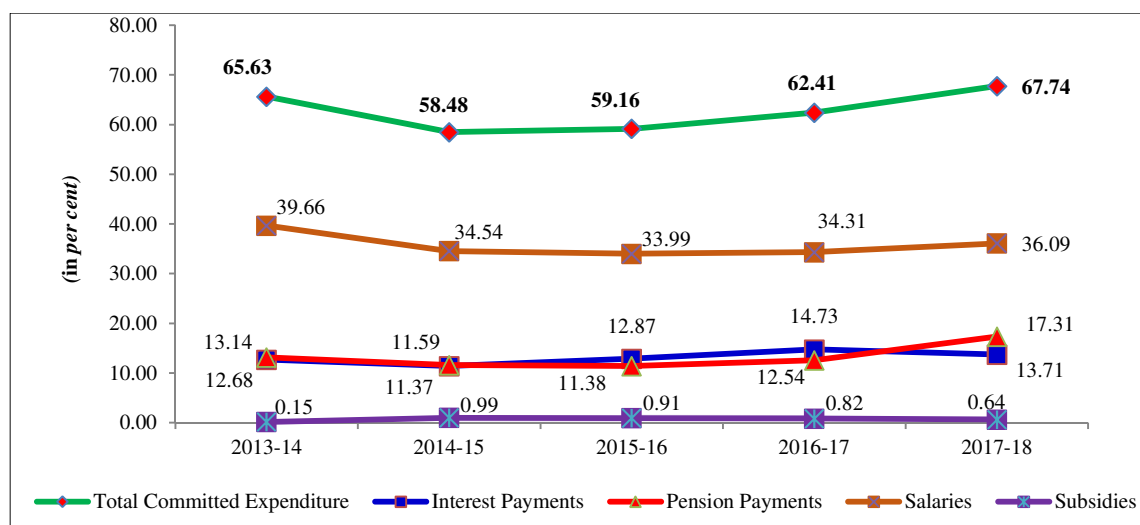
Table-1.15: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18		
					BE	Actual	Percentage of variation of Actual over BE
Salaries & Wages	6,431 (37.13)	7,309 (36.10)	7,848 (36.96)	8,670 (34.83)	11,860	10,496 (38.72)	(-) 11.50
Interest Payments	2,056 (11.87)	2,406 (11.88)	2,971 (13.99)	3,723 (14.96)	4,410	3,987 (14.71)	(-) 9.59
Expenditure on Pension	2,131 (12.30)	2,452 (12.11)	2,628 (12.38)	3,170 (12.74)	4,272	5,033 (18.57)	17.81
Subsidies	24 (0.14)	209 (1.03)	211 (0.99)	208 (0.84)	260	186 (0.69)	(-) 28.46
Total Committed Expenditure	10,642 (61.44)	12,376 (61.13)	13,658 (64.32)	15,771 (63.37)	20,802	19,702 (72.69)	(-) 5.29
Other Components	5,574 (32.18)	8,788 (43.40)	9,428 (44.40)	9,501 (38.17)	10,749	9,381 (34.61)	(-) 12.73
Total Revenue Expenditure	16,216	21,164	23,086	25,272	31,551	29,083	(-) 7.82
Revenue Receipts	17,321	20,247	21,234	24,889	31,593	27,105	(-) 14.21

Figures in the parentheses indicate percentage to revenue receipts.

Chart-1.13: Committed Expenditure as percentage of Revenue Expenditure



The committed expenditure, which was 61.44 *per cent* of revenue receipts in 2013-14, increased by 11.25 percentage points during the current year and was 72.69 *per cent* of revenue receipts.

It increased by ₹ 9,060 crore over the period 2013-14 to 2017-18. High levels of committed expenditure leave little scope for the Government to spend on developmental activities.

Salaries and Wages

During the current year, expenditure on salaries (₹ 10,496 crore) accounted for 36.09 *per cent* of RE (₹ 29,083 crore). Expenditure on salaries over the period 2013-14 to 2017-18 grew at an average of 12.98 *per cent*. The actual expenditure on salaries during 2017-18 was well below the target fixed by the State Government in its Budget (₹ 11,860 crore). However, over estimation made in the BE (12 *per cent*) for the year 2017-18 was not fully corrected by the Government in the Fiscal Correction Path and the projections made in the MTFPS (₹ 11,213 crore) were also over estimated (six *per cent*) *vis-à-vis* actuals for the year 2017-18.

Pension Payments

Expenditure on pension payments was ₹ 5,033 crore in 2017-18, which constituted 18.57 *per cent* of the revenue receipts. During the current year, it increased by 58.77 *per cent* over the previous year 2016-17 and exceeded the normative assessment of ₹ 3,227 crore made by the FFC for the current year by 55.97 *per cent* (Annexure 7.5 of FFC Report).

National Pension Scheme

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 (₹ 308.76 crore) and matching government contribution (₹ 308.76 crore) amounting to ₹ 617.52 crore were booked under MH-8342-117-Defined Contribution Pension Scheme for Government employees. A total amount of ₹ 637.05 crore was transferred to National Securities Depository Limited (NSDL). Further, the State Government had parked the legacy balances⁶ of ₹ 170.38 crore in the Public Account under Major Head 8342-117-Defined Contributory Pension Scheme for Government employees. **During the year, no interest was credited to the Fund. However, an amount of ₹ 19.53 crore was transferred to NSDL leaving a balance of ₹ 150.85 crore in the Fund. Uncollected, unmatched and untransferred amounts, with accrued interest, represent outstanding liabilities under the Scheme.**

Interest Payments

As shown in **Table-1.15**, interest payments increased by 93.92 *per cent* during 2013-14 to 2017-18 primarily on account of past borrowings. Interest payments during 2017-18 included interest on Internal Debt⁷ (₹ 3,360 crore), Small Savings, Provident Fund, *etc.* (₹ 522 crore), other obligations (₹ 49 crore) and loans and advances from Government of India (₹ 56 crore). Interest payments (₹ 3,987 crore) during the current year were 14.71 *per cent* of revenue receipts against 11.63 *per cent* recommended by *FFC*. However, these were lower by ₹ 423 crore and ₹ 192 crore respectively than the target of ₹ 4,410 crore and ₹ 4,179 crore set by the State Government in its Budget and MTFPS.

Subsidies

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 ₹ 23.63 crore (2013-14), ₹ 208.71 crore (2014-15), ₹ 211.38 crore (2015-16), ₹ 207.99 crore (2016-17) and ₹ 185.93 crore (2017-18) as per Appendix-II of Finance Accounts, Volume-II. Share of subsidy in total revenue receipts went up from 0.14 *per cent* in 2013-14 to 0.69 *per cent* in 2017-18.

Amount of subsidy given during the year 2017-18 showed a decrease of ₹ 22.06 crore (10.61 *per cent*) as compared to the previous year. Major recipient of subsidy amount over the period 2014-15 to 2017-18 was Food Storage and Warehousing.

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 period 2013-14 to 2017-18 is presented in **Table-1.16**.

⁶ 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).

⁷ Refer glossary in **Appendix-4.1**.

Table-1.16: Financial Assistance to Local Bodies etc.

Financial Assistance to Institutions	2013-14	2014-15	2015-16	2016-17	₹ in crore	
					2017-18	
					BE	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	431.05	714.27	615.73	650.63	526.88	464.93
Municipal Corporations and Municipalities	321.19	380.17	334.11	397.77	976.05	753.33
Zila Parishads and Other Panchayati Raj Institutions	347.21	301.10	432.46	508.40	760.90	715.21
Development Agencies	562.37	891.07	828.94	953.33	827.54	546.93
Hospitals and Other Charitable Institutions	108.99	335.89	338.94	319.17	457.42	252.98
Energy (Non-conventional source of energy)	6.88	5.11	18.63	18.12	11.98	11.78
Agriculture Research and Educational Institution, Land Reforms for updating land records and Wild life Preservation	111.16	245.18	270.21	337.78	556.35	476.94
Co-operatives	11.83	4.64	4.12	5.07	6.61	3.73
Animal Husbandry, Dairy Development and Fisheries	10.43	28.58	27.09	32.00	42.82	38.77
Secretariat Economic Services & Tourism	49.33	68.80	1.52	30.69	56.09	46.92
Social Security & Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes	285.85	412.94	514.86	446.96	405.45	232.65
Other Institutions	80.27	127.67	209.16	150.30	566.87	119.64
Total	2,326.56	3,515.42	3,595.77	3,850.22	5,194.96	3,663.81
Assistance as per percentage of RE	14.35	16.61	15.58	15.23	16.47	12.60

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

The total assistance to local bodies and other institutions increased by ₹ 1,337.25 crore (57.48 per cent) from ₹ 2,326.56 crore in 2013-14 to ₹ 3,663.81 crore in 2017-18. **However, the assistance during the current year decreased by ₹ 186.41 crore over the previous year. Educational institutions and development agencies together accounted for 27.62 per cent of the total financial assistance during the current year.**

There was increase in financial assistance under Municipal Corporations and Municipalities (₹ 355.56 crore), Zila Parishads (₹ 206.81 crore), Agriculture Research and Educational Institution, Land Reforms for updating land records and Wild life Preservation (₹ 139.16 crore) and Secretariat Economic Services & Tourism (₹ 16.23 crore). However, there was decline in the grants released to the other institutions like Development Agencies (₹ 406.40 crore), Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.) (₹ 185.70 crore), Social Security & Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes (₹ 214.31 crore), Hospitals and Other Charitable Institutions (₹ 66.19 crore) and Other Institutions (₹ 30.66 crore).

1.7 Quality of Expenditure

Availability of good social and physical infrastructure in the State generally reflects the quality of its expenditure. 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

Enhancing human development levels requires States to step up their expenditure on key social services like education, health, etc.

Table-1.17 and **Chart-1.14** analyses the fiscal priorities⁸ of the State Government with regard to Development Expenditure (DE), Social Sector Expenditure (SSE) and Capital Expenditure (CE), Expenditure on Education and on Health as compared to Special Category States' (SCSs) average in the years 2013-14, 2016-17 and 2017-18.

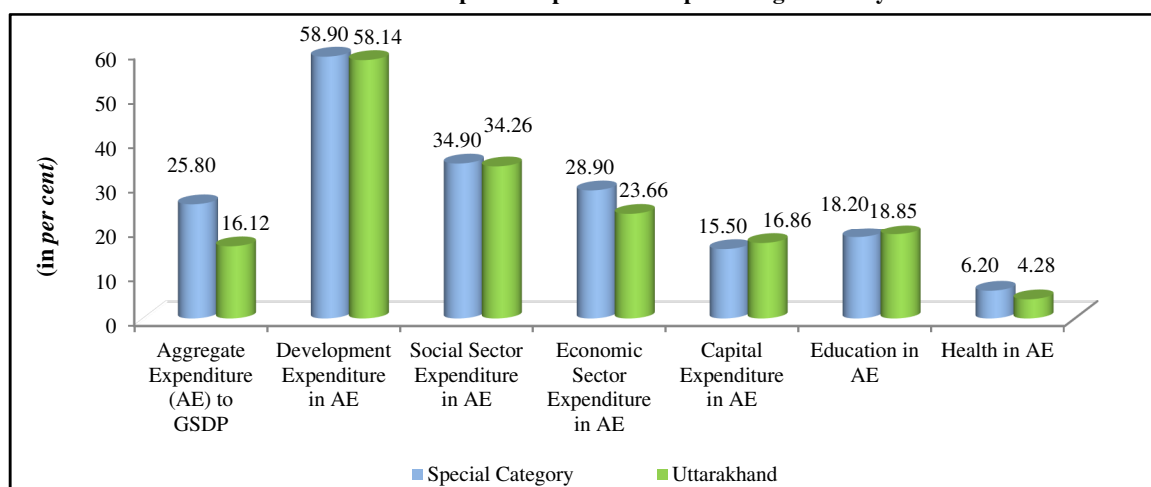
Table-1.17: Fiscal Priority of the State during the years 2013-14, 2016-17 and 2017-18

(in per cent)

Fiscal Priority by the State	AE/ GSDP*	DE#/ AE	SSE/ AE	ESE/ AE	CE/ AE	Educ ation/ AE	Health/ AE
Special Category States' Average (Ratio) 2013-14	23.50	64.00	37.60	29.30	13.80	18.30	5.40
Uttarakhand Average (Ratio) 2013-14	13.55	65.41	40.28	23.76	18.37	21.35	4.68
Special Category States' Average (Ratio) 2016-17	27.40	61.40	34.20	30.00	13.60	16.60	5.40
Uttarakhand Average (Ratio) 2016-17	15.54	64.09	37.76	25.79	16.30	18.91	4.60
Special Category States' Average (Ratio) 2017-18	25.80	58.90	34.90	28.90	15.50	18.20	6.20
Uttarakhand Average (Ratio) 2017-18	16.12	58.14	34.26	23.66	16.86	18.85	4.28

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.

Chart-1.14: Prioritisation in public expenditure in percentage for the year 2017-18



A comparative study of Average Expenditure of Uttarakhand State in 2016-17 and 2017-18 with that of 2013-14 indicates the following:

- The State Government's Aggregate Expenditure as a proportion of the GSDP in 2016-17 and 2017-18 was higher by 1.99 and 2.57 percentage points respectively as compared to 2013-14.
- Development Expenditure (DE) as a proportion of Aggregate Expenditure (AE) in 2016-17 and 2017-18 was less by 1.32 and 7.27 percentage points respectively as compared to 2013-14.
- Social Sector Expenditure as a proportion of AE was less by 2.52 and 6.02 percentage points respectively as compared to 2013-14.
- Economic Sector Expenditure as proportion of AE was higher by 2.03 percentage points in 2016-17 but less by 0.10 percentage points in 2017-18 as compared to 2013-14.

⁸ Ratio of expenditure in that category to Aggregate Expenditure (AE).

- The proportion of Capital Expenditure (CE) in AE decreased by 2.07 and 1.51 percentage points in 2016-17 and 2017-18 respectively as compared to 2013-14. Further comparative study of SCS's Average and Uttarakhand's Average in 2016-17 and 2017-18 with that of 2013-14 revealed the following:

- **Aggregate Expenditure (AE) as a proportion of GSDP in the State remained lower than the SCS's average during all the three years.**
- **Development Expenditure as a proportion of Aggregate Expenditure in the State was higher than that of the SCS's average during 2013-14 and 2016-17. However, it was slightly lower during 2017-18.**
- **Social Sector Expenditure as a proportion of Aggregate Expenditure in the State was higher during 2013-14 and 2016-17 as compared to SCS's average. However, it was lower during 2017-18.**
- **The Economic Sector Expenditure as a proportion of Aggregate Expenditure in the State was lower than that of SCS's during all the three years.**
- **Priority has been given by the State Government to Capital Expenditure in 2013-14, 2016-17 and 2017-18 as the ratio of Capital Expenditure to Aggregate Expenditure has been higher than that of the SCS's average.**
- **In Education Sector, expenditure as a proportion of Aggregate Expenditure in the State was higher than the SCS's average during all the three years.**
- **Expenditure under Health Sector was below the average of SCS's during all the three years.**

1.7.2 Efficiency of expenditure

In view of the importance of public expenditure on development heads for bringing about 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 goods⁹. Apart from increasing the allocation of funds towards development expenditure¹⁰, the efficiency of expenditure 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-1.18** presents the trends in development expenditure relative to the Aggregate Expenditure of the State both during the current year and the previous year, **Table-1.19** 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 47 *per cent* during the period 2013-14 to 2017-18. Although, DRE increased by 5.36 *per cent* over the previous year but its share in the TE declined by four *per cent* during the current year. The Development Capital Expenditure (DCE) had

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

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

shown an increase of ₹ 1,151 crore in the year 2014-15 over the previous year but it decreased by ₹ 619 crore (13.10 per cent) during the year 2015-16 as compared to 2014-15. It again increased by ₹ 776 crore (18.90 per cent) during 2016-17 and continued its trend in the year 2017-18 also. However, the share of DCE in TE decreased by little over one per cent during 2017-18 over previous year. The overall Development Expenditure increased almost by 54.29 per cent over the period 2013-14 to 2017-18 and its share in TE declined from 65 per cent in 2013-14 to 58 per cent in 2017-18.

Table-1.18: Development Expenditure

(₹ in crore)

Components of Development Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18	
					BE	Actuals
Development Expenditure	13,216(65)	17,955(68)	18,098(66)	19,477(64)	22,108(59)	20,391(58)
(a) Development Revenue Expenditure	9,366(46)	13,081(49)	13,910(50)	14,431(47)	17,514(47)	15,205(43)
(b) Development Capital Expenditure	3,574(18)	4,725(18)	4,106(15)	4,882(16)	4,342(11)	5,110(15)
(c) Development Loans and Advances	276(01)	149(01)	82(01)	164(01)	252(1)	76(-)

Figures in parentheses indicate percentage to aggregate expenditure.

Table-1.19: 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	
		S & W	O & M		S & W	O & M
Social Services (SS) expenditure on major components						
General Education	3.54	75.80	0.06	2.81	79.32	0.03
Health and Family Welfare	7.70	60.06	0.35	3.95	63.03	0.32
Water Supply, Sanitation, & Housing and Urban Development	30.06	1.07	0.23	54.96	2.44	0.26
Total SS	8.21	64.48	0.13	10.62	70.65	0.10
Economic Services(ES) expenditure on major components						
Agriculture & Allied Activities	32.46	40.30	0.90	27.18	39.34	1.29
Irrigation and Flood Control	56.37	77.20	11.05	43.60	78.52	8.85
Power & Energy	87.88	0.38	0.00	87.80	0.66	0.00
Transport	81.48	7.13	1.69	86.60	11.32	3.93
Total ES	53.47	41.16	2.48	49.42	42.53	2.62
Total (SS + ES)	26.15	58.66	0.72	24.95	63.64	0.73

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

The State Government in its Budget 2017-18 had committed a Capital Expenditure of ₹ 5,514.38 crore for the year 2017-18. However, the Government capitalised 7.25 per cent (₹ 399.99 crore) more funds than the BEs. The Capital Expenditure also increased by ₹ 960.15 crore during the current year over the previous year.

During 2017-18, salaries and wages, as a percentage of revenue expenditure in Social Services increased by 6.17 percentage points as compared to 2016-17. However, it showed marginal increase of 1.37 percentage points in Economic Services. **The expenditure under Operation & Maintenance as a percentage of revenue expenditure has declined in Social Services and almost remained the same in 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 not only keep its fiscal deficit (and borrowing) at low levels, but also meet its requirements under capital expenditure and investments including loans and advances. In addition, 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 2018 is given in **Table-1.20**.

Table-1.20: 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 31.3.2018
Public Works Department	260	1,090.46	1,141.75	51.29	631.94

* Indicates the Revised total cost of the projects as per the last revision by the State Government as on 31.03.2018

Source: Finance Accounts.

Delays in completion of projects not only adversely affected the quality of the expenditure but also deprived the State of intended benefits and economic growth.

1.8.2 Investment and returns

As on 31 March 2018, the average return on Uttarakhand Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (Table-1.21) was negligible and ranged from 0.004 to 0.71 per cent of the investment in the last five years while the Government paid an average interest rate of 8.13 per cent on its borrowings during 2013-14 to 2017-18.

Table-1.21: Returns 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)	2,677	2,809	2,914	3,124	3,209
Return (Dividend / interest) (₹ in crore)	0.30	0.11	5.10	15.21	22.69
Return (per cent)	0.01	0.004	0.18	0.49	0.71
Average rate of interest on Government borrowing (per cent)	7.57	7.73	8.19	8.90	8.27
Difference between interest rate and return (per cent)	7.56	7.73	8.01	8.41	7.56
Notional loss due to difference between interest rate of Government borrowings and return on investments (₹ in crore)	202.38	217.14	233.41	262.73	242.60

Source: Finance Accounts.

In this context, no norms on investments and returns have been prescribed by the State Government. Over the past five years the State Government has incurred a notional loss of ₹ 1,158.26 crore on return on investment on account of difference between the Government's borrowing cost and the return on investment on working PSUs.

The major investments (more than 25 per cent) were in (i) Uttarakhand Power Corporation Ltd. (₹ 1,306.03 crore), (ii) Uttarakhand Jal Vidyut Nigam Ltd. (₹ 1,167.86 crore) and Power Transmission Corporation of Uttarakhand Ltd. (₹ 471.05 crore). The Uttarakhand Power Corporation Ltd. had incurred accumulated losses of ₹ 2,568.72 crore as per their latest finalised accounts for the year 2017-18, while Uttarakhand Jal Vidyut Nigam Ltd. and Power Transmission Corporation of Uttarakhand Ltd. have an accumulated profit of ₹ 570.55 crore and ₹ 133.79 crore respectively as per their latest finalised accounts for the year 2017-18.

In the State of Uttarakhand there are a total of 30 PSUs, out of which 22 PSUs are working and eight are non-working. Amongst the working 22 PSUs, nine PSUs were loss making entities and had an accumulated loss of ₹ 3,184.91 crore. The Government of Uttarakhand has not given any loans or made any investment in the non-working PSUs during the current year. Further, during 2017-18, the State Government invested ₹ 22.00 crore as Equity Share Capital in Uttarakhand Power Corporation Limited and disbursed grant of ₹ 56.17 crore to two state PSUs namely Doiwala Sugar Company and Kichha Sugar Company Limited. All the three PSUs were having accumulated loss as on 31 March 2018.

It was also observed that the State Government invested ₹ 0.50 crore¹¹ as equity share capital and provided grant/subsidy of ₹ 58.22 crore¹² to four PSUs whose accounts were in arrears.

1.8.3 Departmentally Managed Commercial Undertakings

Activities of quasi-commercial nature are also performed by the departmentally managed undertakings of certain government departments. There are three departmentally managed commercial undertakings in the State. Out of this, only one company, *i.e.* Irrigation Workshop, Roorkee had finalized its accounts upto 2011-12. The department-wise position of investments made by the Government up to the year for which *proforma* 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 its 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-1.22** presents the outstanding loans and advances as on 31 March 2018, and interest receipts *vis-à-vis* interest payments during the last three years.

¹¹ Uttarakhand Alpsankhyak Kalyan Evam Wakf Vikas Nigam.

¹² Includes ₹ 56.17 crore to two State PSUs namely Doiwala Sugar Company and Kichha Sugar Company Limited which were having accumulated loss as on 31 March 2018; Uttarakhand Alpsankhyak Kalyan Evam Wakf Vikas Nigam- ₹ 1.80 crore and Uttarakhand Bahu-udeshiya vitt Evam Vikas Nigam- ₹ 0.25 crore.

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

(₹ in crore)

Amount of Loans / Interest Receipts / Cost of Borrowings	2015-16	2016-17	2017-18	
			BE	Actual
Opening Balance of loans and advances given by the State	1,046.36	1,596.45 [#]	--	1,726.65
Amount advanced during the year	83.15	165.05	252.35	76.83
Amount repaid during the year	27.20	34.85	253.05	33.51
Closing Balance	1,102.31	1,726.65	--	1,769.97
Net addition	55.95	130.20	--	43.33
Interest Receipts	0.14	0.17	--	0.08
Interest receipts as <i>per cent</i> to outstanding Loans and advances	0.01	0.01	--	0.005
Outstanding balance for which terms and conditions have been settled	Information not made available			
<i>Source: Finance Accounts and Annual Financial Statement (Government of Uttarakhand).</i>				
<i># Differs with the closing balance of previous year due to apportionment of unallocated balances between Uttar Pradesh and Uttarakhand.</i>				

During 2017-18, the Government advanced loans of ₹ 76.83 crore against ₹ 165.05 crore in 2016-17, a decrease of ₹ 88.22 crore (53.45 *per cent*) over the previous year. The decrease was mainly because in the year 2016-17, loans worth ₹ 98.40 crore had been advanced to Agriculture sector under “Loans for Crop Husbandry” against ₹ 5.44 crore during 2017-18. Recoveries of loans and advances also showed a nominal decrease of ₹ 1.34 crore over the previous year.

Interest receipts, as a percentage of outstanding loans and advances declined during the current year as compared to previous year. Interest payment as *per cent* to the outstanding Fiscal Liabilities of the State was 7.69 *per cent* during 2017-18, which was lower 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 0.005 *per cent* as against the target of seven *per cent* to be achieved by 2009-10 as fixed by the Twelfth Finance Commission.

Total loans advanced by the Government as on 31 March 2018 stood at ₹ 1,769.97 crore. The major beneficiaries were Agriculture and Allied Activities (₹ 899.79 crore), Transport (₹ 148.53 crore) and Energy (₹ 164.50 crore) sectors.

Scrutiny of the total outstanding loans revealed that there was no repayment by four sectors as detailed in **Table-1.23** over last five years (upto March 2018) and in one sector (Agriculture and Allied Activities), additional loans had been extended despite marginal repayments resulting in increase in the outstanding balance over the years.

Table-1.23: Loan and Advances rolling for a long time

(₹ in crore)

Sl. No.	Name of the Sector	2013-14	2014-15	2015-16	2016-17	2017-18
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	47.89	47.89
3.	Agriculture and Allied Activities	660.81	795.99	797.92	895.31	899.79
4.	Special Area Programme	9.53	9.53	9.53	503.68 [#]	503.16
5.	Transport	135.11	135.11	136.11	140.29	148.53
Total:		867.01	1,002.19	1,005.12	1,606.64	1,618.84

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

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

Particulars	(₹ in crore)	
	As on 1 st April 2017	As on 31 st March 2018
(a) General Cash Balance		
Cash in Treasuries and local Remittances	00	00
Deposits with Reserve Bank	1,157.65	1,171.00
Deposits with other Banks(B)	00	00
Total	1,157.65	1,171.00
Investments held in Cash Balance investment account	451.51	385.49
Total (a)	1,609.16	1,556.49
(b) Other Cash Balances and Investments		
Cash with departmental offices viz. Public Works Department Officers, Forest Department Officers, District Collectors	(-)11.02	(-) 10.70
Permanent advances for contingent expenditure with departmental officers	(-) 0.81	(-) 0.81
Investments of earmarked funds	1,188.62	1,188.62
Total (b)	1,176.79	1,177.11
Grand Total (a) + (b)	2,785.95	2,733.60

Source: Finance Accounts.

The closing Cash Balance (CB) at the end of the current year (₹ 2,733.60 crore) decreased by ₹ 52.35 crore over the previous year (₹ 2,785.95 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 (₹ 1,153.62 crore) and Guarantee Redemption Fund Investment Account (₹ 35 crore) was invested through RBI. **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 2017-18. 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 ₹ 5.24 crore as interest on WMA during the year 2017-18.**

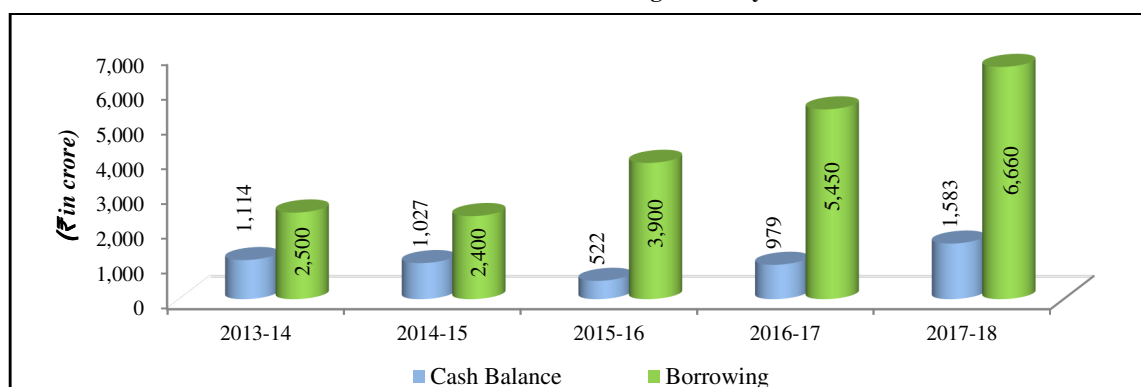
There was a credit balance of ₹ 1,817.09 crore lying under the minor head 'Treasury Cheques' below the major head 8670 - 'Cheques and Bills' at the end of financial year 2017-18.

During 2017-18, the State had an opening general cash balance of ₹ 1,609.16 crore at the beginning of the year and Government borrowed ₹ 6,660 crore from the open market for meeting its obligations. The general cash balance at the close of the year was ₹ 1,556.49 crore.

Audit analysis revealed that the interest realised on cash balance investment account was ₹ 14.05 crore (3.11 per cent) during 2017-18 while government paid interest at the average rate of 8.27 per cent on its market borrowings during the year. Hence, it would have been in the financial interest of the State to have utilised the available cash balance (beyond the mandatory minimum cash balances required to be maintained with RBI) for meeting its requirements so as to minimise its borrowing.

The Average Cash Balance vis-à-vis borrowing of the last five years is depicted in the Chart-1.14 A.

Chart-1.14A: Cash Balance vis-à-vis Borrowings for the year 2013-14 to 2017-18



1.9 Assets and Liabilities

1.9.1 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 assets as on 31 March 2018, compared with the corresponding position as on 31 March 2017. 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

Liabilities of the Government consist mainly of internal borrowings, loans and advances from GoI and balances in the Public Account. The total liability of the State as of 31 March 2018 was ₹ 51,831 crore; its composition is at **Chart-1.15**.

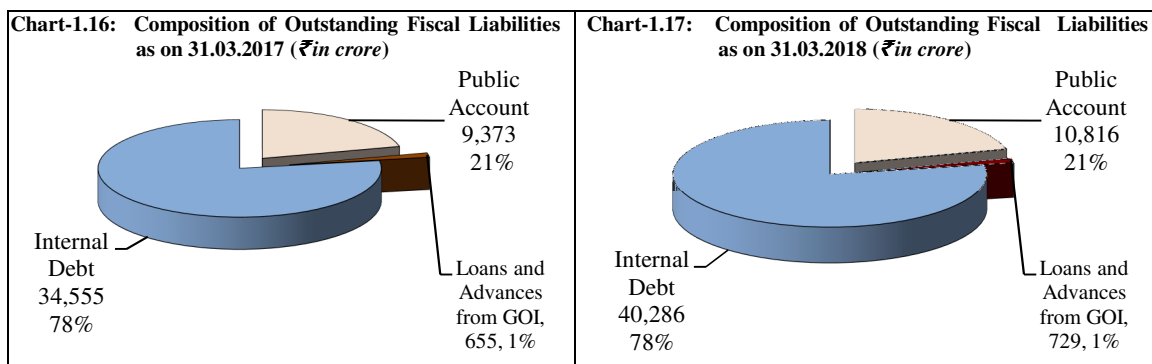
Chart-1.15: Components of total liabilities of 2017-18 of the State Government

Total Liabilities (₹ 51,831 crore) ¹³		
Internal Debt from Market, financial institutions, etc. (₹ 40,286 crore)	Loans and Advances from Government of India (₹ 729 crore)	Public Account Liabilities where Government acts as a banker (₹ 10,816 crore)
Market Loans (₹ 26,662 crore)	Loans for State Plan Schemes (₹ 724 crore)	Suspense and Miscellaneous (₹ 1,789 crore)
Loans from Financial Institutions (₹ 3,785 crore)	Non Plan Loans (₹ 4 crore)	Small Savings, Provident Fund, etc. (₹ 7,010 crore)
Special Securities issued to NSSF (₹ 9,838 crore)	Pre 1984-85 Loans (₹ 0.53 crore)	Reserve Fund (₹ 1,650 crore)
Loans from Other Institutions (₹ 1 crore)		Deposits (₹ 3,345 crore)

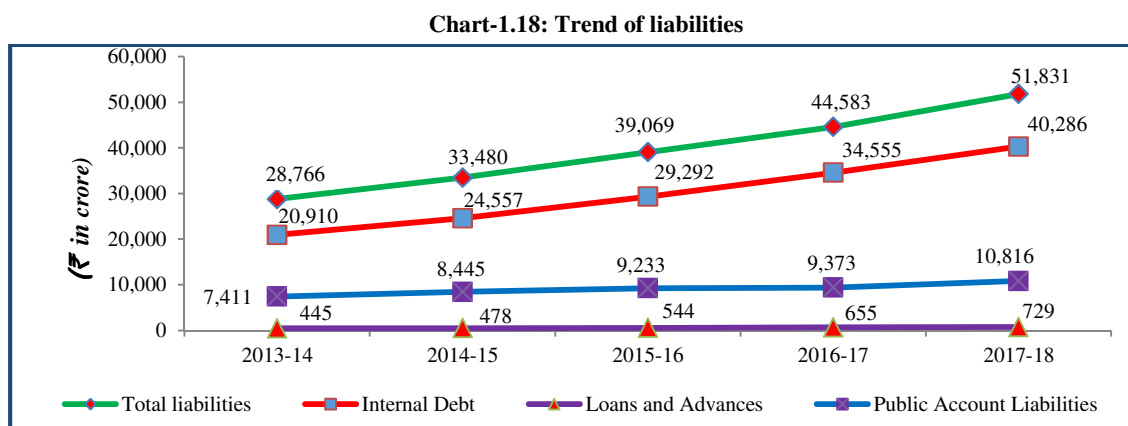
Source: Finance Accounts.

¹³ Does not include general cash balance and contingency fund (corpus).

The trends in outstanding fiscal liabilities of the State are presented in **Appendix-1.3**; **Appendix-1.4 (Part-A)** and **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-1.16** and **Chart-1.17**.



The Fiscal Liabilities to GSDP ratio for the year 2017-18 was 23.82 *per cent* as compared to previous year ratio of 22.84 *per cent*. The ratio was 1.22 percentage points higher than the normative assessment of the *FFC* (22.60 *per cent*) for the year. The overall fiscal liabilities increased by 80.18 *per cent* from ₹ 28,767 crore in 2013-14 to ₹ 51,831 crore in 2017-18. The fiscal liabilities comprised of public debt (₹ 41,015 crore), Small Savings and Provident Fund, *etc.* (₹ 7,010 crore), and other obligations (₹ 3,806 crore). **The increase in the fiscal liabilities (₹ 7,248 crore) at the end of the current year as compared to the previous year 2016-17 was mainly on account of Internal Debt, Small Savings, and Provident Fund, *etc.* which rose by ₹ 5,731 crore and ₹ 619 crore respectively. The buoyancy of these liabilities with respect to GSDP during the year was 1.45 indicating that for each percentage point increase in GSDP, fiscal liabilities grew by 1.45 *per cent*. These liabilities (₹ 51,831.24 crore) stood at 1.91 times State's revenue receipts and 4.34 times its own resources during 2017-18.** Trend of composition of fiscal liability for the period 2013-14 to 2017-18 is depicted in the **Chart-1.18**.



Source: Finance Accounts.

1.9.3 Transactions under Reserve Funds & Deposits

(a) State Government operated seven Reserve Funds as on 31 March 2018, out of which one Reserve Fund is interest bearing¹⁴ (₹ 381.66 crore Credit) and six are non-interest bearing funds¹⁵ (₹ 1,268.87 crore Credit). Out of these seven funds, four funds are inoperative (balance ₹ 1,226.52 crore Credit) and three funds are operative (balance ₹ 424.02 crore Credit). As on 1 April 2017, opening balance against these seven fund was ₹ 1,545.46 crore. During the year, the State Government transferred funds amounting to ₹ 232.34 crore from the Consolidated Fund to the three operative Reserve Funds and expenditure met from these funds was ₹ 127.27 crore, leaving a balance of ₹ 1,650.53 crore as on 31 March 2018. During the year, no amount was invested from these funds by the State Government. The total investment to the end of the year stood at ₹ 1,188.62 crore, leaving a balance of ₹ 461.91 crore. **The inoperative reserve funds need to be reviewed for closure and the amount involved transferred to the concerned revenue heads. The same was not done in the case of the above mentioned inoperative accounts.**

(b) Interest liability of ₹ 41.24 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 2017, as detailed in the **Table-1.25.**

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

(₹ in crore)				
Sector	Sub-Sector	Rate of Interest	Balance at the beginning of 2017-18	Interest Payable
J- Reserve Fund	(a) Reserve Funds bearing interest (including SDRF)	6.08 per cent (Average of W&M interest rate)	271.89	16.53
K- Deposits and Advances	(a) Deposit bearing interest	6.08 per cent (Average of W&M interest rate)	406.49	24.71
Total Interest			678.38	41.24

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 2017-18, against the**

¹⁴ State Disaster Response Fund.

¹⁵ 1. Sinking Fund 2. Development Fund for Educational Purposes 3. Sugar Development Funds 4. Electricity Development Funds 5. Other Development and Welfare Funds 6. Guarantee Redemption Fund.

minimum required contribution of ₹ 222.91 crore (0.5 per cent of the outstanding liabilities of ₹ 44,582.67 crore as on 31 March 2017), no amount was appropriated from the Consolidated Fund of the State to the Sinking Fund. The State Government has also not intimated whether contribution to the Fund was reviewed in accordance with the provisions of the Fund. The total accumulations in the Fund was ₹ 2,484.32 crore including interest component of ₹ 1,256.32 crore at the end of 2017-18 which is 4.79 per cent of the outstanding liabilities of ₹ 51,831.24 crore as on 31 March 2018. Of this, an amount of ₹ 2,409.94 crore was 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 entire fund provided under the NDRF is used directly against the expenditure on natural calamities.

As on 1 April 2017, the Fund had a balance of ₹ 271.89 crore. During 2017-18, the Central Government released an amount of ₹ 207.90 crore towards SDRF. The State Government transferred the entire Central Government release together with its own share of ₹ 23.10 crore to the Public Account. Out of the available balance in the Fund, expenditure of ₹ 121.23 crore initially incurred under the MH 2245-Relief on account of Natural Calamities was set off, leaving a balance of ₹ 381.66 crore in the Fund as of 31 March 2018. Contrary to the guidelines, this amount was not invested by the State Government.

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.

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 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) made the relevant provision in the amended FRBM, Act only in December 2016.

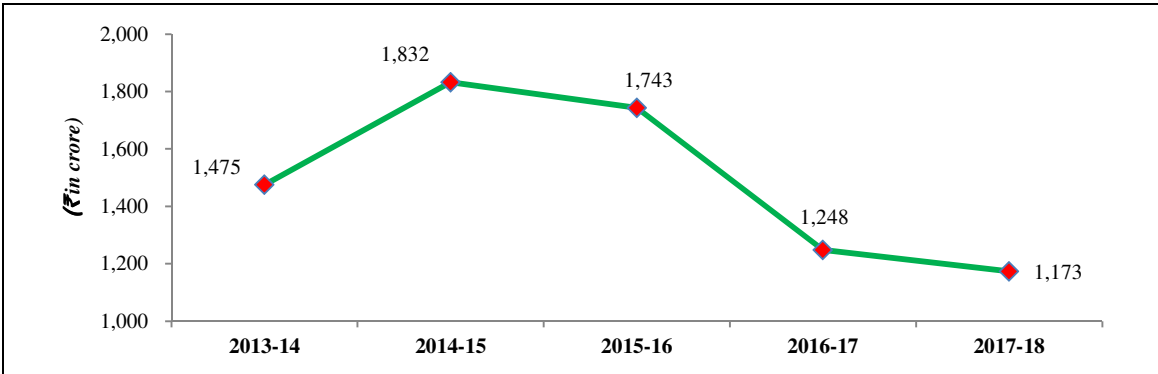
As per **Statement 9** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years are given in **Table-1.26** and **Chart-1.19**.

Table-1.26: Guarantees given by the Government of Uttarakhand

(₹ in crore)

Guarantees	2013-14	2014-15	2015-16	2016-17	2017-18
Outstanding amount of guarantees	1,475	1,832	1,743	1,248 [#]	1,173
Ceiling fixed by the State Government Act	Outstanding guarantees capped within one <i>per cent</i> of the GSDP of that particular year. New guarantees given during any year should not be more than 0.3 <i>per cent</i> of the GSDP for that year.				
Additions during the year	--	438	915	295	--
Deletions during the year	--	81	1,004	781	75

Chart-1.19: Status of Outstanding Guarantees

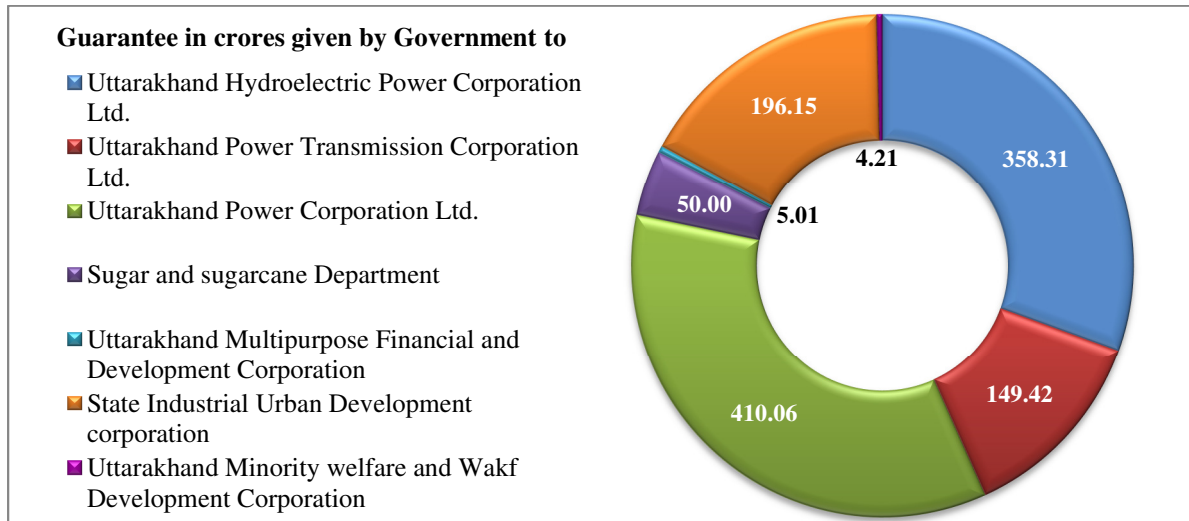


Source: Finance Accounts.

[#] Differs with the closing balance of previous year since the OB was taken as ₹1,248 crore in the Budget documents.

The amount of guarantees outstanding as on 31 March 2018 is ₹ 1,173 crore which comprises Power Sector (₹ 918 crore), Co-operatives (₹ 50 crore) and others (₹ 205 crore). **Total outstanding guarantees as on 31 March 2018 was ₹ 1,173 crore which is 0.54 per cent of GSDP for the year and hence was within the FRBM ceiling.** Company wise detail is given in the **Chart-1.20**.

Chart-1.20: Bodies in receipt of guarantees at the end of 31 March 2018



Source: Finance Accounts.

No guarantee was invoked during the year. The maximum amount of Guarantee and Outstanding amount of Guarantee indicated in the Finance Accounts is based on the information provided by the State Government. **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.**

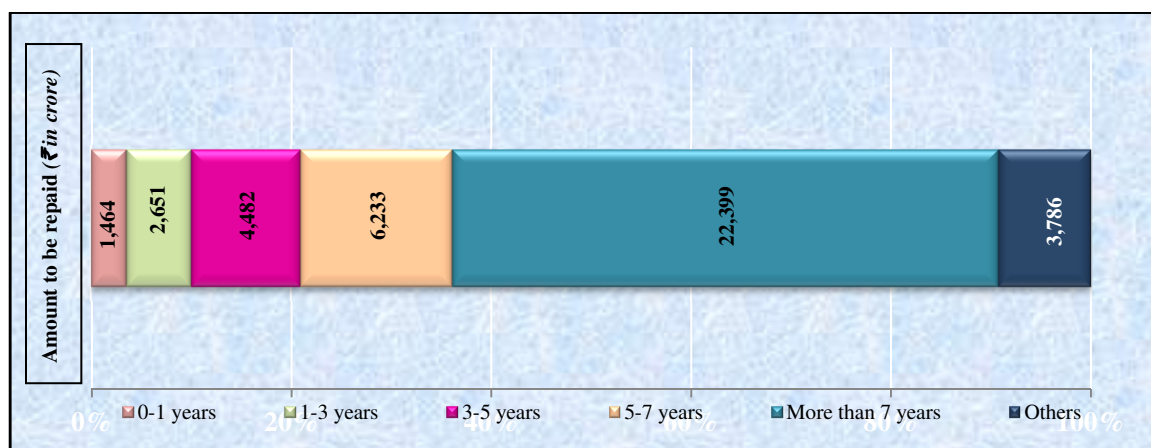
The government constituted a “Guarantee Redemption Fund” for discharge of invoked guarantees with a corpus of ₹ 35 crore. No amount was contributed from the Consolidated Fund to the Guarantee Redemption Fund during 2017-18. Further, in terms of the guidelines of the Reserve Bank of India which administers the Fund, the corpus of the Fund is to be gradually increased to the desirable level of five *per cent* of the outstanding guarantees. Against the desirable level of ₹ 58.66 crore (five *per cent* of the outstanding guarantees of ₹ 1,173.16 crore as on 31 March 2018), the Guarantee Redemption Fund had a balance of ₹ 65.42 crore as on 31 March 2018 (including interest of ₹ 30.42 crore as intimated by RBI). The entire balance under the Fund has been invested.

1.10 Debt Management

(i) Debt Profile

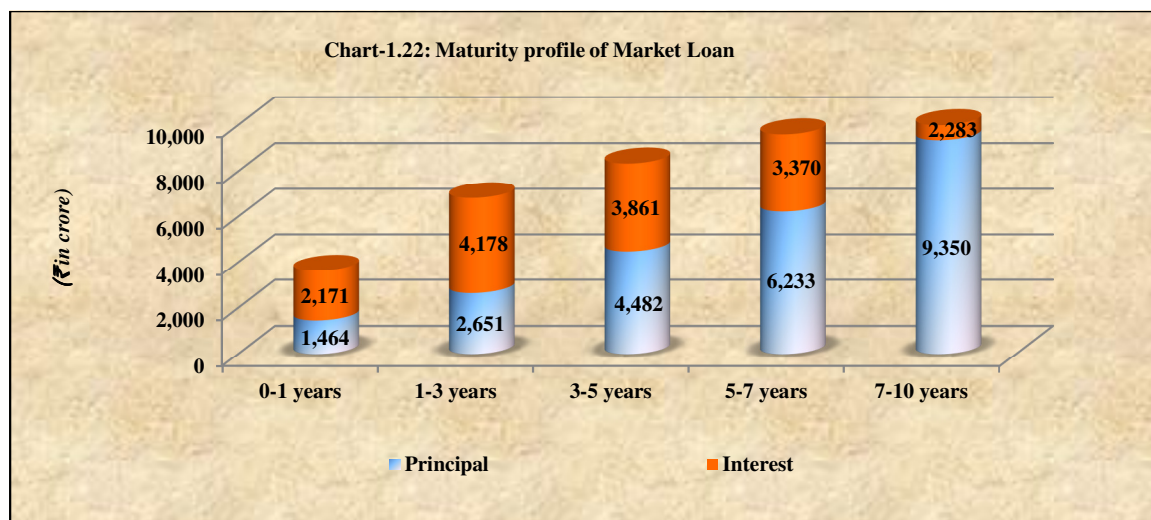
The maturity profile of the State's outstanding loans and advances (public debt) is given in **Chart-1.21**.

Chart-1.21: Maturity Profile of Public Debt



Source: Finance Accounts.

The maturity profile of outstanding stock of public debt as on 31 March 2018 shows that 55 *per cent* of the Public Debt was in the maturity bucket of seven years and above. The amount of outstanding market loans and interest to be paid there on over the period of ten years is detailed in **Chart-1.22** below:



Note: the maturity profile has been evolved for outstanding market loans as on 31 March 2018 and interest has been calculated up to the financial year in which the loans are going to be retired.

During next ten years, the Government has to repay market loans of ₹ 24,180 crore (90.69 per cent) out of total outstanding market loans of ₹ 26,662 crore along with interest amounting to ₹ 15,863 crore. This means that in the next ten years the State will have to make average repayment of ₹ 4,004 crore annually which is much in excess of ₹ 2,677.65 crore of Public Debt repaid during the year. Thus, repayment liabilities will go up substantially in the future.

(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 2013-14 is given in **Table-1.27**.

Table-1.27: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability ¹⁶	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Outstanding Public Debt	21,355	25,035	29,836	35,210	41,015
Rate of growth of Outstanding Public Debt	13.60	17.23	19.18	18.01	16.49
State's GSDP	1,49,074	1,61,439	1,75,772	1,95,606	2,17,609
Growth rate of GSDP	13.27	8.29	8.88	11.28	11.25
Average Interest Rate of Outstanding Public Debt (per cent)	7.83	8.15	8.53	9.67	8.97
Interest Payments/Revenue Receipts (per cent)	9.08	9.34	11.02	12.64	12.61
Percentage of Debt Repayment to Debt Receipts	34.00	19.55	29.38	17.35	22.87
Public Debt Receipt	3,873.00	4,573.00	6,798.00	6,501.00	7,526.00
Public Debt Repayment	1,317.00	894.00	1,997.00	1,128.00	1,721.00
Interest paid on Internal Debt and Loans From GOI	1,572.00	1,891.00	2,339.00	3,146.00	3,417.00
Net Debt available to the State*	984.00	1,788.00	2,462.00	2,227.00	2,388.00
Percentage of Repayment of Debt & interest there on to Total Borrowed fund	74.59	60.90	63.78	65.74	68.27

* Net Debt available to the State Government is calculated as Excess of Public Debt receipts over Public Debt repayment, Interest Payment on Public Debt.

¹⁶ Refer glossary in **Appendix-4.1**.

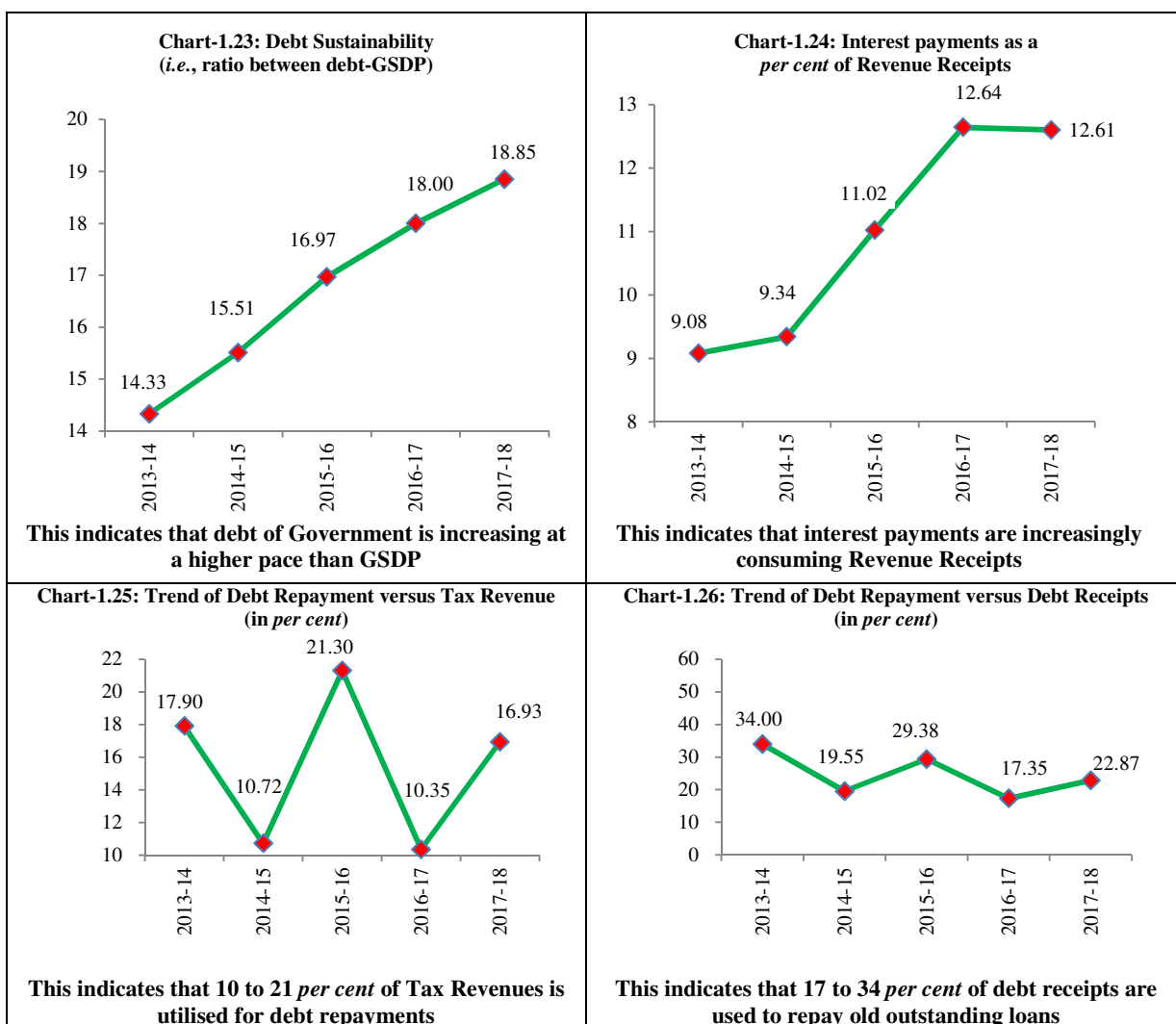
Table-1.28: Utilisation of borrowed funds

(₹ in crore)

Year	Total Borrowings	Repayment of earlier borrowings (Principal) (percentage)	Net Capital expenditure* (percentage)	Net Loans and Advances disbursed (percentage)	Portion of Revenue expenditure met out of total borrowings (percentage)
2013-14	3,873	1,317 (34)	2,556 (66)	NA	NA
2014-15	4,573	894 (20)	3,679 (80)	NA	NA
2015-16	6,798	1,997 (29)	4,217 (62)	56 (1)	528 (8)
2016-17	6,501	1,128 (17)	4,954 (76)	130 (2)	289 (5)
2017-18	7,526	1,721 (23)	5,805 (77)	NA	NA

*Net Capital Expenditure = Total Capital Expenditure – Misc. Capital Receipts.

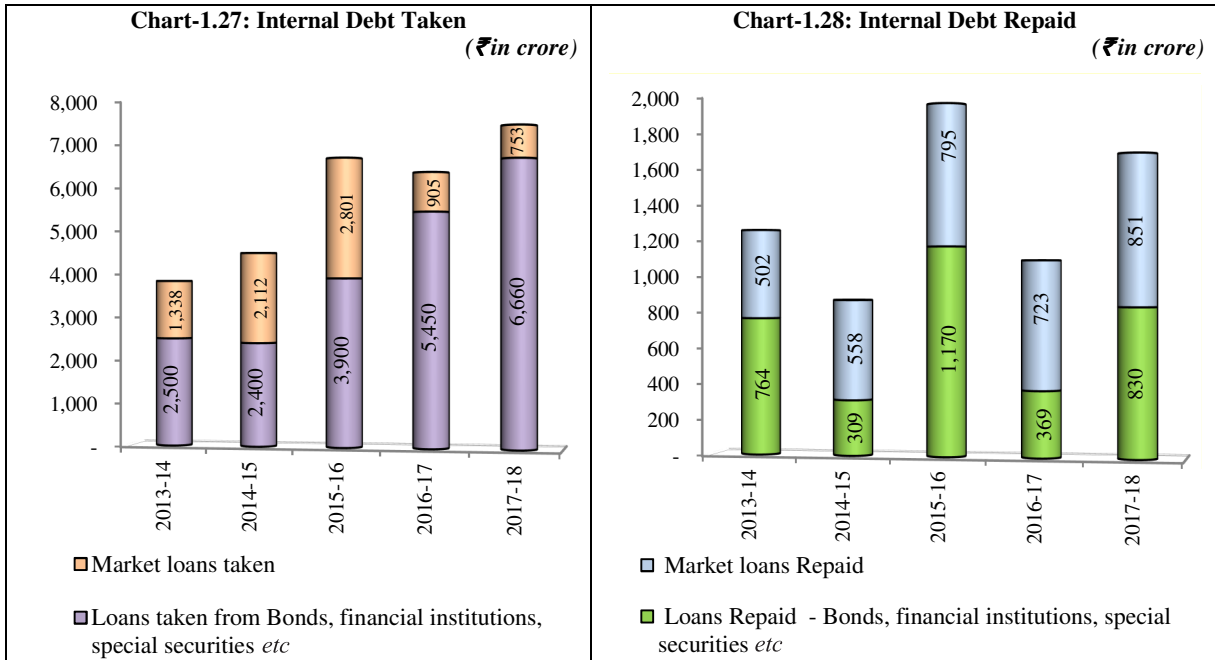
- In the years 2013-14, 2014-15 and 2017-18, the State utilised total borrowings for repayment of earlier principal and on capital expenditure. No portion of debt receipts was available for meeting revenue expenditure.
- During 2015-16 and 2016-17, an amount of ₹ 528 crore and ₹ 289 crore respectively were utilized out of total borrowings for meeting revenue expenditure.



From the above **Table-1.27** it is observed:

- The growth rate of outstanding Public Debt continued to increase from 2013-14 to 2015-16. However, it declined during the years 2016-17 and 2017-18. The growth rate of public debt has consistently been higher than that of GSDP.
- During the period 2013-14 to 2017-18, the average interest rate of Outstanding Public Debt ranged between 7.83 *per cent* and 9.67 *per cent*.
- The State utilised 9.08 to 12.64 *per cent* of revenue receipts for Interest Payments on Public Debt during 2013-14 to 2017-18.
- The percentage of Debt Repayment to Debt Receipts showed a fluctuating trend over the period 2013-14 to 2017-18. In 2013-14, 36.70 *per cent* of Public Debt Receipt was used for the purpose of Repayment of Public Debt while in 2017-18, 56.86 *per cent* was used for this purpose.
- **During 2013-14 to 2017-18, a major portion (ranging between 60.90 *per cent* and 74.59 *per cent*) of public debt receipt was being utilised for repayment of earlier borrowed fund and payment of interest there on. Therefore, only 25.41 *per cent* to 39.10 *per cent* of public debt receipt was available for development expenditure.**

Composition of market Loan Taken and repaid during 2013-14 to 2017-18 is given in the **Chart-1.27** and **1.28**.



1.10.1 Market Borrowings

Position of Market Borrowing (MB)

Table-1.29 represents the position of the market borrowings of the State Government for the period 2013-14 to 2017-18:

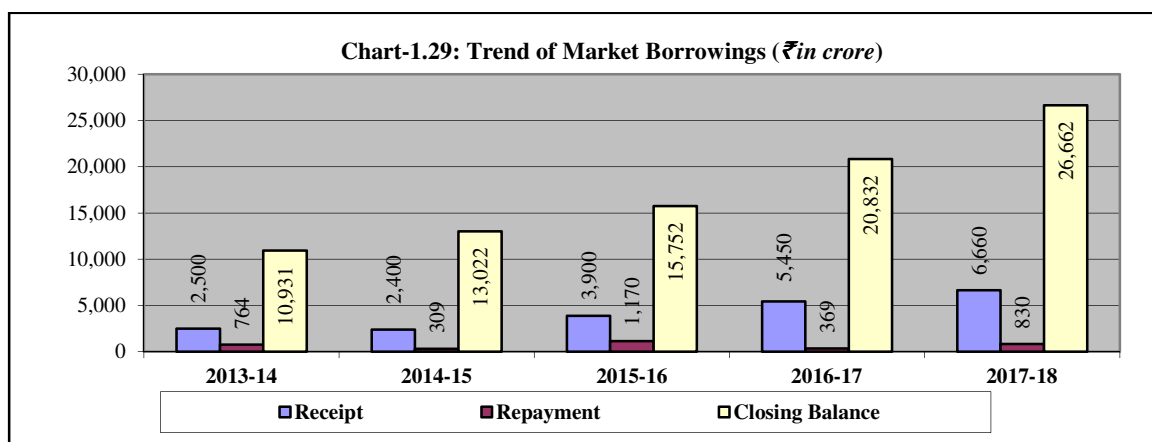
Table-1.29: Position of market borrowings of the State Government

(₹ in crore)

Years	Opening balance as on 1 st April	Receipts during the year	Repayments during the year	Closing balance as on 31 st March	Increase (+)/ decrease (-) during the year	
					Amount	Percentage
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
2017-18	20,832.28	6,660.00	830.00	26,662.28	5,830.00	27.99
Total		20,910.00	3,442.16			

Source: Finance Accounts of concerned years.

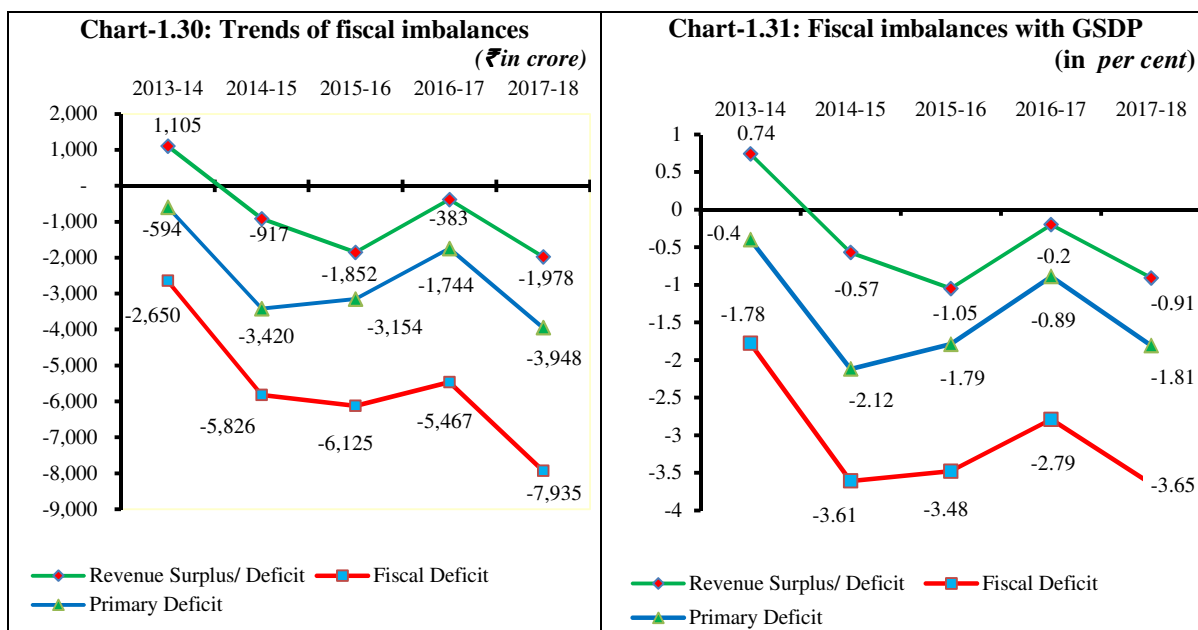
The above table indicates that the Government of Uttarakhand borrowed and repaid ₹ 20,910 crore and ₹ 3,442.16 crore respectively during the period 2013-14 to 2017-18. The repayment was 16.46 per cent of total loans raised by the State Government (₹ 20,910 crore). The re-payment on these loans rose from ₹ 763.89 crore in 2013-14 to ₹ 830.00 crore in 2017-18 at weighted average interest rate of 9.70 per cent in 2013-14 to 7.73 per cent in 2017-18. The above table also shows that the Market Borrowings had 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 2.66 times increase from 2013-14 to 2017-18. **Chart-1.29** given below shows the trend of Market Borrowings over the period 2013-14 to 2017-18.



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. 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. **Charts-1.30** and **1.31** present the trends of deficits over the period 2013-14 to 2017-18.



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

Revenue Deficit: Uttarakhand was a surplus State in 2013-14. However, the State had revenue deficit of ₹ 917 crore in 2014-15 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. **However, the position deteriorated during the current year and the State had revenue deficit of ₹ 1,978 crore (0.91 per cent of GSDP).**

Fiscal Deficit: The fiscal deficit during 2013-14 at ₹ 2,650 crore (1.78 per cent of GSDP) increased in 2014-15 to ₹ 5,826 crore (3.61 per cent of GSDP), ₹ 6,125 crore (3.48 per cent of GSDP) during 2015-16 and then declined to ₹ 5,467 crore (2.79 per cent of GSDP) in 2016-17. **During the current year, the fiscal deficit at ₹ 7,935 crore (3.65 per cent of GSDP) was above the normative target of 3.25 per cent of GSDP as fixed by the FFC.**

Primary deficit: The primary surplus¹⁷ (₹ 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 which had reduced from ₹ 3,154 crore (2015-16) to ₹ 1,744 crore in 2016-17 again increased to ₹ 3,948 crore during the current year. **Existence of primary deficit indicates that the State would need to borrow money even for making interest payments on its borrowed funds. The State Government was, therefore, compelled to borrow ₹ 3,987 crore out of ₹ 7,526 crore total borrowed fund in the year 2017-18 to meet its interest commitments.**

Primary Revenue Balance: denotes the gap between non-debt receipts of the State and its non-interest Revenue Expenditure. It indicates the extent to which non-debt receipts of the State were able to meet the expenditure on Capital account. In 2017-18, the State

¹⁷ Refers to the amount by which a government's total expenditure exceeds its total revenue excluding interest payments on its debt.

registered a Primary Revenue Surplus of ₹ 2,009 crore. This was 34 per cent of the Capital Expenditure (₹ 5,914 crore).

During 2017-18, the State Government booked Grants-in-Aid of ₹ 47.98 crore under Capital Heads and Major construction works of ₹ 419.39 crore under Revenue Heads which was against the Government Accounting Rules. The State Government made less contribution of ₹ 222.91 crore towards Sinking Fund and did not make any provision of interest on Reserves and Deposits of ₹ 41.24 crore during the current year.

The above impacted the Revenue and Fiscal Deficits of the State Government. The Revenue Deficit has been overstated by 0.05 percentage points while the Fiscal Deficit has been understated by 0.12 percentage points as detailed below.

Table-1.30: Impact on Revenue Deficit and Fiscal Deficit

Sl. No.	Item	Impact on Revenue Deficit		Impact on Fiscal Deficit		Ratios before taking the net Impact (in per cent)		Ratios after taking the net Impact (in per cent)	
		Over Statement	Under Statement	Over Statement	Under Statement	RD/GSDP	FD/GSDP	RD/GSDP	FD/GSDP
1.	Misclassification between Revenue and Capital Account (Net)	419.39 ¹⁸	--	--	--	0.91	3.65	0.86	3.77
2.	Booking of Grant in aid in Capital Account	--	47.98	--	--				
3.	Less contribution to Sinking Fund	--	222.91	--	222.91				
4.	Non provision of interest on Reserves and Deposits	--	41.24	--	41.24				
Total (Net) impact		107.26 (Over Statement)		264.15 (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-1.31.

Table-1.31: Components of Fiscal Deficit and its Financing Pattern

Sl.No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
A	Decomposition of Fiscal Deficit (1 to 4)	(-) 2,650	(-) 5,826	(-) 6,125	(-) 5,467	(-) 7,935
1.	Revenue Deficit (-)/ Surplus(+)	(+)1,105	(-) 917	(-) 1,852	(-) 383	(-) 1,978
2.	Net Capital Expenditure	(-)3,532	(-) 4,804	(-) 4,217	(-) 4,954	(-) 5,914
3.	Net Loans and Advances	(-)223	(-) 105	(-) 56	(-) 130	(-) 43
B	Financing Pattern of Fiscal Deficit					
1.	Net Public Debt	2,556	3,680	4,802	5,373	5,806
a.	Net Market Borrowings	1,736	(+) 2,091	(+) 2,730	(+) 5,081	(+) 5,830
b.	Net Loans from Govt	(-)16	(+) 33	(+) 66	(+) 111	(+) 74
c.	Net Special Securities issued to NSSF	545	(+) 1,145	(+) 1,467	(-) 348	(-) 374
d.	Net Loans from Financial Institutions	291	(+) 411	(+) 539	(+) 529	(+) 276
2.	Net Public Account	764	1,497	1,209	1,248	2,204
a.	Net Small Savings, PF etc.	322	(+) 420	(+) 478	(+) 413	(+) 619
b.	Net Deposits and Advances	352	(+) 399	(+) 138	(-) 135	(+) 719
c.	Net Suspense and Misc.	(-)223	(+) 13	(+) 377	(+) 1,050	(+) 730
d.	Net Remittances	317	(+) 450	(+) 33	(-) 3	(+) 31
e.	Net Reserve Fund	(-) 4	(+) 215	(+) 183	(-) 77	(+) 105
3.	Net Contingency Fund	(-)182	(-) 12	(-) 195	(+) 167	(-) 127
4.	Accretion to Cash Balance	(-)488	(+) 661	(+) 309	(-) 1,321	(+) 52

Source: Finance Accounts of Government of Uttarakhand, 2013-14 to 2017-18.

¹⁸ The State Government provided and booked Major construction works amounting to ₹ 422.23 crore under various Revenue Heads. Also, ₹ 1.44 crore and ₹ 1.40 crore expended towards Minor construction works and maintenance was provided and booked under the Capital Section.

The fiscal deficit in 2017-18 was largely managed by market borrowings (73 per cent), Deposits and Advances (9 per cent), Small Savings & Provident Funds (8 per cent), and Loans from Financial Institutions (3 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. Persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State is continuously being eroded and a part of borrowings (fiscal liabilities) does not have any asset backup. The bifurcation of the primary deficit (Table-1.32) 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-1.32: Primary deficit/surplus–Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts*	Revenue 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	7=(4+5+6)	8=(3-4)	9=(2-7)
2013-14	17,556	17,321	14,160	3,712	278	18,150	(+) 3,161	(-) 594
2014-15	20,428	20,247	18,758	4,939	151	23,848	(+) 1,670	(-) 3,420
2015-16	21,261	21,234	20,115	4,217	83	24,415	(+) 1,119	(-) 3,154
2016-17	24,924	24,889	21,549	4,954	165	26,668	(+) 3,340	(-) 1,744
2017-18	27,139	27,105	25,096	5,914	77	31,087	(+) 2,009	(-) 3,948

* Receipts other than public debt receipts.

- Non-debt receipts of the State mainly included Revenue Receipts and recoveries of loans and advances which increased by 54.59 per cent from 2013-14 to 2017-18 and were sufficient to meet the primary revenue expenditure.
- The primary revenue surplus declined during 2013-14 to 2015-16. It increased almost tri-fold over the previous year and stood at ₹ 3,340 crore during 2016-17. However, it again decreased by ₹ 1,331 crore during the current year.
- The primary deficit of ₹ 594 crore in 2013-14 increased to ₹ 3,420 crore in 2014-15. In the year 2015-16, it decreased marginally by ₹ 266 crore but showed a reduction of ₹ 1,410 crore during 2016-17. However, it has again increased considerably by ₹ 2,204 crore during the current year.

Table- 1.33: Components of Fiscal Deficit

(₹ in crore)

Item	2013-14	2014-15	2015-16	2016-17	2017-18
1	2	3	4	5	6
Revenue Deficit (-)/Surplus (+)	(+)1,105	(-) 917 (16)	(-) 1,852 (30)	(-) 383 (07)	(-) 1,978 (25)
Net Capital Expenditure	(-) 2,427 (92)	(-) 4,804 (82)	(-) 4,217 (69)	(-) 4,954 (91)	(-) 5,914 (75)
Net Loans and Advances	(-) 223 (08)	(-) 105 (02)	(-) 56 (01)	(-) 130 (02)	(-) 43 (00)
Fiscal Deficit	(-)2,650	(-) 5,826	(-) 6,125	(-) 5,467	(-)7,935

Figures in parentheses indicate percentage to Fiscal Deficit.

The share of revenue deficit in fiscal deficit indicates the extent to which borrowed funds were used for current consumption. During the year, the quality of Fiscal Deficit has deteriorated on account of higher Revenue Deficit. The contribution of revenue deficit in the fiscal deficit increased from 7 per cent in 2016-17 to 25 per cent in 2017-18. This implies that an increasing proportion of current expenditure is

being met from borrowed funds rather than for asset creation. The percentage of the Net Capital Expenditure to Fiscal Deficit declined from 91 per cent in 2016-17 to 75 per cent in 2017-18. The Fiscal Deficit during the current year increased by 45.14 per cent and was 3.65 per cent of GSDP as compared to 2.79 per cent in 2016-17.

1.12 Follow up on previous Audit Reports on State Finances

In Uttarakhand, the stand alone Reports on State Finances have not been discussed by the Public Accounts Committee since 2009, although the reports are being presented to the State Legislature every year. Hence, 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 revenue surplus of 2013-14 could not be sustained and the State had a revenue deficit in the past four years. The revenue deficit in 2017-18 increased to 0.91 per cent of GSDP from 0.20 per cent of GSDP during the previous year. However, there was incorrect booking of some expenditure under revenue and capital heads due to incorrect classification. Further, the State had also not contributed to statutory funds and also had not made budget provisions towards interest. As a result, the revenue deficit was overstated by 0.05 percentage points and the fiscal deficit was understated by 0.12 percentage points.

Capital expenditure registered an increase of ₹ 960.15 crore over the previous year which was more than the target set forth by the State Government in its BE. There was increase in proportion of committed expenditure to total revenue expenditure from 62 per cent in 2016-17 to 68 per cent during the current year due to increase in expenditure on salaries, pension and interest payments. This in effect means that less amount is available to the government for development activities.

In Education Sector, expenditure as a proportion of Aggregate Expenditure in the State was higher than the SCS's average during all the three years while under Health Sector it was below the average of SCS's during all the three years.

The State government had provided budgetary support and invested in public sector undertakings having accumulated losses and also in Government corporations and companies that had not finalised their accounts. The average return on Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives was almost negligible. Interest received (return) on loans and advances given to various institutions, Corporations/ Government Companies and Government servants, etc. by the State was only 0.005 per cent as against the target of seven per cent to be achieved by 2009-10 as fixed by the Twelfth Finance Commission.

Public debt of the State increased by 16.5 per cent over the previous year. Public debt of the State has grown at a higher rate than the GSDP. Interest payment as a per cent of revenue receipts has increased to around 15 per cent in the last two years from 12 per cent during 2013-14. During 2017-18, 68 per cent of public debt receipt was being utilised for repayment of earlier borrowed fund and payment of interest there on.

Therefore, only 32 *per cent* of public debt receipt was available for development expenditure during the year as compared to 34 *per cent* in the previous year.

The total fiscal liabilities to GSDP ratio in 2017-18 increased by 0.98 *per cent* over previous year and stood at 23.82 *per cent* which was above the target of 22.60 *per cent* set forth by the *FFC*.

During the current year, the fiscal deficit at ₹ 7,935 crore (3.65 *per cent* of GSDP) was above the normative target of 3.25 *per cent* of GSDP as fixed by the *FFC*. During the year, the quality of Fiscal Deficit has deteriorated on account of higher Revenue Deficit. The contribution of revenue deficit in the fiscal deficit increased from 7 *per cent* in 2016-17 to 25 *per cent* in 2017-18. The percentage of the Net Capital Expenditure to Fiscal Deficit decreased from 91 *per cent* in 2016-17 to 75 *per cent* in 2017-18.

1.14 Recommendations

- The State's own tax revenue fell short of the budget estimates and *FFC* projections. The State may examine factors contributing to fall in collections of own tax revenue and take measures for improving resource mobilisation. Also revenue expenditure may be curtailed for reducing Fiscal Deficit to bring it to 3.25 *per cent* of GSDP as recommended by *FFC*.
- 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 Government may explore ways of ensuring reasonable return on capital invested in profit making State PSUs in view of the substantial high cost of borrowings made by it;
- The State may ensure time-bound completion of the incomplete projects and ensure that there are no further cost overruns;
- The State may increase allocation of resources on Health sector so as to bring it at par with SCS average; and
- The State Government should make provision for interest at the rate applicable to GPF to be paid on the legacy balances which are parked in public account.