



*CHAPTER - I*  
*FINANCES OF THE STATE*  
*GOVERNMENT*



# Chapter I

## Finances of the State Government

### *Profile of Arunachal Pradesh*

Arunachal Pradesh is a Special Category State and area-wise, is the largest State in the North-Eastern region with a geographical area of about 83,743 sq. km. It has an international border with Bhutan in the West (160 kms), China in the North and North-East (1,080 kms) and Myanmar in the East (440 kms). It also shares common boundaries with Assam and Nagaland. Arunachal Pradesh has 0.11 *per cent* of the country's population. According to the Census of India-2011, population of the State stood at 13,83,727<sup>1</sup> with a population density of 17 persons per sq. km and literacy rate of 65.38 *per cent*. General Data relating to the State is given in **Appendix 1.1 (part-D)**

### *Gross State Domestic Product*

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

**Table - 1.1: Trends in the annual growth of India's GDP vis-à-vis GSDP at Current Prices**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
India's GDP (₹ in crore)	112,33,522	124,67,959	137,64,037	152,53,714	167,73,145
Growth rate of India's GDP (per cent)	12.97	10.99	10.40	10.82	9.96
State's GSDP (₹ in crore)	14,581	17,960	20,433	22,415	24,442
Growth Rate of GSDP (per cent)	16.21	23.17	13.77	9.70	9.04

(Source: Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation for India's GDP and Department of Economics and Statistics, Government of Arunachal Pradesh for State GSDP).

**Table 1.1** shows that the annual growth rate of GSDP of the State ranged between 23.17 *per cent* (2014-15) to 9.04 *per cent* (2017-18). The GSDP increased to ₹ 24,442 crore in 2017-18 from ₹ 14,581 crore in 2013-14 and ₹ 22,415 crore in 2016-17; thereby, representing an increase of 67.63 *per cent* and 9.04 *per cent* respectively. The GSDP during 2017-18 was less than the assessment (₹ 24,769 crore) made by 14<sup>th</sup> Finance Commission (14<sup>th</sup> FC) by 1.34 *per cent*. The Compound Annual Growth Rate (CAGR) in respect of GSDP between the period from 2008-09 to 2017-18 was 17.60 *per cent*.

<sup>1</sup> Male: 7,13,912; Female: 6,69,815

# Finances of the State Government

## 1.1 Introduction

This Chapter provides a broad perspective of finances of the Government of Arunachal Pradesh and analyses critical changes in major fiscal aggregates keeping in view the overall trends during the last five years. The analysis has been made based on the State Finance Accounts and information obtained from State Government. The structure of Government Accounts, lay-out of Finance Accounts, methodology adopted for assessment of the fiscal position and State Profile are shown in **Appendix 1.1**. While, **Appendix 1.2** briefly outlines the Fiscal Responsibility and Budget Management (FRBM) Act of the State Government, **Appendix 1.3** presents the time series data on key fiscal variables/ parameters and fiscal ratios relating to State Government finances for the period 2013-14 to 2017-18. An exit conference to discuss the observations in the State Finance Report was held on 07 January 2019 with the Secretary, Finance Department and replies/ views of the Government as a result of the exit conference are incorporated at appropriate places in this report

### 1.1.1 Summary of Current Year Fiscal Transactions

**Table 1.2** presents a summary of the State Government's fiscal transactions during 2017-18 *vis-à-vis* the previous year while **Appendix 1.4** provides details of receipts/ disbursements and the overall fiscal position during the period.

**Table - 1.2: Summaries of Fiscal Transactions (Current Year)**

	(₹ in crore)				
Receipts	2016-17	2017-18	Disbursements	2016-17	2017-18
<b>Section – A : Revenue</b>					
<b>Revenue Receipts</b>	<b>11,779.57</b>	<b>13,774.60</b>	<b>Revenue Expenditure</b>	<b>9,394.54</b>	<b>10,900.47</b>
Tax Revenue	708.75	815.57	General Services (Including interest Payment)	2,767.76	3,484.76
Non-Tax Revenue	544.82	366.18	Social Services	3,046.47	3,950.83
Share of Union Taxes/ Duties	8,388.30	9,238.79	Economic Services	3,580.31	3,464.88
Grants-in-aid from Govt. of India	2,137.70	3,354.06			
<b>Section – B : Capital</b>					
<b>Misc. Capital Receipts</b>	<b>NIL</b>	<b>NIL</b>	<b>Capital Expenditure</b>	<b>1,544.01</b>	<b>3,188.10</b>
<b>Recoveries of Loans &amp; Advances</b>	<b>3.79</b>	<b>5.68</b>	<b>Loans &amp; Advances Disbursed</b>	<b>10.33</b>	<b>5.07</b>
<b>Public Debt Receipts</b>	<b>1,015.27</b>	<b>1,767.27*</b>	<b>Repayment of Public Debt</b>	<b>586.77</b>	<b>432.24</b>
<b>Public Account Receipts</b>	<b>6,369.65</b>	<b>5,435.37</b>	<b>Public Account Disbursements</b>	<b>7,560.96</b>	<b>5,561.32</b>
<b>Opening Balance</b>	<b>1,275.61</b>	<b>1,347.28</b>	<b>Closing Balance</b>	<b>1,347.28</b>	<b>2,243.00</b>
<b>Total</b>	<b>20,443.89</b>	<b>22,330.20</b>	<b>Total</b>	<b>20,443.89</b>	<b>22,330.20</b>

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

\* Includes the rectification of misclassification of Ways and Means Advances of 2013-14 amounting to ₹516.94 crore

Significant changes during 2017-18 over the previous year:

- Revenue Receipts increased by ₹ 1,995.03 crore (16.94 per cent) over the previous year. The increase was mainly due to increase in State share of Union Taxes & Duties by ₹ 850.49 crore (10.14 per cent), Tax Revenue by ₹ 106.82 crore (15.07 per cent) and Grants-in-aid (GIA) from Government of India (GoI) by ₹ 1,216.36 crore (56.90 per cent) partly offset by decrease in Non-Tax Revenue by ₹ 178.64 crore (32.79 per cent). However, finances of State are heavily dependent on Central transfers and State's Own Resources (Tax plus Non-Tax Revenue) is just 8.58 per cent (10.64 per cent during 2016-17) of Revenue Receipts during 2017-18.
- Revenue Expenditure increased by ₹ 1,505.93 crore (16.03 per cent) over the previous year.
- Capital Expenditure increased by ₹ 1,644.09 crore (106.48 per cent) over the previous year.
- Public Account Receipts and Public Account Disbursements decreased by ₹ 934.28 crore (14.67 per cent) and ₹ 1,999.64 crore (26.45 per cent) over the previous year respectively.
- The total inflow<sup>2</sup> in respect of all funds was ₹ 20,982.92<sup>3</sup> crore against ₹ 19,168.28 crore in 2016-17, while the total outflow<sup>4</sup> was ₹ 20,087.20 crore against ₹ 19,096.61 crore during the previous year.
- There was an increase in cash balances by ₹ 895.72 crore (66.48 per cent) over the previous year.

### 1.1.2 Review of the Fiscal Situation

The 14<sup>th</sup> FC and the State Government set fiscal targets to be achieved during 2017-18. Targets *vis-à-vis* achievements in respect of major fiscal aggregates are shown in **Table 1.3**:

**Table - 1.3: Trends in Major fiscal parameters/variables *vis-à-vis* projections for 2017-18**

Particulars	Targets as prescribed in the FFC	Targets as per APFRBM Act 2006	Actuals
Revenue Surplus (₹ in crore)	Revenue Surplus	Maintain revenue Surplus	2,874.13
Fiscal Deficit/GSDP (per cent)	3.25	3.00	1.28
Total Outstanding liabilities /GSDP (per cent)	31.48	50.10	29.49

(Source: Budget documents of the State Government, 14<sup>th</sup> FC report and Finance Accounts 2017-18)

<sup>2</sup> For 2017-18, Gross Receipt ₹ 22,330.20 crore minus Opening Balance of ₹ 1,347.28 crore;

For 2016-17, Gross Receipt ₹ 20,443.89 crore minus Opening Balance of ₹ 1,275.61 crore

<sup>3</sup> This figure includes the rectification of misclassification of ways and means advance of 2013-14

<sup>4</sup> For 2017-18, Gross Disbursement ₹ 22,330.20 crore minus Closing Balance of ₹ 2,243.00 crore;  
For 2016-17, Gross Disbursement ₹ 20,443.89 crore minus Closing Balance of ₹ 1,347.28 crore

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The State during 2017-18 achieved revenue surplus and the targets prescribed by the 14<sup>th</sup> FC. The Fiscal Deficit-GSDP ratio and Total outstanding liabilities-GSDP ratio was within the limit fixed by the 14<sup>th</sup> FC and APFRBM.

### 1.1.3 Budget Estimates and Actuals

Budget papers presented by the State Government provide estimations of revenue and expenditure for a particular year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from Budget Estimates (BEs) are indicative of non-attainment and non-optimisation of desired fiscal objectives due to various reasons, some within and some beyond the control of the Government.

**Table 1.4** presents the consolidated picture of BEs *vis-à-vis* Actuals for the State Finances during 2017-18.

**Table - 1.4: Variation in Major Items –2017-18 (Actuals) over Budget Estimates, Revised Estimates (2017-18) and Actuals (2016-17)**

(₹ in crore)

Parameters	2016-17	2017-18			Percentage of variations with reference to		
	Actuals	BEs	REs	Actuals	Actuals	BEs	REs
Tax Revenue	708.75	742.94	899.19	815.57	15.07	9.78	(-9.30)
Non-Tax Revenue	544.82	536.29	699.30	366.18	(-32.79)	(-31.72)	(-47.64)
Revenue Receipts	11,779.57	14,598.81	15,738.31	13,774.6	16.94	(-5.65)	(-12.48)
Non-debt Capital Receipts	3.79	33.93	33.40	5.68	49.87	(-83.26)	(-82.99)
Revenue Expenditure	9,394.54	11,197.32	11,431.33	10,900.47	16.03	(-2.65)	(-4.64)
Interest payments	399.23	519.38	485.99	467.36	17.07	(-10.02)	(-3.83)
Capital Expenditure	1,544.01	4,105.11	5,013.80	3,188.10	106.48	(-22.34)	(-36.41)
Disbursement of Loans & Advances	10.33	19.6	13.85	5.07	(-50.92)	(-74.13)	(-63.39)
Revenue Surplus	2,385.03	3,401.49	4,306.98	2,874.13	20.51	(-15.50)	(-33.27)
Fiscal Deficit (-) / Surplus (+)	838.48	(- 689.29)	(- 673.42)	(- 313.36)	(-137.37)	54.54	53.47

(Source: Finance Accounts 2017-18 and Annual Financial Statement 2017-18 of the State Government)

- In 2017-18, when compared with the BEs, Revenue Receipts and Revenue Expenditure fell short by 5.65 per cent and 2.65 per cent respectively.
- Compared with the BEs, the Non-debt Capital Receipts and Capital Expenditure in 2017-18 fell short by 83.26 per cent and 22.34 per cent respectively.
- Against the Revenue Surplus of ₹ 3,401.49 crore projected in BEs, the year ended with a Revenue Surplus of ₹ 2,874.13 crore. Further, in 2017-18, the State

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Government witnessed Fiscal Deficit of ₹ 313.36 crore as against projected Fiscal Deficit of ₹ 689.29 crore in BEs.

The wide variation between BEs and Actuals indicated that the estimation was unrealistic.

### 1.1.4 Major policy initiatives in the budget

Major policy announcements made in the budget speech 2017-18 and status of their implementation is given in **Table 1.5**.

**Table - 1.5: Status of implementation of major policy announcements during 2017-18**

Major Announcements	Department
₹ 15.00 crore was proposed for the scheme Digital Arunachal	Information Technology
₹ 10.00 crore was proposed for establishment of Four Tea & Rubber nurseries -Rubber nurseries at Govt. Farm Kherem and Sonajuli and Tea nurseries at Govt. Farm Bolung and Jumlo	Agriculture
₹ 50.00 crore was proposed for Mission on Integrated Development of Horticulture (MIDH)	Horticulture
₹ 48.00 crore was proposed for completion of the Outdoor Stadiums at Pasighat, Yupia, Daporijo	Sports and Youth Affairs
₹ 65.00 crore was proposed for construction of Rural houses under the Pradhan Mantri AwasYojana	Rural Development

(Source: Budget Speech and Appropriation Accounts 2017-18)

For all the major policy initiatives mentioned above, either no budget allocation was made or the same were withdrawn by way of re-appropriation and no expenditure was incurred for the schemes during the year 2017-18.

In reply (January 2019), the Government stated that the reasons for deviation in the implementation of the major policy initiatives announced was due to delay in formulation of guidelines and also, some implementing Departments were changed during the year for which shifting of funds could not be completed and thus, funds could not be provided against these schemes/departments. However, as a matter of fact Government failed to implement any of its major policy announced during the budget speech.

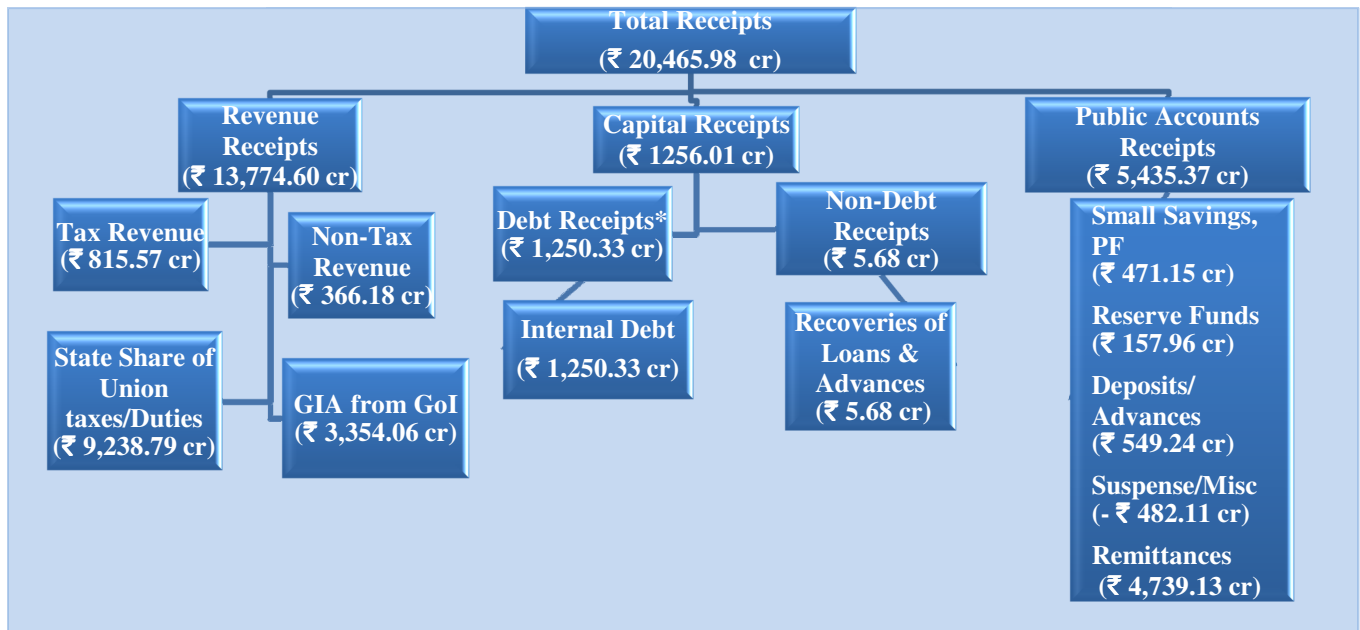
## 1.2 Resources of the State

### 1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute resources of the State Government. Revenue Receipts consist of Tax Revenue, Non-Tax Revenue, State share of Union Taxes & Duties and GIA from GoI. Capital Receipts comprise of miscellaneous Capital Receipts, recoveries of Loans and Advances, debt receipts from internal sources (market loans, borrowings from Financial Institutions/Commercial Banks), Loans and Advances from the GoI and accruals from Public Account. **Chart 1.1** shows the composition of resources of the State during 2017-18.

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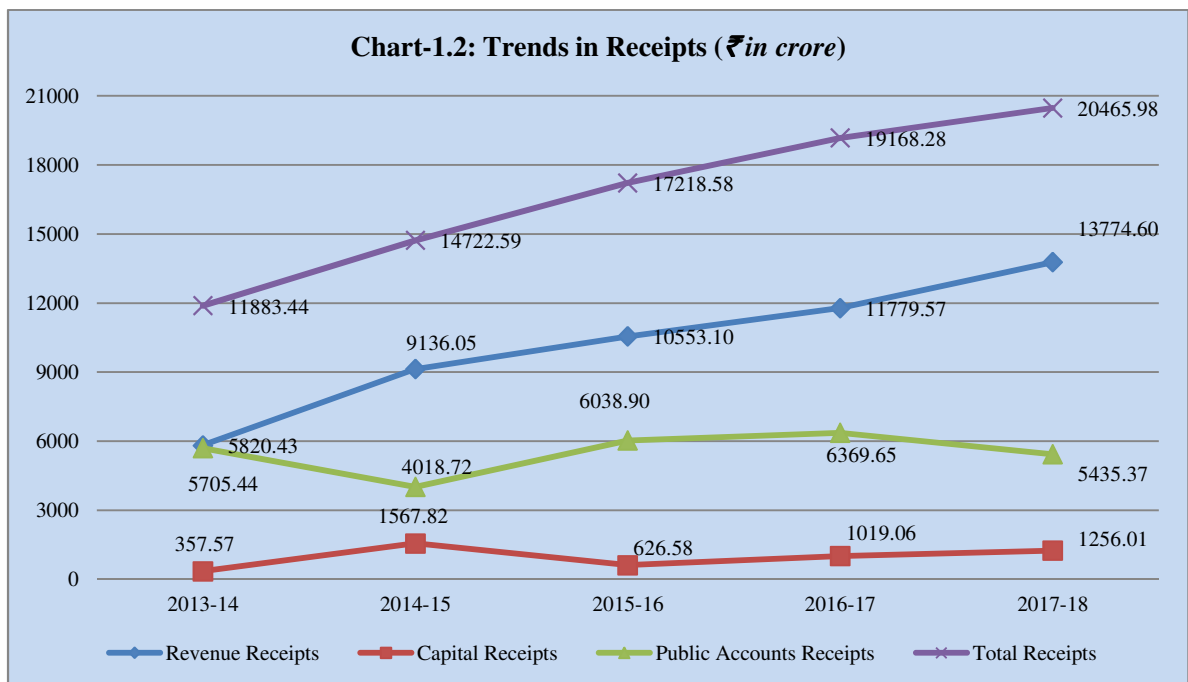
**Chart-1.1: Components and Sub-components of Resources**



(\*Ways and Means Advances are 'nil' )

(Source: Finance Accounts 2017-18)

**Chart 1.2** depicts trends in various components of receipts of the State during 2013-14 to 2017-18.



(Source: Finance Accounts of respective years)

Total Receipts of the State during 2017-18 was ₹ 20,465.98 crore, of which ₹ 13,774.60 crore (67.30 per cent) came from Revenue Receipts and the remaining ₹ 6,691.38 crore (32.70 per cent) from Capital Receipts and Public Account. Total Receipts of the State increased from ₹ 11,883.44 crore in 2013-14 to ₹ 20,465.98 crore



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in 2017-18 at a CAGR of 14.56 *per cent*. Total Receipts during 2017-18 increased by ₹ 1,297.70 crore (6.77 *per cent*) over the previous year.

Revenue Receipts in 2017-18 (₹ 13,774.60 crore) increased by ₹ 7,954.17 crore (136.66 *per cent*) and ₹ 1,995.03 crore (16.94 *per cent*) over 2013-14 and 2016-17 respectively.

### 1.2.2 Funds directly transferred to the Implementing Agencies in the State

The GoI has been transferring a sizeable quantum of funds directly to the Implementing Agencies in the State for implementing various schemes/ programmes in Social and Economic Sectors. From 2015-16 onwards, GoI decided to route these funds through the State Budget. Contrary to this decision, however, an amount of ₹ 33.06 crore was released (*Appendix-1.6*) directly to the implementing agencies/ organisations in the State during 2017-18.

**Table-1.6** presents details of fund released (₹ one crore and above in each case) directly to the Implementing Agencies during 2017-18:

**Table - 1.6: Funds transferred directly to Implementing Agencies in the State**

(₹ in crore)			
Sl. No.	Name of the schemes/programmes	Implementing Units	Funds released
1	Organic Value Chain Development for North East Region	Arunachal Pradesh Agriculture Marketing Board (APAMB), Naharlagun-791110	9.47
		Arunachal Pradesh Agriculture Marketing Board (APAMB), Naharlagun-791110	2.35
2	Rashtriya Gokul Mission	Arunachal Pradesh Livestock Development Society	2.00
3	Apprenticeship and Training	Arunachal Pradesh Skill Development Society	2.59
4	Pradhan Mantri Matru Vandana Yojna	Women & Child Development Department, Arunachal Pradesh	6.12
5	Working Women Hostel	Niaga Welfare Society	1.93
6	Working for the Welfare of Scheduled Tribes	Ramakrishna Mission, Aalo (Along)	1.94

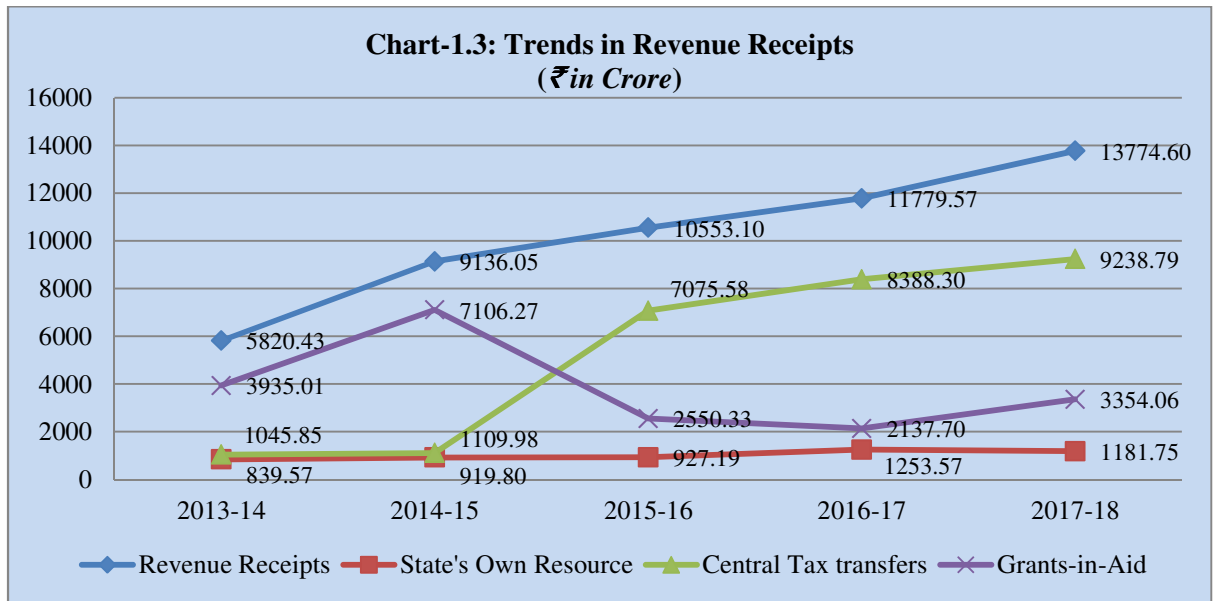
(Source: 'Public Financial Management System' Portal of the Controller General of Accounts, GoI)

As there is no central monitoring mechanism for utilisation of funds under this category, reliable data on quantum of expenditure against the funds received directly by the Implementing Agencies from GoI, is not readily available to Audit. In view of different accounting practices followed by different implementing agencies, it is difficult to monitor the end use of these direct transfers.

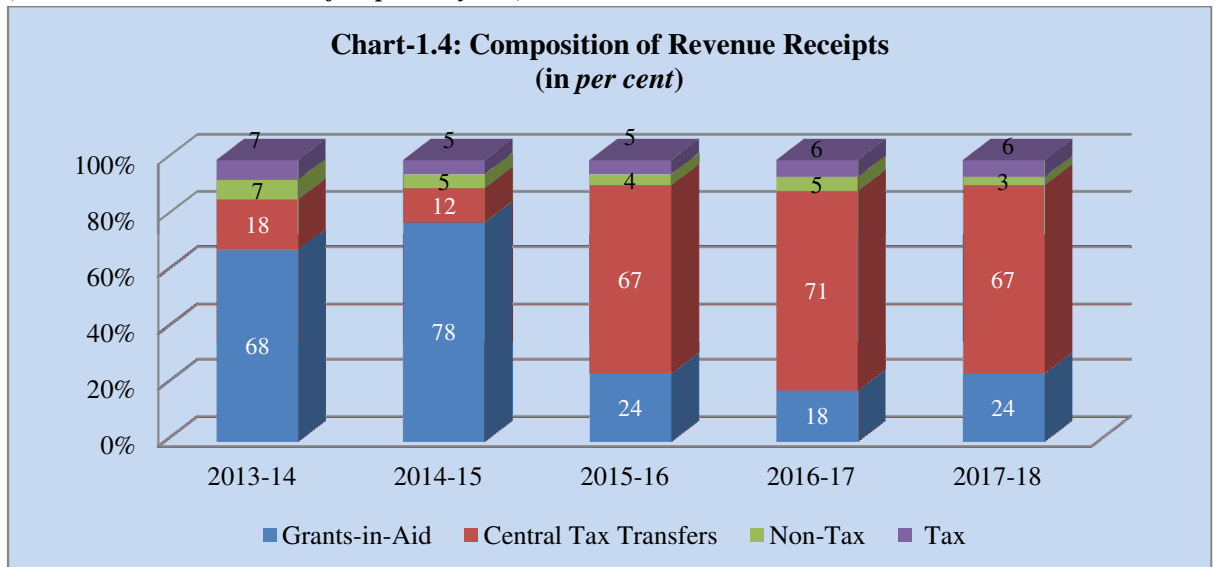
## 1.3 Revenue Receipts

**Statement-14** of the Finance Accounts details Revenue Receipts of the Government. Trends and composition of Revenue Receipts over the period 2013-18 are presented in *Appendix-1.3* and depicted in **Charts 1.3** and **1.4** respectively. Trends in Revenue Receipts relative to GSDP are presented in **Table 1.7**.

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(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

Revenue Receipts of the State increased by ₹ 7,954.17 crore from ₹ 5,820.43 crore in 2013-14 to ₹ 13,774.60 crore in 2017-18 at a CAGR of 24.03 per cent. The CAGR of Revenue Receipts for the current year in the State is better than the CAGR of the Special Category States (SCS). Similarly, during the same period, State's Own Resources grew at lower pace at a CAGR of 8.92 per cent.

**Table - 1.7: Trends in Revenue Receipts relative to GSDP**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Receipts (₹ in crore)	5,820.43	9,136.05	10,553.10	11,779.57	13,774.60
Rate of growth of Revenue Receipts (per cent)	1.02	56.97	15.51	11.62	16.94
Rate of growth of Own Taxes (per cent)	37.29	6.36	15.78	32.46	15.07
Revenue Receipts/ GSDP (per cent)	39.92	50.87	51.65	52.55	56.36

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Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Buoyancy Ratio<sup>5</sup></b>					
Revenue receipts Buoyancy Ratio with reference to GSDP	0.06	2.46	1.13	1.20	1.87
State's Taxes Buoyancy Ratio with reference to GSDP	2.30	0.27	1.15	3.35	1.67
State's Taxes Buoyancy Ratio with reference to Revenue Receipts	36.56	0.11	1.02	2.79	0.89

(Source: Finance Accounts of respective years)

### General Trends:

The Buoyancy Ratio of Revenue Receipts with reference to GSDP increased due to significant increase in the rate of growth of Revenue Receipts in 2017-18 compared to the previous year. The Buoyancy Ratio of the State's Tax Revenue with reference to GSDP indicates the decreased growth rate in State's Tax Revenue in 2017-18 as compared to growth rate of GSDP in 2017-18.

In reply (January 2019), the Government accepted the audit observations and stated that the decreased growth rate was due to implementation of Goods and Service Tax (GST) in the State w.e.f. July 2017.

### 1.3.1 State's Own Resources

As the State share in Central taxes and GIA from GoI is determined on the basis of recommendations of the FC, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising of tax and non-tax sources.

The State's Tax and Non-Tax receipts for 2017-18 *vis-à-vis* assessment made by 14<sup>th</sup> FC and BEs are given in **Table 1.8** below:

**Table-1.8: Tax and Non-Tax Receipts**

(₹ in crore)

Particulars	FFC Projections	Budget Estimates	Actual
Tax Revenue	1,016.00	742.94	815.57
Non-Tax Revenue	282.00	536.29	366.18

(Source: 14<sup>th</sup> FC Report, Annual Financial Statement and Finance Accounts 2017-18)

Tax Revenue was 19.73 per cent lower than the projections made by the 14<sup>th</sup> FC and 9.78 per cent higher than the assessment made in the BEs for 2017-18. Collection of Non-Tax Revenue during 2017-18 was higher than the projections made by the 14<sup>th</sup> FC (29.85 per cent) but lower than the assessments made in the BEs (31.72 per cent).

#### 1.3.1.1 Tax Revenue

The gross collection in respect of major taxes and duties is given in **Table 1.9**.

**Table -1.9: Tax Revenue**

(₹ in crore)

Heads	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage variation over previous year
Goods and Service Tax	-	-	-	-	223.73	-
Taxes on Sales, Trade, etc.	223.60	195.24	190.22	282.54	285.13	0.92
State Excise	55.50	59.87	86.33	109.05	122.61	12.43

<sup>5</sup> As explained in *Appendix-1.1.C*

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Heads	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage variation over previous year
Taxes on Vehicles	17.09	17.78	19.30	24.47	31.40	28.32
Stamps & Registration Fees	4.18	3.83	5.63	5.08	10.42	105.12
Land Revenue	11.39	5.99	8.89	6.44	13.32	106.83
Taxes on Goods & Passengers	122.75	179.45	224.70	281.17	128.96	(-) 54.13
<b>TOTAL</b>	<b>434.51</b>	<b>462.16</b>	<b>535.07</b>	<b>708.75</b>	<b>815.57</b>	15.07

(Source: Finance Accounts of respective years)

In 2017-18, Tax Revenue increased by 87.70 per cent from ₹ 434.51 crore in 2013-14 to ₹ 815.57 crore and by 15.07 per cent over the previous year (₹ 708.75 crore). The Tax-GSDP Ratio of 3.34 per cent during 2017-18 was lower than the projection (4.10 per cent) made by the 14<sup>th</sup> FC. Besides, the collections from Taxes on Goods and Passengers fell drastically by over 54 per cent during the year 2017-18.

In reply (January 2019), the Government stated that except for six items which are still under VAT, rest of the items were subsumed under GST with effect from 01 July 2017.

### 1.3.1.2 Position of protected revenue to actual collection after implementation of GST

The Arunachal Pradesh Goods and Services Tax Act, 2017 was passed by the State Legislature on 24 June 2017 and made effective from 01 July 2017 in the State. According to GST (Compensation to the States) Act 2017, The Central Government was to compensate the states for loss of revenue on account of implementation of GST for a period of five years. The compensation to be paid is calculated by taking into account the protected revenue taking 2015-16 as the base year. In case of Arunachal Pradesh, the revenue during the base year 2015-16 was ₹ 256.03 crore, accordingly, the protected revenue of the State for the year 2017-18 in accordance with Section 6 of GST (Compensation to States) Act, 2017 was fixed at ₹ 332.74 crore i.e. ₹ 27.73 crore per month. The actual revenue received by the State under the State Goods and Services Tax (SGST) was ₹ 223.73 crore including an amount of ₹ 46.86 crore on account of apportionment of Integrated Goods and Services Tax (IGST).

The protected revenue of the State during the period from July 2017 to March 2018 was worked out to ₹ 249.57 crore<sup>6</sup>. Against the protected revenue, the revenue receipt of the State Government under GST for the purpose of calculation of compensation for the period from July 2017 to March 2018 is given in **Table 1.10**.

**Table - 1.10: Position of Protected Revenue**

(₹ in crore)

Particulars	Amount
<b>Revenue to be protected</b>	<b>249.57</b>
State Goods and Services Tax	223.73
Collection of Pre-GST Taxes (July 2017 to March 2018)	25.00
<b>Total Collection</b>	<b>248.73</b>
Compensation to be received during the year	0.84
<b>Compensation received during the year 2017-18</b>	<b>15.00</b>
Excess compensation released during the year 2017-18	14.16

(Source: Finance Accounts 2017-18)

<sup>6</sup> ₹ 27.73 crore X 9 months

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The State received a compensation of ₹ 15.00 crore due to less collection of revenue for the bi-monthly period of July-August 2017 when the total collection was only ₹ 40.00 crore against the protected revenue of ₹ 55.00 crore during the period. As on 31 March 2018, the total revenue collection under GST was ₹ 248.73 crore and the State was eligible for a compensation of ₹ 0.84 crore only. Thus, the State received ₹ 14.16 crore in excess of the compensation due.

### 1.3.1.3 Non-Tax Revenue

Table 1.11 shows the trends of Non-Tax Revenue during the period 2013-18.

**Table - 1.11: Non-Tax Revenue**

Heads	(₹ in crore)					Percentage variation over previous year
	2013-14	2014-15	2015-16	2016-17	2017-18	
Interest Receipts, Dividends & Profits	24.66	13.13	39.11	56.39	46.98	(-) 16.69
General Services	42.75	30.46	81.65	108.96	40.48	(-) 62.85
Social Services	36.86	28.07	28.52	17.57	35.86	104.10
Economic Services	300.79	385.98	242.84	361.90	242.86	(-) 32.89
<b>TOTAL</b>	<b>405.06</b>	<b>457.64</b>	<b>392.12</b>	<b>544.82</b>	<b>366.18</b>	<b>(-) 32.79</b>

(Source: Finance Accounts of respective years)

Non-Tax Revenue significantly decreased by ₹ 178.64 crore (32.79 per cent) during 2017-18 over the previous year and constituted only 2.66 per cent of the Revenue Receipts. The decrease in Non-tax revenue was mainly due to decrease in revenue collection on police fines, stationary and printing, jail receipts and receipt under forest. During 2017-18, Economic Services contributed 66.32 per cent (₹ 242.86 crore) of Non-Tax Revenue, and within this category, receipts under Power Sector accounted for 54.93 per cent (₹ 133.41 crore). CAGR of Non-Tax Revenue between 2008-09 and 2017-18 for the State was (-) 7.95 per cent.

### 1.3.2 Grants-in-aid

Details of GIA from GoI are given in Table 1.12.

**Table - 1.12: Grants-in-aid from the Government of India**

Particulars	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan Grants	743.62	952.12	174.36	228.69	
Grants for State Plan Schemes	2,543.31	5735.73	2,062.45	1,633.22	
Grants for Central Plan Schemes	166.23	37.59	60.72	17.73	
Grants for Centrally Sponsored Schemes	391.68	315.03	147.54	187.99	
Grants for Special Plan Schemes	90.17	65.80	105.26	70.07	-
Centrally Sponsored Schemes	-	-	-	-	2,511.35
Finance Commission Grants	-	-	-	-	140.17
Other Grants to State with Legislatures	-	-	-	-	702.54
<b>TOTAL</b>	<b>3,935.01</b>	<b>7,106.27</b>	<b>2,550.33</b>	<b>2,137.70</b>	<b>3,354.06</b>
Percentage of Increase (+)/Decrease (-) over previous year	(-) 6.37	(+) 80.59	(-) 64.11	(-) 16.18	(+) 56.90
Total Grants as a percentage of Revenue Receipts	67.61	77.78	24.17	18.15	24.35

(Source: Finance Accounts of respective years)

## Finances of the State Government

GIA from GoI increased by 56.90 per cent (₹ 1,216.36 crore) from ₹ 2,137.70 crore in 2016-17 to ₹ 3,354.06 crore in 2017-18. The increase was mainly due to allotment of ₹ 3,230.96 crore in three categories i.e. (i) Centrally Sponsored Plan Schemes (₹ 2,404.33 crore), (ii) Other Grants to State with Legislatures (₹ 702.54 crore) and (iii) FC Grants (₹124.09 crore). The increase was partly offset by decrease in Grants for State Plan Schemes by ₹ 1,548.68 crore (94.82 per cent), Non-plan Grants by ₹ 212.61 crore (92.97 per cent), Grants for Centrally Sponsored Scheme (CSS) by ₹ 179.19 crore (95.32 per cent) and Grants for Central Plan Schemes by ₹ 4.05 crore (22.84 per cent).

### 1.3.3 Central Tax Transfers

As per the 14<sup>th</sup> FC recommendations, the share of net proceeds of shareable Central Taxes was increased from 32 per cent during 13<sup>th</sup> FC award period to 42 per cent. The State share for all shareable taxes was increased from 0.288 per cent during 13<sup>th</sup> FC award period to 1.370 per cent during 14<sup>th</sup> FC award period and the share of Service Tax from 0.328 per cent during 13<sup>th</sup> FC award period to 1.431 per cent during 14<sup>th</sup> FC award period.

The share of Union taxes received during 2017-18 was ₹ 9,238.79 crore, an increase of ₹ 850.49 crore (10.14 per cent) over the previous year. The main contributions of the share of Union taxes were Corporation Tax-₹ 2,825.84 crore (30.57 per cent); Taxes on Income other than Corporation Tax-₹ 2,386.20 crore (25.83 per cent); Service Tax ₹ 1,062.55 crore (11.50 per cent); Goods and Service Tax ₹ 1,059.48 crore (11.47 per cent); Union Excise ₹ 973.50 crore (10.54 per cent); and, Customs ₹ 931.30 crore (10.08 per cent).

### 1.3.4 Optimisation of Fourteenth Finance Commission Grants

The details of recommendation of 14<sup>th</sup> FC and grants during the period 2017-18 are given in **Table-1.13**.

**Table - 1.13: Details of grants released vis-à-vis 14<sup>th</sup> FC recommendations**

(₹ in crore)

Sl. No.	Purpose for which grant is released	Actual release 2016-17	Fund recommended by 14 <sup>th</sup> FC for 2017-18	Actual release 2017-18
1	Share in Central Taxes	8,388.30	9,238.79	9,238.79
2	Disaster Relief (SDRF)	49.50	52.00	51.30
	Local Bodies Grant, of which	77.37	208.12	72.79
	(I)Performance Grants			
	(a)Rural Local Bodies	16.08	18.20	-
	(b)Urban Local Bodies	0.00	10.83	-
3	(II)Basic Grants			
	(a)Rural Local Bodies	61.29	141.62	61.08
	(b)Urban Local Bodies	0.00	37.47	11.71
	<b>Total</b>	<b>8,515.17</b>	<b>9,498.91</b>	<b>9,362.88</b>

(Source: Data furnished by the State Government)

The State Government had received financial assistance of ₹ 9,362.88 crore (98.57 per cent) against an amount of ₹ 9,498.91 crore as recommended by 14<sup>th</sup> FC. There was no release of Performance Grants to Local Bodies. Also, there was short

## Finances of the State Government

release of ₹ 106.30 crore in Basic Grants as recommended by the 14<sup>th</sup> FC during 2017-18.

The Government admitted in its reply (January 2019) that the short release of financial assistance to local bodies, was due to non-submission of utilisation certificates by the concerned departments.

### 1.4 Capital Receipts

Details of Capital Receipts during 2013-14 to 2017-18 are given in **Table 1.14**.

**Table - 1.14: Trends in Growth and Composition of Capital Receipts**

(₹ in crore/Rate of Growth in per cent)

Sources of State's Receipts	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Capital Receipts</b>	<b>357.57</b>	<b>1,567.82</b>	<b>626.58</b>	<b>1,019.06</b>	<b>1,256.01</b>
Public Debt Receipts	354.15	1,540.41	621.10	1,015.27	1,250.33*
Recovery of Loans & Advances	3.42	27.41	5.48	3.79	5.68
Miscellaneous Capital Receipts	-	-	-	-	-
Rate of growth of Non-debt Capital Receipts	15.93	701.46	(-)80.01	(-)30.84	49.87
Rate of growth of Debt Capital Receipts	24.85	334.96	(-)59.68	63.46	23.15
Rate of growth of CR	27.98	338.47	(-)60.03	62.64	23.25

(Source: Finance Accounts of respective years)

\* This figure does not include the rectification of the misclassification of Ways and Means Advances receipts pertaining to 2013-14

Public Debt Receipts increased by ₹ 235.06 crore (23.15 per cent) over the previous year. Public Debt Receipts consist of two components viz., Internal Debt of the State and Loans and Advances from the Central Government. Internal Debt consisted of Market Loans (₹ 887.80 crore), Loans from Financial Institutions (₹ 198.69 crore) and Special Securities issued to National Small Savings Fund (₹ 163.59 crore).

During the year, no Loans & Advances from the Central Government were received by Government of Arunachal Pradesh.

#### 1.4.1 Recoveries of Loans and Advances

The Recoveries of Loans and Advances increased from ₹ 3.79 crore during 2016-17 to ₹ 5.68 crore during 2017-18. The major contributor of recoveries under Loans and Advances were loan recovery from Government Servants (₹ 3.04 crore) and Co-operation (₹ 2.64 crore).

### 1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, etc., which do not form part of the Consolidated Fund, are kept in Public Accounts set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. After disbursements, the balance is the fund available for use with the Government.

# Finances of the State Government

**Table - 1.15: Public Account Receipts**

(₹ in crore)

Sources of State's Receipts	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Public Accounts Receipts</b>	<b>5,705.44</b>	<b>4,018.72</b>	<b>6,038.90</b>	<b>6,369.65</b>	<b>5,435.37</b>
Small Savings, Provident Fund, etc.	308.36	405.28	387.63	388.41	471.15
Reserve Funds	62.54	20.00	200.00	180.15	157.96
Deposits & Advances	1,370.75	2,081.34	1,946.75	732.13	549.24
Suspense & Miscellaneous	963.98	(-) 1,691.51	(-)480.14	145.16	(-) 482.11
Remittances	2,999.81	3,203.61	3,984.66	4,923.80	4,739.13

(Source: Finance Accounts of respective years)

During 2017-18, the Public Account Receipts decreased by ₹ 934.28 crore (14.67 per cent) over the previous year due to less receipt in remittance and deposits and advances.

## 1.6 Application of Resources

Analysis of allocation of expenditure at State Government level assumes significance since major expenditure responsibilities are entrusted with the State Government. Within the framework of fiscal responsibility legislations, there are budgetary constraints on raising finance by deficit or borrowings. Therefore, it is important to ensure that the ongoing fiscal correction and consolidation process at State level is not at the cost of expenditure, especially expenditure directed towards development and Social Sector.

### 1.6.1 Growth and Composition of Expenditure

The total expenditure and its Composition during the years 2013-14 to 2017-18 are presented in **Table 1.16**

**Table - 1.16: Total Expenditure and its composition**

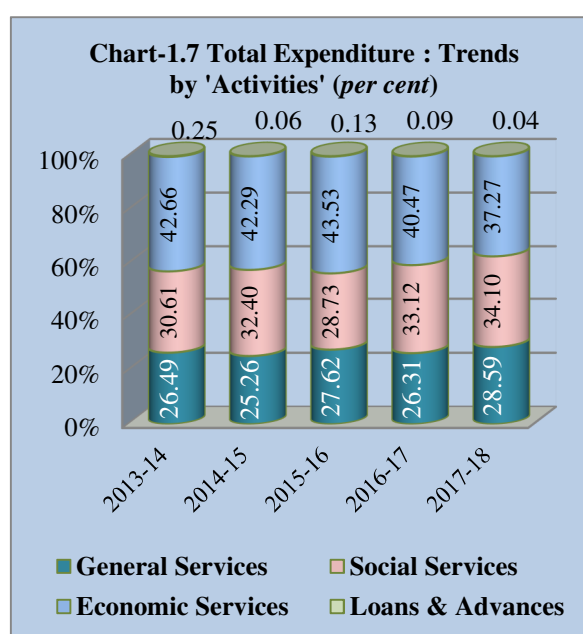
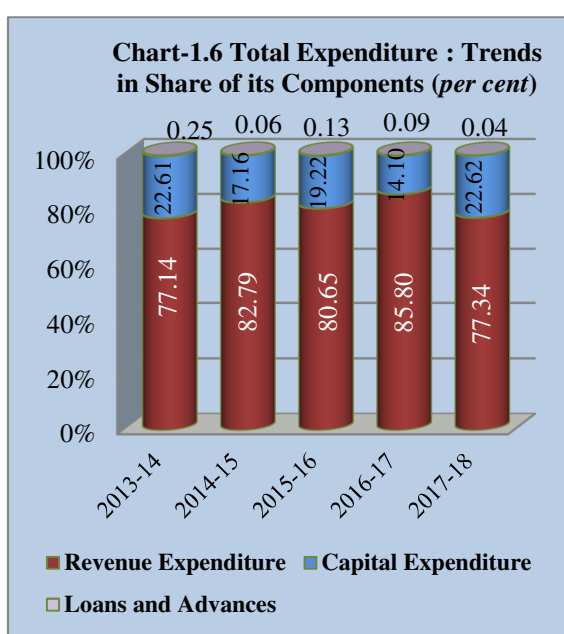
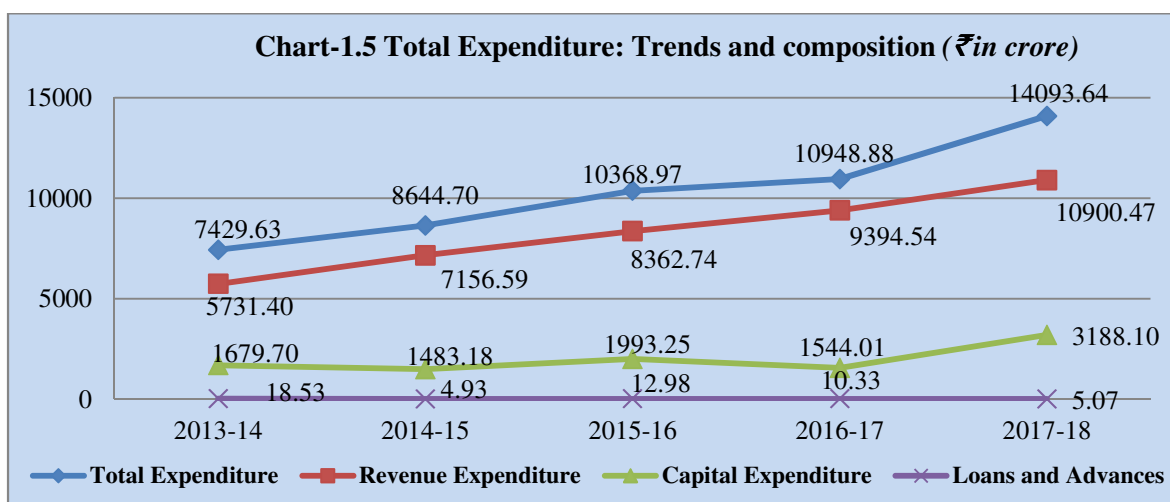
(₹ in crore)

Parameters	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Total Expenditure</b>	<b>7,429.63</b>	<b>8,644.70</b>	<b>10,368.97</b>	<b>10,948.88</b>	<b>14,093.64</b>
Revenue Expenditure	5,731.40	7,156.59	8,362.74	9,394.54	10,900.47
Capital Expenditure	1,679.70	1,483.18	1,993.25	1,544.01	3,188.10
Loan and Advances	18.53	4.93	12.98	10.33	5.07

**Chart 1.5** presents trends in total expenditure over five years (2013-14 to 2017-18). The compositions, both in terms of 'economic classification' and 'expenditure by activities,' are depicted in **Charts 1.6 and 1.7** respectively.



## Finances of the State Government



(Source: Finance Accounts of respective years)

Total Expenditure of the State increased by ₹ 6,664.01 crore (89.70 per cent) from ₹ 7,429.63 crore in 2013-14 to ₹ 14,093.64 crore in 2017-18. Total Expenditure, its annual growth rate, the ratio of expenditure to the State GSDP and to Revenue receipts and its buoyancy with respect to GSDP and Revenue Receipts are indicated in **Table 1.17**.

**Table - 1.17: Total Expenditure – Basic Parameters**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Total Expenditure (TE)</b>	<b>7,429.63</b>	<b>8,644.70</b>	<b>10,368.97</b>	<b>10,948.88</b>	<b>14,093.64</b>
Non-Plan Expenditure	3,966.49	4,268.05	5,671.80	6,641.45	
Plan Expenditure	3,463.14	4,376.65	4,697.17	4,307.43	
Rate of Growth of TE(per cent)	23.90	16.35	19.95	5.59	28.72
TE/GSDP Ratio (per cent)	50.95	48.13	50.75	48.85	57.66
RR/TE Ratio (per cent)	78.34	105.68	101.78	107.59	97.73
<b>Buoyancy of Total Expenditure with reference to</b>					
GSDP (ratio)	1.47	0.71	1.45	0.58	3.18
RR (ratio)	23.43	0.29	1.29	0.48	1.70

(Source: Finance Accounts of respective years)

## Finances of the State Government

The increase of ₹ 3,144.76 crore (28.72 per cent) in Total Expenditure during 2017-18 over the previous year was on account of increase of ₹ 1,644.09 crore in Capital Expenditure and ₹ 1,505.93 crore in Revenue Expenditure partly offset by decrease in Loans and Advances by ₹ 5.26 crore.

In terms of activities, Total Expenditure comprises of expenditure on General Services, including Interest Payments, Social and Economic Services and Loans & Advances. Of the Total Expenditure in 2017-18, expenditure on General Services, including Interest Payments, which are considered as non-developmental, accounted for 28.59 per cent. On the other hand, Expenditure on Social and Economic Services (Revenue & Capital), termed as Development Expenditure, together accounted for 71.37 per cent during 2017-18. The relative share of Social Services increased from 33.12 per cent in 2016-17 to 34.10 per cent in 2017-18, whereas the relative share of Economic Services decreased from 40.47 per cent in 2016-17 to 37.27 per cent in 2017-18.

The buoyancy of total expenditure to GSDP stood at 3.18 in 2017-18, which indicate that higher rate of growth of total expenditure (28.72 per cent) as compared to growth rate of GSDP (9.04 per cent).

### 1.6.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment of past obligations and does not result in any addition to the State's infrastructure and service network. The Revenue Expenditure, its rate of growth, buoyancy ratio of Revenue Expenditure to GSDP and Revenue Receipts are indicated in **Table 1.18**.

**Table - 1.18: Revenue Expenditure – Basic Parameters**

Particulars	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Revenue Expenditure (RE), of which</b>	<b>5,731.40</b>	<b>7,156.59</b>	<b>8,362.74</b>	<b>9,394.54</b>	<b>10,900.47</b>
Non-Plan Revenue Expenditure (NPRE)	3,957.59 (69.05)	4,245.71 (59.33)	5,659.40 (67.67)	6,638.40 (70.66)	
Plan Revenue Expenditure (PRE)	1,773.81 (30.95)	2,910.88 (40.67)	2,703.34 (32.33)	2,756.14 (29.34)	
Rate of Growth of RE (per cent)	19.75	24.87	16.85	12.34	16.03
RE as percentage of TE	77.14	82.79	80.65	85.80	77.34
<b>Buoyancy Ratio of RE with</b>					
GSDP	1.22	1.07	1.22	1.27	1.77
Revenue Receipts	19.36	0.44	1.09	1.06	0.95

(Figures in brackets represent percentages to Revenue Expenditure)

(Source: Finance Accounts of respective years)

Revenue Expenditure increased by ₹ 5,169.07 crore (90.19 per cent) from ₹ 5,731.40 crore in 2013-14 to ₹ 10,900.47 crore in 2017-18 at a CAGR of 17.43 per cent. During 2017-18, it increased by ₹ 1505.93 crore (16.03 per cent) over the previous year, mainly due to increase in expenditure under Social Services by ₹ 904.36 crore and General Services by ₹ 717.00 crore which was partly offset by decrease in expenditure under Economic services by ₹ 115.43 crore. During the year, Buoyancy Ratio of Revenue Expenditure with Revenue Receipts was 0.95, which

indicates that the growth rate of Revenue Expenditure was faster than the growth rate of Revenue Receipts.

### 1.6.3 Committed Expenditure

Committed Expenditure of the State Government on Revenue Account mainly consists of Interest Payments, expenditure on Salaries, Pensions and Subsidies. **Table 1.19** present the trends in expenditure on these components during 2013-18.

**Table - 1.19: Components of Committed Expenditure**

Components of Committed Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Salaries, of which</b>	<b>2,548.91</b>	<b>2,853.24</b>	<b>3,098.20</b>	<b>3,566.88</b>	<b>4,434.61</b>
<i>Non-Plan Head</i>	2,098.77	2,343.78	2,864.40	3,468.12	
<i>Plan Head</i>	450.14	509.46	233.80	98.76	
Interest Payments	312.51	350.88	415.64	399.23	467.36
Pension and other Retirement Benefits	398.40	480.71	555.25	640.58	923.97
Subsidies	5.86	7.02	12.03	4.99	0.82
<b>TOTAL</b>	<b>3,265.68</b>	<b>3,691.85</b>	<b>4,081.12</b>	<b>4,611.68</b>	<b>5,826.76</b>

(₹ in crore)

(Source: Finance Accounts of respective years)

Overall Committed Expenditure increased by ₹ 2,561.08 crore (78.42 per cent) from ₹ 3,265.68 crore in 2013-14 to ₹ 5,826.76 crore in 2017-18. Committed Expenditure during 2017-18 constituted 53.45 per cent of Revenue Expenditure and 42.30 per cent of Revenue Receipts. Component-wise analysis is given in the preceding paragraphs.

The Government in its reply (January 2019) stated that the overall increase in the committed expenditure was due to implementation of recommendations of the 7<sup>th</sup> Central Pay Commission (CPC).

#### 1.6.3.1 Salaries

During 2017-18, Salaries alone accounted for 32.19 per cent of Revenue Receipts. It increased by 73.98 per cent and 24.33 per cent over 2013-14 and 2016-17 respectively.

The Government in its reply (January 2019), stated that increase in expenditure on salaries during the year was due to implementation of recommendations of the 7<sup>th</sup> Central Pay Commission (CPC) and payment of its arrears.

#### 1.6.3.2 Interest Payments

During 2017-18, Interest Payments, comprising of interest on Internal Debt, Small Savings, Provident Funds, etc., Loans & Advances from the Central Government and other obligations, increased by 49.55 per cent and 17.07 per cent over 2013-14 and 2016-17 respectively.

#### 1.6.3.3 Pension Payments

Pension Payments (including other Retirement Benefits) showed an increasing trend during the five-year period (2013-18). During 2017-18, Pension Payments increased by ₹ 525.57 crore (131.92 per cent) over 2013-14 and by ₹ 283.39 crore (44.24 per cent) over the previous year.

The Government in its reply (January 2019), stated that increase in expenditure on pension payments was due to payment of accumulated pending liabilities on National Pension System (NPS).

### **1.6.3.4 Subsidies**

During 2017-18, Expenditure on payment of Subsidies decreased by 86.01 *per cent* and 83.57 *per cent* over 2013-14 and 2016-17 respectively. It constituted 0.01 *per cent* of Revenue Expenditure. The single recipient department of Subsidies in 2017-18 was Civil Supplies Department.

### **1.6.3.5 National Pension System**

The Government of India (GoI) introduced (01 April 2004) a defined, contribution based National Pension System (NPS) to cover all new entrants to Government service. The interim Pension Fund Regulatory and Development Authority (PFRDA) was established (October 2003) by GoI. The PFRDA, being regulator for NPS, had been authorised by the GoI to appoint/ establish various intermediaries in the system, such as Central Record Keeping Agency (CRA), Pension Funds Trust for NPS, Custodian Banks, *etc.* PFRDA appointed National Securities Depository Limited (NSDL) as the CRA for a period of 10 years from 01 December 2007 for performing the functions of record keeping, accounting, administration and customer services for subscribers to the schemes of pension funds approved by PFRDA. Further, three pension fund managers, a custodian and a trustee bank had also been appointed.

Under the NPS, the option to join the new system was available for state governments. According to terms of the Scheme, both the Government and employee were to contribute 10 *per cent* each of basic pay and dearness allowance and the entire amount was to be transferred to the designated fund manager through NSDL/ Trustee Bank.

In Arunachal Pradesh, State Government employees recruited on or after 01 January 2008 were eligible for NPS. The contributions received from both the Government and employees are credited to the Major Head 8342-117 under Deposit & Advances and are transferred to NSDL/ Trustee Bank by debiting the same Major Head of Account.

As on 01 April 2017, Major Head 8342-117 had a balance of ₹ 59.97 crore. During 2017-18, the State Government credited an amount of ₹ 3.73 lakh to the fund out of the total amount of ₹ 60.01 crore<sup>7</sup> available under this fund, the State Government has transferred ₹ 12.76 crore (21.26 *per cent*) only to NSDL, leaving a balance of ₹ 47.29 crore<sup>8</sup> as on 31 March 2018 yet to be transferred.

Further, Government of Arunachal Pradesh has informed that the state has been temporarily parking the employee's and employer's contribution towards National Pension System (NPS) under the Current Account in the SBI branch, Naharlagun (outside the Government Account) and transferring to NSDL from the account. During

<sup>7</sup> Opening Balance of ₹ 59.97 crore plus Contribution received ₹ 0.04 crore

<sup>8</sup> An amount of ₹ 0.04 crore was transferred to GPF accounts/ CGEGIS accounts/ salary head, which was erroneously deposited under the Major Head 8342-117

## Finances of the State Government

2017-18, an amount of ₹ 129.12 crore which includes employee's share and employer's matching share was transferred directly to the NSDL from the current account.

The summary of transactions of NPS during the last four years is as under:

**Table - 1.20: The summary of the transactions under NPS:**

(₹ in crore)

Year	Opening Balance	Details of Contribution				Transfer to NSDL	Closing Balance (2+6-7)	Interest liability {(2+5)*Rate}
		Employee	Employer	Short (3-4)	Total (3+4)			
1	2	3	4	5	6	7	8	9
2014-15	47.76	49.04	0.08	48.96	49.12	0.04	96.84	8.41
2015-16	96.84	34.63	15.51	19.12	50.14	77.86	69.12	9.28
2016-17	69.12	83.71	9.77	73.94	93.48	79.33	83.27	11.16
2017-18	83.27	90.09	64.39	25.70	154.48	141.88	95.87	8.73
<b>Total</b>		<b>257.47</b>	<b>89.75</b>	<b>167.72</b>	<b>347.22</b>	<b>299.11</b>		<b>37.58</b>

Audit analysed functioning of NPS, which revealed that:

Government collected ₹ 90.09 crore from employees as contribution towards National Pension Scheme (NPS) and contributed only ₹ 64.39 crore as Government's share towards the scheme. Thus, Government did not discharge its statutory liability as it failed to contribute ₹ 25.70 crore as Government's matching share under NPS during 2017-18. Further, against the total collected funds of ₹ 237.75 crore (including previous year's balance ₹ 83.27 crore), the Government transferred ₹ 141.88 crore only to designated authority (NSDL) and did not transfer ₹ 95.87 crore to NSDL for further investment as per provisions of the scheme. Thus, there was a short transfer of ₹ 95.87 crore to the NSDL and current liability stands deferred to future year(s). Further, during the period from 2014-15 to 2017-18, State Government did not contribute its matching share of ₹ 167.22 crore as against the total Employees' share of ₹ 257.47 crore, Government contributed only ₹ 89.75 crore. Moreover, against the total collected funds of ₹ 394.98 crore (including previous year's balance ₹ 47.76 crore), the Government transferred ₹ 299.11 crore only to designated authority (NSDL). As a result, the total liability of the Government on account of NPS stands at ₹ 263.59 crore (₹ 167.72 crore- Matching share not contributed plus ₹ 95.87 crore- short transfer to NSDL) as on 31 March 2018. Thus, the State Government has created interest liability on the amount not transferred to NSDL, incorrectly used the funds that belong to its employees and created benefit uncertainty in respect of the employees affected.

It was also observed that a major portion of the contributions (₹ 129.12 crore) in the current year under NPS were not routed through the public account instead was routed through the current account. Only ₹ 7.46 lakh of contributions under NPS was routed through the public account. Thus, non-routing of the contributions through the Public Account is violation of guidelines, besides vulnerable to risks associated with the normal bank account operations.

Thus, the current liability stands deferred to future year(s). Non-transfer of funds to NSDL was reportedly due to non-allotment of Permanent Retirement Account Number

(PRAN) to 1822 employees. NSDL allots a Permanent Retirement Account Number (PRAN) to each employee enrolled under the System on receipt of requisite information/documents from Government.

On this being pointed out, the Government in reply (January 2019), stated that the huge outstanding balance in the fund was due to non-generation of PRAN (Permanent Retirement Account Number) of subscribers on time and delay in uploading the NPS subscriptions in NSDL, CRA Mumbai. There are 1822 subscribers pending for generation of PRAN till date (January 2019). The Government further stated that the interest figures and other pending issues have been resolved with the Stake holders.

Non-compliance with statutory requirements by the Government has the impact of deferring Government liabilities to future years and also affect, accuracy and transparency of accounts. Moreover, the State Government has created interest liability on the amount not transferred to NSDL, as the above Major Head is classified as 'Deposits bearing Interest' in the Government Accounts. Further, delays in investment of NPS contributions with Fund Managers also create an atmosphere of uncertainty about:

- the rate of return to be accrued to the employees concerned for such periods on the investment of their NPS contribution, and
- the amount of avoidable financial liability to be borne by the Government on account of non-deposit of the NPS contributions with the designated authorities.

Non-payment of the contributions of Government towards NPS apart from understating liabilities of the Government would also deprive the subscribers of their benefits on time. Further, short transfer to NSDL and parking of NPS funds in Public Account and current account would inevitably lead to bankruptcy of the NPS corpus and eventual failure of the Scheme itself.

***Recommendation: The State Government needs to ensure that Government contribution is fully matched with that of the employees' contribution and that the entire amount is transferred to NSDL in a timely manner to avoid unlimited liability on the State exchequer as well as to provide an assurance to the pensioners about the returns on their investment.***

### ***1.6.4 Capital Expenditure***

Capital Expenditure during 2017-18 (₹ 3,188.10 crore) increased by ₹ 1,644.09 crore over the previous year due to significant increase in expenditure on Economic Services (₹ 937.36 crore), General Services (₹ 431.84 crore) and Social Services (₹ 274.89 crore). This expenditure constituted 22.62 per cent of Total Expenditure during 2017-18 as compared to 14.10 per cent during the previous year. The State Government could not maintain the Capital Expenditure in line with the projections made in the BEs and REs during 2017-18, as the expenditure fell short of the BEs (₹ 4,105.11 crore) by 22.34 per cent and REs (₹ 4,999.93 crore) by 36.24 per cent.

The Government in its reply stated (January 2019) that the Capital Expenditure for the year was ₹ 3,648.27 crore including repayment of Public Debt of ₹ 432.32 crore.

Audit observed that the Capital expenditure was not inclusive of repayment of public debt in any of the previous year and such inclusion would enhance the Capital expenditure to that extent.

### 1.6.5 Financial Assistance by the State Government to Local Bodies, etc.

The quantum of assistance provided by way of Grants and Loans to Local Bodies and others during 2017-18, relative to previous years is presented in **Table 1.21**

**Table - 1.21: Financial Assistance to Local Bodies etc.**

Institutions	2013-14	2014-15	2015-16	2016-17	2017-18
University and Educational Institutions	6.64	11.16	7.39	0.00	1.00
Cultural Institutions/Voluntary Organisations for promotion of Arts & Culture	1.00	0.00	2.22	0.00	0.00
State Institute of Rural Development	0.40	0.00	0.66	0.66	0.00
Social Welfare	0.57	0.57	0.44	0.48	0.41
Food, Storage and Warehousing	105.91	22.09	0.00	7.11	15.59
Co-operation	1.05	3.22	1.25	2.99	0.83
Other Institutions <sup>9</sup>	21.81	7.59	14.21	26.63	19.54
<b>TOTAL</b>	<b>137.38</b>	<b>44.63</b>	<b>26.03</b>	<b>37.67</b>	<b>37.37</b>
<i>Assistance as percentage of Revenue Expenditure</i>	<i>2.40</i>	<i>0.62</i>	<i>0.31</i>	<i>0.40</i>	<i>0.34</i>

(₹ in crore)

(Source: Finance Accounts of respective years)

Financial assistance extended to Local Bodies and other Institutions with inter-year variations decreased by 72.80 per cent from ₹ 137.38 crore in 2013-14 to ₹ 37.37 crore in 2017-18. The share of financial assistance in Revenue Expenditure also decreased from 2.40 per cent in 2013-14 to 0.34 per cent during 2017-18. Other Institutions were the major recipients (around 52.29 per cent) of the financial assistance followed by Food, Storage and Warehousing (41.72 per cent).

## 1.7 Quality of Expenditure

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

### 1.7.1 Adequacy of Public Expenditure

The analysis of expenditure data is disaggregated into Developmental and Non-Developmental Expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorised into Social, Economic and General Services. In terms of quality of expenditure, the State was relatively well placed compared to other Special Category States (SCS). **Table 1.22** analyses the fiscal priority given by the State Government to various expenditure heads in 2013-14 and 2017-18 with regard to Developmental Expenditure, Social Sector Expenditure and Capital Expenditure.

<sup>9</sup> Other Institutions include Municipal Committees and Scientific Bodies.

## Finances of the State Government

**Table - 1.22: Fiscal priority of the State in 2013-14 and 2017-18**

Fiscal priority by the State	(in per cent)					
	TE/ GSDP	DE/ TE	SSE/ TE	CE/ TE	Education/ TE	Health/ TE
SCS Average 2013-14	23.50	64.00	37.60	13.80	18.30	5.40
Arunachal Pradesh 2013-14	50.95	73.48	30.74	22.61	10.57	4.58
SCS Average 2017-18	25.80	58.90	34.90	15.50	18.20	6.20
Arunachal Pradesh 2017-18	57.66	71.38	34.10	22.62	11.74	6.64

*TE: Total Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; CE: Capital Expenditure*  
*Developmental expenditure includes Developmental Revenue Expenditure, Developmental Capital Expenditure and Development Loans & Advances disbursed.*

(Source: Finance Accounts 2013-14 & 2017-18)

A comparison of the data related to Arunachal Pradesh with that of the SCS revealed the following:

- Total Expenditure as a proportion of GSDP had been higher in the State as compared to the SCS average during 2013-14 and 2017-18.
- Development Expenditure as a proportion of Total Expenditure has also been higher in the State as compared to the SCS average during both 2013-14 and 2017-18.
- Expenditure on Social Sector as a proportion of Total Expenditure was lower than the SCS average during 2013-14 and 2017-18.
- The share of Capital Expenditure as a proportion of Total Expenditure of the State was higher than the SCS average in both the years 2013-14 and 2017-18.
- The share of expenditure on Education as a proportion of Total Expenditure was lower than the SCS averages in both the years, though it improved in 2017-18.
- The share of expenditure on Health as a proportion of Total Expenditure was less than the SCS average in 2013-14 but was higher in 2017-18.

The Government in its reply (January 2019), stated that expenditure on Social Sectors and share of expenditure on Education were lower than the average of Special Category States (SCS) during the last five years due to non-formulation of guidelines in respect of various schemes that was announced in Budget speech. Besides, in some cases, implementing Departments were changed during the period. Therefore, Departments could not incur the budgeted expenditure.

### 1.7.2 Efficiency of Expenditure Use

In view of the importance of public expenditure for social and economic development, it is important for the State Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods<sup>10</sup>. Apart from improving allocation towards Development Expenditure, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure (and/ or GSDP) and proportion of Revenue Expenditure being spent on operation and maintenance of existing Social and Economic Services infrastructure. The higher the ratio of these components to Total Expenditure (and/ or GSDP), the better would be the

<sup>10</sup> As explained in Appendix - 1.1.C.



quality of expenditure. **Table 1.23** presents the trend in Development Expenditure relative to the Total Expenditure of the State during 2017-18 *vis-à-vis* previous years:

**Table - 1.23: Development Expenditure**

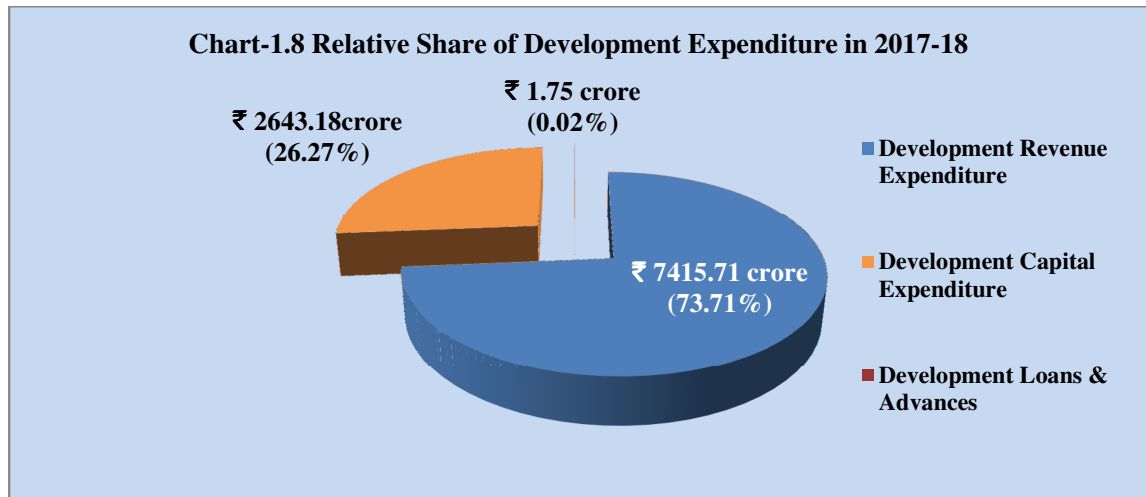
Components of Development Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18
Development Expenditure {(a)+(b)+(c)}£	5,459.08 (73.48)	6,456.92 (74.69)	7,502.53 (72.36)	8,065.61 (73.67)	10,060.64 (71.38)
(a) Development Revenue Expenditure\$	3,951.34 (73.38)	5,094.00 (78.89)	5,844.65 (77.90)	6,626.78 (82.16)	7,415.71 (73.71)
(b) Development Capital Expenditure\$	1,491.89 (27.33)	1,362.48 (21.10)	1,647.67 (21.96)	1,430.93 (17.74)	2,643.18 (26.27)
(c) Development Loans & Advances\$	15.85 (0.29)	0.44 (0.01)	10.21 (0.14)	7.90 (0.10)	1.75 (0.02)

(₹ in crore)

(Figures in parentheses indicate: £: Percentage to Total Expenditure, \$: Percentage to Development Expenditure)

(Source: Finance Accounts of respective years)

The Development Expenditure on socio-economic services increased from ₹ 5,459.08 crore in 2013-14 to ₹ 10,060.64 crore in 2017-18. Development Expenditure increased by 24.74 per cent (₹ 1,995.03 crore) over the previous year. During the five-year period ending 2017-18, the share of State's Development Expenditure averaged around 73 per cent of the State's Total Expenditure. The relative share of Development Expenditure during 2017-18, depicted in **Chart 1.8** below, shows that 73.71 per cent of Development Expenditure was incurred on Revenue Account and only 26.27 per cent was utilised for Capital Expenditure.



(Source: Finance Accounts 2017-18)

During 2017-18, Development Capital Expenditure as a percentage of Total Expenditure increased to 18.75 per cent as compared to 13.07 per cent in 2016-17. Though, the State Government had earmarked a considerable amount to create assets, it failed to utilise the same, which resulted in predominant share of Revenue Expenditure in Development Expenditure. This indicated that more emphasis was given on maintenance of current level of services, which did not result in any addition to the State's infrastructure and service network. The expenditure pattern under this sector needs correction in the ensuing years.

## Finances of the State Government

**Table 1.24** and **Table 1.25** summarise the percentage of expenditure incurred by the State Government in expanding and maintaining Social and Economic Services in the State under selected components of Economic and Social Services sector during the period 2013-18.

**Table - 1.24 Efficiency of Capital Expenditure in selected Social and Economic Services**

*(in per cent)*

Services	Ratio of Capital Expenditure to Total Expenditure <sup>£</sup>				
	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Social Services (SS)</b>					
General Education	6.52	4.71	3.94	3.94	3.20
Technical Education, Sports and Arts & Culture	50.21	52.67	44.95	26.04	20.35
Health & Family Welfare	8.30	5.87	5.05	2.11	4.46
Water Supply & Sanitation, Housing and Urban Development	47.72	38.24	32.30	41.86	40.96
Other Social Services	15.97	11.41	14.36	12.03	23.31
<b>Total (SS)</b>	<b>22.16</b>	<b>15.80</b>	<b>14.17</b>	<b>15.99</b>	<b>17.79</b>
<b>Economic Services (ES)</b>					
Agriculture & Allied Activities	3.03	1.05	2.07	0.95	1.73
Irrigation & Flood Control	10.78	20.09	40.91	31.38	20.20
Energy	22.70	19.55	18.74	18.15	26.27
Transport	54.51	41.18	41.99	30.34	59.35
Other Economic Services	26.99	20.73	16.36	17.47	23.50
<b>Total (ES)</b>	<b>31.18</b>	<b>25.18</b>	<b>27.15</b>	<b>19.20</b>	<b>34.04</b>
<b>Grand Total (SS + ES)</b>	<b>27.41</b>	<b>21.10</b>	<b>21.99</b>	<b>17.76</b>	<b>26.28</b>

*(Source: Finance Accounts of respective years)*

£-Total Revenue and Capital Expenditure of the Services concerned

The Table shows that:

- Development Capital expenditure, in *per cent* terms, decreased to 26.28 *per cent* in 2017-18 from 27.41 *per cent* in 2013-14, but increased from 17.76 *per cent* over 2016-17.
- The ratio of Capital Expenditure in selected Social Services ranged between 14.17 to 22.16 *per cent* during 2013-18.
- The ratio of Capital Expenditure in selected Economic Services ranged between 17.76 to 27.41 *per cent* during 2013-18.

**Table - 1.25: Efficiency of Revenue Expenditure in selected Social and Economic services**

*(₹ in crore)*

Services	In Revenue Expenditure, the share of Salary					In Revenue Expenditure, the share of Non-Salary				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
General Education	535.41 (74.84)	573.26 (60.10)	643.04 (54.02)	715.45 (55.37)	901.83 (56.94)	179.95 (25.16)	380.61 (39.90)	547.32 (45.98)	576.69 (44.63)	682.04 (43.06)
Technical Education, Sports and Arts & Culture	28.82 (45.66)	35.00 (45.62)	39.54 (46.03)	50.05 (42.79)	56.98 (42.59)	34.30 (54.34)	41.72 (54.38)	46.36 (53.97)	66.93 (57.21)	76.81 (57.41)
Health & Family Welfare	251.02	280.63	291.79	388.09	555.72	60.91	265.57	197.30	304.23	337.79

# Finances of the State Government

Services	In Revenue Expenditure, the share of Salary					In Revenue Expenditure, the share of Non-Salary				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
	(80.47)	(51.38)	(59.66)	(56.06)	(62.20)	(19.53)	(48.62)	(40.34)	(43.94)	(37.80)
Water Supply & Sanitation, Housing and Urban Development	75.96 (23.58)	84.89 (23.75)	101.41 (21.70)	112.26 (19.16)	137.13 (16.74)	246.11 (76.42)	272.52 (76.25)	365.84 (78.30)	473.58 (80.84)	681.89 (83.26)
Other Social Services	120.72 (33.75)	116.10 (27.37)	130.51 (40.27)	138.30 (38.50)	182.79 (35.11)	236.96 (66.25)	308.09 (72.63)	193.56 (59.73)	220.89 (61.50)	337.85 (64.89)
<b>Social Services</b>	<b>1,011.93</b> <b>(57.17)</b>	<b>1,089.88</b> <b>(46.21)</b>	<b>1,206.29</b> <b>(47.18)</b>	<b>1,404.15</b> <b>(46.09)</b>	<b>1,834.45</b> <b>(46.43)</b>	<b>758.23</b> <b>(42.83)</b>	<b>1,268.51</b> <b>(53.79)</b>	<b>1,350.38</b> <b>(52.82)</b>	<b>1,642.32</b> <b>(53.91)</b>	<b>2,116.38</b> <b>(53.57)</b>
Agriculture & Allied Activities	202.87 (33.48)	226.56 (34.49)	265.16 (39.81)	279.27 (36.26)	325.82 (42.36)	403.03 (66.52)	430.29 (65.51)	400.90 (60.19)	490.94 (63.74)	443.36 (57.64)
Irrigation & Flood Control	45.97 (27.39)	52.20 (42.67)	56.26 (32.08)	67.82 (37.65)	79.24 (28.83)	121.88 (72.61)	70.12 (57.33)	119.12 (67.92)	112.33 (62.35)	195.62 (71.17)
Energy	154.52 (37.89)	177.12 (40.27)	208.20 (37.20)	231.28 (29.03)	271.15 (38.50)	253.30 (62.11)	262.70 (59.73)	351.44 (62.80)	565.32 (70.97)	433.07 (61.50)
Transport	162.33 (29.28)	174.24 (20.15)	169.20 (15.10)	48.76 (5.56)	268.55 (33.40)	392.13 (70.72)	690.51 (79.85)	951.37 (84.90)	828.68 (94.44)	535.56 (66.60)
Other Economic Services	206.50 (46.39)	221.86 (34.03)	233.07 (30.41)	455.00 (47.60)	357.58 (39.19)	238.64 (53.61)	430.01 (65.97)	533.26 (69.59)	500.91 (52.40)	554.93 (60.81)
<b>Economic Services</b>	<b>772.19</b> <b>(35.40)</b>	<b>851.98</b> <b>(31.14)</b>	<b>931.89</b> <b>(28.34)</b>	<b>1082.13</b> <b>(30.22)</b>	<b>1302.34</b> <b>(37.59)</b>	<b>1408.98</b> <b>(64.60)</b>	<b>1883.63</b> <b>(68.86)</b>	<b>2356.09</b> <b>(71.66)</b>	<b>2498.18</b> <b>(69.78)</b>	<b>2162.54</b> <b>(62.41)</b>
<b>Grand Total</b>	<b>1,784.12</b> <b>(45.15)</b>	<b>1,941.86</b> <b>(38.12)</b>	<b>2,138.18</b> <b>(36.58)</b>	<b>2,486.28</b> <b>(37.52)</b>	<b>3,136.79</b> <b>(42.30)</b>	<b>2,167.21</b> <b>(54.85)</b>	<b>3,152.14</b> <b>(61.88)</b>	<b>3,706.47</b> <b>(63.42)</b>	<b>4,140.50</b> <b>(62.48)</b>	<b>4,278.92</b> <b>(57.70)</b>

(Source: Finance Accounts of respective years)

The table shows that:

- The expenditure on Salary components under Social and Economic Services during 2017-18 increased by 75.82 per cent and 26.16 per cent over 2013-14 and 2016-17 respectively. The expenditure on Non-Salary component under Social and Economic Services in 2017-18 increased by 97.44 per cent and 3.34 per cent over 2013-14 and 2016-17 respectively.
- The Salary component under Revenue expenditure in selected Social Services in 2017-18 increased by 81.28 per cent and 30.64 per cent over 2013-14 and 2016-17 respectively. The Non-Salary component in 2017-18 increased by 179.12 per cent and 28.87 per cent over 2013-14 and 2016-17 respectively.
- The Salary component under Revenue expenditure in selected Economic Services in 2017-18 increased by 68.66 per cent and 20.35 per cent over 2013-14 and 2016-17 respectively. The Non-Salary component in 2017-18 increased by 53.48 per cent over 2013-14, but decreased by 13.44 per cent over 2016-17.

## 1.8 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its Fiscal Deficit (and Borrowings) not only at low levels, but also meet its Capital Expenditure/ Investment (including Loans and Advances) requirements. In addition, in a transition to complete dependence on market-based resources, the State Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowings to avoid complete dependence on market borrowings. This section presents a broad financial analysis of investments and other Capital Expenditure undertaken by the Government during 2017-18 vis-à-vis previous years.

## Finances of the State Government

### 1.8.1 Investment and Returns

As per Statement 8 and 19 of the Finance Accounts for 2017-18, as of 31 March 2018, the State Government invested ₹ 250.02 crore in five Government Companies (₹ 9.00 crore) and 150 Co-operative Banks and Societies (₹ 241.02 crore) as detailed in Table 1.26.

**Table -1.26: Return on Investment**

	(₹ in crore)				
Investment/Return/Cost of Borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Investment at the end of the year (₹ in crore)</b>					
(i) Government Companies	9.00	9.00	9.00	9.00	9.00
(ii) Co-operative Bank/Societies	236.05	238.59	240.11	241.02	241.02
<b>TOTAL</b>	<b>245.05</b>	<b>247.59</b>	<b>249.11</b>	<b>250.02</b>	<b>250.02</b>
Return (₹ in crore)	<i>Nil</i>				
Average Rate of Interest on Government Borrowings (per cent)	6.66	6.35	6.92	6.93	7.28
Difference between Interest Rate & Return rate (per cent)	6.66	6.35	6.92	6.93	7.28

(Source: Finance Accounts of respective years)

During 2013-14 to 2017-18, average return on investment was 'Nil', while the Government paid interest at an average rate of 6.35 per cent to 7.28 per cent on its borrowings during the period. As on 31 March 2018, there were five working Government Companies and as per latest finalised annual accounts, three<sup>11</sup> companies had accumulated losses of ₹ 29.46 crore and two companies had earned a profit of ₹ 30.09 crore. As per their latest finalised accounts, aggregate net worth<sup>12</sup> of two loss making companies<sup>13</sup> stood at *negative* ₹ 19.00 crore and the accumulated losses in these two companies exceeded the paid up capital and in one loss making company<sup>14</sup> the accumulated loss was more than 80 per cent of its paid up capital. The two profit making companies<sup>15</sup> had a combined net worth of ₹ 35.11 crore.

### 1.8.2 Loans & Advances by the State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the Government also provided Loans and Advances for other purposes, e.g., loans to Power Projects, Government servants, Tourism, etc. Table 1.27 shows outstanding Loans and Advances as on 31 March of last five years.

<sup>11</sup> AP Industrial Development and Financial Corporation Limited (₹ 23.07 crore); AP Mineral Development and Trading Corporation Limited (₹ 1.81 crore) and AP Forest Corporation Limited (₹ 4.58 crores)

<sup>12</sup> Net worth represents paid up capital plus free reserves less accumulated losses.

<sup>13</sup> AP Industrial Development and Financial Corporation Limited (₹ 18.92 crore); and AP Forest Corporation Limited (₹ 0.08 crore)

<sup>14</sup> AP Mineral Development and Trading Corporation Limited (₹ 1.81 crore)

<sup>15</sup> Arunachal Police Housing and Welfare Corporation Limited (₹ 28.61 crore) and Hydro Power Development Corporation of Arunachal Pradesh Limited (₹ 6.50 crore)

## Finances of the State Government

**Table - 1.27: Loans & Advances by the State Government**

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
<b>OPENING BALANCE</b>	<b>66.86</b>	<b>81.97</b>	<b>59.49</b>	<b>66.99</b>	<b>73.53</b>
Amount advanced during the year	18.53	4.93	12.98	10.33	5.07
Amount recovered during the year	3.42	27.41	5.48	3.79	5.68
<b>CLOSING BALANCE</b>	<b>81.97</b>	<b>59.49</b>	<b>66.99</b>	<b>73.53</b>	<b>72.92</b>
<i>Net Addition</i>	<i>15.11</i>	<i>(-) 22.48</i>	<i>7.50</i>	<i>6.54</i>	<i>(-) 0.61</i>

(Source: Finance Accounts of respective years)

The amount of Loans & Advances by the State Government decreased from ₹ 10.33 crore in 2016-17 to ₹ 5.07 crore in 2017-18. Out of this, ₹ 1.75 crore pertains to Economic Services (Loans for Co-operation) and ₹ 3.32 crore to Government Servants. The repayment of Loans and Advances increased by ₹ 1.89 crore in 2017-18 mainly on account of recovery of Loans for Co-operation (₹ 2.64 crore) and Loans to Government Servants (₹ 3.04 crore).

### 1.8.3 Cash Balances and Investment of Cash Balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA), Ordinary or Special, from the Reserve Bank of India (RBI) has been put in place. The operating limit for ordinary WMA is reckoned as the three-year average of Revenue Receipts and the operative limit for special WMA is fixed by RBI from time to time depending on the holding of Government securities. Overdrafts are given by the RBI, if the state has a minus balance after availing of the maximum advances.

Under an agreement with the RBI, the State Government has to maintain an all-time minimum balance of ₹ 26.00 lakh with RBI. If the balance falls below the agreed minimum, the Government can take ordinary WMA from the RBI, in addition, special WMAs are made available against GoI securities held by the State Government.

The State Government did not avail any ways and means advance during the current year.

The Cash Balances and Investments made by the State Government out of Cash Balances during 2017-18 are shown in **Table 1.28**

**Table - 1.28: Cash Balances and Investment of Cash Balances**

(₹ in crore)

	Opening balance on 1 April 2017	Closing balance on 31 March 2018
<b>A. General Cash Balance</b>		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank	(-) 599.28	(-) 7.44
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	317.17	392.00
<b>Total (A)</b>	<b>(-) 282.11</b>	<b>384.56</b>
<b>B. Investments held in Cash Balance investment account</b>	<b>1103.03</b>	<b>1138.91</b>
<b>(a) Total (A+B)</b>	<b>820.92</b>	<b>1,523.47</b>

## Finances of the State Government

	Opening balance on 1 April 2017	Closing balance on 31 March 2018
<b>(b) Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public Works, Forest Officers	6.46	7.97
Permanent advances for contingent expenditure with departmental officers	0.00	0.01
Investment of earmarked funds	519.90	711.55
<b>Total (b)</b>	<b>526.35</b>	<b>719.53</b>
<b>Total (a) + (b)</b>	<b>1347.28</b>	<b>2243.00</b>
<b>Interest realized</b>	<b>55.43</b>	<b>45.28</b>

(Source: Finance Accounts 2017-18)

Cash Balances of the State Government increased from ₹ 1,347.28 crore in 2016-17 to ₹ 2,243.00 crore in 2017-18. There was a difference of ₹ 14.67 crore (net debit) at the end of accounting year 2017-18 between the General Cash Balance as worked out by the Accountant General (₹ 7.44 crore) and as reported by the RBI (₹ 22.11 crore). This difference was mainly due to misclassification of transactions by bank/ treasuries. As of 31 March 2018, the State Government invested ₹ 1,138.91 crore in GoI Treasury Bills. During 2017-18, Interest of ₹ 45.28 crore was earned on investment of Cash Balances. Despite having huge cash balances, the State Government resorted to borrowings. The Government could have lowered its borrowings and saved interest thereon as the borrowings have been done at an average interest rate of 7.28 per cent whereas average interest received on cash investment was only four per cent.

### 1.9 Assets and Liabilities

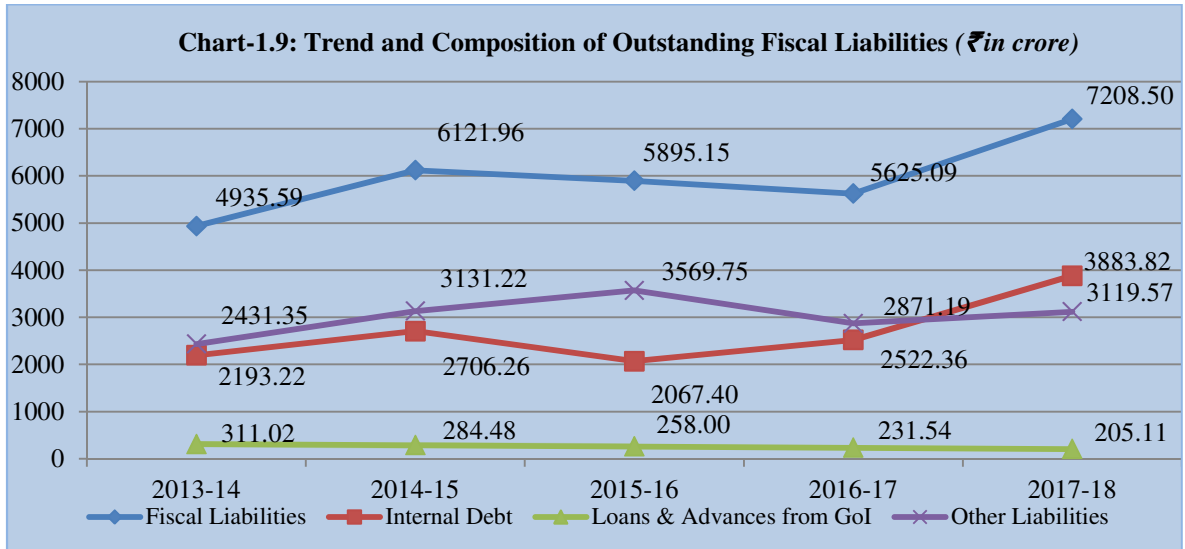
#### 1.9.1 Growth and Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of Fixed Assets like land and buildings owned by the Government is not done. However, Government accounts do capture financial liabilities of the Government and assets created out of expenditure incurred. *Appendix 1.5* gives an abstract of such liabilities and assets as on 31 March 2018, compared with the corresponding position on 31 March 2017. While, liabilities consist mainly of Internal Borrowings, Loans & Advances from GoI, receipts from Public Account and Reserve Funds, Assets comprise mainly of Capital Outlay and Loans & Advances given by the State Government and Cash Balances.

#### 1.9.2 Fiscal Liabilities

Trends and composition of fiscal liabilities during the last five years are presented in **Chart 1.9**.

## Finances of the State Government



(Source: Finance Accounts of respective years)

**Table 1.29** gives the Fiscal Liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to Revenue Receipts and to the State's Own Resources and also the buoyancy of Fiscal Liabilities with reference to these parameters.

**Table - 1.29: Fiscal Liabilities – Basic Parameters**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Fiscal Liabilities (₹ in crore)</b>	<b>4,935.59</b>	<b>6,121.96<sup>16</sup></b>	<b>5,895.15</b>	<b>5,625.09</b>	<b>7,208.50</b>
Rate of Growth (per cent)	11.09	24.04	(-)3.70	(-) 4.58	28.15
<b>Ratio of Fiscal Liabilities to</b>					
GSDP (per cent)	33.85	34.09	28.85	25.10	29.49
Revenue Receipts (per cent)	84.80	67.01	55.86	47.75	52.33
Own Resources (per cent)	587.87	665.58	635.81	448.73	609.99
<b>Buoyancy of Fiscal Liabilities to</b>					
GSDP (ratio)	0.68	1.04	(-) 0.27	(-) 0.47	3.11
Revenue Receipts (ratio)	10.87	0.42	(-)0.24	(-)0.39	1.66
Own Resources (ratio)	0.28	2.52	(-)4.61	(-)0.13	(-) 4.91

(Source: Finance Accounts of respective years)

Fiscal Liabilities of ₹ 7,208.50 crore during 2017-18 consisted of Internal Debt (market loans, WMAs, loans from Financial Institutions and Special Securities issued to National Small Savings Fund, etc.): ₹ 3,833.82 crore; Loans & Advances from the Central Government: ₹ 205.11 crore; Public Account Liabilities (Small Savings, Provident Funds, etc., Reserve Funds and Deposits): ₹ 3,119.57 crore. The Fiscal Liabilities of the State increased (46.05 per cent) from ₹ 4,935.59 crore in 2013-14 to ₹ 7,208.50 crore in 2017-18. The ratio of Fiscal Liabilities to GSDP decreased from 33.85 per cent in 2013-14 to 29.49 per cent in 2017-18. The buoyancy of these liabilities with respect to GSDP during the year was 3.11 indicating that for each one per cent increase in GSDP, fiscal liabilities increased by 3.11 per cent.

<sup>16</sup> The difference of ₹ 0.25 crore between last year's Closing Balance and this year's Opening Balance is due to correction of error in calculation

The liabilities were around 52 *per cent* of Revenue Receipts and 4.50 times the State's own resources at the end of 2016-17, whereas it had worsened to more than six times the State's own resources at the end of March 2018.

The State Government in its Medium Term Fiscal Plan (MTFP) Statement projected the total Outstanding Liabilities-GSDP ratio for the year 2017-18 as 23.45 *per cent*. As can be seen from the **Table 1.29** above, the Fiscal Liabilities-GSDP ratio of the State (29.49 *per cent*) was lower than the limit fixed by the 14<sup>th</sup> FC (31.48 *per cent*) and higher than the MTFP.

### **1.9.3 Transactions under Reserve Fund**

The total Fiscal Liabilities of ₹ 7,208.50 crore include balance of ₹ 723.99 crore under Reserve Funds as on 31 March 2018. The State has three Reserve Funds *viz.*, State Disaster Response Fund (SDRF), Sinking Funds and Other Funds. The status of Reserve Funds is as under:

#### **(a) State Disaster Response Fund**

SDRF was set up by the State Government in 2010-11 with contribution of funds from GoI and the State Government in the ratio of 90:10. During 2017-18, Central Government released an amount of ₹ 51.30 crore towards SDRF. As per the guidelines of this fund, the Central Government contributions along with state share are to be transferred to the Public Account (Major Head- 8121) by operating the Expenditure Major Head 2245. Expenditure incurred during the year on natural calamities should be adjusted by debiting the Public Account with contra deduct debit to the Expenditure Major Head 2245. The remaining amounts of the fund are to be invested. However, contrary to the guidelines, the state government transferred the total contribution of ₹ 57.00 crore (Central Share ₹ 51.30 crore and State Share ₹ 5.70 crore) to a saving Bank Account in State Bank of India. As such, it was not possible to assess the actual utilisation of the fund on natural calamities. At the end of March 2018, outstanding balance under the Public Account Head 8121-112 amounting to ₹ 3.46 crore, remained un-invested.

Further, the amount deposited in the SDRF Bank Account was kept outside the purview of Government Accounts. As such, Audit could not ascertain the quantum of expenditure incurred as well as the balance available in the SDRF Bank Account.

In reply (January 2019), the Government stated that the fund was kept to provide immediate relief to the victims in case of any disaster. Now, the fund under SDRF is in Public Financial Management System (PFMS) platform. However, the reply did not elaborate on the details of the amounts spent from the Bank deposit made in the previous year.

#### **(b) Consolidated Sinking Fund**

The State Government set up a 'Consolidated Sinking Fund' (CSF) in 1999-2000 for amortisation of market borrowings, other loans and non-debt obligations as per the recommendation of 12<sup>th</sup> FC. According to the guidelines of the RBI, which is responsible



for management of the Fund, State Government is required to contribute a minimum of 0.5 per cent of the outstanding liabilities of the previous year. Accordingly, the contribution due from the State Government was ₹ 28.13 crore<sup>17</sup>. Against this, the State Government contributed ₹ 200.00 crore to the Fund. As of 31 March 2018, ₹ 719.90 crore (including previous year's balance of ₹ 519.90 crore) was invested in GoI Securities.

### 1.9.4 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by borrowers for whom the Guarantee was extended. As per the Finance Accounts, the maximum amount for which Guarantees were given by the State and outstanding Guarantees at the end of the year since 2013-14 to 2017-18, is given in **Table 1.30**.

**Table - 1.30: Guarantees given by the Government of Arunachal Pradesh**

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Maximum Amount Guaranteed	2.00	2.00	2.00	2.00	2.00
Outstanding Amount of Guarantees	1.55	0.97	0.97	0.97	0.97
Percentage of Maximum Amount Guaranteed to Total Revenue Receipts	0.03	0.02	0.02	0.02	0.01

(Source: Finance Accounts of respective years)

The outstanding amount of guarantee of ₹ 0.97 crore as at the close of 2017-18 was with respect to the Government guaranteed loans to one Company, i.e., Arunachal Pradesh Industrial Development & Financial Corporation Limited.

No law under Article 293 of the Constitution has been passed by the State Legislature laying down the maximum limit within which the Government may extend Guarantees on the security of the Consolidated Fund of the State.

### 1.9.5 Guarantee Redemption Fund

The Government of Arunachal Pradesh had constituted (February 2018) a 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund would be utilised only towards payment of the guarantees issued by the Government and invoked by the beneficiary and not paid by the institution on whose behalf guarantee was issued.

According to the Act of the fund, the Government should contribute minimum one per cent of the outstanding guarantees at the end of the previous year and thereafter minimum 0.50 per cent every year to achieve a minimum level of three per cent in next five years.

During 2017-18, the State Government contributed ₹ 0.50 crore to the Fund, which was almost 52 per cent of ₹ 0.97 crore (i.e., outstanding guarantee at the end of previous financial year). No guarantee was invoked during the year. As on 31 March 2018, the

<sup>17</sup> 0.5 per cent of the total outstanding liabilities of ₹ 5,625.09 crore of State Government as on 31 March 2017

## Finances of the State Government

total amount lying in the Fund was ₹ 0.50 crores and the entire amount has been invested by the Reserve Bank of India in Government of India Securities.

### 1.10 Debt Management

#### 1.10.1 Debt Sustainability

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

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine debt sustainability of the State. **Table 1.31** shows the debt sustainability of the State according to these indicators for five-year period from 2013-14 to 2017-18.

**Table - 1.31: Fiscal Liabilities – Net Debt Available to the State**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Fiscal Liabilities (FL)	4,935.59	6,121.96 <sup>18</sup>	5,895.15	5,625.09	7,208.50
Rate of Growth (per cent)	11.09	24.04	(-)3.70	(-) 4.58	28.15
GSDP	14,581	17,960	20,433	22,415	24,442
Rate of growth of GSDP (per cent)	16.21	23.17	13.77	9.70	9.04
Ratio of FL to GSDP	33.85	34.09	28.85	25.10	29.49
Average Rate of Interest on Outstanding liabilities (per cent)	6.66	6.35	6.92	6.93	7.28
Interest Payment/ Revenue Receipt (IP/RR) (per cent)	5.37	3.84	3.94	3.39	3.39
Total Debt Receipts	2,037.65	3,985.91	3,110.70	2,222.86	2,908.33
Total Debt Payments (including Interest)	1,232.60	2,448.90	2,921.87	2,093.69	1,792.28
Net Debt available to the State	805.05	1,537.01	188.83	129.17	1,116.05
Debt Repayment/Debt receipt (per cent)	60.49	61.44	93.99	94.19	61.63

(Source:-Finance Accounts of the respective)

**Table-1.31** shows that the Debt-GSDP ratio increased from 25.10 per cent during 2016-17 to 29.49 per cent in 2017-18. The Debt-GSDP ratio during 2017-18 was well within the projected Debt-GSDP ratio set forth by 14<sup>th</sup> FC (31.48 per cent) for Arunachal Pradesh. The net Debt available to the State had been positive during 2013-18 indicating that the incremental revenue receipts were sufficient to meet the incremental primary expenditure and interest burden. The net Debt available to the State stood at positive at ₹ 1,116.05 crore during 2017-18, which indicate that the State had made sustainable efforts to mobilise more resources to meet the incremental liabilities arising on account of additional primary expenditure and interest payments.

The trends in debt redemption ratio fluctuated widely during 2013-18 and decreased to 61.63 per cent during 2017-18 against 94.19 per cent during the previous year. During

<sup>18</sup> The difference of ₹ 0.25 crore between last year Closing Balance and this year Opening Balance is due to correction of error in calculation

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the current year, against total debt receipts of ₹ 2,908.33 crore, Government repaid ₹ 1,792.28 crore as principal and interest on internal debt (₹ 405.81 crore), loans and advances from Central Government (₹ 26.43 crore) and other liabilities<sup>19</sup> (₹ 892.68 crore), as a result borrowed fund of ₹ 1,116.05 crore was available at the end of the year.

### 1.10.2 Debt Profile

As per Statement 17 of the Finance Accounts for the year 2017-18, the maturity profile of the State debt is as indicated in **Table 1.32**.

**Table - 1.32: Maturity Profile of State Debt**

(₹ in crore)

Date maturity	Maturity Profile	Amount			per cent
		Internal Debt	Loans & Advances from GoI	Total	
By 2018-19	0-1 year	135.60	15.38	150.98	3.70
Between 2019-20 & 2020-21	Over 1 year to 3 years	304.33	26.72	331.05	8.09
Between 2021-22 & 2022-23	Over 3 years to 5 years	530.79	24.70	555.49	13.58
Between 2023-24 & 2024-25	Over 5 years to 7 years	713.17	20.34	733.51	17.94
2025-26 onwards	Above 7 years	2,199.94	117.96	2,317.90	56.69
<b>Total</b>		<b>3,883.83</b>	<b>205.10</b>	<b>4,088.93</b>	<b>100.00</b>

The maturity profile of outstanding stock of public debt as on 31 March 2018 indicates that out of the outstanding public debt of ₹ 4,088.93 crore, 43.31 per cent (₹ 1,771.03 crore) was payable within the next seven years while the remaining 55.32 per cent (₹ 2,317.90 crore) was in the maturity bracket of more than seven years. Of the total outstanding public debt, internal debt consisting of market borrowing, loans from LIC, GIC, NABARD etc., constituted 94.98 per cent (₹ 3,883.83 crore).

### 1.11 Fiscal Imbalances

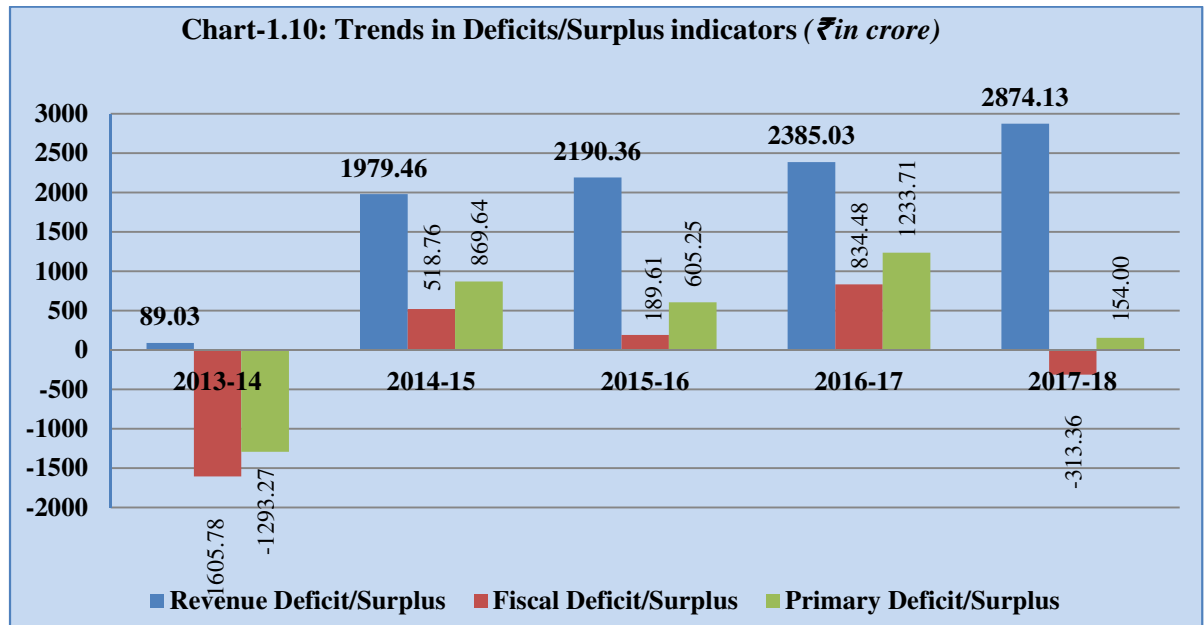
Three key fiscal parameters - Revenue, Fiscal and Primary Deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in Government Accounts represents the gap between receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, ways in which the deficit is financed and resources raised are applied are important pointers to its fiscal health. This Section presents trends, nature, magnitude, the manner of financing deficits and assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/ Rules for the financial year 2017-18.

<sup>19</sup> Small Savings, Provident Funds, Reserve Funds, Deposits, etc.

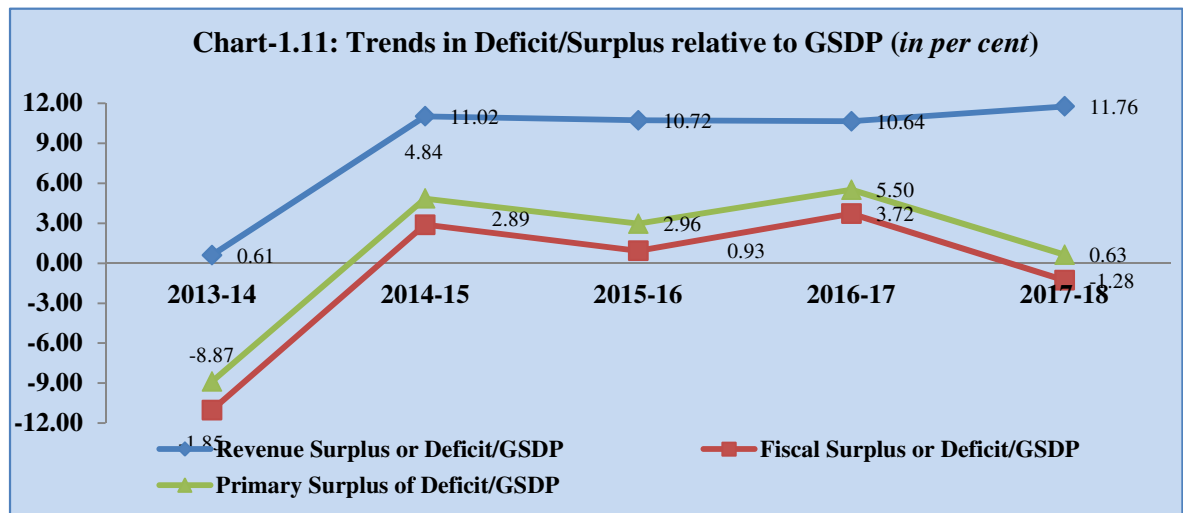
# Finances of the State Government

## 1.11.1 Trends in Deficits/Surplus

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



(Source: Finance Accounts of the respective years)



(Source: Finance Accounts of the respective years)

Chart 1.10 reveals that the State had Revenue Surplus during the period 2013-14 to 2017-18, which increased from ₹ 89.03 crore in 2013-14 to ₹ 2,874.13 crore in 2017-18. Compared to 2016-17, Revenue Surplus in 2017-18 increased by ₹ 489.10 crore (20.51 per cent) due to significant increase in Revenue Receipts by ₹ 1,995.03 crore in 2017-18. Fiscal Surplus, which represents excess of total resource gap over the total borrowings of the Government, decreased from ₹ 834.48 crore in 2016-17 and turned into Fiscal Deficit of ₹ 313.36 crore in 2017-18. The significant increase in Capital Expenditure (₹ 1,644.09 crore) together with increase in Revenue expenditure (₹ 1,505.93 crore) over the previous year mainly led to Fiscal Deficit.

## Finances of the State Government

As per recommendations of the 14<sup>th</sup> FC, Fiscal Deficit of all States will be anchored to an annual limit of three *per cent* of GSDP. The State was successful to maintain the limit as prescribed by the 14<sup>th</sup> FC.

The Primary Deficit of ₹ 1,293.27 crore, experienced by the State during 2013-14, took a turnaround in 2014-15 followed upto 2017-18, resulting in a Primary Surplus of ₹ 154.00 crore. The decrease of ₹ 1,079.71 crore (87.52 *per cent*) compared to previous year in primary surplus was mainly due to Fiscal Deficit experienced during the current year.

### 1.11.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the Fiscal Deficit is given in **Table-1.33**.

**Table - 1.33: Components of Fiscal Deficit and its Financing Pattern**

(₹ in crore)						
Sl. No	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Decomposition of Fiscal Deficit</b>						
	<b>Fiscal Deficit (-)/Surplus (+)</b>	(-)1605.78	518.76	189.61	834.48	(-)313.36
1	Revenue Deficit (-)/Surplus (+)	89.03	1,979.46	2,190.36	2,385.03	2,874.13
2	Net Capital Expenditure	1,679.70	1,483.18	1,993.25	1,544.01	3,188.10
3	Net Loans & Advances	(-)15.11	22.48	(-)7.50	(-)6.54	0.61
<b>Financing pattern of Fiscal Deficit</b>						
1	Market borrowings	199.82	178.49	58.76	287.28	703.10
2	Other Loans	-	-	-	-	(-) 6.85
3	Loans from GoI	(-)27.73	(-)26.53	(-)26.49	(-)26.45	(-) 26.43
4	Special Securities issued to NSSF	23.23	51.70	98.07	86.77	93.42
5	Loans from Financial Institutions	(-)10.25	9.23	(-)66.26	89.21	115.97
6	Small Savings, PF, etc.	143.53	200.03	135.66	157.23	241.13
7	Reserve Funds	62.54	20.00	200.00	171.55	137.87
8	Deposits and Advances	44.22	480.25	72.37	(-)1305.66	(-)134.19
9	Suspense and Miscellaneous	914.58	(-)1,686.94	(-)454.00	148.74	(-)404.85
10	Remittances	(-)87.92	82.93	723.89	(-)363.18	34.09
11	Increase (-)/ Decrease (+) in cash balances	343.76	(-)101.53	(-)202.18	(-)71.67	(-)895.72
12	Increase/ Decrease in WMAs, Overdraft	0.00	273.61	(-)729.43	(-)8.30	455.82*
	<b>Overall Deficit (1 to 11) (-)</b>	1,605.78	(-)518.76	(-)189.61	(-)834.48	313.36

(Source: Finance Accounts of respective years)

\*This was due to rectification of misclassification of Ways and means advance of 2013-14

The table shows that the State observed Fiscal surplus during 2014-15 to 2016-17, however, the State turned into Fiscal deficit of ₹ 313.36 crore during 2017-18

The increase in Capital Expenditure during the year indicated that borrowed funds were being utilised for productive uses more than that of previous year. The Government should continue this trend as the solution to the Government debt problem lies on the method of application of borrowed funds *i.e.*, whether they are being used efficiently and productively for Capital Expenditure. This would either provide returns directly or result in increased productivity of the economy. It may also result in increase in Government revenue in future making debt payments manageable.

## Finances of the State Government

### 1.11.3 Quality of Deficit/Surplus

The ratio of Revenue Deficit to Fiscal Deficit and decomposition of Primary Deficit into Primary Revenue Deficit and Capital Expenditure (including Loans & Advances) would indicate the quality of deficit in the State's finances. The ratio of Revenue Deficit to Fiscal Deficit indicates the extent to which borrowed funds were used for current consumption. Further, a persistently high ratio of Revenue Deficit to Fiscal Deficit also indicates that the asset base of the State is continuously shrinking and a part of borrowings (Fiscal Liabilities) does not have any asset back-up. The bifurcation of Primary Deficit (**Table 1.34**) would indicate the extent to which the deficit was on account of enhancement in Capital Expenditure, which may be desirable to improve the productive capacity of the State's economy.

**Table - 1.34: Primary Deficit/ Surplus – Bifurcation of Factors**

(₹ in crore)

Year	Non-Debt Receipt	Primary Revenue Expenditure	Capital Expenditure	Loans & Advances	Primary Expenditure	Primary Revenue Surplus	Primary Deficit (-)/ Surplus (+)
1	2	3	4	5	6 (3 + 4 + 5)	7 (2 - 3)	8 (2 - 6)
2013-14	5,823.85	5,418.89	1,679.70	18.53	7,117.12	404.96	(-)1,293.27
2014-15	9,163.46	6,805.71	1,483.18	4.93	8,293.82	2,357.75	(+)869.64
2015-16	10,558.58	7,947.10	1,993.25	12.98	9,953.33	2,611.48	(+)605.25
2016-17	11,783.36	8,995.31	1,544.01	10.33	10,549.65	2,788.05	(+)1233.71
2017-18	13,780.28	10,433.11	3,188.10	5.07	13,626.28	3,347.17	(+)154.00

(Source: Finance Accounts of respective years)

Analysis of the factors resulting into Primary Deficit or Surplus of the State during 2013-14 to 2017-18 revealed that only in 2013 - 14, the State experienced Primary Deficit as the Non-Debt Receipts were not enough to meet expenditure requirements under Revenue, Capital and Loans & Advances Account. However, from 2014-15 to 2017-18, Non- debt Receipts were sufficient to meet the expenditure requirement under Revenue, Capital and Loans & Advances Accounts, resulting in Primary Surplus. Primary Deficit of ₹ 1,293.27 crore during 2013 - 14 turned into Primary surplus of ₹ 869.64 crore in 2014 - 15 and continued as Primary Surplus of ₹ 154.00 crore during 2017-18, which is desirable and needs to be maintained in a consistent manner.

### 1.12 Conclusion

The State had Revenue Surplus during the period 2013-14 to 2017-18, which increased from ₹ 89.03 crore in 2013-14 to ₹ 2,874.13 crore in 2017-18. Though, the State had a Fiscal deficit of ₹ 313.36 crore in 2017-18, still it was well below the Fiscal Deficit limit of three *per cent* of GSDP as recommended by 14<sup>th</sup> FC.

The Revenue Receipts of the State grew steadily from ₹ 5,820.43 crore in 2013-14 to ₹ 13774.60 crore in 2017-18. However, the State's Own Resources (Tax and Non-Tax Resources) constituted only around Nine *per cent* of the Revenue Receipts during 2017-18. ***The State Government may explore mobilising additional resources through Tax and non-Tax sources.***

Both Revenue and Capital Expenditure increased by ₹ 1,505.93 crore (16.03 per cent) and ₹ 1,644.09 crore (106.48 per cent) respectively over the previous year. Revenue Expenditure accounted for 77 per cent of the State's Total Expenditure during 2017-18, which was in the nature of current consumption, thereby, leaving only 23 per cent for Capital Expenditure (investment in infrastructure and asset creation). The Committed Expenditure on salaries and wages, interest payments, pension and subsidies grew from ₹ 3,265.68 crore in 2013-14 to ₹ 5,826.76 crore in 2017-18.

The maturity profile of outstanding stock of public debt as on 31 March 2018 indicates that out of the outstanding public debt of ₹ 4,088.93 crore, 43.31 per cent (₹ 1,771.03 crore) was payable within the next seven years.

During 2017-18, the Government had invested ₹ 250.02 crore in Government Companies, Co-operative Bank, Societies, etc. The average return on this investment was *Nil* in the last five years while, the Government paid an average interest rate ranging from 6.35 to 7.28 per cent on its borrowings during 2013-18. Out of the five working Government Companies, accumulated losses in two Companies had exceeded their paid-up capital and in one Company, the accumulated loss was more than 80 per cent of the paid-up capital; the remaining two Companies were in profit.

***The Government may consider reviewing the continuance of these loss-making companies from the perspective of their public utility.***

The outstanding fiscal liabilities have shown a steady increase from ₹ 4,935.59 crore in 2013-14 to ₹ 7,208.50 crore in 2017-18. The ratio of fiscal liabilities to GSDP has decreased marginally from 33.85 per cent in 2013-14 to 29.49 per cent in 2017-18, which was lower than the limit prescribed by the 14<sup>th</sup> FC for 2017-18.

Cash Balances of the State Government at the end of the current year increased by ₹ 895.72 crore from ₹ 1,347.28 crore in 2016-17 to ₹ 2,243.00 crore in 2017-18. The State Government from the investments made in GoI Securities and Treasury Bills, had earned an interest of ₹ 45.28 crore during 2017-18.

