

Chapter I

Finances of the State Government

Introduction

This chapter provides a broad perspective of the finances of the Government of Haryana during 2017-18 and analyses changes observed in the movement of major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last five years. The structure and form of Government accounts have been explained in *Appendix 1.2 Part A* and the layout of the Finance Accounts is depicted in *Appendix 1.2 Part B*. The methodologies adopted for assessment of the fiscal position are given in *Appendix 1.3*.

1.1 Profile of State

Haryana is an agrarian State with 22 districts, 14 of which are part of the National Capital Region. The State is located near the national capital. It is the 21st largest State in terms of geographical area (44,212 sqkm) and 18th by population (as per 2011 census). The State's population increased from 2.11 crore in 2001 to 2.54 crore in 2011 recording a growth of 20.38 *per cent*. The percentage of population below the poverty line was 11.20 which is lower than the all-India average of 21.90. The State's Gross State Domestic Product (GSDP) in 2017-18 at current prices was ₹ 6,08,471 crore. The State's literacy rate increased from 67.91 *per cent* (as per 2001 census) to 75.60 *per cent* (as per 2011 census) (*Appendix 1.1*). The per capita income of the State for 2017-18 is ₹ 1,96,982¹.

Gross State Domestic Product (GSDP)

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 standard of living of the State's population. The trends in the annual growth of India's GDP and GSDP of Haryana at current prices and constant prices are indicated in **Table 1.1**.

¹ Source: Directorate of Economic and Statistical Analysis, Haryana

Table 1.1: Comparative statement of GDP vis-à-vis GSDP

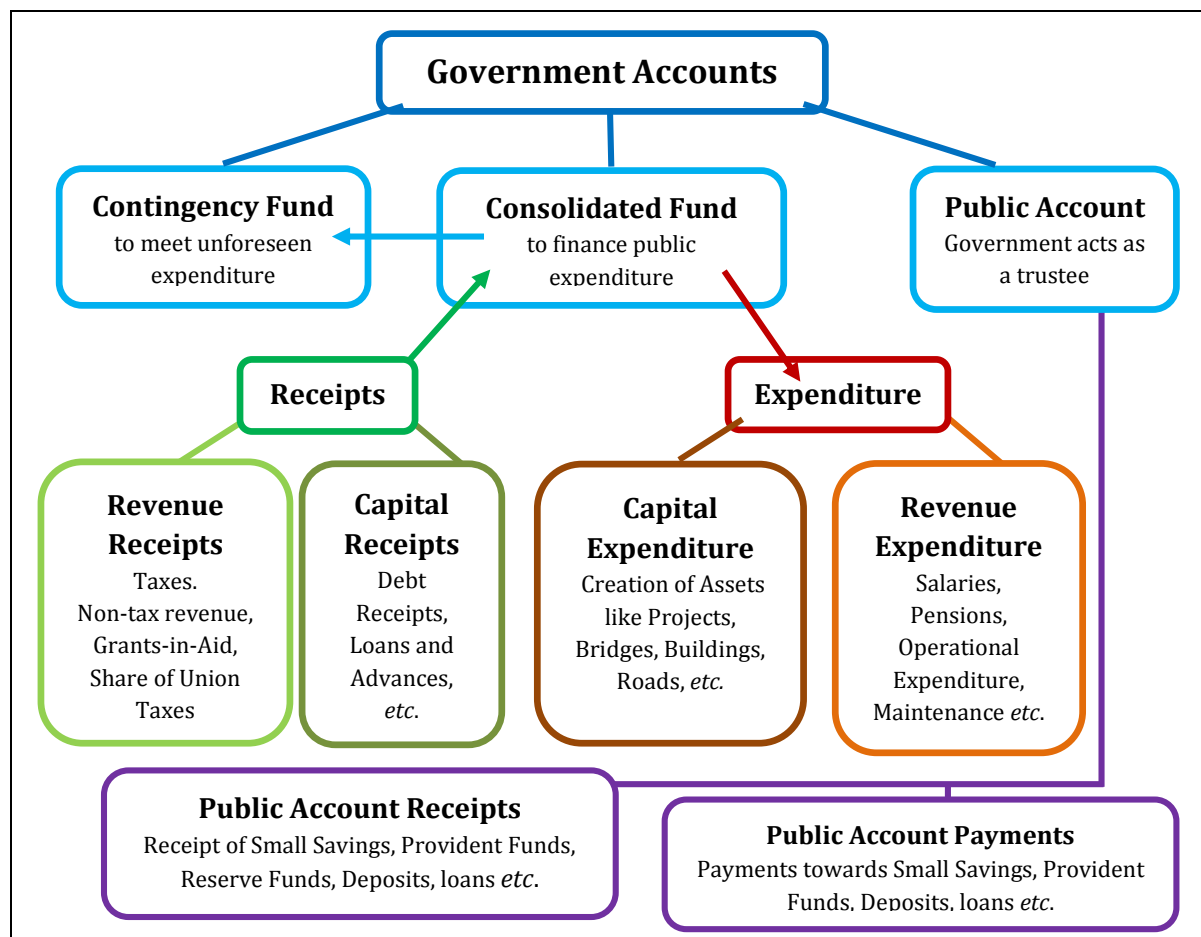
Year	2013-14	2014-15	2015-16	2016-17	2017-18
Current Prices					
India's GDP (₹ in crore)	1,12,33,522	1,24,67,959	1,37,64,037	1,52,53,714	1,67,73,145
Growth rate of GDP (Percentage)	12.97	10.99	10.40	10.82	9.96
State's GSDP (₹ in crore)	3,99,268	4,36,962	4,85,824	5,45,323	6,08,471
Growth rate of GSDP (Percentage)	15.05	9.44	11.18	12.25	11.58
Growth rate of Neighbouring States					
Punjab	11.56	6.91	9.85	9.81	10.03
Uttarakhand	13.27	8.29	8.88	11.28	11.25
Constant Prices (Base year 2011-12)					
India's GDP (₹ in crore)	98,01,370	1,05,27,674	1,13,86,145	1,21,96,006	1,30,10,843
Growth rate of GDP (Percentage)	6.39	7.41	8.15	7.11	6.68
State's GSDP (₹ in crore)	3,47,507	3,70,400	4,08,562	4,42,201	4,77,736
Growth rate of GSDP (Percentage)	8.29	6.59	10.30	8.23	8.04

(Source: Directorate of Economic and Statistical Analysis, Haryana and Central Statistics Office)

1.1.1 Summary of Fiscal Transactions

Government finances comprise the following:

Chart 1.1: Structure of Government Accounts



Source: Based on Budget Manual

The summary of the State Government's fiscal transactions during the current year (2017-18) *vis-à-vis* the previous year (2016-17) is given in **Table 1.2**.

Table 1.2: Summary of Fiscal operations in 2017-18

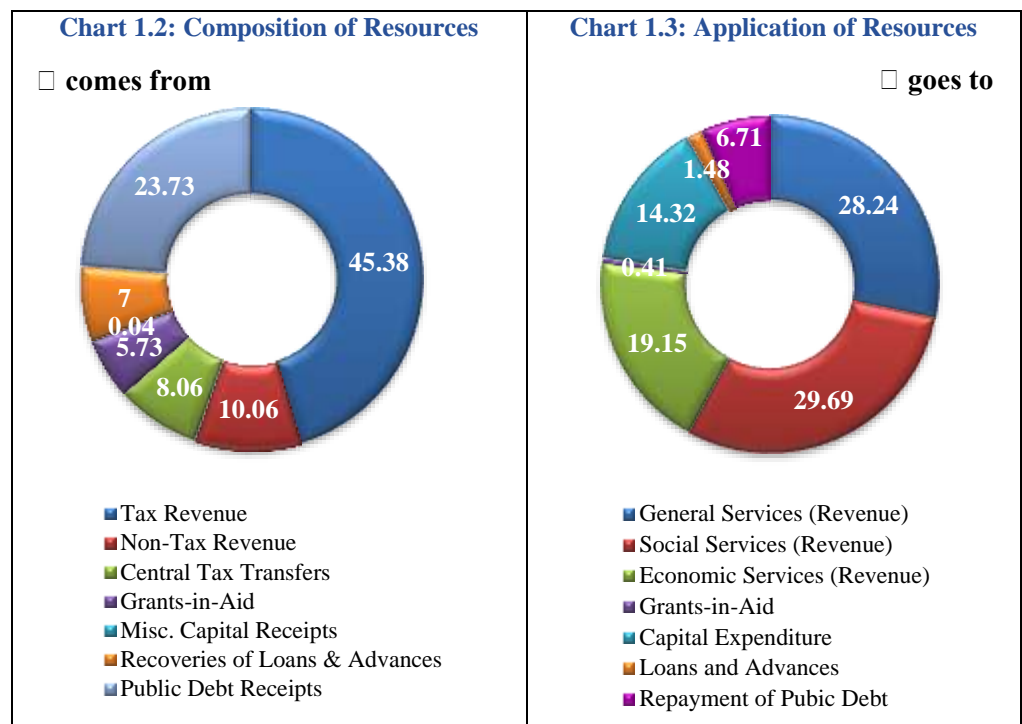
(₹ in crore)

Receipts	2016-17	2017-18	Disbursements	2016-17	2017-18
Section-A: Revenue					
Revenue receipts	52,496.82	62,694.87	Revenue expenditure	68,403.43	73,257.36
Tax revenue	34,025.68	41,099.38	General Services	21,630.79	26,698.68
Non-tax revenue	6,196.09	9,112.85	Social Services	25,473.49	28,061.34
Share of Union Taxes/ Duties	6,597.47	7,297.52	Economic Services	20,875.21	18,106.82
Grants from Government of India	5,677.58	5,185.12	Grants-in-aid and Contributions	423.94	390.52
Section-B: Capital and others					
Misc. Capital Receipts	26.27	39.87	Capital Outlay	6,863.10	13,537.90
Recoveries of Loans and Advances	973.23	6,340.93	Loans and Advances disbursed	4,514.91	1,394.89
Public Debt Receipts	28,169.52	21,489.76	Repayment of Public Debt	5,275.84	6,338.85
Contingency Fund	80.14	26.77	Contingency Fund	80.14	26.77
Public Account Receipts	32,107.64	33,894.25	Public Account disbursements	29,275.67	31,171.48
Opening Cash Balance	6,217.73	5,658.26	Closing Cash Balance	5,658.26	4,417.46
Total	1,20,071.35	1,30,144.71	Total	1,20,071.35	1,30,144.71

(Source: Finance Accounts for the respective years)

Appendix 1.5 part A provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Composition of sources and application of funds in the Consolidated Fund of the State during 2017-18 is given in **Chart 1.2** and **Chart 1.3**.



Source: Finance Accounts

Comparison of key elements of State Finances in 2017-18 (*Chart 1.2 and 1.3*) with that of the previous year 2016-17 is summarized below:

Table 1.3: Key parameters

Positive Indicators	Parameters requiring close watch
↑ Increase in Tax Revenue by 21 per cent	↓ Increase in Revenue Expenditure by 7 per cent
↑ Decrease in Public Debt receipts by 24 per cent	↓ Decrease in Cash Balance by ₹ 1,240.80 crore

1.1.2 Review of the fiscal situation

Fiscal reforms path in Haryana

In Haryana, fiscal reforms and consolidation were brought to the forefront with the State Government enacting the Fiscal Responsibility and Budget Management (FRBM) Act on 6 July, 2005 as per recommendations of the 12th Finance Commission with the objective of eliminating revenue deficit and reducing fiscal deficit within the prescribed limit. Further necessary amendments in Haryana FRBM Act had not been made so far for want of requisite guidelines in this regard from the GoI.

The FFC has projected an average annual growth rate of 15.73 per cent for GSDP at current prices for the State for the period 2015-16 to 2019-20. Keeping in view the Fourteenth Finance Commission (FFC) recommendations regarding growth, revenues and fiscal management, new set of targets have been fixed.

Major fiscal variables provided in the budget, based on the recommendations of the FFC and as projected by the State in Medium Term Fiscal Policy Statement (MTFPS) are shown in **Table 1.4**.

Table 1.4: Variations in major fiscal variables from projections (percentage of GSDP)

Fiscal variables		2017-18						
		Targets as prescribed by FFC	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	Actuals	Variation of actuals from projections		
						Targets prescribed by FFC	Targets of Budget	Projections of Five year fiscal plan/ MTFP
Revenue Deficit (-) / Surplus (+)	Including UDAY	(+) 0.81	(-) 1.80	(-) 1.86	(-) 1.74	(-) 2.55	(+) 0.06	(+) 0.12
	Excluding UDAY	--	(-) 0.94	(-) 0.97	(-) 1.39	--	(-) 0.45	(-) 0.42
Fiscal Deficit/ GSDP	Including UDAY	(-) 3.25	(-) 2.84	(-) 2.84	(-) 3.14	(+) 0.11	(-) 0.30	(-) 0.30
	Excluding UDAY	--	(-) 2.61	(-) 2.61	(-) 2.79	-	(-) 0.18	(-) 0.18
Ratio of total outstanding debt to GSDP	Including UDAY	20.45	22.93	22.93	26.97	6.52	4.04	4.04
	Excluding UDAY	--	18.74	18.74	22.70	-	3.96	3.96

- FFC recommended that the State should be revenue surplus and projected the revenue surplus for the year 2017-18 to be ₹ 4,950 crore (0.81 per cent of GSDP) against which, in actual, there was revenue

deficit of ₹ 10,562 crore (1.74 per cent of GSDP). However, the revenue deficit of the State was within the projection made in the budget and MTFPS (Appendix 1.6).

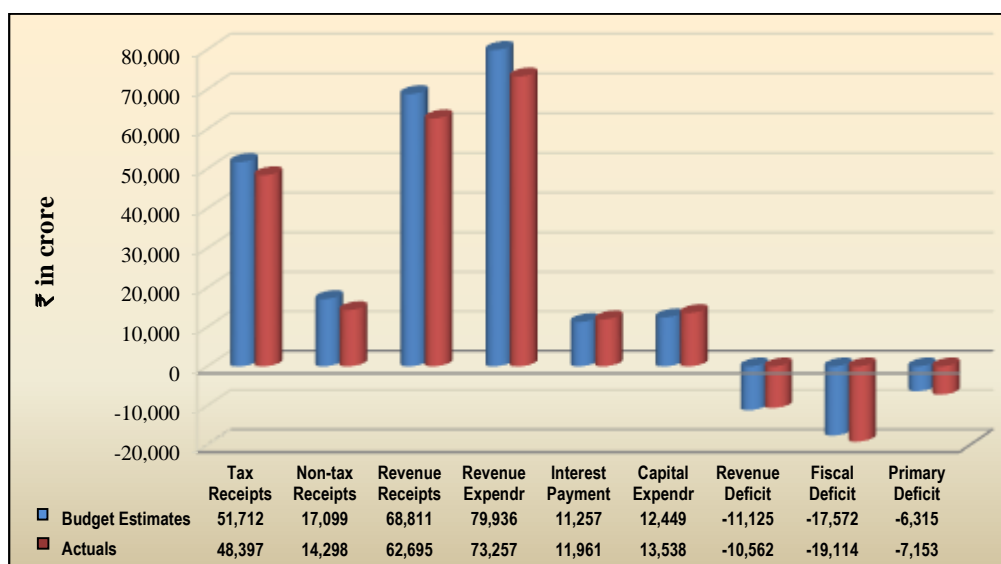
- **The fiscal deficit was within the recommendations of FFC but higher than the projections made in budget and MTFPS.** The ratio of outstanding liabilities to GSDP at 26.97 per cent was higher than the recommendations of FFC as well as projections made in budget and MTFPS.

The State Government had not made necessary amendments in Haryana FRBM Act as per the guidelines of FFC. The State even failed to achieve targets recommended by the FFC in respect of Revenue Deficit and Outstanding Debt.

1.1.3 Budget estimates and actual

The budget papers provide estimates of revenue and expenditure for a particular fiscal year. The estimation of revenue and expenditure should be made as accurately as possible so that variations can be analysed to find out the genuine causes. The Budget estimates and actual for some important fiscal parameters are given in **Chart 1.4**.

Chart 1.4: Selected Fiscal Parameters: Budget Estimates vis-a-vis Actuals for 2017-18



- As against the targeted revenue receipt of ₹ 68,811 crore, the actual revenue receipts were ₹ 62,695 crore (91.11 per cent).
- The collection under tax receipts was only ₹ 48,397 crore against the anticipated receipt of ₹ 51,712 crore mainly due to lesser receipt under VAT and GST which was ₹ 26,442 crore against the anticipation of ₹ 30,500 crore under VAT. The receipt in State Excise was ₹ 4,966 crore against the anticipated receipt of ₹ 6,100 crore.

- The non-tax receipts was only ₹ 14,298 crore (83.62 *per cent*) against the anticipated receipt of ₹ 17,099 crore mainly due to lesser receipts under Road Transport (₹ 690 crore), Urban Development (₹ 139 crore) and Education (₹ 356 crore) than the estimated projections.
- The actual revenue expenditure was lesser by ₹ 6,679 crore than the budget provision of ₹ 79,936 crore due to lesser revenue expenditure in social services (₹ 3,342.24 crore) and in economic services (₹ 5,645.44 crore). However, revenue expenditure in general services was more by ₹ 2,319.37 crore due to higher expenditure on pension ₹ 2,183.01 crore.
- The capital expenditure was higher at ₹ 13,538 crore against the budget estimate of ₹ 12,449 crore.
- The Government managed to maintain the revenue deficit below the estimates at ₹ 10,562 crore.
- The actual fiscal and primary deficits were more than anticipated.

The Revenue Receipts fell short of the budgeted targets and Revenue Expenditure was also below the budget projections. Though the State Government succeeded in keeping the Revenue Deficit within the budget estimates but the assumption of FFC of Revenue Surplus State could not be achieved. The fiscal deficit at 3.14 *per cent* of GSDP was more than the projection of 2.84 *per cent*.

1.1.4 Buoyancy Ratios

Buoyancy Ratios indicate the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. The Buoyancy Ratios of Revenue Receipts, State's Own Tax Receipts, Total Expenditure and Fiscal Liabilities are given in **Table 1.5**.

Table 1.5: Buoyancy Ratios of Receipts, Expenditure and Fiscal Liabilities in comparison to GSDP

	2013-14	2014-15	2015-16	2016-17	2017-18
GSDP (₹ in crore)	3,99,268	4,36,962	4,85,824	5,45,323	6,08,471
Rate of Growth of GSDP (in per cent)	15.05	9.44	11.18	12.25	11.58
Revenue Receipts (RR)					
RR during the year (₹ in crore)	38,012	40,799	47,557	5,2497	62,695
Rate of growth of RR (in per cent)	13.02	7.33	16.56	10.39	19.43
Buoyancy of RR with respect to GSDP	0.86	0.78	1.48	0.85	1.68
State's Own Tax Revenue (SOTR)					
SOTR during the year (₹ in crore)	25,567	27,635	30,929	34,026	41,099
Rate of Growth of SOTR (in per cent)	8.52	8.09	11.92	10.01	20.79
Buoyancy of SOTR with GSDP	0.57	0.86	1.07	0.82	1.80
Total Expenditure (TE)					
TE during the year (₹ in crore)	46,598	53,677	79,394	79,781	88,190
Rate of Growth of TE (in per cent)	5.05	15.19	47.91	0.49	10.54
Buoyancy of TE with GSDP	0.34	1.61	4.28	0.04	0.91
Fiscal Liabilities (FL)					
FL at the end of the year (₹ in crore)	76,263	88,446	1,20,718	1,46,371	1,64,076
Rate of Growth of FL (per cent)	17.66	15.97	36.49	21.25	12.10
Buoyancy of FL with GSDP	1.17	1.69	3.26	1.74	1.04

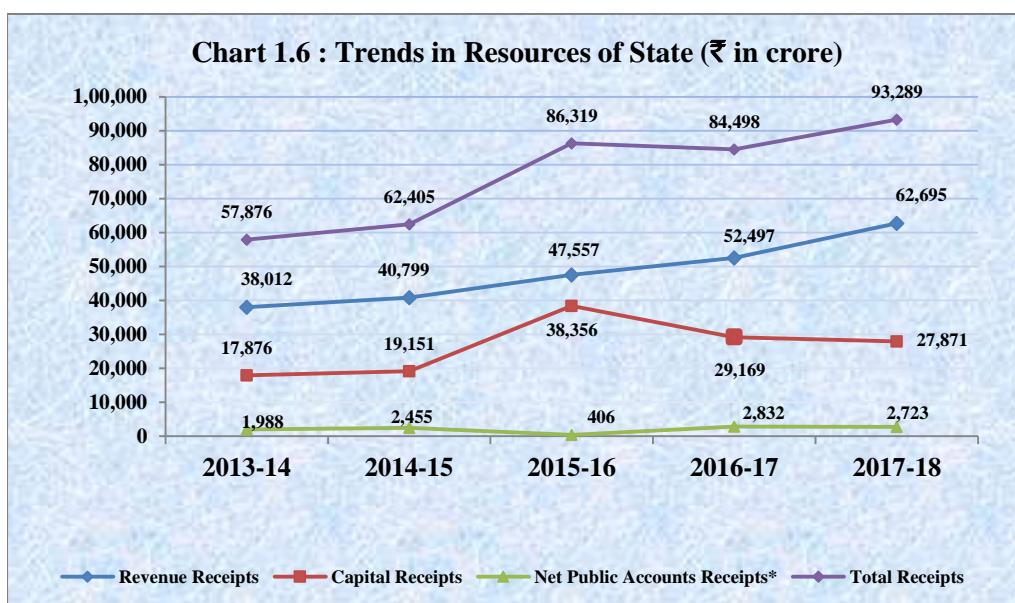
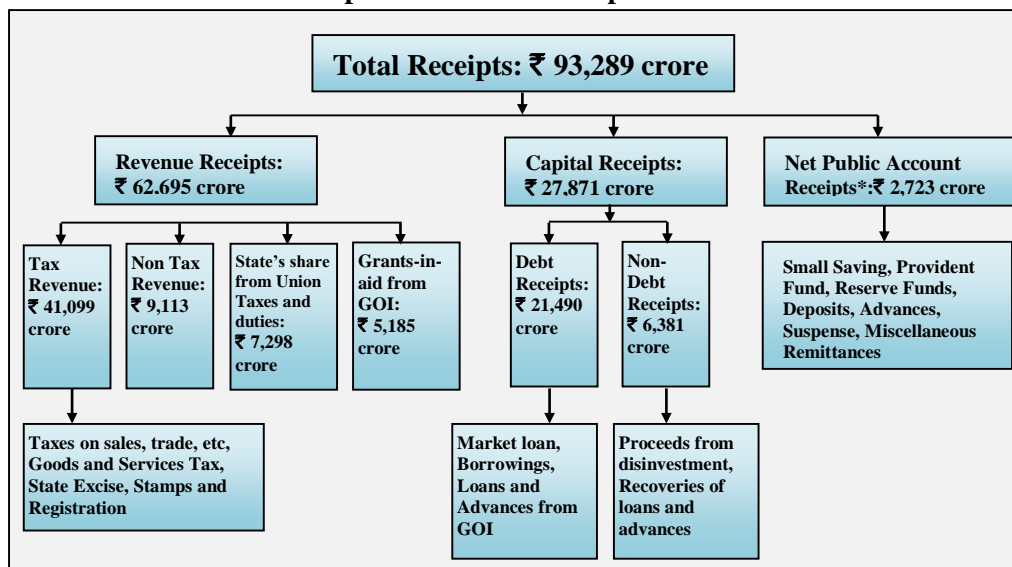
Source: Finance Accounts of respective years

It can be seen that the Buoyancy of RR and SOTR with reference to GSDP was higher during 2017-18. This indicates that during 2017-18 the growth rate of RR was higher than the growth rate of GSDP. The growth rate of TE was less than the growth rate of GSDP while the growth rate of fiscal liabilities was more than that of GSDP.

1.2 Resources of the State as per Finance Accounts 2017-18

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI as well as accruals from Public Account. **Table 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.6** depicts the trends in various components of the receipts of the State during 2013-18, the **Chart 1.5 and Chart 1.7** depict the composition of resources of the State during the current year.

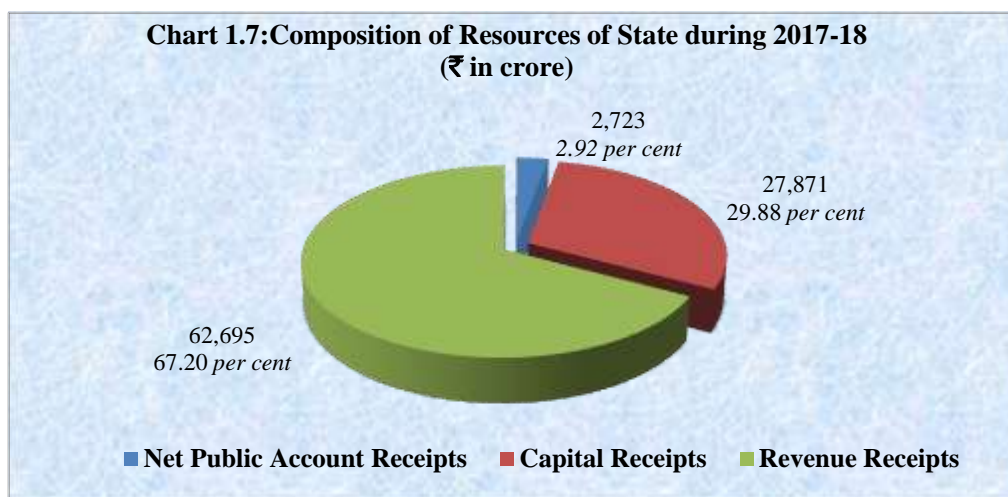
Chart 1.5: Components and sub component of the resources



(Source: State Finance Accounts of the respective years)

- Net Public Account Receipts (₹ 2,723 crore) = Public Account Receipts (₹ 33,894 crore) less Public Accounts Disbursements (₹ 31,171 crore)

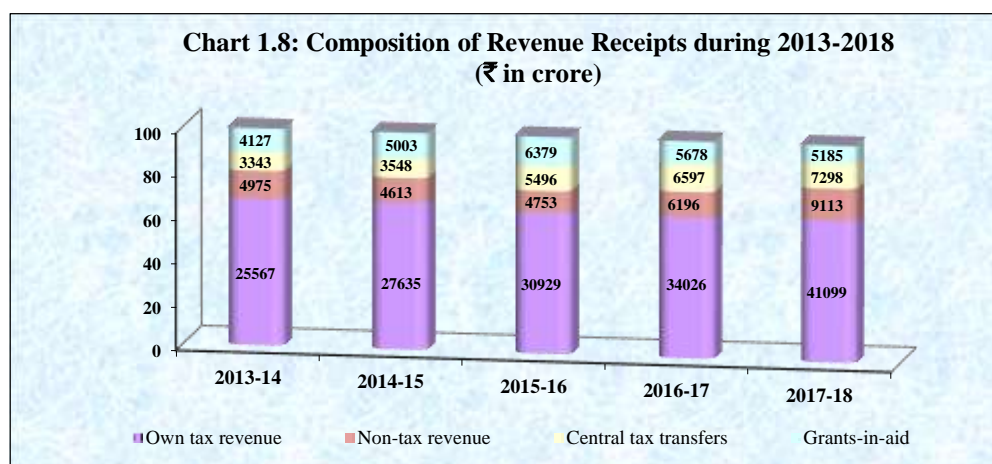
The total receipts of the Government increased by ₹ 35,413 crore (61.19 per cent) during 2013-18. Revenue receipts increased by ₹ 24,683 crore (64.93 per cent), Capital receipts, which includes recovery of loans and advances and public debt, increased by ₹ 9,995 crore (55.91 per cent) and Net Public Account receipts increased by ₹ 735 crore (36.97 per cent) during the same period.



The share of revenue receipts in the total receipts increased from 65.68 per cent in 2013-14 to 67.20 per cent in 2017-18. The share of net Public Accounts receipts slightly decreased from 3.43 to 2.92 per cent and share of capital receipts including debt also decreased from 30.89 per cent to 29.88 per cent during 2013-18.

1.3 Revenue Receipts

The trends and composition of revenue receipts over the period 2013-18 are presented in *Appendix 1.4* and also depicted in **Chart 1.8**.



(Source: State Finance Accounts of respective years)

The revenue receipts of the State increased by 64.93 per cent during the period from 2013-14 to 2017-18. The State's own revenue increased by 60.75 per cent, the grants-in-aid from GoI increased by 25.64 per cent and the central tax transfers increased by 118.31 per cent during the same period. The share of the State's own revenue (tax revenue and non-tax revenue) in the total revenue remains at 80 per cent during 2013-14 and 2017-18. The share of grants-in-aid from GoI decreased from 10.86 per cent in 2013-14 to 8.27 per cent in 2017-18. The share of central tax transfers increased from 8.80 per cent to 11.64 per cent during 2013-14 to 2017-18.

The revenue receipts of the State during the current year grew by 19.43 *per cent* over the previous year. This was mainly due to increase in tax revenue by ₹ 7,073.70 crore (20.79 *per cent*) and of non-tax revenue by ₹ 2,916.76 crore (47.07 *per cent*) as well as increase in share of Union taxes and duties from the Government of India (GoI) by ₹ 700.05 crore (10.61 *per cent*). The increase was partially counter balanced by decrease in grants-in-aid from GoI by ₹ 492.46 crore (8.67 *per cent*). The trends in revenue receipts relative to GSDP are given in **Table 1.6**.

Table 1.6: Trends in Revenue Receipts relative to GSDP

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Receipts (RR) (₹ in crore)	38,012	40,799	47,557	5,2497	62,695
Rate of growth of RR (<i>per cent</i>)	13.02	7.33	16.56	10.39	19.43
SOTR (₹ in crore)	25,567	27,635	30,929	34,026	41,099
Rate of growth of SOTR (<i>per cent</i>)	8.52	8.09	11.92	10.01	20.79

The growth rate of revenue receipts in the current year was 19.4 *per cent* which was higher than the growth rate of 11.3 *per cent* in GCS (*Appendix 1.1*).

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilization of resources is assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2017-18 vis-à-vis assessment made by FFC and MTFPS are given in the **Table 1.7**.

Table 1.7: Actual tax and non-tax receipts vis-à-vis assessment made by FFC and MTFP
(₹ in crore)

	FFC projection	Budget estimates	MTFPS projection	Actual	Percentage variation of actual over		
					FFC projection	Budget estimates	MTFPS projection
Tax revenue	57,315	43,340 ²	43,340	41,099	(-) 28.29	(-) 5.17	(-) 5.17
Non-tax revenue	4,544	10,081 ³	10,082	9,113	100.55	(-) 9.60	(-) 9.60

The actual collection under State's own tax revenue fell short by 28.29 *per cent* of the projections made by FFC and 5.17 *per cent* of budget estimates and MTFPS projection. The actual receipts under non-tax revenue were more by 100.55 *per cent* of the projections made by FFC but fell short by 9.60 *per cent* of budget estimates and MTFPS.

Thus, the State Government could not achieve their own targets projected in the budget and MTFPS.

1.3.1.1 Tax revenue

The gross collection in respect of major taxes and duties are given in **Table 1.8** which also depicts the trends in various components of own tax revenue of the

² Excluding Share of Central Taxes.

³ Excluding share of GIA.

State during 2013-18.

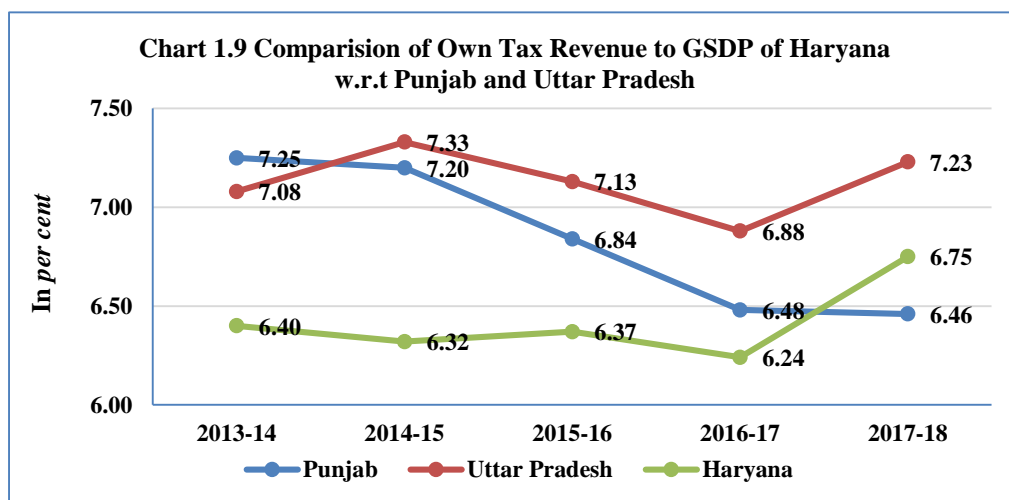
Table 1.8: Components of State's own resources

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18
Taxes on sales, trade, etc.	16,774.33 (9)	18,993.25 (13)	21,060.23 (11)	23,488.41 (12)	15,608.92 (-34)
GST	-	-	-	-	10,833.43
State excise	3,697.35 (14)	3,470.45 (-6)	4,371.08 (26)	4,613.13 (6)	4,966.21 (8)
Taxes on vehicles	1,094.86 (23)	1,191.50 (9)	1,400.38 (18)	1,583.06 (13)	2,777.57 (75)
Stamp duty and Registration fees	3,202.48 (-4)	3,108.70 (-3)	3,191.21 (3)	3,282.63 (3)	4,192.49 (28)
Land revenue	12.42 (-4)	15.28 (23)	14.97 (-2)	16.09 (7)	18.07 (12)
Taxes on goods and passengers	497.45 (6)	527.07 (6)	554.25 (5)	594.59 (7)	2,317.47 (290)
Other taxes ⁴	287.71 (16)	328.32 (14)	336.97 (3)	4,47.77 (33)	385.22 (-14)
Total	25,566.60 (9)	27,634.57 (8)	30,929.09 (12)	34,025.68 (10)	41,099.38 (21)

(The percentage increase over previous year is shown in parenthesis)

(Source: Finance Accounts for the respective years)

Tax revenue increased by ₹ 15,532.78 crore (60.75 per cent) during 2013-18. All the major taxes and duties recorded increasing trend except Taxes on Sales, Trade, etc. during 2017-18 after roll out of GST from 1st July 2017. **The substantial increase in revenue receipt under taxes on goods and passengers by ₹ 1,722.88 crore during the year 2017-18 was due to one-time settlement incentive scheme⁵.**



Own tax-GSDP ratio of Haryana was lower than Punjab and Uttar Pradesh during 2013-17. However, during 2017-18 the Own tax-GSDP ratio of Haryana was marginally higher at 6.75 per cent as compared to Punjab (6.46 per cent).

Goods and Services Tax

State Government implemented the Goods & Services Tax (GST) Act which became effective from 1st July 2017. According to GST (Compensation to the States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the State shall be calculated for every financial

⁴ Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity.

⁵ The State Government launched (June 2017) "the Haryana One Time Settlement Scheme" for recovery of outstanding dues, which provided waiver of penalty and interest on payment of outstanding dues.

year after the receipt of final revenue figures, as audited by the CAG of India. A base year (2015-16) revenue figure was finalized under GST Act. **In case of Haryana, the revenue was ₹ 15,230.59 crore during the base year (2015-16). The projected revenue for any year in a State shall be calculated by applying the projected growth rate (14 per cent per annum) over the base year revenue of that State.**

The projected revenue for the year 2017-18 (1st July 2017 to 31st March 2018) in accordance with base year figure was ₹ 14,845.26⁶ crore. Revenue figure under GST for the year 2017-18 has been depicted in Finance Accounts as per nature of receipt i.e. State Goods & Services (SGST) Tax, cross utilization of Input Tax Credit between SGST and IGST (Integrated Goods & Services Tax), Apportionment of IGST and Advance apportionment from IGST. **Against the projected revenue of ₹ 14,845.26 crore, the revenue receipt of the State Government under GST during the year 2017-18 remained at ₹ 10,943.02 crore and compensation of ₹ 1,199 crore as detailed in Table 1.9. Thus, overall there was a shortfall of ₹ 2,703.24 crore in receipt of compensation as on 31 March 2018.**

Table 1.9: Month-wise impact of GST and compensation received

(₹ in crore)

Month	Monthly revenue to be protected	Pre-GST taxes collected	SGST collected	Provisional apportionment of IGST	Total Amount	Compensation received	Deficit (+)/ Surplus (-)
July 2017	1,649.47	51.22	0.20	0.00	51.42	0.00	1,598.05
August-2017	1,649.47	1.84	159.85	-286.67	-124.98	0.00	1,774.45
September-2017	1,649.47	1.21	1,087.72	113.76	1,202.69	476.00	-29.22
October-2017	1,649.47	1.20	718.07	232.71	951.98	0.00	697.49
November-2017	1,649.47	1.12	1,033.62	152.64	1,187.38	325.00	137.09
December-2017	1,649.47	11.23	1,426.45	380.45	1,818.13	0.00	-168.66
January-2018	1,649.47	1.13	964.07	351.99	1,317.19	0.00	332.28
February-2018	1,649.47	3.40	1,311.33	1,069.50 ⁷	2,384.23	0.00	-734.76
March-2018	1,649.47	37.23	1,823.50	294.25	2,154.98	398.00	-903.51
Total	14,845.26	109.58	8,524.81	2,308.63	10,943.02	1,199.00	2,703.24

Source: Information from PAG (A&E) Haryana

Advance apportionment from IGST

The GoI is to apportion IGST to State Governments under sections 17 of the IGST Act, 2017. The State Tax Division, Ministry of Finance, Department of Revenue (GoI) sanctioned (February 2018) provisional/advance settlement of apportionment of ₹ 667 crore with the condition that amount will be adjusted in the year 2018-19 from the regular settlement of IGST on the basis of monthly returns in ten equal installments starting from April 2018. **However, the GoI adjusted these ₹ 667 crore against the bi-monthly compensation due to State**

⁶ ₹ 15,230.59 x (1+ 14/100)² = ₹ 19,793.675 crore for 2017-18 and for nine months = ₹ 19,793.675 crore x 3/4 = ₹ 14,845.26 crore

⁷ It includes ₹ 667 crore received on account of advance apportionment of IGST.

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

Cost of tax collection

The collection of major taxes, expenditure incurred on their collection and the percentage of such expenditure to collection during the years 2015-16 to 2017-18 are given in **Table 1.10** which shows that **cost of collection is less in the State than the All India Average.**

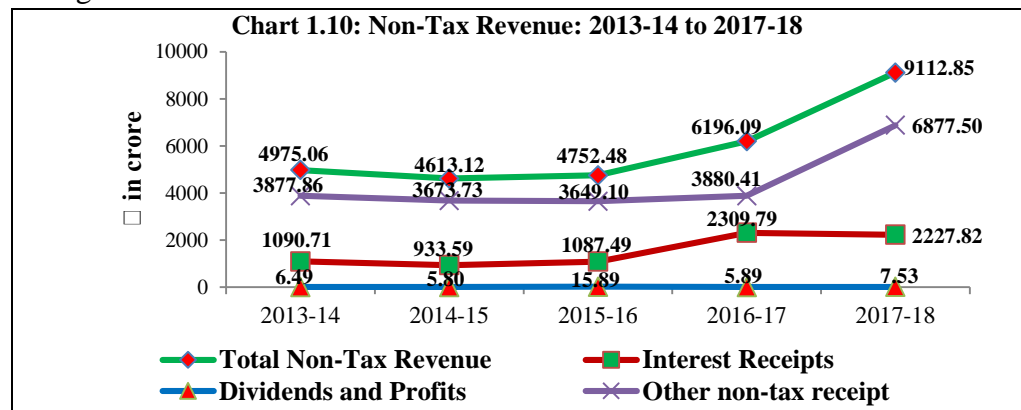
Table 1.10: Cost of collection of taxes

Head	Year	Collection	Expenditure on collection	Percentage of expenditure on collection	All India average
		₹ in crore)			
Taxes on Sales, trades, etc.	2015-16	21,060.23	128.50	0.61	0.66
	2016-17	23,488.41	141.80	0.60	0.69
	2017-18	15,608.92	147.94	0.95	NA
Taxes on Vehicles	2015-16	1,400.38	18.72	1.34	4.99
	2016-17	1,583.06	28.57	1.80	2.61
	2017-18	2,777.57	38.23	1.38	NA
State Excise	2015-16	4,371.08	31.08	0.71	3.21
	2016-17	4,613.13	34.63	0.75	2.01
	2017-18	4,966.21	42.33	0.85	NA
Stamp and Registration	2015-16	3,191.21	15.37	0.48	2.87
	2016-17	3,282.63	10.50	0.32	2.99
	2017-18	4,192.49	9.82	0.23	NA

(Source: Finance Accounts for the respective years)

1.3.1.2 Non tax revenue

Growth of non-tax revenue during five years (2013-18) given in **Chart 1.10** and **Table 1.11** depicts the trends in various components of non-tax revenue of the State during 2013-18.



Source: Finance Accounts of years concerned

Table 1.11: Growth of non-tax revenue during 2013-18

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18
Interest receipts	1,090.71 (3)	933.59 (-14)	1,087.49 (16)	2,309.79 (112)	2,227.82 (-4)
Dividends and Profits	6.49 (-8)	5.80 (-11)	15.89 (174)	5.89 (-63)	7.53 (28)
Other non-tax receipts	3,877.86 (7)	3,673.73(-5)	3,649.10 (-1)	3,880.41 (6)	6,877.50 (77)
a) Major and medium Irrigation	95	129	110	113	132
b) Road Transport	1,098	1,235	1,255	1,265	1,280
c) Urban Development	1,105	861	422	599	2,861
d) Education	319	564	637	640	674
e) Non-ferrous mining and metallurgical industries	79	43	272	497	713
Total	4,975.06 (6)	4,613.12 (-7)	4,752.48 (3)	6,196.09 (30)	9,112.85 (47)

(The percentage increase over previous year is shown in parenthesis)

(Source: Finance Accounts for the respective years)

The actual receipts under non-tax revenue increased by ₹ 4,137.79 crore (83.17 per cent) during 2013-18. **Non-Tax revenue (₹ 9,112.85 crore) constituted 14.54 per cent of the revenue receipt during 2017-18 registering increase of ₹ 2,916.76 crore (47.07 per cent) over the previous year mainly due to increase in receipt under Urban Development Department⁸ and Non-ferrous Mining and Metallurgical industries.**

1.3.2 Grants in aid from GoI

The GoI had operated new Sub-Major Heads under Major Head-1601 Grants-in-Aid (GIA) for providing GIA to States during 2017-18 and discontinued Plan and Non-Plan classification. The GIA from GoI decreased by ₹ 492.46 crore in 2017-18 over the previous year as shown in **Table 1.12**.

Table 1.12: Grants-in-aid received from GoI

Particulars	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan Grants	2,256.17	1,723.20	3,744.39	3,078.49	-
Grants for State Plan Schemes	856.66	2,815.36	2,268.18	2,327.52	-
Grants for Central Plan Schemes	62.99	24.57	27.53	34.50	-
Grants for Centrally Sponsored Schemes	951.36	439.75	338.66	237.07	2,326.62
Finance Commission Grants	-	-	-	-	1,316.68
Compensation for Loss of Revenue arising out of implementation of GST					1,199.00
Other Transfer/Grants to States	-	-	-	-	342.82
Total	4,127.18 (76)	5,002.88 (21)	6,378.76 (28)	5,677.58 (-11)	5,185.12 (-9)

(Source: Finance Accounts for respective years)

The GIA from GoI decreased from ₹ 5,677.58 crore (2016-17) to ₹ 5,185.12 crore (2017-18) which also included compensation of ₹ 1,199 crore in lieu of loss of revenue arising out of implementation of GST.

1.3.3 Funds transferred directly to State implementing agencies

The GoI has been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. GoI decided to route these funds through State Budget from 2014-15 onwards. However, during 2017-18, the GoI transferred ₹ 3,226.60 crore directly to various implementing agencies/ Non-Governmental Organisations of the State as detailed in **Table 1.13**.

⁸ As per decision of the State Government, external development charges since May 2017 were started to be deposited in the Consolidated Fund of the State under Major Head 0217 which were earlier deposited with the Haryana Shehri Vikas Pradhikaran (HSVP).

Table 1.13: Funds transferred directly to State implementing agencies
(₹ in crore)

Sr. No.	Scheme Name	Implementing agency	Amount
1.	Autonomous R&D institution	(i) Registered Societies, (ii) Statutory Bodies	97.34
2.	Mahatma Gandhi National Rural Employment Guarantee Scheme	MNREGA	254.54
3.	National Handicapped Finance and Development Corporation	National Handicapped Finance and Development Corporation	32.74
4.	MPs Local Area Development Scheme MPLADS	Deputy Commissioners	75.00
5.	National Aids Control Programme III	Haryana State AIDS Control Societies	11.88
6.	National Hydro Electric Power Corporation	NHPC Ltd.	350.00
7.	Research and Development Department of Biotechnology	(i) Registered Societies (ii) Statutory Bodies (iii) State Government PSUs (iv) Government Autonomous Bodies (v) Government Institutions	156.86
8.	Support to National institute of Technology (NITS) including Ghani Khan institute	NIT Kurukshetra	152.29
9.	Mission for Horticulture Development	National Horticulture Board, Gurugram	541.99
10.	Schemes arising out of the implementation of the person with Disabilities SJE (Equal opportunities, Protection of Rights and Full Participation) Act, 1995	National Handicapped Finance and Development Corporation	12.70
11.	Seekho aur Kamao-Skill Development Initiatives	Mass Infotech Society	31.89
12.	Project Based Support to Autonomous Institutions	National Council for Cement & Building Materials	29.16
13.	National Mission on Food Processing CS (SAMPDA)	National Horticulture Board, Gurugram	24.84
14.	National Power Training Institute Power	National Power Training Institute	57.20
15.	Support to Indian Institute of Management (IIMs)	Indian Institute of Management, Rohtak	132.80
16.	Capacity Building: Panchayat Sashaktikaran Abhiyan	Manav Rachna International University, Faridabad	10.55
17.	Integrated Power Development Scheme	Power Grid Corporation of India Limited	65.70
18.	Swadesh Darshan-Integrated Development of Theme Based Tourism Circuits	Haryana Tourism Corporation Limited	13.60
19.	Payment for Urea Freight Subsidy	Yara Fertilisers India Pvt. Limited	190.80
20.	Payment for Imported P&K Fertilisers	Mosaic India Private Limited	513.87
21.	Industrial and Entrepreneurship Development	Regional Centre for Biotechnology	46.19
22.	Nai Manjil -the Integrated Education and Livelihood Initiative	Mass Infotech Society	10.22
23.	Works under Road Wing	Jhandu, Dhatarwal Construction, etc.	214.59
24.	Pardhan Mantri Matru Vandana yojna	Women and Child Development Department	39.09
25.	Other Schemes	-	160.76
		Total	3,226.60

Source: Finance Accounts – Appendix VI

Out of total funds of ₹ 3,756.60 crore transferred by the GoI to implementing agencies (including Central Bodies and other organisations outside the purview

of the State Government) in the State, an amount of ₹ 3,226.60 crore (86 per cent) was released to the State implementing agencies.

1.3.4 Central tax transfers

Central tax transfers increased from ₹ 6,597.47 crore in 2016-17 to ₹ 7,297.52 crore in 2017-18 as given in Table 1.14.

Table 1.14: Central tax transfers during 2016-17 and 2017-18

(₹ in crore)				
Name of Tax	Recommendation of FFC	Actual for 2016-17	Actual for 2017-18	Variation
Corporation Tax	42 per cent of the sharable amount of	2,118.57	2,235.92	117.35
Income Tax	Central taxes to	1,472.41	1,888.08	415.67
Wealth Tax	states compared to 32	4.85	-0.07	(-) 4.92
Customs	per cent of ThFC	911.33	736.90	(-) 174.43
Union Excise Duty		1,040.65	770.20	(-) 270.45
Service Tax		1,049.64	825.05	(-) 224.59
Other Taxes and Duties on Commodities and Services		0.02	-	(-) 0.02
Central Goods and Service Tax (CGST)		-	104.36	104.36
Integrated Goods and Services Tax (IGST)			737.08	737.08
Total		6,597.47	7,297.52	700.05

(Source: Finance Accounts for respective years)

The FFC recommended increasing the States' share of Central Taxes from 32 to 42 per cent. Accordingly, the State's share in the net proceeds of Central Tax (excluding Service Tax) and net proceeds of Service Tax was fixed at 1.084 and 1.091 per cent, respectively.

The share of Union Taxes received during 2017-18 (₹ 7,297.52 crore) was more by ₹ 700.05 crore as compared to 2016-17 but less by ₹ 1,074.26 crore than the projections made in the budget estimates 2017-18 (₹ 8,371.78 crore).

1.3.5 Funds created by levying Cess

Article 266(1) of the Constitution of India provides that all revenues received by the State Government, all loans raised by the Government by issue of treasury bills, loans or ways and means advances and all moneys received by the Government in repayment of loans shall form one Consolidated Fund to be called "the Consolidated Fund of the State". The Thirteenth Finance Commission also expressed concern over the tendency to divert public expenditure from the budget to nominated funds which are operated outside the authority of the legislature.

Building and Other Construction Workers' Welfare Cess

The State Government collects cess on the cost of construction incurred by employers under the Building and Other Construction Workers' Welfare Cess Act, 1996. The collected cess is to be spent on welfare schemes for construction workers. For this purpose, Building and Other Construction Workers' Welfare

Board has been constituted. As per accounts of the Board, the total funds available with the Board as on 31 March 2016 were ₹ 2,069.70 crore. The board received ₹ 420.18 crore during 2016-17 as labour cess, interest, etc. and spent ₹ 82.72 crore including ₹ 77.99 crore on labour welfare schemes during the year. As on 31 March 2017, the board had funds of ₹ 2,407.16 crore.

Haryana Rural Development Fund

The State Government constituted the Haryana Rural Development Fund Administration Board under the Haryana Rural Development Act, 1986 for augmenting agricultural production and improving its marketing and sale. Under Section 5(1) of this Act, a fee (cess) is levied on *ad-valorem* basis at the rate of two *per cent* of the sale proceeds of the agriculture produce bought or sold or brought for processing in the notified market area. The amount so collected is spent by the Board in the rural areas mainly in connection with the development of roads, establishment of dispensaries, making arrangement for water supplies and sanitation and construction of godowns.

During 2011-17, the receipts under the fund were ₹ 3,068.82 crore and expenditure incurred was ₹ 2,468.28 crore. Since these funds were not included in the annual budget proposals, the legislature had no control over these funds.

The State Government should ensure to credit all the revenue receipts in the Consolidated Fund of the State and incurring expenditure after the authorization of State Legislature.

1.3.6 Grants-in-aid to States on recommendation of Central Finance Commissions

The budget allocation made for fulfillment of Fourteenth Finance Commission recommendations for the year 2016-17 and 2017-18 vis-à-vis Government releases and actual expenditure incurred are given in **Table 1.15**.

Table 1.15: Budget allocation, Government releases and actual expenditure against recommendations of 14th Finance Commission for the year 2016-17 and 2017-18

(₹ in crore)

Name of Scheme/ Department	2016-17			2017-18		
	Budget	Government releases	Actual expenditure	Budget	Government releases	Actual expenditure
Urban Development	427.96	429.04	301.21	536.84	305.45	536.84
Relief on Account of National Calamities- SDRF	357.75	357.75	357.75	254.25	254.25	254.25
Other Rural Development Programme	656.72	656.72	656.72	756.98	756.98	756.98
Total	1,442.43	1,443.51	1,315.68	1,548.07	1,316.68	1,548.07

(Source: Figures obtained from Finance Department of Haryana)

As per recommendations of the 14th Finance Commission, GoI released only basic grants for local bodies (Rural and Urban Development) and State Disaster Response Fund during the year 2016-17 and 2017-18.

1.4 Capital Receipts

Capital receipts include recoveries of loans and advances, receipts through debt i.e. internal and from GoI and miscellaneous capital receipts. The capital receipts during five years (2013-18) are detailed in **Table 1.16**.

Table 1.16: Trends in growth and composition of receipts

(₹ in crore)					
Sources of State's Receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Capital Receipts (CR)	17,875.90	19,150.31	38,356.69	29,169.02	27,870.56
Miscellaneous Capital Receipts	9.89	18.74	29.98	26.27	39.87
Recovery of Loans and Advances	261.85	272.82	328.28	973.23	6,340.93
Public Debt Receipts	17,604.16	18,858.75	37,998.43	28,169.52	21,489.76
Market Loans	11,446.18	13,200.00	14,099.99	15,800.00	16,639.49
Bonds	0.00	0.00	17,300.00	8,650.00	0.00
Loans from Financial Institutions	4,777.60	4,102.79	4,641.45	3,412.39	4,525.43
Special Securities issued to National Small Saving Fund	566.60	1,251.31	1,721.40	-	-
Other Loans	472.31	173.89	138.36	183.87	104.35
Loans from GoI	341.47	130.76	97.23	123.26	141.01
Percentage of Market Loan to Public Debt Receipt	65.02	69.99	37.11	56.09	77.43
Rate of growth over the previous year (per cent)					
Of debt capital receipts	16	7	101	(-) 26	(-) 24
Of non-debt capital receipts	(-) 25	7	23	179	538
Of GSDP	15.05	9.44	11.18	12.25	11.58
of Capital Receipts	15	7	100	(-) 24	(-) 4

(Source: Finance Accounts of respective years)

Share of Market loans in Public Debt receipts increased to 77.43 per cent in 2017-18 from 56.09 per cent in 2016-17, due to less loans raised from bonds and National Small Saving Funds Loans. **Non-debt receipts (₹ 6,380.80 crore) increased by 538 per cent over the previous year primarily due to conversion of ₹ 5,190 crore of DISCOMs loans into equity.** State Government has issued Power bonds of ₹ 17,300 crore during 2015-16 and ₹ 8,650 crore during 2016-17 against takeover of loans of ₹ 25,950 crore (75 per cent of total DISCOMs liability as on 30 September 2015 under UDAY scheme).

1.4.1 Proceeds from disinvestment

During the year 2017-18, net proceeds from capital disinvestment of 16 Cooperative Banks and Societies were ₹ 39.87 crore which is 51.77 per cent more than the previous year (₹ 26.27 crore).

1.4.2 Recoveries of loans and advances

The details of loans and advances disbursed and recovery made during 2013-18 are given in **Table 1.17**.

Table 1.17: Quantum of loans disbursed and recovered during 2013-18**(₹ in crore)**

Quantum of loans disbursed and recovered	2013-14	2014-15	2015-16	2016-17	2017-18
Opening Balance	3,488	4,002	4,572	17,494	21,036
Amount advanced during the year	776	843	13,250	4,515	1,395
Amount recovered during the year	262	273	328	973	6,341
Closing Balance	4,002	4,572	17,494	21,036	16,090
Net addition	514	570	12,922	3,542	(-4,946)
Quantum of loans disbursed and recovered to Co-operative Sugar Mills					
Opening Balance	882	1,029	1,213	1,869	2,111
Amount advanced during the year	150	190	646	252	200
Amount recovered during the year	3	6	-	-	7
Closing Balance	1,029	1,213	1,869	2,111	2,304

During the year, loans and advances amounting to ₹ 6,340.93 crore were recovered. Out of this, ₹ 206.87 crore had been recovered from Haryana State Agriculture & Rural Bank and ₹ 93.19 crore against the loans of Government Servants. ₹ 6,007.49 crore were recovered from Power Sector Companies. Out of which, ₹ 5,190 crore were recovered by converting loans to equity by State Government. **Actual recovery of loans and advances ₹ 1,150.93 crore, though higher than earlier years, was only a fraction (5.47 per cent) of outstanding loans.**

There were outstanding loans of ₹ 2,110.90 crore against Co-operative Sugar Mills as on 31 March 2017. The State Government disbursed new loans ₹ 200 crore and recovered only ₹ seven crore during 2017-18 resulting in total outstanding loans of ₹ 2,303.90 crore as on 31 March 2018. All the loans to Co-operative Sugar Mills were disbursed with the condition that the loan would be repaid in five years in equal installments after twelve months of sanction with nine *per cent* per annum interest and no loan would be disbursed in case of failure in repayment of earlier loans. **However, loans were sanctioned/ disbursed to sugar mills without ensuring the fulfillment of conditions of earlier loans.**

Since the recovery of these loans from co-operative sugar mills have been very poor, to the extent that these loans have not been recovered and are in the nature of grant, this has resulted in understating the revenue expenditure and overstating the capital expenditure.

1.4.3 Debt receipts from internal sources

An amount of ₹ 21,348.75 crore was received as internal debt receipts during 2017-18 which was ₹ 6,697.51 crore (24 per cent) less than previous year (₹ 28,046.26 crore). Loans of ₹ 16,639.49 crore as market loans, ₹ 4,525.43 crore from financial institutions and banks were raised during 2017-18.

Trends in market borrowings are detailed in paragraph 1.10.

1.4.4 Loans and Advances from GoI

Total outstanding loans and advances from GoI decreased by ₹ 44.59 crore from ₹ 1,985.86 crore in 2016-17 to ₹ 1,941.27 crore in 2017-18. Loans of ₹ 141.01 crore were received from GoI and repayment of ₹ 185.60 crore was made during the year.

1.5 Public Account Receipts

Receipts and disbursements in respect of 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 Account set up under Article 266(2) of the Constitution of India and are not subject to vote by the State Legislature. Trends of receipts and disbursements under various segments of public account are given in **Table 1.18**.

Table 1.18: Trends in Public Account Receipts and Disbursements during 2016-17 and 2017-18

(₹ in crore)

Sources of State's Receipts	Public Account Receipts		Disbursement from Public Account		Excess of Receipts over disbursements	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
a. Small Savings, Provident Fund, etc.	3,034.08	3,342.50	1,919.20	2,116.18	1,114.88	1,226.32
b. Reserve Fund	1,593.64	973.29	48.91	153.65	1,544.73	819.64
c. Deposits	19,488.27	20,577.88	19,490.39	19,924.33	(-)2.12	653.55
d. Advances	9.09	1.99	9.09	1.99	-	-
e. Suspense and Miscellaneous	848.36	900.54	731.54	852.20	116.82	48.34
f. Remittances	7,134.20	8,098.05	7,076.54	8,123.14	57.66	(-) 25.09
Total	32,107.64	33,894.25	29,275.67	31,171.49	2,831.97	2,722.76

(Source: Finance accounts of respective years)

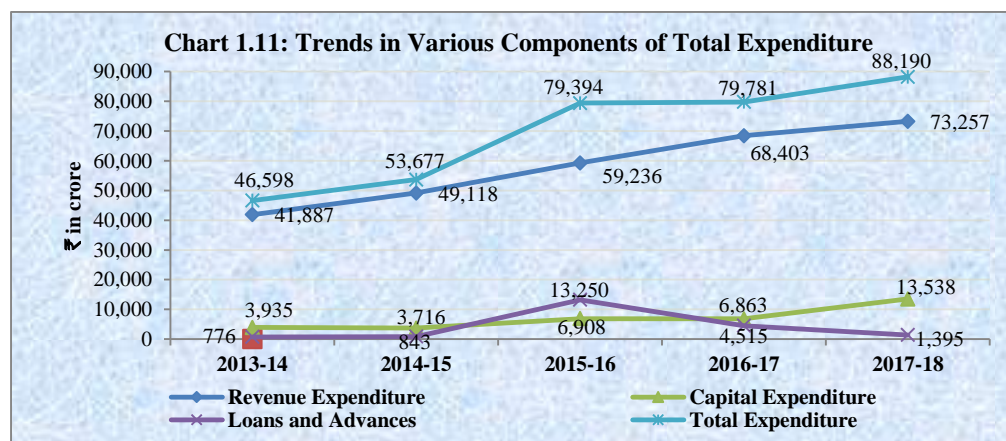
Net public account receipts in 2017-18 declined by 3.9 per cent over the previous year due to non-contribution of requisite amount of ₹ 811.80 crore in Consolidated Sinking Fund (a part of Reserve Fund).

1.6 Application of Resources

The application of resources are analysed under various headings such as growth and composition of expenditure, revenue expenditure, committed expenditure, expenditure on salaries, interest payments, subsidies, pension payments and expenditure on flagship schemes in the succeeding paragraphs.

1.6.1 Growth and Composition of Expenditure

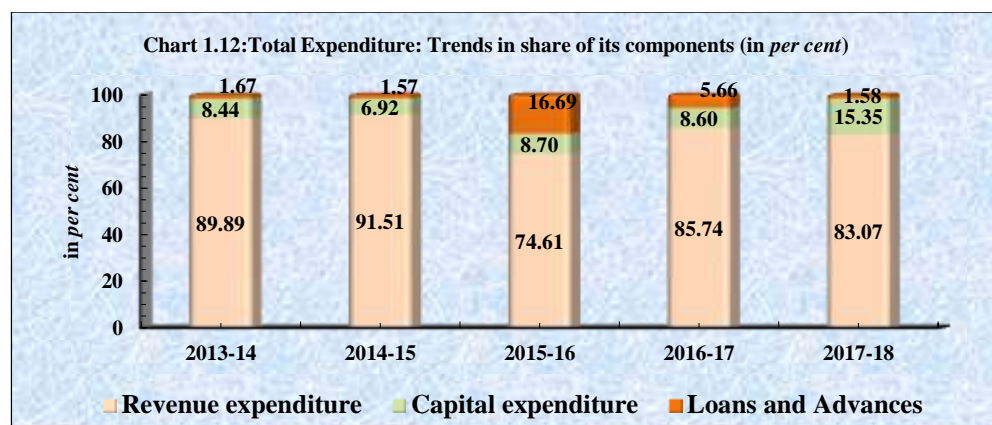
Trend and composition of total expenditure over the last five years (2013-18) are shown in charts below:



(Source: Finance accounts of respective years)

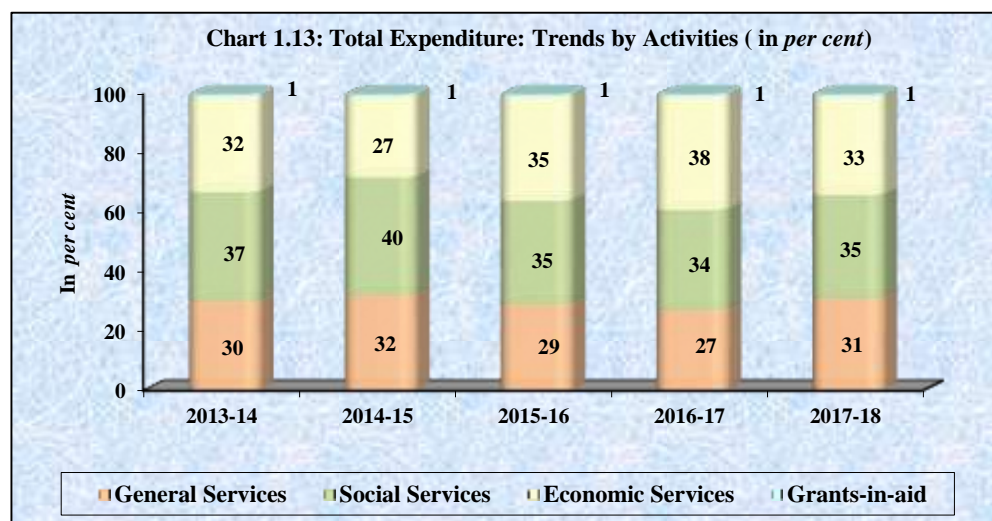
Total expenditure increased by 89.26 per cent over a period of five years (2013-18). Expenditure increased by 10.54 per cent over the previous year. Primarily on account of increase in capital expenditure by 244.04 per cent mainly due to converting of ₹ 5,190 crore loans and advances of DISCOMs into equity in the year 2017-18.

Disbursement of loans and advances increased by 79.77 per cent during the period from 2013-14 to 2017-18. Loans amounting to ₹ 887.48 crore to power companies and ₹ 150 crore to Haryana State Agriculture & Rural Development Bank, ₹ 200 crore to co-operative sugar mills and ₹ 121.07 crore to Government Servants were disbursed during the year 2017-18.



(Source: Finance Accounts of respective years)

The share of revenue expenditure in total expenditure during 2017-18 was 83.07 per cent which was lesser than 2016-17, while the share of capital expenditure in total expenditure increased from 8.44 per cent in 2013-14 to 15.35 per cent in 2017-18. The share of loans and advances disbursed increased from 1.67 per cent in 2013-14 to 16.69 per cent in 2015-16 but decreased to 1.58 per cent during 2017-18.



The share of general services including interest payments increased to 31 per cent in 2017-18 as compared to 27 per cent in previous year while

share of social services which increased during 2013-14 to 2014-15, remained static since 2015-16. Economic services decreased from 38 per cent in 2016-17 to 33 per cent in 2017-18. Share of grants-in-aid remained at around one per cent during the period. The combined share of social and economic services which represent development expenditure also remained static at around 68 to 69 per cent during this period.

1.6.2 Revenue expenditure

Table 1.19 presents the growth of revenue expenditure over five years (2013-18).

Table 1.19: Growth of Revenue Expenditure

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue expenditure	41,887	49,118	59,236	68,403	73,257
Growth rate (per cent)	10	17	21	15	7
Revenue expenditure as percentage to GSDP	10	11	12	12	12

Revenue expenditure during 2013-18 increased by ₹ 31,370 crore (75 per cent) with the annual growth rate ranging from 7 to 21 per cent but its percentage to GSDP increased from 10 per cent to 12 per cent during the period 2013-18.

Revenue expenditure increased by 7 per cent from ₹ 68,403 crore in 2016-17 to ₹ 73,257 crore in 2017-18. Expenditure on General services increased by ₹ 5,067.88 crore on account of more expenditure mainly on pension (₹ 3,123.79 crore) and Police services (₹ 361.55 crore) and interest payments (₹ 1,419.36 crore). The expenditure on social services also increased by ₹ 2,587.85 crore over the previous year due to more expenditure mainly on education, sports, art and culture (₹ 722.52 crore), health and family welfare (₹ 274.03 crore) and social welfare and nutrition (₹ 315.44 crore), water supply, sanitation, housing and urban development (₹ 1,253.78 crore). Expenditure on economic services decreased by ₹ 2,768.39 crore due to less expenditure on Grant-in-aid to power sector (₹ 3,889.66 crore) offset by more expenditure on subsidy (₹ 991.14 crore).

Revenue expenditure in 2017-18 at ₹ 73,257 crore was less than the projections made in MTFPS (₹ 79,936 crore). The State could not cap the Revenue Expenditure within the normative assessment of FFC (₹ 56,909 crore) which held up the State from becoming a Revenue Surplus State.

1.6.3 Committed Expenditure

The committed expenditure on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.20** and **Chart 1.14** present the trends in the expenditure on these components during 2013-18.

Table 1.20: Components of committed expenditure

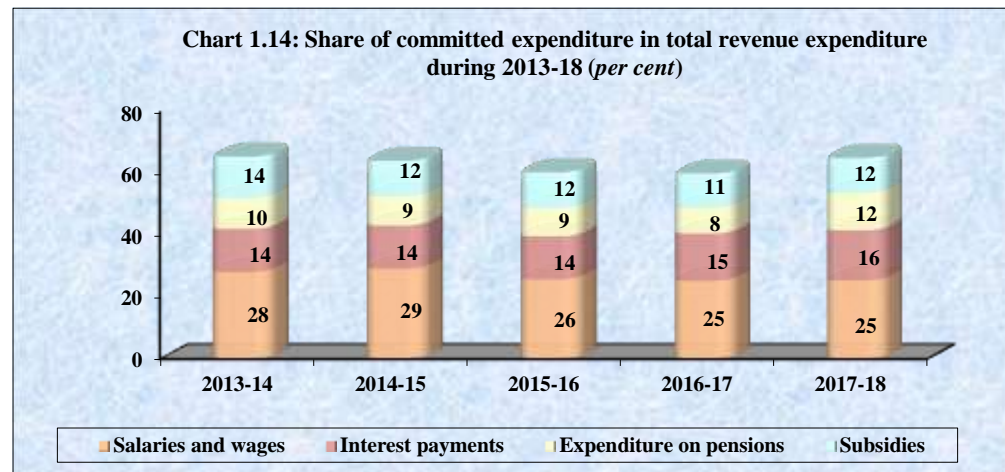
(₹ in crore)

Components of Committed Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18	
					Budget Estimate	Actual
Salaries and wages	11,816 (31)	14,359 (35)	15,294 (32)	17,321 (33)	18,706	18,632* (30)
Interest Payments	5,850 (15)	6,928 (17)	8,284 (17)	10,542 (20)	11,257	11,961 (19)
Expenditure on Pensions	4,169 (11)	4,602 (11)	5,413 (11)	5,659 (11)	6,600	8,783 (14)
Subsidies	5,681 (15)	5,693 (14)	6,899 (15)	7,654 (15)	8,443	8,446 (13)
Total Committed Expenditure	27,516	31,582	35,890	41,176	45,006	47,822
Revenue Expenditure	41,887	49,118	59,236	68,403		73,257
Percentage of Committed Expenditure to Revenue Expenditure	66	64	61	60		65
Percentage of Committed Expenditure to Revenue Receipts	72	77	75	78		76

(Source: Finance Accounts and information from PAG (A&E) Haryana)

* Includes wages of ₹ 303.50 crore

Note: Figures in parentheses indicate percentage to revenue receipts



The total expenditure (₹ 39,072 crore) on salary, interest and pension payments was more by ₹ 1,180 crore (3.11 per cent) than the projections by the Government in MTFPS (₹ 37,892 crore) and consumed 62 per cent of the revenue receipts.

Committed expenditure on account of salary and wages, interest, pension payment and subsidies constituted about 65 per cent of the Revenue expenditure during 2017-18 as against 60 per cent in the previous year.

Expenditure on Salaries

The expenditure on salaries and wages (₹ 18,632 crore) increased by 57.68 per cent during the period from 2013-14 to 2017-18. During 2008-09 to 2016-17, the CAGR of expenditure on salaries and wages was 12.9 per cent which was lower than GCS (13.4 per cent). **The increase over the previous year was 7.6 per cent which was lower than the average increase of 8.9 per cent in GCS (Appendix 1.1).** The expenditure on salaries (₹ 18,328 crore) was below the projections made in MTFPS (₹ 20,034 crore) (Appendix 1.6).

Interest payment

Interest payments (₹ 11,961 crore) increased by 104.46 per cent over a period of five years (2013-18). During 2017-18, there was an increase of ₹ 1,419 crore (13.46 per cent) over the previous year. The percentage of interest payments to revenue receipts increased from 15.39 per cent in 2013-14 to 19.08 per cent in 2017-18. **Interest payments during 2017-18 were higher than the assessment made by FFC (₹ 10,499 crore) and the projections of MTFPS (₹ 11,257 crore) (Appendix 1.6).**

Subsidies

Payment on subsidies increased by ₹ 2,765 crore (48.67 per cent) from ₹ 5,681 crore in 2013-14 to ₹ 8,446 crore in 2017-18, which was 13.47 per cent of the revenue receipts. Out of the total subsidies of ₹ 8,446 crore, ₹ 7,624.49 crore (90 per cent) was for the power and energy sectors. The total subsidy to the power and energy sector was higher than the projection in MTFPS (₹ 6,230 crore) (Appendix 1.6).

The subsidies present a partial picture as these are exclusive of the implicit subsidies. In some cases, the State Government has extended loans either at zero per cent or less than borrowing rates means indirect subsidy i.e. implicit subsidy as detailed given in the **Table 1.21. Thus subsidies, which form part of committed expenditure, are understated to that extent.**

Table 1.21: Details of some implicit subsidies

(₹ in crore)

Sr. No.	Scheme/Subsidy	Budget Estimate	Expenditure
1.	Loans to Housing Co-operatives	3.00	3.00
2.	Loans to village panchayats for revenue earning schemes	0.32	0.32
3.	Interest free loans in lieu of deferred Sales Tax/VAT	30.00	30.00

(Source: Detailed Appropriation Accounts)

Pension payments

Pension payments (₹ 8,783 crore) increased by 110.67 per cent during the period from 2013-14 to 2017-18 which was 14.01 per cent of revenue receipts. The expenditure on pension payments in 2017-18 was higher than the assessments made by FFC (₹ 5,990 crore) and projections made by the MTFPS (₹ 6,600.22 crore) (Appendix 1.6) due to increase in supplementary provisions under superannuation pension ₹ 622.94 crore, payment of commuted value of pension ₹ 891.87 crore, gratuity ₹ 118.90 crore and family pension ₹ 111.05 crore. To meet the increasing pension liabilities, a new Contributory Pension Scheme was introduced by the State with effect from 1 January 2006.

New Pension Scheme

State Government employees recruited on or after 1 January 2006 are eligible for the New Pension Scheme. In terms of the scheme, the employee contributes 10 per cent of basic pay and dearness allowance, which is matched by the State Government and the entire amount is transferred to the designated fund manager

through the National Securities Depository Limited (NSDL)/Trustee Bank. During the year, the State Government deposited ₹ 975.76 crore with the NSDL/Trustee Bank against employee's contribution of ₹ 479.94 crore and employer's share of ₹ 460.44 crore. Thus, there was short contribution of ₹ 19.50⁹ crore towards Defined Contributory Pension Scheme. **A balance of ₹ 14.54 crore was outstanding under Major Head 8342-other deposits, Minor Head-117 Defined Contributory Pension Scheme for Government employees as on 31 March 2018.** No interest was credited to the fund since its inception. Uncollected, unmatched and un-transferred amounts with accrued interest, represent outstanding liabilities under the scheme.

The Government may credit the outstanding amount alongwith interest at a rate which should not be less than the GPF rate.

Flagship schemes/ Programmes: Position of expenditure

Flagship schemes/Programmes are an integral and critical part of Government of India's commitment towards inclusive development of the nation. The amounts shown in **Table 1.22** were released for the flagship schemes by the Central Government to the Government of Haryana, their functionaries and various implementing agencies/NGOs during 2017-18.

Table 1.22: Budget and Expenditure under flagship schemes/programmes implemented in Haryana

Sr. No.	Name of the scheme/ programmes	Budget Estimates	Expenditure			Percentage of expenditure to Budget Estimates
			State	Centre	Total	
1	Rashtriya Krishi Vikas Yojana (RKVY)	710.00	224.95	120.02	344.97	49
2	National Horticulture Mission (NHM)	141.90	45.00	53.21	98.21	69
3	Indira Awaas Yojana (IAY)	302.00	71.13	106.69	177.82	59
4	National Rural Employment Guarantee Scheme (NREGS)	184.00	32.00	168.77	200.77	109
5	Swachh Bharat	275.50	0.00	39.66	39.66	14
6	Pradhan Mantri Gram Sadak Yojana	0.00	13.50	20.50	34.00	-
7	Sarva Shiksha Abhiyan	889.65	265.37	400.70	666.07	75
8	Mid-Day Meal	345.00	140.47	119.95	260.42	75
9	National Rural Health Mission	500.00	225.09	211.84	436.93	87
10	Accelerated Rural Water Supply Programme	262.90	74.62	90.73	165.35	63
11	AMRUT formely known as JNNURM	500.20	72.17	68.56	140.73	28
12	National Social Assistance Programme	3,398.45	3,560.16	87.50	3,647.66	107
13	Integrated Child Development Services Scheme	562.98	132.75	173.13	305.88	54
	Total	8,072.58	4,857.21	1,661.26	6,518.47	81

(Source: Directorate of Economic and Statistical Analysis, Haryana)

Out of budget estimates of ₹ 8,072.58 crore for 2017-18 for implementation of flagship schemes, the State utilized ₹ 6,518.47 crore (81 per cent). **In seven out of 13 flagship schemes utilisation of budget was less than 70 per cent.**

⁹ ₹ 479.94 crore - ₹ 460.44 crore = ₹ 19.50 crore

1.6.4 Financial Assistance by State Government to Local Bodies and other institutions

Table 1.23: Financial assistance to local bodies, etc.

(₹ in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18		
					Budget estimate	Actual	Percentage of variation
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	783.66	1,809.77	1,984.67	2,130.56	2,102.96	2,102.96	-
Municipal Corporations and Municipalities	1,120.80	744.63	1,045.99	1,585.77	2,466.82	2,466.82	-
Zila Parishads and Other Panchayati Raj Institutions	1,263.49	1,192.04	1,261.94	2,263.80	2,283.57	2,283.43	(-) 0.01
Development Agencies	523.36	723.72	878.09	757.94	882.54	868.04	(-) 1.64
Hospitals and other Charitable Institutions	518.83	979.70	1,010.97	1,117.68	1,101.39	1,101.14	(-) 0.02
Other Institutions	329.53	656.14	4,584.31	4,791.39	1,019.41	1,021.92	0.25
Total	4,539.67	6,106.00	10,765.97	12,647.14	9,856.69	9,844.31	(-) 0.13
Assistance as percentage of Revenue Expenditure	11	12	18	18		13	

(Source: Information compiled by Accountant General (A&E) Haryana)

Table 1.23 indicates that the financial assistance to local bodies and other institutions increased from ₹ 4,539.67 crore in 2013-14 to ₹ 9,844.31 crore, constituting 13.44 *per cent* of the revenue expenditure during 2017-18. It decreased by ₹ 2,802.83 crore (22.16 *per cent*) over the previous year due to decrease in disbursements to other institutions (₹ 3,769.47 crore). Against the estimated provision of ₹ 9,856.69 crore, financial assistance of ₹ 9,844.31 crore was released. The decrease in the actual release vis-à-vis the budget estimate to Zila Parishads and other Panchayati Raj Institutions, Development Agencies and Hospitals and other charitable institutions ranged between 0.01 and 1.64 *per cent*.

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz. adequacy of the expenditure (i.e. adequate provision for providing public services); efficiency of expenditure (use) and its effectiveness (assessment of outlay-outcome relationships for selected services).

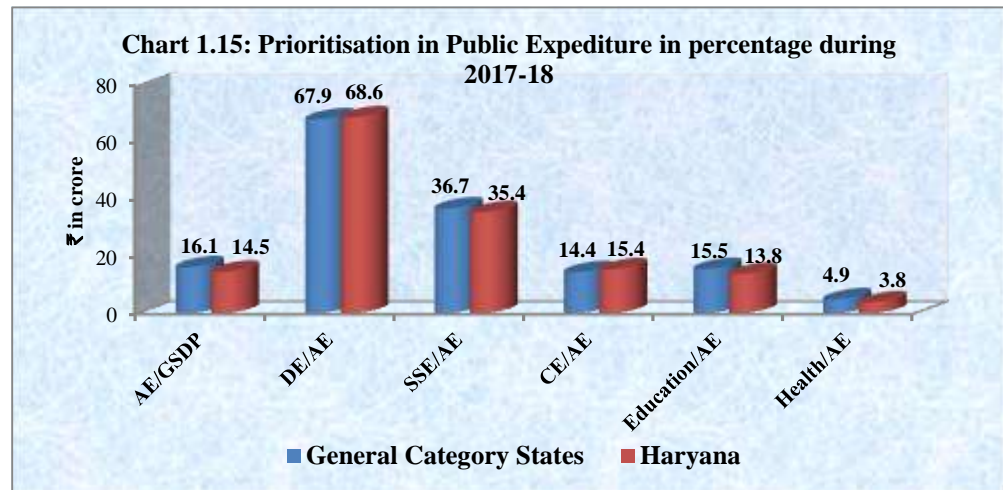
1.7.1 Adequacy of Public Expenditure

To enhance human development, the State is required to step up their expenditure on key social services like education, health, etc. **Table 1.24** and **Chart 1.15** analyses the fiscal priority and fiscal capacity of the Government with regard to development expenditure, social sector expenditure and capital expenditure during 2017-18.

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

Fiscal Priority of the State	AE/GSDP	DE#/AE	SSE/AE	CE/AE	Education/AE	Health/AE
Haryana Average (Ratio) 2013-14	11.7	69.3	37.0	8.4	16.2	3.8
General Category States Average (Ratio) 2013-14	14.7	66.5	37.6	13.6	17.2	4.5
Haryana Average (Ratio) 2017-18	14.5	68.6	35.4	15.4	13.8	3.8
General Category States Average (Ratio) 2017-18	16.1	67.9	36.7	14.4	15.5	4.9

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure.
 # Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.
 Source for GSDP: Directorate of Economic and Statistical Analysis, Haryana.



Fiscal Priority:

Aggregate expenditure as a ratio of GSDP in Haryana increased to 14.5 per cent in 2017-18 from 11.7 per cent 2013-14 which was lesser as compared to GCS.

Priority on Development Expenditure was higher than GCS. However, ratio of SSE to AE decreased in 2017-18 as compared to 2013-14 and was lower than the GCS average. The ratio of expenditure on education decreased in 2017-18 as compared to 2013-14 and was lower than GCS average. Expenditure on health was also lower than the GCS average.

The ratio of CE to AE has increased in 2017-18 primarily due to conversion of loan to DISCOMs into equity.

1.7.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods. Efficiency of expenditure is reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and the proportion of revenue expenditure being made on operation and

maintenance of the existing social and economic services. The higher the ratio of these components to the total expenditure (and/or GSDP), the better would be the quality of expenditure. Development expenditure comprised revenue and capital expenditure including loans and advances in socio-economic services. **Table 1.25** presents the trends in development expenditure relative to the aggregate expenditure of the State during the period 2013-14 to 2017-18. **Table 1.26** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services.

Table 1.25: Development expenditure

(₹ in crore)

Component of development expenditure	2013-14	2014-15	2015-16	2016-17	2017-18	
					Budget Estimate	Actual
Development expenditure (a to c)	32,300 (69)	36,180 (67)	59,652 (75)	57,258 (72)	66,881	60,499 (69)
a. Development revenue expenditure	28,154 (60)	32,208 (60)	40,229 (51)	46,348 (58)	55,156	46,168 (52)
b. Development capital expenditure	3,653 (8)	3,425 (6)	6,448 (8)	6,464 (8)	10,501	13,057 (15)
c. Development loans and Advances	493 (1)	547 (1)	12,975 (16)	4,446 (6)	1,224	1,274 (1)

(Source: State Finance Accounts of the respective years)

(Note: Figures in parentheses indicate percentage of aggregate expenditure)

Development expenditure increased by 87.30 per cent during the period from 2013-14 to 2017-18. This expenditure, which constituted 69 per cent of the total expenditure, slightly increased by ₹ 3,241 crore (5.66 per cent) from ₹ 57,258 crore in 2016-17 to ₹ 60,499 crore in 2017-18. **Development Revenue expenditure and Loans and Advances constituted 76 and 2 per cent of development expenditure respectively whereas the share of capital expenditure was only 22 per cent.** The Loans and Advances decreased by ₹ 3,172 crore over previous year due to less loans disbursed to Power Projects as compared to previous year. Against the provision of ₹ 66,881 crore, the actual expenditure was ₹ 60,499 crore, which is 90.46 per cent of BE.

Table 1.26: Efficiency of expenditure use in selected Social and Economic Services

Social/economic infrastructure	2016-17			2017-18		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S&W	O&M		S&W	O&M
Social Services (SS)						
Education, Sports, Art and Culture	0.013	66.51	0.19	0.033	69.46	0.09
Health and Family Welfare	0.080	48.31	0.09	0.090	46.82	0.18
Water Supply, Sanitation, Housing and Urban Development	0.183	14.19	6.53	0.278	11.10	5.47
Total (SS)	0.071	50.88	1.73	0.124	49.76	1.61
Economic Services (ES)						
Agriculture and Allied Activities	0.141	34.22	1.43	0.331	32.00	1.18
Irrigation and Flood Control	0.396	9.05	12.78	0.400	4.97	10.65
Power and Energy	0.153	0.02	-*	0.417	0.02	-
Transport	0.360	41.38	3.33	0.380	45.68	3.04
Total (ES)	0.218	12.50	1.80	0.394	15.45	1.87
Total (SS + ES)	0.149	32.29	1.76	0.261	35.46	1.72

(Source: State Finance Accounts of the respective years)

TE: Total expenditure; CE: Capital expenditure; RE: Revenue expenditure; S&W: Salaries and wages; O&M: Operations and maintenance; * amount negligible

The ratio of capital expenditure on Social Services with reference to the total expenditure increased from 0.071 in 2016-17 to 0.124 in 2017-18. **Ratio of capital expenditure on social and economic sectors to total expenditure increased from 0.149 in 2016-17 to 0.261 in 2017-18 mainly due to conversion of DISCOM loan to equity.**

Under Social Services, the share of expenditure on salaries and wages slightly decreased from 50.88 *per cent* in 2016-17 to 49.76 *per cent* in 2017-18. The share of expenditure on O&M also decreased from 1.73 *per cent* in 2016-17 to 1.61 *per cent* in 2017-18. Under Economic Services, the share of salaries and wages increased from 12.50 *per cent* in 2016-17 to 15.45 *per cent* in 2017-18. **The share of O&M also increased from 1.80 *per cent* in 2016-17 to 1.87 *per cent* in 2017-18. Under Social Services and Economic Services combined, the share of salary and wages increased from 32.29 *per cent* in 2016-17 to 35.46 *per cent* in 2017-18 and the share of O&M decreased from 1.76 *per cent* in 2016-17 to 1.72 *per cent* in 2017-18.**

1.8 Financial Analysis of Government Expenditure and Investments

In the post-FRBM Act 2005 framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet capital expenditure/investment (including loans and advances) requirements. In addition, the Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on the budget in the form of implicit subsidies and take requisite steps to infuse transparency in financial operations. This section presents a broad financial analysis of investments and other capital expenditure undertaken by the Government during 2017-18 vis-à-vis the previous year.

1.8.1 Financial results of irrigation works

The financial results of eight irrigation projects with a capital outlay of ₹ 623.33 crore at the end of March 2018 showed that revenue realized from these projects during 2017-18 (₹ 125.87 crore) was 20 *per cent* of the capital outlay. After meeting the working and maintenance expenditure (₹ 379.26 crore) and interest charges (₹ 31.17 crore), there was loss of ₹ 284.55 crore.

1.8.2 Incomplete projects

Department-wise information pertaining to incomplete projects as on 31 March 2018 is given in **Table 1.27**. Only those projects where the scheduled dates for completion were already over as of 31 March 2018 have been included under incomplete projects.

Table 1.27: Department-wise profile of incomplete projects

(₹ in crore)

Department	Number of incomplete projects	Initial budgeted cost	Revised total cost of projects	Total expenditure upto March 2018
Irrigation	2	11.21	-	7.84
Public Works Department (B&R)	23	351.99	-	159.30
	25	363.20	-	167.14

(Source: State Finance Accounts)

The scheduled dates of completion of 25 projects of two departments were between June 2016 and March 2018, but these were incomplete as on March 2018, resulting in non-derivation of desired benefits from the investment of ₹ 167.14 crore.

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

1.8.3 Investments and returns

The Government as of 31 March 2018, had invested ₹ 17,374.35 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (Table 1.28). The average return on these investments was 0.086 per cent in the last five years while the Government paid an average interest rate of 8.78 per cent on its borrowings during 2013-18.

Table 1.28: Return on investments

Investment/return/cost of borrowings	2013-14	2014-15	2015-16	2016-17	2017-18	
					Budget estimate	Actual
Investment at the end of the year (₹ in crore)	7,378.87	7,500.22	9,372.44	11,371.42	13,004.56	17,374.35
Return (₹ in crore)	6.49	5.80	15.89	5.89	7.12	7.53
Return (per cent)	0.09	0.08	0.17	0.05	0.05	0.04
Average rate of interest on Government borrowings (per cent)	9.83	9.33	8.64	8.00	8.05	8.10
Difference between interest rate and return (per cent)	9.74	9.25	8.47	7.95	8.00	8.06
Difference between interest rate on Government borrowings and return on investments (₹ in crore)	718.70	693.77	793.85	904.03		1,400.37

(Source: State Finance Accounts of the respective years)

Over the past five years, the difference in cost of Government borrowings and return on investments in PSUs was to the tune of ₹ 4,510.72 crore. Therefore, the Government needs to formulate a strategy either for revival or closure of the PSUs.

While the Government investments increased by 135.46 *per cent* over a period of five years from 2013-14 to 2017-18, the return from investments increased from ₹ 6.49 crore in 2013-14 to ₹ 7.53 crore in 2017-18. The Government on the other hand, paid interest at an average rate of 8 to 9.83 *per cent* on its borrowings during 2013-18, whereas, the percentage of return from investments ranged between 0.04 and 0.17 during the same period.

The State Government has made investment of ₹ 5,755.08 crore during 2017-18. Out of this, ₹ 5,454.44 crore were invested in the equity capital of four power companies taking total investment to ₹ 16,000.41 crore (92 *per cent* of total investment) in these companies.

Thirteen Government Companies with an aggregate investment of ₹ 13,392.99 crore were incurring losses and their accumulated losses amounted to ₹ 30,946.75 crore as per the accounts furnished by these Companies (*Appendix 1.7*). Losses of ₹ 30,309.69 crore in three¹⁰ power generation and distribution companies constituted 98 *per cent* of the total losses of Government Companies.

The State Government invested ₹ 5,473.78 crore during 2017-18 in five loss making companies. The State Government may consider reviewing the working of State PSUs which are incurring huge losses, formulate a strategic plan for their revival or closure, as the case may be.

Financial turnaround of Power Distribution Companies (DISCOMs) through UDAY

GoI launched (November 2015) Ujwal DISCOM Assurance Yojana (UDAY). UDAY which was a revival package for making DISCOMs financially and operationally viable so they can supply adequate power at affordable rates. Under the scheme, states were required to take over the 75 *per cent* of the total DISCOM debt which was ₹ 34,600 crore as on 30 September, 2015. 50 *per cent* debt was to be taken over in the financial year 2015-16 and balance 25 *per cent* in financial year 2016-17.

The State Government took over debt of ₹ 25,950 crore (75 *per cent* of ₹ 34,600 crore). Debt of ₹ 17,300 crore was taken over during 2015-16 and ₹ 8,650 crore during 2016-17 by issuing bonds to the participating lender banks, through Reserve Bank of India and transferred the proceeds in the form of grant. The State Government treated the financial package as grant-in-aid (₹ 7,785 crore), Equity Capital (₹ 2,595 crore) and Loans to DISCOMs (₹ 15,570 crore).

During the year 2017-18, out of total loans of ₹ 15,570 crore, the State Government converted the loans of ₹ 5,190 crore into equity resulting in

¹⁰ Accumulated losses upto 2016-17: UHBVNL (₹ 16,078.07 crore), DHBVNL (₹ 13,951.74 crore) and HPGCL (₹ 279.88 crore).

substantial increase in capital expenditure as well as recovery of loans and advances. During 2017-18 the State Government paid ₹ 2,126.85 crore towards interest on bonds issued under UDAY scheme.

1.8.4 Departmentally managed Commercial Undertakings

Activities of quasi-commercial nature are also performed by the departmental undertakings of certain Government departments. The department-wise position of the investments made by the Government up to the year for which proforma accounts were finalised, net profit/loss as well as return on capital invested in these undertakings are given in *Appendix 1.8*

An amount of ₹ 7,782.28 crore had been invested by the Government in four undertakings at the end of the financial year which had not finalized their accounts. Haryana Roadways incurred losses continuously for more than eight years and Agriculture Department (Seed Depot Scheme) had not prepared its proforma accounts for the last 29 years.

Total investment of ₹ 7,763.49 crore was made by the State Government in three ¹¹ departmental undertakings whose accumulated losses were ₹ 492.31 crore.

1.8.5 Investment in Public Private Partnerships

With a view to provide adequate development of social and physical infrastructure which is a pre-requisite for sustaining economic growth, the State Government adopted the Public Private Partnership (PPP) mode of infrastructure development.

Out of 13 PPP projects (*Appendix 1.9*), four projects were completed and nine projects with a total estimated cost of ₹ 6,059.58 crore were under implementation as on 31 March 2018.

1.8.6 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the Government had also been providing loans and advances to many institutions/organizations. **Table 1.29** presents the outstanding loans and advances as on 31 March 2018 and interest receipts vis-à-vis interest payments during the last three years.

¹¹ Agriculture Department (Seed Depot Scheme): ₹ 0.01 crore, Haryana Roadways: ₹ 228.46 crore and Food and Supply (Grain Supply Scheme): ₹ 263.84 crore.

Table 1.29: Average interest received on loans advanced by the State Government

(₹ in crore)

Quantum of loans / interest receipts / cost of borrowings	2015-16	2016-17	2017-18	
			Budget Estimate	Actual
Opening Balance	4,572	17,494		21,036
Amount advanced during the year	13,250	4,515	1,326	1,395
Amount repaid during the year	328	973	5,964	6,341
Closing Balance	17,494	21,036		16,090
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	5,187	4,667		16,090
Net addition	12,922	3,542	(-)4,638	(-)4,946
Interest receipts	47	1,213	980	1,163
Interest receipts as percentage of outstanding loans and advances	0.43	6.30	5.24	6.27
Interest payments as percentage of outstanding fiscal liabilities of the State Government	6.86	7.20	7.94	7.29
Difference between interest payments and interest receipts (<i>per cent</i>)	6.43	0.90	2.70	1.02

(Source: State Finance Accounts of the respective years)

Outstanding loans and advances as on 31 March 2018 declined by 23.5 per cent due to conversion of DISCOM loans amounting to ₹ 5,190 crore into equity during the year. Loans amounting to ₹ 2,110.90 crore were outstanding at the beginning of the year 2017-18 against co-operative sugar mills. Further, loans totaling ₹ 200 crore were given to these sugar mills. New loans of ₹ 887.48 crore were given to power projects for transmission and distribution services during the year 2017-18. Interest payment of ₹ 2,126.85 crore during the year 2017-18 has been made against bond issued under UDAY scheme in 2015-16 and 2016-17.

1.8.7 Cash Balances and Investment of Cash Balances

Comparative figures of cash balances and investment of cash balance for the years 2016-17 and 2017-18 are given in **Table 1.30**.

Table 1.30: Detail of cash balances and investment of cash balances

(₹ in crore)

	Opening balance 01 April 2017	Closing Balance 31 March 2018
(a) General Cash Balance		
Deposit with Reserve Bank	426.19	(-)490.11
Remittances in transit local	0.54	0.54
Total	426.73	(-)489.57
Investment held in cash Balance Investment Account	2,554.85	2,084.53
Total (a)	2,981.58	1,594.96
(b) Other Cash Balances and Investment		
Cash with departmental officers viz. public works department officers, Forest department officers, District collectors	2.92	2.81
Permanent advances for contingent expenditure with departmental officers	0.12	0.12
Investment of earmarked funds	2,673.64	2,819.57
Total (b)	2,676.68	2,822.50
Grand Total (a)+(b)	5,658.26	4,417.46

(Source: State Finance Accounts of the respective years)

Cash balances during the year 2017-18 decreased from ₹ 5,658.26 crore to ₹ 4,417.46 crore. The investments made out of cash balances decreased from ₹ 2,554.85 crore to ₹ 2,084.53 crore. The investment from earmarked reserve funds balances increased by ₹ 145.93 crore from ₹ 2,673.64 crore on 1 April

2017 to ₹ 2,819.57 crore as on 31 March 2018, which was mainly due to increase in Consolidated Sinking Fund (₹ 133.46 crore) and Guarantee Redemption Fund (₹ 89.90 crore) offset by decrease in State Disaster Response Fund (₹ 77.43 crore).

The Cash balance for the year 2017-18 was not even equal to the earmarked reserve funds amounting to ₹ 5,527.08 crore which means that reserve funds were used for other than intended purpose. Interest of ₹ 94.89 crore realized from cash balance investments during the year 2017-18 decreased by ₹ 66.43 crore than the interest earned (₹ 161.32 crore) during the year 2016-17.

The Government had to maintain a minimum cash balance of ₹ 1.14 crore as per its agreement with the Reserve Bank of India and ordinary ways and means advances of ₹ 79.48 crore had been taken for maintaining minimum balance. ₹ 0.02 crore was paid as interest on ways and means advances during 2017-18. Government had taken loans amounting to ₹ 16,639.49 crore from open market during the year 2017-18 at the interest rate ranging between 7.26 and 8.45 per cent though balance of ₹ 2,554.85 crore were available at the beginning of the year 2017-18 in cash balance investment account. The closing balance was ₹ 2,084.53 crore.

1.8.8 Outstanding balances under the head 'cheques and bills'

The Major Head '8670' cheques and bills represents the intermediary account head for initial record of transactions which are to be cleared eventually. No transaction has taken place during the year and closing balance remained ₹ 0.05 crore.

1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.5 (Part A and B)** give an abstract of such liabilities and assets as on 31 March 2018, compared with the corresponding position of last year. While the liabilities mainly consist of internal borrowings, loans and advances from GoI, receipts from the Public Account and Reserve Funds, the assets mainly comprise the capital outlay and loans and advances given by the Government and cash balances.

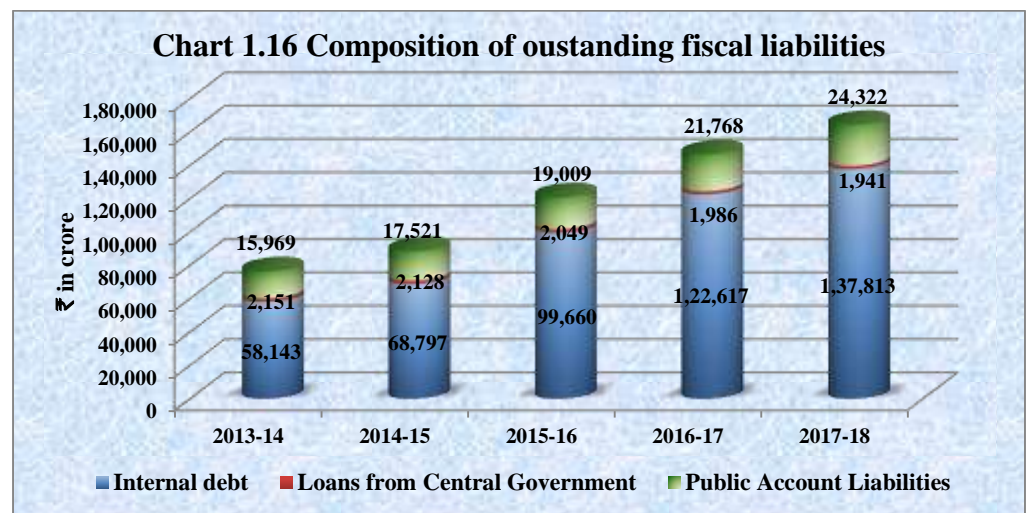
1.9.2 Fiscal Liabilities

The outstanding fiscal liabilities of the State are presented in *Appendix 1.5 Part B*. The compositions of fiscal liabilities during 2013-18 are presented in **Table 1.31** and **Chart 1.16**.

Table 1.31: Trends in fiscal liabilities from 2013-14 to 2017-18

Components of fiscal liability	2013-14	2014-15	2015-16	2016-17	2017-18
Internal debt	58,143	68,797	99,660	1,22,617	1,37,813
Loans from Central Government	2,151	2,128	2,049	1,986	1,941
Public Account Liabilities	15,969	17,521	19,009	21,768	24,322
Total	76,263	88,446	1,20,718	1,46,371	1,64,076
Growth rate	16	15	36.49	21.25	12.10
Interest payment	5,850	6,928	8,284	10,542	11,961
Percentage of revenue receipts	203	216	253.84	278.82	261.71
Buoyancy with revenue receipt growth	1	2	2.20	2.05	0.62
Ratio of fiscal liabilities to GSDP	19.10	20.24	24.85	26.84	26.97

(Source: State Finance Accounts of the respective years)



(Source: State Finance Accounts of the respective years)

The overall fiscal liabilities of the State increased from ₹ 76,263 crore in 2013-14 to ₹ 1,64,076 crore in 2017-18 registering an increase of 115.14 per cent mainly due to increase in internal debt (₹ 79,670 crore) and public account liabilities (₹ 8,353 crore). The ratio of fiscal liabilities to GSDP showed increasing trend and increased from 19.10 per cent in 2013-14 to 26.97 per cent in 2017-18. These liabilities were 2.62 times the revenue receipts and 3.27 times the State's own resources as at the end of 2017-18. Payment of interest on the fiscal liabilities was ₹ 11,961 crore (7.29 per cent of fiscal liabilities) during the year 2017-18. It is significant to note that fiscal liabilities at ₹ 1,64,076 crore were higher than the limit of ₹ 1,41,854 crore projected in the MTFPS for the year 2017-18.

The fiscal liabilities and GSDP ratio at 26.97 per cent after including debt taken over under UDAY scheme was higher against the normative assessment of 20.45 per cent of GSDP under FFC.

1.9.3 Reserve fund

The State Government operated 10 Reserve Funds earmarked for specific purposes as detailed in statement No. 21 of Finance Account. One inactive Reserve Fund namely “Industrial Development Fund” was closed during the year. There were nine Reserve funds earmarked for specific purposes.

At the beginning of 2017-18, Reserve Fund stood at ₹ 4,707.44 crore. There was addition of ₹ 973.29 crore and disbursement of ₹ 153.65 crore during the year leading to a closing balance of ₹ 5,527.08 crore.

1.9.3.1 Consolidated Sinking Fund

The State Government constituted the Consolidated Sinking Fund in 2002 for redemption of open market loans. As on 1st April 2017 the balance under the fund was ₹ 1,641.03 crore. The fund remained invested and interest of ₹ 133.46 crore was earned during the year. No disbursement were made and the Fund was closed at ₹ 1,774.49 crore. **The book value of closing balances of fund was more than the face value by ₹ 40.89 crore.**

As per guidelines, the Government is required to contribute one to three *per cent* of the outstanding open market loans to the Fund, as at the end of the previous year. The Government made no budget provision towards contribution to the Consolidated Sinking Fund for 2017-18. Hence the requisite contribution of ₹ 811.80 crore (one *per cent* of market loans at the end of previous year i.e. ₹ 81,180 crore) was not made in the Fund.

1.9.3.2 State Disaster Response Fund

The **State Disaster Response Fund (SDRF)**, being one of the major reserve funds, had an opening balance of ₹ 1,621.65 crore. During the year 2017-18, the GoI released ₹ 254.25 crore and State Government was required to contribute ₹ 84.75 crore as State share (in the ratio of 75:25). The State Government transferred an amount of ₹ 500.62 crore including arrears for the earlier year to the Fund. Interest of ₹ 6.59 crore was earned on investment of the Fund. State Government has allowed interest of ₹ 89.56 crore during the year on un-invested balance in the Fund against due amount of ₹ 123.54 crore resulting in shortfall of ₹ 33.98 crore. An amount of ₹ 14.58 crore lying unspent with the departmental officers had also been repaid into the fund during the year 2017-18. The department met expenditure of ₹ 77.90 crore from the fund during the year 2017-18 and closing balance was ₹ 2,155.10 crore at the end of 2017-18.

As per Section 18 of GOI guidelines on constitution and administration of the ‘State Disaster Response Fund and National Disaster Response Fund’, the State Executive Committee will take decision regarding investment of the SDRF. **No amount was invested which was in violation of GoI guidelines despite the**

fact that amount was contributed to the fund in the ratio of 75:25 by GoI and State Government.

1.9.3.3 Mines and Minerals Development, Restoration and Rehabilitation Fund

The Fund was established vide Haryana Government notification dated 10th July 2015 for environmentally sustainable growth of the Mining sector, protection, preservation, rehabilitation and restoration of the mining sites in the State and to undertake other related works in the overall interest of protection & preservation of Ecology and Environment of the area. The fund has been opened under “Reserve funds not bearing interest” though it bears interest of six *per cent* per annum. ₹ 3.15 crore has been credited to the Fund by the Finance Department as on 31st March. The expenditure out of the Fund on restoration and rehabilitation of the mining sites shall remain the first charge on the fund, as per notification.

The fund has opening balance of ₹ 55.02 crore as on 1st April 2017. During the year, State Government received an amount of ₹ 468.86 crore from contractors towards Dead Rent/Royalty/Contract money and ₹ 42.53 crore on account of ‘other charges’ from the concession holders. State Government has to contribute five *per cent* of the amount received from contractors in a financial year. ₹ 65.97 crore was required to be transferred to the Fund consisting of ₹ 23.44 crore (five *per cent* of ₹ 468.86 crore) and ₹ 42.53 crore ‘other charges’. However, State Government transferred ₹ 52.50 crore to the fund during the year 2017-18. Thus, there is a short contribution of ₹ 13.47 crore. Besides ₹ 3.15 crore was credited towards interest against the due amount of ₹ 3.30 crore thereby leading to short interest of ₹ 0.15 crore to the Fund. Expenditure of only ₹ 0.01 crore was met from the Fund during the year. No expenditure was undertaken from the fund towards development restoration & rehabilitation of the mining sites in the State by the Government since its inception i.e. July 2015 to March 2018. The balance in the fund was ₹ 110.66 crore at the close of the year 2017-18. No investment was made by State Government during the year.

1.9.3.4 Guarantee Redemption Fund

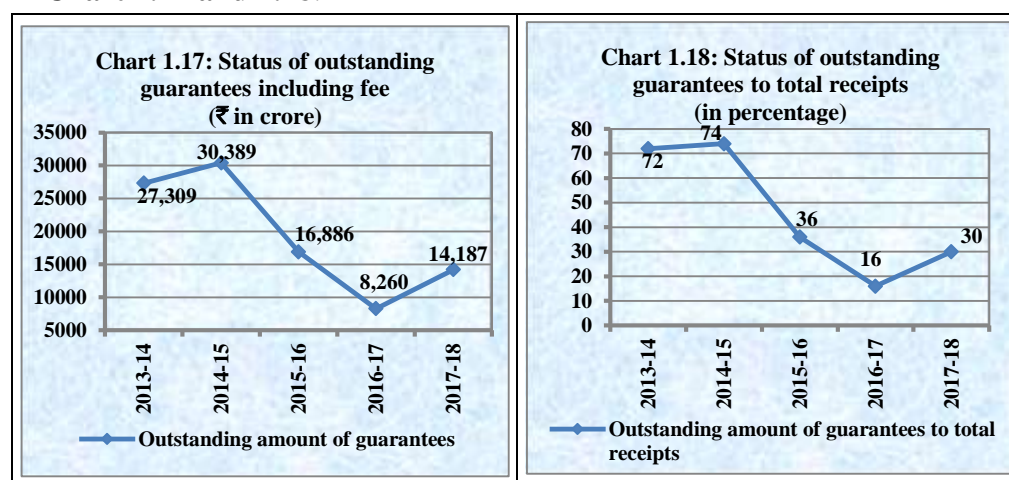
The Government constituted the Guarantee Redemption Fund in 2002-03 to meet the contingent liabilities arising out of guarantees issued on behalf of State Public Sector Undertakings and local bodies. As per the provisions of the Fund, the State Government is required to transfer to the fund, the guarantee fee collected along with annual or periodic contributions as estimated by the Government. The fund is administered by the Reserve Bank of India. The balance under this Fund was ₹ 1,042.78 crore as on 31 March 2018 (12.62 *per cent* of outstanding guarantees at the end of previous year at ₹ 8,260 crore) which stood invested. The Government contributed ₹ 14.17 crore during 2017-18 along with interest of ₹ 75.73 crore earned on investment to the fund. Total liabilities, including guarantees stood at ₹ 1,78,263 crore (₹ 1,64,076 crore + ₹ 14,187 crore) during

2017-18 and were 29.30 per cent of the GSDP. Further ₹ 89.90 crore were invested in Government securities during 2017-18. The book value of closing balances of Fund was more than the face value by ₹ 56.91 crore.

1.9.4 Status of Guarantees-Contingent Liabilities

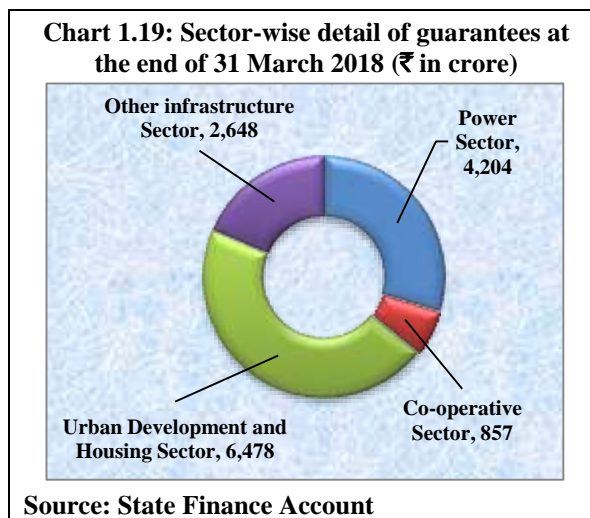
Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of defaults by borrowers for whom the guarantees have been extended. No law under Article 293 of the Constitution has been passed by the State legislature laying down the limit within which the Government may give guarantees on the security of the Consolidated Fund of the State.

As per Statement 9 of the Finance Accounts the outstanding guarantees and status of outstanding guarantees to total receipts for the last five years are given in Chart 1.17 and 1.18.



(Source: State Finance Accounts of the respective years)

No amount was paid by the Government towards guarantees during 2017-18. The outstanding amount of ₹ 14,187 crore of guarantees including guarantee fee, as on 31 March 2018, was in respect of Power (₹ 4,204 crore), Co-operative Banks and Societies (₹ 857 crore) and Corporations, Boards and Government Companies (₹ 9,126 crore).



The outstanding guarantees at the close of the current year accounted for 30 per cent of total receipts of the State which is much higher than that of other States like Rajasthan (18 per cent) and West Bengal (five per cent).

Audit is of the opinion that the State may consider fixing a limit as required under FRBM Act.

1.10 Debt Management

Table 1.32 gives a time series analysis of internal debt profile of the State Government for the last five years.

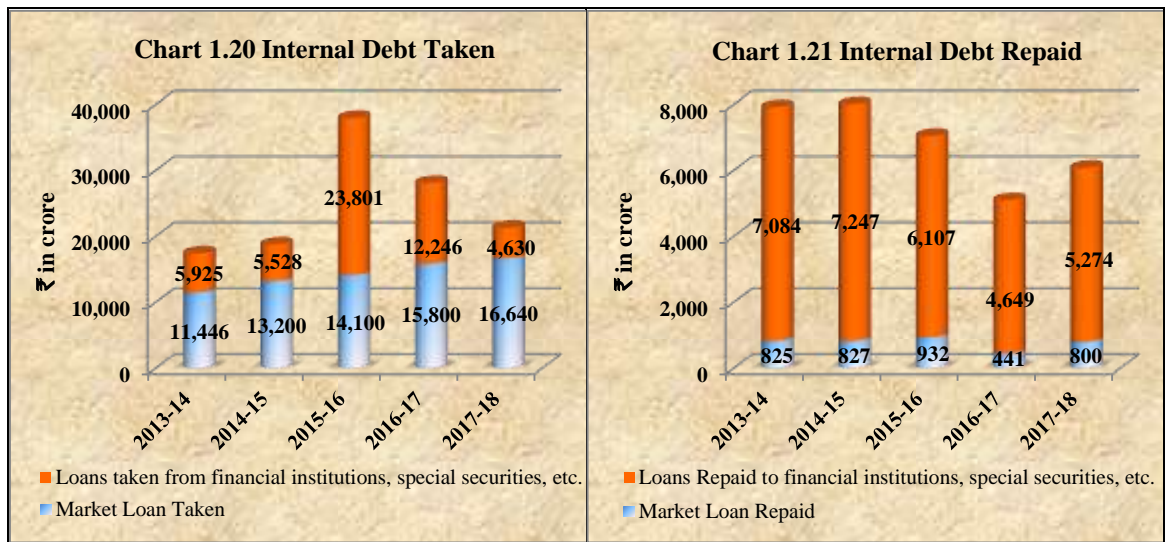
Table 1.32: Internal Debt profile of State Government

(₹ in crore)

Year	Opening Balance	Debt Receipts	Repayment during the year	Closing Balance	Increase/Decrease	Percentage of increase over previous year
2013-14	48,680.54	17,371.48	7,908.87	58,143.15	9,462.61	19.44
2014-15	58,143.15	18,727.99	8,073.67	68,797.47	10,654.32	18.32
2015-16	68,797.47	37,901.20	7,038.54	99,660.13	30,862.66	44.86
2016-17	99,660.13	28,046.26	5,089.52	1,22,616.87	22,956.74	23.04
2017-18	1,22,616.87	21,348.75	6,153.25	1,37,812.37	15,195.50	12.39

(Source: State Finance Accounts of respective years)

Market borrowings form a major portion of the internal debt of the State Government, with interest rates ranging from 7.26 to 8.45 *per cent*. In 2017-18, the State Government borrowed fresh market loans of ₹ 16,640 crore (out of total internal debt of ₹ 21,270 crore). Market loans repaid was ₹ 800 crore (out of total re-payment of internal debt of ₹ 6,074 crore). The outstanding market borrowings as of 31 March 2018 were ₹ 97,020 crore out of total internal debt of ₹ 1,37,812 crore. The net increase of market borrowings during the year was 19.51 *per cent* (₹ 15,840 crore).



Source: Finance Accounts

Internal debt of the State Government increased by ₹ 89,132 crore (183 *per cent*) from ₹ 48,681 crore in 2013-14 to ₹ 1,37,812 crore in 2017-18. An interest of ₹ 10,578 crore was paid on internal debt during 2017-18.

Debt Sustainability

Apart from the magnitude of the debt of the Government, it is important to analyse the various parameters that determine the debt sustainability of the State and indicate ability of the State to service its debt obligation in future. This section assesses the sustainability of the debt of the Government in terms of rate

of growth of outstanding debt; ratio of interest payment and revenue receipt, debt repayment and debt receipt; net debt available to the State. **Table 1.33** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2013-14.

Table 1.33: Debt sustainability

(₹ in crore)					
Debt Sustainability	2013-14	2014-15	2015-16	2016-17	2017-18
Outstanding Public Debt	60,293.96	70,925.30	1,01,709.05	1,24,602.73	1,39,753.64
Rate of increase of Outstanding Public Debt	19.02	17.63	43.40	22.51	12.16
GSDP	3,99,268	4,36,962	4,85,824	5,45,323	6,08,471
Rate of Growth of GSDP	15.05	9.44	11.18	12.25	11.58
Debt as per cent of GSDP	15.10	16.23	20.94	22.85	22.97
Average interest Rate of Outstanding Debt (Interest paid/OB of Public Debt + CB of Public Debt/2)	8.92	9.14	7.61	8.17	8.08
Percentage of Interest to Revenue Receipt	13.02	14.70	13.81	17.61	17.04
Percentage of Debt Payment to Debt Receipt	46.69	43.62	18.99	18.73	29.50
Net Debt available to the State#	4,687	4,633	24,217	13,647	4,469
Net debt available as per cent of debt receipts	26.62	24.57	63.73	48.45	20.80

(Source: State Finance Accounts of the respective years)

Net Debt available to the State is excess of PDR over PD Repayment and interest payment on Public Debt

Public Debt of the State Government increased from ₹ 60,294 crore in 2013-14 to ₹ 1,39,754 crore in 2017-18 registering an increase of 131.79 per cent during the period 2013-18. The rate of increase ranged between 12.16 per cent and 43.40 per cent over the period 2013-14 to 2017-18. Public Debt increased at the rate of 12.16 per cent in 2017-18 as compared to 22.51 per cent in the previous year.

The detail of utilisation of borrowed funds for repayment of earlier borrowings, capital expenditure and revenue expenditure during the period in 2013-18 is given below:

Table 1.34: Utilisation of borrowed funds

(₹ in crore)					
Year	Total Borrowings	Repayment of earlier borrowing (Principal) (Percentage)	Net Capital expenditure*# (Percentage)	Net loans and advances disbursed (Percentage)	Portion of Revenue expenditure met out of total borrowings (Percentage)
2013-14	17,604.16	7,968.47 (45)	3,924.71 (22)	513.76 (3)	5,197.22 (30)
2014-15	18,858.75	8,227.41 (44)	3,696.79 (20)	570.05 (3)	6,364.50 (33)
2015-16	37,998.43	7,214.68 (19)	6,878.35 (18)	12,922.01 (34)	10,983.39 (29)
2016-17	28,169.52	5,275.84 (19)	6,836.83 (24)	3,541.68 (13)	12,515.17 (44)
2017-18	21,489.76	6,338.85 (29)	8,308.03 (39)	243.96 (1)	6,598.92 (31)
Total	1,24,120.62	35,025.25 (28)	29,644.71 (24)	17,791.46 (14)	41,659.20 (34)

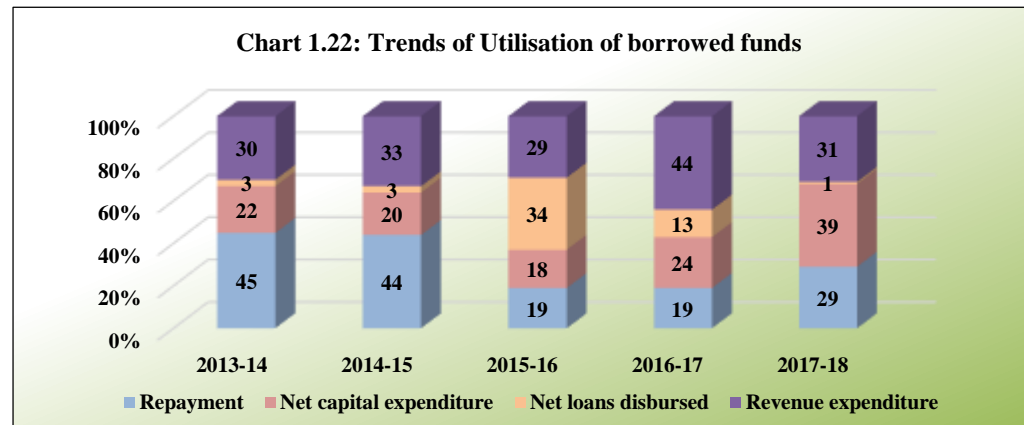
Source: Finance Accounts

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

The Net Capital Expenditure excludes loans of ₹5,190 crore which were converted into equity

The Revenue Receipts of the State Government were not sufficient for meeting the Revenue Expenditure. Hence, the Government remained dependent upon borrowings for meeting Revenue Expenditure. During 2017-18, revenue expenditure of ₹ 6,599 crore was met from borrowed funds which constitutes 31 per cent of borrowed funds.

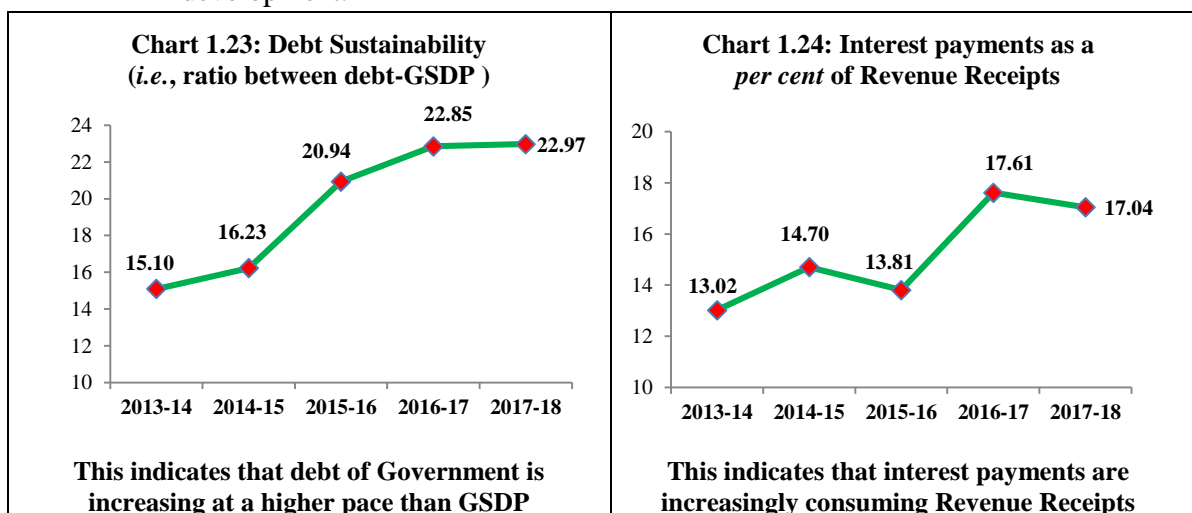
Trend of utilization of borrowed funds during the period 2013-18 is depicted in **Chart 1.22**.



Source: Finance Accounts

During 2013-18, the public debt increased annually at higher rate than annual growth rate of GSDP as shown in **Chart 1.23**.

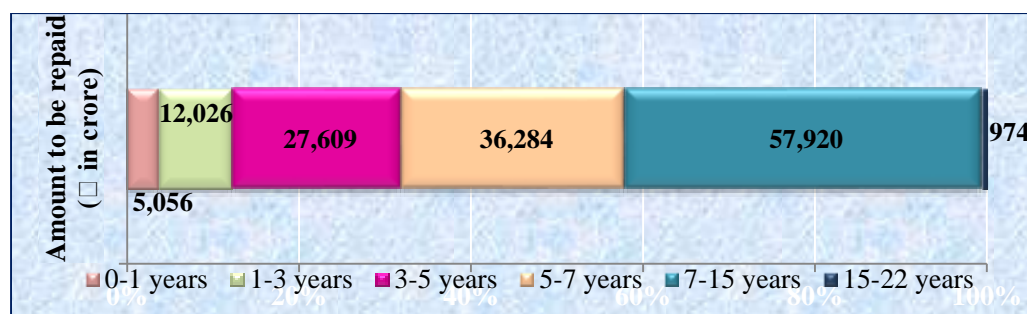
Interest payment as a percentage of revenue receipt increased from 13.02 per cent in 2013-14 to 17.04 per cent in 2017-18 (**Chart 1.24**) which shows that the interest payment on public debt was increasing resulting in less availability of funds for development.



Debt repayment schedule

Debt maturity profile indicates commitment on the part of the Government for debt repayment or debt servicing.

Chart 1.25: Debt Maturity profile



Source: Finance Accounts

As of March 2018, total outstanding debt was ₹ 1,39,869.21¹² crore. The maturity profile of outstanding stock of public debt as on 31 March 2018 showed that 58 per cent (₹ 80,976 crore) of the total outstanding debt was in the maturity bucket of up to seven years and the balance of ₹ 58,893 crore (42 per cent) from seventh year onwards as depicted in **Chart 1.25**.

Repayment schedule of market loans alongwith interest has been given in **Chart 1.26**.



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

The State will have to repay market loans of ₹ 27,432 crore (28 per cent of total outstanding market loans as on 31 March 2018) along with interest of ₹ 37,100 crore during the next five years upto 2022-23. Balance market loans of ₹ 69,586 crore (72 per cent of total outstanding market loans as on 31 March 2018) will have to be repaid in subsequent five years' period upto 2027-28 along with interest of ₹ 14,194 crore.

This means that in the next five years the State will have to make repayment of ₹ 12,906 crore annually of the present market loans which

¹² There is a difference of ₹ 115.57 crore between maturity profile and balances which was under reconciliation.

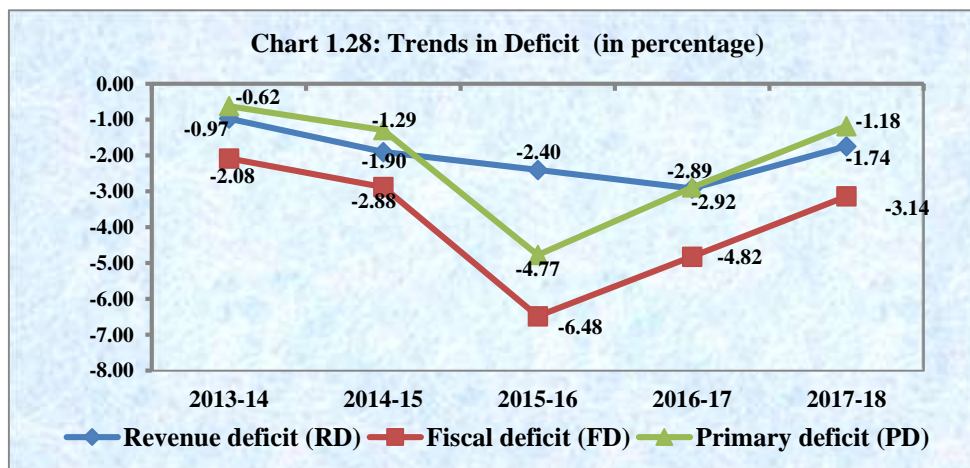
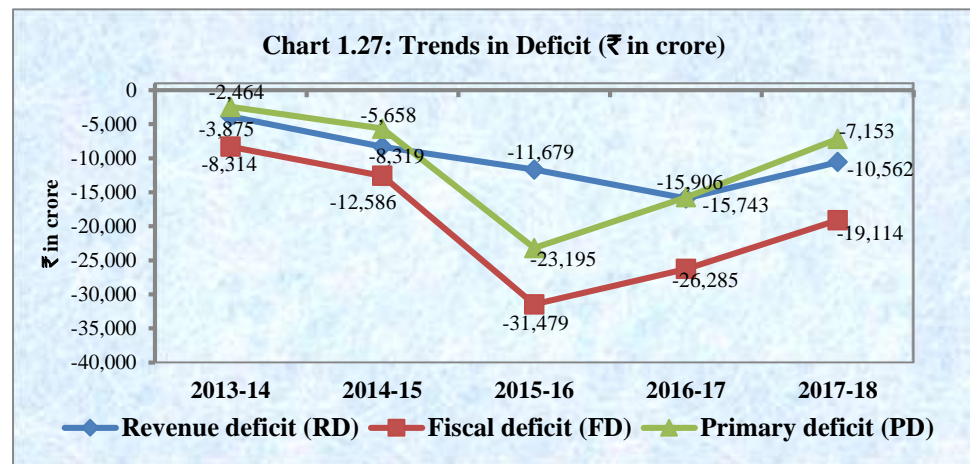
will go up to ₹ 16,756 crore per year in the subsequent period of five years from the current level of outgo of ₹ 7,766 crore whereas the revenue receipts of the State are much less than the revenue expenditure and the State will therefore have to borrow more funds to manage its debt portfolio.

1.11 Fiscal Imbalances

Three key fiscal parameters i.e. revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the Government during a specified period. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2017-18.

1.11.1 Trends of deficits

Chart 1.27 and Chart 1.28 presents the trends in deficit indicators over the period 2013-18.



(Source: State Finance Accounts of the respective years)

- **Revenue Deficit**, which indicates the excess of revenue expenditure over revenue receipts, was to be brought down to zero by 2011-12 and to be maintained at zero upto 2014-15, as per the FRBM Act 2005. The revenue

deficits which was ₹ 15,906 crore during 2016-17 decreased to ₹ 10,562 crore. The revenue deficit of ₹ 10,562 crore during 2017-18 was less than the budget projections of ₹ 11,125 crore. The revenue deficit to 17 per cent of revenue receipts during 2017-18 from 30 per cent during the previous year.

However, the revenue deficit at ₹ 10,562 crore indicates that revenue receipts of the State Government were not sufficient for meeting the revenue expenditure and borrowed funds were used for meeting current consumption instead of capital creation.

- **Fiscal Deficit** which were ₹ 26,285 crore in 2016-17 decreased to ₹ 19,114 crore (having effect of issuance of bonds of ₹ 8,650 crore during 2016-17 for taking over power loans under UDAY) during 2017-18. Fiscal deficit was 3.14 per cent of GSDP against the target of 2.84 per cent set out in MTFPS (*Appendix 1.6*). Even, the fiscal deficit at 2.79 per cent of GSDP excluding debt taken over under UDAY scheme was more than the limit of 2.61 per cent set out in MTFPS and budget for the year 2017-18.
- **Primary Deficit** which was ₹ 2,464 crore in 2013-14 increased upto ₹ 23,195 crore in 2015-16 and declined to ₹ 15,743 crore in 2016-17 (having effect of issuance of bonds of ₹ 17,300 crore in 2015-16 and ₹ 8,650 crore in 2016-17 for taking over power loans under UDAY) decreased to ₹ 7,153 crore during 2017-18. Existence of primary deficit indicates that the State would need to borrow money even for making interest payments on its borrowed funds.
- **Primary Revenue Balance** denotes the gap between non-debt receipts of the State and its non-interest Revenue Expenditure. It indicates the extent to which non debt receipts of the State were able to meet the expenditure on Capital Account. In 2017-18, the State registered a Primary Revenue Surplus of ₹ 7,780 crore. This was 57 per cent of the capital expenditure (₹ 13,538 crore) to that extent funds were available for capital expenditure.

Impact on Revenue and Fiscal Deficit

Audit observed that the Revenue and Fiscal Deficit was understated by ₹ 878.20 crore and ₹ 1,987.82 crore respectively on account of non-contribution to consolidated sinking fund, short adjustment of interest and utilisation of earmarked funds for expenditure as shown in Table 1.35.

Table 1.35: Effective Revenue and Fiscal Deficit

(₹ in crore)

Particulars	Impact on Revenue Deficit (Understated)	Impact on Fiscal Deficit (Understated)	Ratio before taking the net impact (in per cent)		Ratio after taking the net impact (in per cent)	
			RD/GSDP	FD/GSDP	RD/GSDP	FD/GSDP
Short contribution to New Pension Scheme	19.50	19.50	1.74	3.14	1.88	3.47
Non-contribution to Consolidated Sinking Fund	811.10	811.10				
Short contribution to Mines and Mineral Development Restoration and Rehabilitation Fund	13.47	13.47				
Short adjustment of interest on balances in Mines and Mineral Development Restoration and Rehabilitation Fund	0.15	0.15				
Short adjustment of interest on balances in State Disaster Response Fund	33.98	33.98				
Utilisation of earmarked funds for expenditure	-	1,109.62				
Total	878.20	1,987.82				

Source: Finance Accounts

Above impacted the Revenue and Fiscal Deficit of the State Government. The Revenue Deficit has been understated by 0.14 percentage points while the fiscal deficit by 0.33 percentage point.

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.36**. Receipts and disbursements under the components of financing the fiscal deficit during 2017-18 are given in **Table 1.37**.

Table 1.36: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Components of fiscal deficit	(-) 8,314	(-) 12,586	(-) 31,479	(-)26,285	(-)19,114
1 Revenue deficit(-)/surplus (+)	(-) 3,875	(-) 8,319	(-) 11,679	(-)15,906	(-)10,562
2 Net Capital Expenditure	(-) 3,925	(-) 3,697	(-) 6,878	(-)6,837	(-)13,498
3 Net loans and advances	(-) 514	(-) 570	(-) 12,922	(-)3,542	4,946
Financing pattern of fiscal deficit					
1 Market Borrowing	10,621.36	12,372.99	13,168.29	15,358.98	15,839.49
2 Loans from GoI	173.08	(-) 22.98	(-) 78.91	(-)63.06	(-)44.59
3 Special securities issued to National Small Savings Fund	28.07	707.45	1,012.11	(-)947.05	(-)954.14
4 Loans from financial institutions	(-)1,186.82	(-)2,426.12	16,682.26	8,544.81	310.15
5 Small Savings, Provident Funds, etc.	720.99	1,041.05	1,048.64	1,114.88	1,226.32
6 Reserve Fund	2.29	38.97	70.72	1,646.31	673.72
7 Deposits and advances	1,086.43	471.42	369.27	(-)2.12	653.55
8 Suspense and Miscellaneous	(-) 3948.95	1,145.54	(-) 1,583.19	1,734.84	518.78
9 Remittances	(-) 0.25	(-) 13.89	(-) 19.15	57.66	(-)25.09
10 Overall surplus (-) deficit (+)	7,496.20	13,314.43	30,670.04	27,445.25	18,198.19
11 Increase (-) decrease (+) in cash balance*	(+) 817.28	(-) 728.38	(+) 809.47	(-)1,160.13	916.30
12 Gross Fiscal Deficit	8,314	12,586.05	31,479.51	26,285.12	19,114.49

(Source: State Finance Accounts of the respective years)

* 8999-Cash balance (Deposits with Reserve bank and remittance in treasury)

Table 1.37: Receipts and Disbursements under components financing the fiscal deficit
(₹ in crore)

	Particulars	Receipt	Disbursement	Net
1	Market Borrowing	16,639.49	800.00	15,839.49
2	Loans from GoI	141.01	185.60	(-)44.59
3	Special securities issued to National Small Savings Fund		954.14	(-)954.14
4	Loans from financial institutions	4,629.78	4,319.63	310.15
5	Small Savings, Provident Funds, etc.	3,342.50	2,116.18	1,226.32
6	Deposits and advances	20,579.87	19,926.32	653.55
7	Reserve Funds	1,050.73	377.01	673.72
8	Suspense and Miscellaneous	80,453.32	79,934.54	518.78
9	Remittances	8,098.05	8,123.14	(-)25.09
10	Overall surplus (-) deficit (+)	1,34,934.75	1,16,736.56	18,198.19
11	Increase (-) decrease (+) in cash balance	Dr.426.73	Cr.489.57	916.30
12	Gross Fiscal Deficit	1,35,361.48	1,16,246.99	19,114.49

(Source: State Finance Accounts)

The fiscal deficit in 2017-18 was largely managed by market borrowings (83 per cent), State provident fund (six per cent) and balance from other sources.

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the components of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The bifurcation of the primary deficit (Table 1.38) would indicate the extent to which the deficit was on account of enhancement in capital expenditure, which may have been desirable to improve the productive capacity of the State's economy.

Table 1.38: Primary deficit/surplus–bifurcation of factors

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	₹ in crore)		
					Primary expenditure	Primary revenue deficit (-)/surplus (+)	Primary deficit(-)/surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2013-14	38,284	36,037	3,935 (9.66)	776	40,748	2,247	(-) 2,464
2014-15	41,091	42,190	3,716 (7.95)	843	46,749	(-) 1,099	(-) 5,658
2015-16	47,915	50,952	6,908 (9.71)	13,250	71,110	(-) 3,037	(-) 23,195
2016-17	53,496	57,861	6,863 (9.91)	4,515	69,239	(-) 4,365	(-) 15,743
2017-18	69,076	61,296	13,538 (17.76)	1,395	76,229	7,780	(-)7,153

(Source: State Finance Accounts of the respective years)

(Note: Figures in parentheses indicate percentage of capital expenditure to primary expenditure)

- Non-debt receipts of the State mainly included Revenue Receipts and recoveries of loans and advances which increased by 80.43 per cent from 2013-14 to 2017-18 and during 2017-18 were sufficient to meet the primary revenue expenditure.
- The primary revenue surplus of ₹ 2,247 crore in 2013-14 converted to primary revenue deficit during 2014-15 to 2016-17. However, during current year the position again changed to primary revenue surplus which stood at ₹ 7,780 crore.

- Primary deficit which was ₹ 2,464 crore in 2013-14 increased upto ₹ 23,195 crore in 2015-16 and declined to ₹ 15,743 crore in 2016-17 decreased to ₹ 7,153 crore during 2017-18.

Table 1.39 Components of Fiscal Deficit

Particulars	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue deficit(-)/ surplus (+)	(-) 3,875 (47)	(-) 8,319 (66)	(-) 11,679 (37)	(-)15,906 (61)	(-)10,562 (55)
Net Capital Expenditure	(-) 3,925 (47)	(-) 3,697 (29)	(-) 6,878 (22)	(-) 6,837 (26)	(-)13,498 (71)
Net loans and advances	(-) 514 (6)	(-) 570 (5)	(-) 12,922 (41)	(-)3,542 (13)	4,946
Fiscal Deficit	(-) 8,314	(-) 12,586	(-) 31,479	(-)26,285	(-)19,114

Figures in parentheses indicate percentage to Fiscal Deficit

During the year, the quality of Fiscal Deficit has improved to some extent as compared to 2016-17. The contribution of Revenue Deficit in the Fiscal Deficit decreased from 61 *per cent* in 2016-17 to 55 *per cent* in 2017-18. A higher proportion of Revenue Deficit in Fiscal Deficit indicates that a large proportion of current expenditure is being met from borrowed funds. The percentage of the net capital expenditure increased during 2017-18 to the extent of 71 *per cent* of the Fiscal Deficit. **However, this increase in the share of net capital expenditure is primary on account of conversion of loans to equity for DISCOMs which tantamounts to window dressing of the accounts as there is no real investment by the Government and in fact, is essentially a sunk cost.**

The fiscal deficit during the current year was 3.14 *per cent* of GSDP.

1.12 Conclusion

The State is on a fiscal correction path. However, the State has not yet amended the FRBM Act as recommended by FFC. It has remained a revenue deficit State although the amount of revenue deficit has declined over the previous year. The revenue deficit declined to 17 *per cent* of revenue receipts during 2017-18 from 30 *per cent* during the previous year.

The primary deficit of the State also declined from 2.89 *per cent* of GSDP in 2016-17 to 1.18 *per cent* in the current year.

Receipts of ₹ 3,068.82 crore collected under Haryana Rural Development fund were not credited to Consolidated Fund of the State during 2011-17.

Revenue expenditure during the year constituted 83 *per cent* of the total expenditure. Total expenditure on four components i.e. salary and wages, pension liabilities, interest payments and subsidies constituted 65 *per cent* of the revenue expenditure during 2017-18. Moreover, 90 *per cent* (₹ 7,624 crore) of total subsidies (₹ 8,446 crore) were only for the Energy Sector.

Capital expenditure increased by ₹ 6,675 crore (97 per cent) as compared to previous year mainly due to conversion of power sector loans amounting to ₹ 5,190 crore under UDAY scheme in to equity. The accumulated losses upto 2016-17 of three DISCOMs were ₹ 30,310 crore.

The revenue deficit decreased from ₹ 15,906 crore of 2016-17 to ₹ 10,562 crore in 2017-18. The trends in other fiscal parameters, i.e. fiscal and primary deficit which stood at ₹ 26,285 crore and ₹ 15,743 crore in 2016-17, decreased to ₹ 19,114 crore (73 per cent) and ₹ 7,153 crore (45 per cent) respectively in 2017-18.

Overall fiscal liabilities of the State were ₹ 1,64,076 crore as on 31 March 2018. Fiscal liabilities were 26.97 per cent of GSDP and 2.62 times of the revenue receipts.

Cash balance of ₹ 4,417 crore at the close of 2017-18 was lesser than the earmarked reserve funds of ₹ 5,527 crore which indicates that reserve funds were used other than intended purposes.

The State Government had not invested funds of ₹ 2,266 crore available under SDRF and Restoration and rehabilitation of mines and minerals. ₹ 2,407 crore under Building and other construction workers welfare cess were lying unutilized as on 31 March 2017.

Internal debt of the Government increased to ₹ 1,37,813 crore (12.39 per cent) during 2017-18 from ₹ 1,22,617 crore in 2016-17. An interest of ₹ 10,578 crore was paid on internal debt during 2017-18. The resource gap remained negative during the year 2017-18 and the primary expenditure was met partially from the borrowed funds.