

CHAPTER–2

FINANCES OF THE STATE

Chapter 2: Finances of the State

2.1 Major Changes in Key Fiscal Aggregates

Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State increased by 2.99 <i>per cent</i> ✓ Own Tax receipts of the State increased by 0.57 <i>per cent</i> ✓ Own Non-tax receipts decreased by 7.22 <i>per cent</i> ✓ State's Share of Union Taxes and Duties decreased by 13.86 <i>per cent</i> ✓ Grants-in-Aid from Government of India increased by 48.76 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 9.97 <i>per cent</i> ✓ Revenue expenditure on General Services increased by 13.19 <i>per cent</i> ✓ Revenue expenditure on Social Services increased by 13.39 <i>per cent</i> ✓ Revenue expenditure on Economic Services increased by 1.14 <i>per cent</i> ✓ No expenditure on Grants-in-Aid during 2019-20
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure increased by 15.41 <i>per cent</i> ✓ Capital expenditure on General Services decreased by 18.04 <i>per cent</i> ✓ Capital expenditure on Social Services decreased by 15.01 <i>per cent</i> ✓ Capital expenditure on Economic Services increased by 28.36 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances increased by 73.15 <i>per cent</i> ✓ Recoveries of Loans and Advances increased by 0.39 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 29.67 <i>per cent</i> ✓ Repayment of Public Debt decreased by 8.19 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 10.45 <i>per cent</i> ✓ Disbursement of Public Account increased by 12.80 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹ 1,013.92 crore (34 <i>per cent</i>) during 2019-20 compared to previous year

2.2 Sources and Application of Funds

The summary of sources and application of funds during the current year (2019-20) vis-à-vis the previous year (2018-19) is given in **Table 2.1**.

Table 2.1: Details of sources and application of funds during 2018-19 and 2019-20

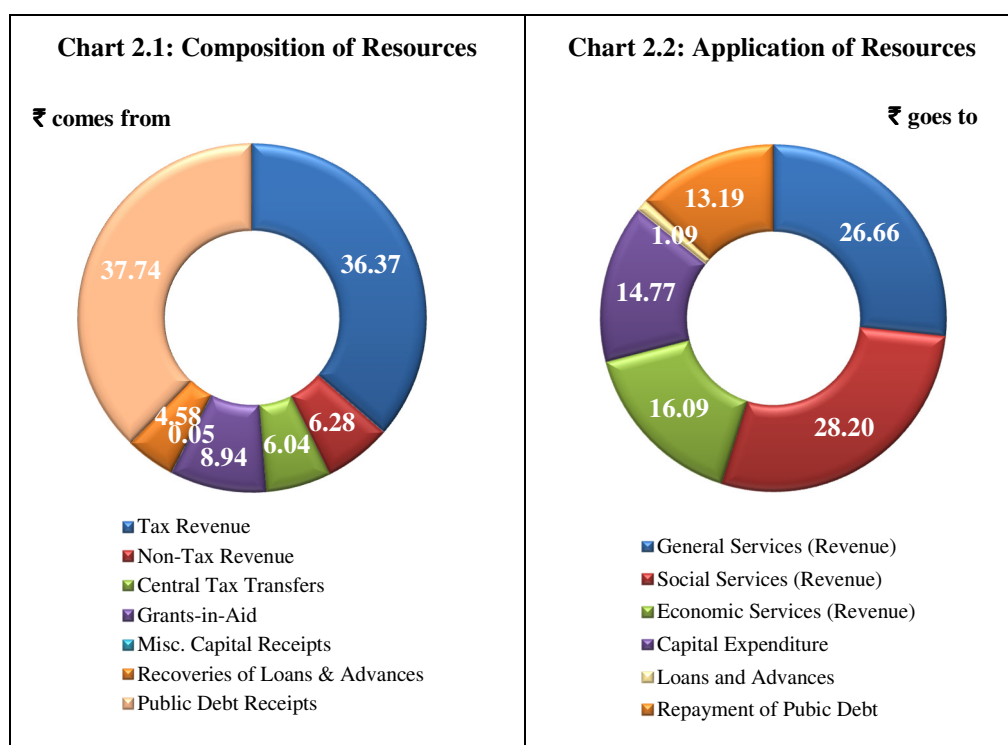
(₹ in crore)

	Particulars	2018-19	2019-20	Increase/ Decrease (Percentage)
Sources	Opening Cash Balance with RBI	4,417.46	2,985.55	(-) 1,431.91 (32)
	Revenue Receipts	65,885.12	67,858.13	1,973.01 (3)
	Recoveries of Loans and Advances	5,371.90	5,392.63	20.73(-)
	Misc. Capital Receipts	49.01	54.01	5.00 (10)
	Public Debt Receipts (Net)	17,081.10	28,656.31	11,575.21 (68)
	Public Account Receipts (Net)	3,398.74	2,876.23	(-) 522.51 (15)
	Total	96,203.33	1,07,822.86	11,619.53 (12)
Application	Revenue Expenditure	77,155.54	84,848.21	7,692.67 (10)
	Capital Expenditure	15,306.60	17,665.93	2,359.33 (15)
	Disbursement of Loans and Advances	755.64	1,309.25	553.61 (73)
	Closing Cash Balance with RBI	2,985.55	3,999.47	1,013.92 (34)
	Total	96,203.33	1,07,822.86	11,619.53 (12)

Source: Finance Accounts of the respective years

Appendix 2.1 provides details of receipts and disbursements and the overall fiscal position of the State during current year as well as previous year.

Composition of sources and application of funds in the Consolidated Fund of the State during 2019-20 is given in **Chart 2.1 and Chart 2.2**.



Source: Finance Accounts

2.3 Resources of the State

The resources of the State are described below:

- Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).

2. **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.

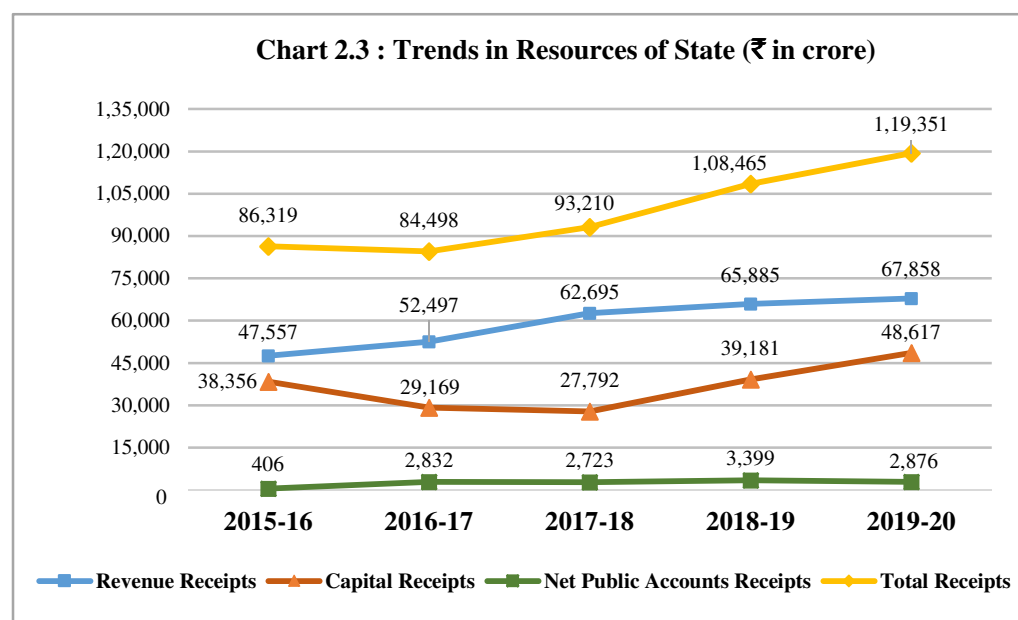
Both revenue and capital receipts form part of the Consolidated Fund of the State.

3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

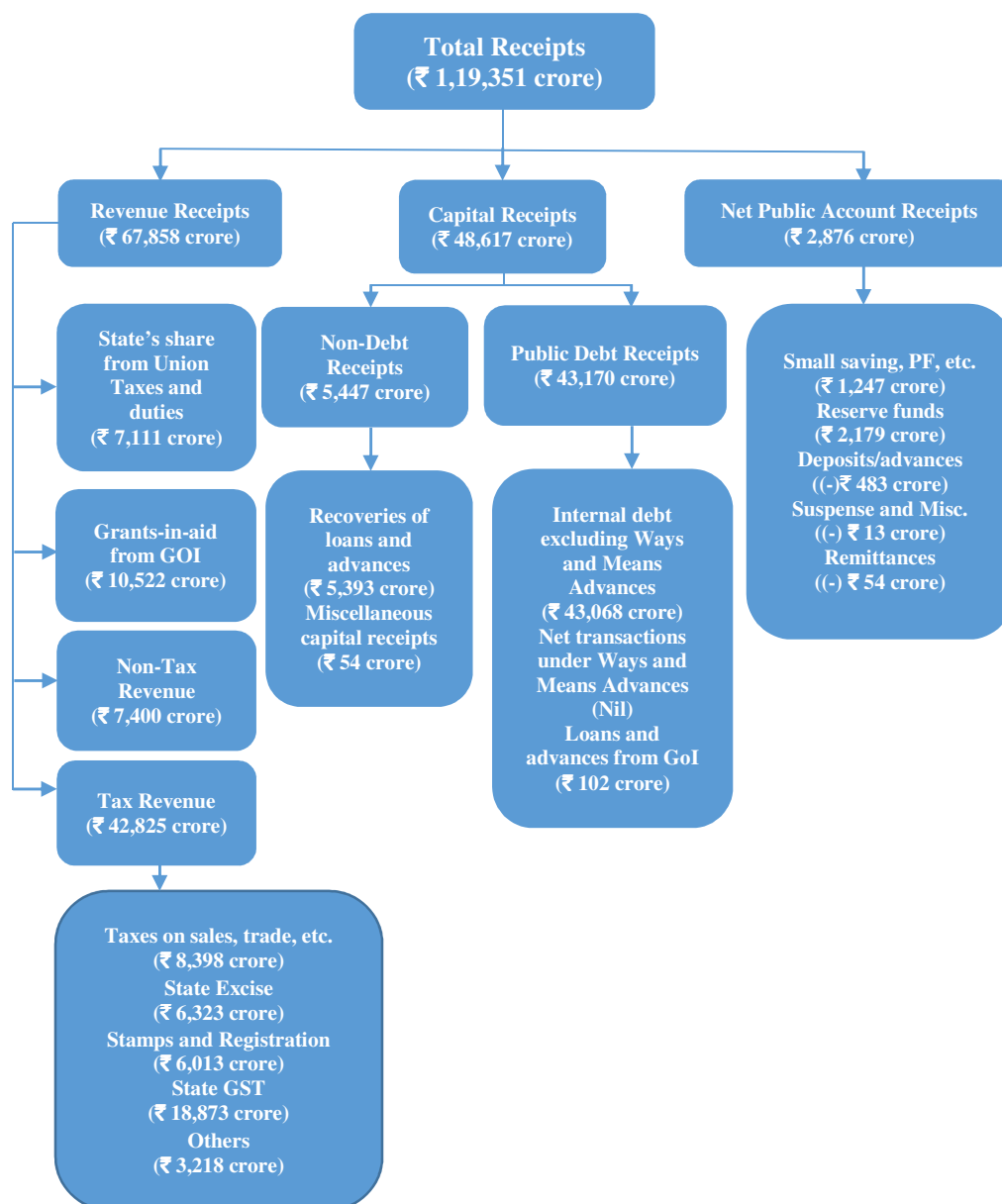
These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the State

Trends in various components of the receipts of the State during 2015-20 is given in **Chart 2.3** while composition of receipts of the State during 2019-20 is depicted in **Chart 2.4**. In addition to revenue and capital receipts, net public account receipts are also utilised to finance the deficit of the State.



Source: Finance Accounts of the respective years

Chart 2.4: Composition of receipts of the State during 2019-20

Source: Finance Accounts

- Net Public Account Receipts (₹ 2,876 crore) = Public Account Receipts (₹ 45,047 crore) less Public Accounts Disbursements (₹ 42,171 crore)

The total receipts of the Government increased by ₹ 33,032 crore (38.27 per cent) during 2015-20. Revenue receipts increased by ₹ 20,301 crore (42.69 per cent), Capital receipts, which includes recovery of loans and advances and public debt, increased by ₹ 10,261 crore (26.75 per cent) and Net Public Account receipts increased by ₹ 2,470 crore (608.37 per cent) during the same period.

2.3.2 Revenue Receipts

2.3.2.1 Trends and growth of Revenue Receipts

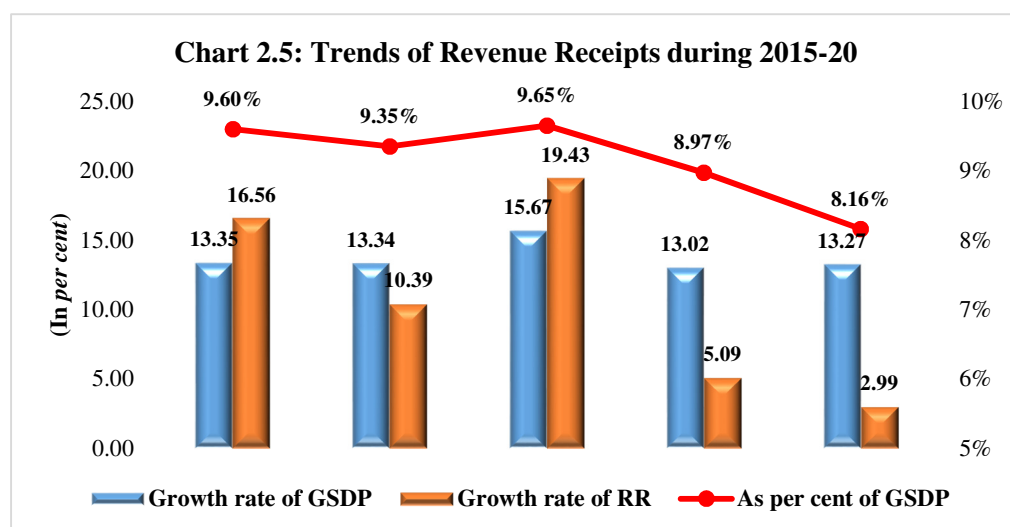
The trends and growth of revenue receipts as well as revenue buoyancy with respect to GSDP over the period 2015-20 are given in **Table 2.2** and also depicted in **Chart 2.5** and **Chart 2.6**. The trends and composition of revenue receipts over the period 2015-20 are presented in **Appendix 2.2**.

Table 2.2: Trend in Revenue Receipts

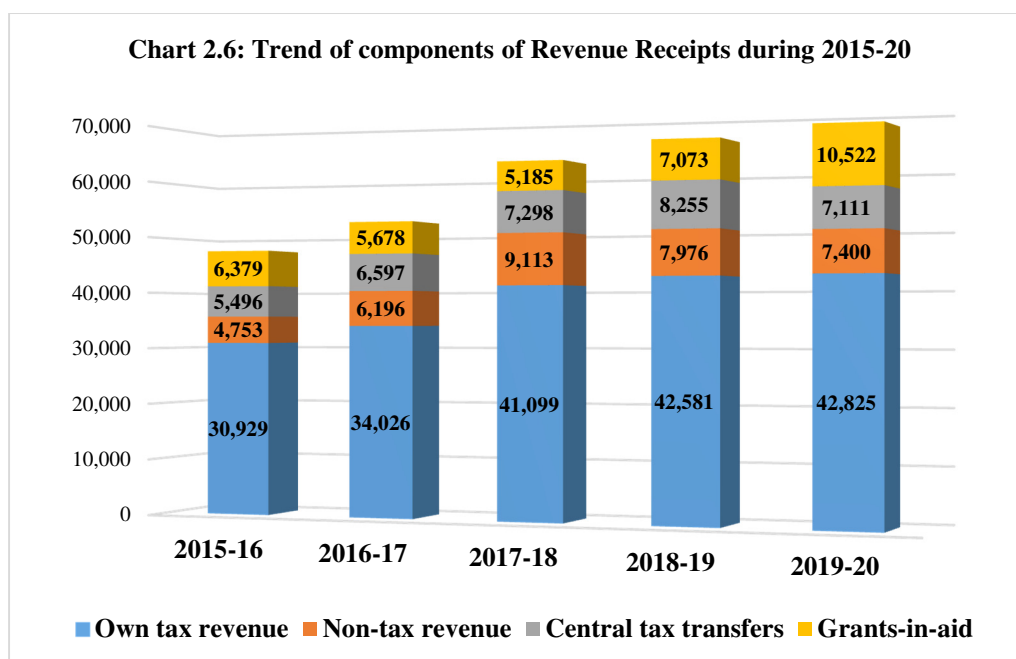
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	47,557	52,497	62,695	65,885	67,858
Rate of growth of RR (<i>per cent</i>)	16.56	10.39	19.43	5.09	2.99
Own Tax Revenue	30,929	34,026	41,099	42,581	42,825
Non-Tax Revenue	4,753	6,196	9,113	7,976	7,400
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	10.65	12.72	24.84	0.69	(-) 0.66
Gross State Domestic Product (₹ in crore)	4,95,504	5,61,610	6,49,592	7,34,163	8,31,610
Rate of growth of GSDP (<i>per cent</i>)	13.35	13.34	15.67	13.02	13.27
RR/GSDP (<i>per cent</i>)	9.60	9.35	9.65	8.97	8.16
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	1.24	0.78	1.24	0.39	0.23
State's Own Revenue Buoyancy w.r.t GSDP	0.80	0.95	1.59	0.05	(-) 0.05

Source of GSDP figures: Directorate of Economics and Statistics

It can be seen that the annual growth rate of RR of the State decreased from 16.56 *per cent* in 2015-16 to 2.99 *per cent* in 2019-20 as the own tax and non-tax revenue displayed negative growth of 0.66 *per cent*. The ratio of RR to GSDP decreased from 9.60 *per cent* to 8.16 *per cent*. The Buoyancies of RR and Own Revenue with reference to GSDP was also very less during 2019-20. This indicates that the growth of RR of the State is not commensurate with the growth GSDP.



¹ Buoyancy Ratios indicate the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.



Source: Finance Accounts of the respective years

The revenue receipts of the State increased by 42.69 *per cent* during the period from 2015-16 to 2019-20. The State's own tax revenue increased by 38.46 *per cent*, the grants-in-aid from GoI increased by 64.95 *per cent* and the central tax transfers increased by 29.39 *per cent* during the same period. The share of the State's own revenue (tax revenue and non-tax revenue) in the total revenue decreased from 75.03 *per cent* in 2015-16 to 74.01 *per cent* in 2019-20. The share of grants-in-aid from GoI increased from 13.41 *per cent* in 2015-16 to 15.51 *per cent* in 2019-20. The share of central tax transfers decreased from 11.56 *per cent* to 10.48 *per cent* during 2015-16 to 2019-20.

The revenue receipts of the State during the current year grew by only 2.99 *per cent* over the previous year. State's own tax and non-tax revenue decreased by ₹ 332 crore (0.66 *per cent*).

2.3.2.2 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.

(i) Own Tax revenue

Own tax revenues of the State consist of State Goods and Services Tax (SGST), State excise, Taxes on vehicles, Stamp duty and registration fees, Land revenue, Taxes on goods and passengers, etc. The gross collection in respect of major taxes and duties are given in **Table 2.3**.

Table 2.3: Components of State's own tax revenue

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Taxes on sales, trades, etc.	21,060	23,488	15,609	8,998	8,398	
SGST	0	0	10,833	18,613	18,873	
State excise	4,371	4,613	4,966	6,042	6,323	
Taxes on vehicles	1,401	1,583	2,778	2,908	2,916	
Stamp duty and Registration fees	3,191	3,283	4,193	5,636	6,013	
Land revenue	15	16	18	19	20	
Taxes on goods and passengers	554	595	2,317	21	16	
Other taxes	337	448	385	344	266	
Total	30,929	34,026	41,099	42,581	42,825	

Source: Finance Accounts of the respective years

Tax revenue increased by ₹ 11,895.86 crore (38.46 *per cent*) during 2015-20. All the major taxes and duties recorded increasing trend. However, the taxes subsumed in Goods and Services Tax (GST) i.e. Taxes on sales, trade, etc. and Taxes on goods and passengers (Tax on entry of goods into local areas) and other taxes decreased in 2019-20 as compared to 2018-19.

(ii) State Goods and Services Tax (SGST)

As per the GST (Compensation to States) Act, 2017, States will be compensated for the shortfall in revenue arising on account of implementation of the goods and services tax considering an annual growth of 14 *per cent* from the base year, for a period of five years. In case of Haryana, the finalised revenue figure was ₹ 15,230.59 crore during the base year of 2015-16.

The projected revenue in accordance with base year figure, actual revenue collected and compensation due and received from GoI during the period 2017-18 to 2019-20 is given in **Table 2.4**.

Table 2.4: Detail of collection of GST and compensation from GoI

(₹ in crore)

Year	Projected revenue amount	Revenue collected amount	Compensation due amount	Compensation received amount	Shortfall
	1	2	3 = 1-2	4	5 = 3-4
2017-18 ²	14,845.26	13,225.69	1619.57	1,199.00	420.57
2018-19	22,564.79	18,597.93	3,966.86	2,820.00	1,146.86
2019-20	25,723.86	18,944.61	6,779.25	5,453.43	1,325.82
Total	63,133.91	50,768.23	12,365.68	9,472.43	2,893.25

Source: Finance Accounts of the respective years, information obtained from PAG (Accounts and Entitlement) and Excise and Taxation Department

The growth in GST collection in the State was lesser than projected growth and there was total shortfall of ₹ 12,366 crore during 2017-20 against the projected GST receipt of ₹ 63,134 crore. GoI has released ₹ 9,472 crore upto March 2020.

(iii) *Audit of GST Receipts*

The Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22nd June 2020. The State Excise and Taxation Department has constituted (October 2020) a committee to workout the modalities regarding providing audit access of GST data and intimated that the data access will be provided in accordance with the decision of the GST implementation committee. The accounts for the year 2019-20 have, therefore, been certified on the basis of test audit, as was being done when records were being maintained manually, pending full implementation of the GoI's decision to provide Audit access to GSTN data.

(iv) *Analysis of arrears of revenue*

The arrears of revenue as on 31 March 2020 in some principal heads of revenue amounted to ₹ 32,684.28 crore of which ₹ 5,571.93 crore was outstanding for more than five years as depicted in **Table 2.5**. Details of status of recovery at various stages is given in **Appendix 2.3**.

² Amount for the year 2017-18 pertains to nine months period i.e. from July 2017 to March 2018.

Table 2.5: Arrears of revenue as on 31st March 2020

(₹ in crore)

Sr. No.	Head of revenue	Total amount outstanding	Amount outstanding for more than five years
1	Taxes on sales, trade/VAT, etc.	30,717.17	4,934.61
2	State Excise	310.48	196.28
3	Taxes and duties on electricity	325.20	179.30
4	Tax on entry of goods into local areas (Local Area Development Tax)	206.32	147.96
5	Police	127.98	40.91
6	Other taxes and duties on commodities and services-Receipts from Entertainment duty	11.69	11.69
7	Non-ferrous mining and metallurgical industries	985.44	61.18
Total		32,684.28	5,571.93

Source: Information provided by State Excise and Taxation Department

(v) Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Excise and Taxation Department in respect of Sales Tax was as depicted in *Table 2.6*.

Table 2.6: Arrears in assessments

Head of revenue	Year	Opening balance	New cases due for assessment during the year	Total assessment due	Cases disposed of during the year	Balances at the end of the year	Percentage age of disposal (col.6 to 5)
1	2	3	4	5	6	7	8
Taxes on sales, trade, etc./VAT	2018-19	3,12,411	2,19,396	5,31,807	2,35,122	2,96,685	44
	2019-20	2,96,685	31,594	3,28,279	2,92,709	35,570	89

Source: Information provided by State Excise and Taxation Department

(vi) Details of evasion of tax detected by Department

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and the demands for additional tax raised as reported by the Department are given in the *Table 2.7*.

Table 2.7: Detail of cases of evasion of tax detected during the year 2019-20

Sr. No.	Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	Number of cases in which assessment/investigation completed and additional demand raised with penalty, etc.		Number of cases pending for finalisation as on 31 March 2020
					Number of cases	Amount of demand (₹ in crore)	
1	0039-State Excise	418	8,250	8,668	8,378	8.39	290
2	0040-Sales tax	18	4	22	21	2.60	1

Source: Information provided by State Excise and Taxation Department

(vii) Refund Cases

The number of refund cases pending at the beginning of the year 2019-20 claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2019-20 as reported by the Department is given in the **Table 2.8**.

Table 2.8: Details of refund cases during the year 2019-20

(₹ in crore)

Sr. No.	Particulars	Sales tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount
1	Opening balance of outstanding claims	327	69.15	29	0.64
2	Claims received	1,454	376.60	271	39.99
3	Refund made/adjusted	1,245	257.77	247	38.45
4	Refund rejected	15	0.90	2	0.20
5	Closing balance of outstanding claims	521	187.08	51	1.98

Source: Information provided by State Excise and Taxation Department

(viii) Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. The trends in various components of non-tax revenue of the State during 2015-20 are given in **Table 2.9**.

Table 2.9: Components of State's non-tax revenue

(₹ in crore)

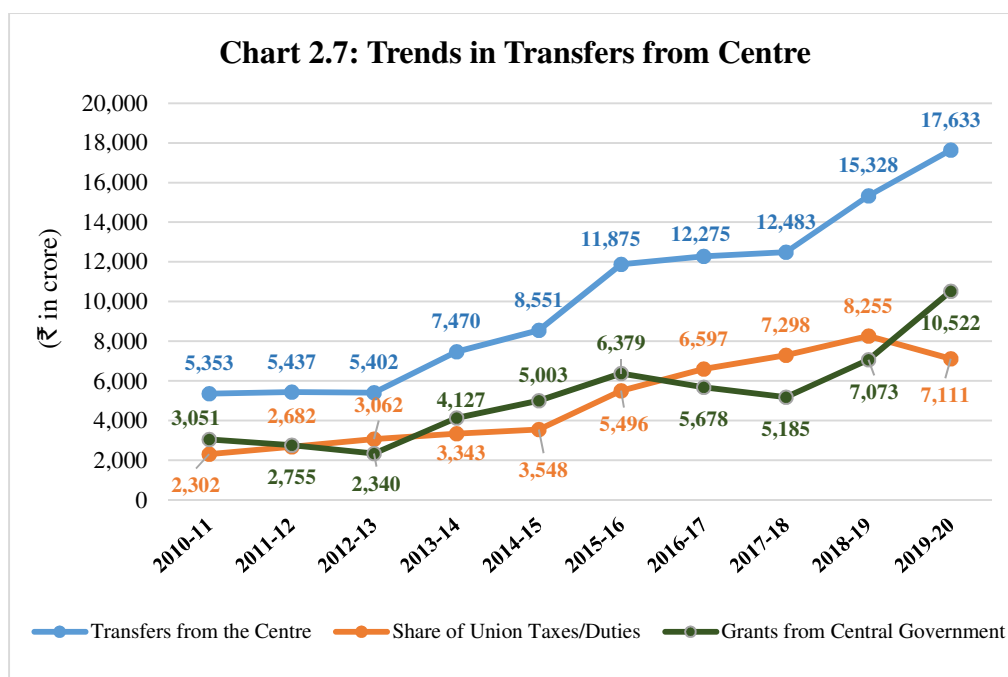
Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Interest receipts	1,088	2,310	2,228	1,954	1,975	
Dividends and Profits	16	6	8	57	87	
Other non-taxes receipts	3,649	3,880	6,877	5,965	5,338	
a) Major and medium Irrigation	110	113	132	164	172	
b) Road Transport	1,255	1,265	1,280	1,197	1,115	
c) Urban Development	422	599	2,861	2,316	1,855	
d) Education	637	640	674	272	458	
e) Non-ferrous mining	272	497	713	583	702	
f) Others	953	766	1,217	1,433	1,036	
Total	4,753	6,196	9,113	7,976	7,400	

Source: Finance Accounts of the respective years

The actual receipts under non-tax revenue increased by ₹ 2,647 crore (55.69 per cent) during 2015-20. Non-Tax revenue (₹ 7,400 crore) constituted 10.91 per cent of the revenue receipt during 2019-20 registering decrease of ₹ 576 crore (7.22 per cent) from the previous year mainly due to decrease under Urban Development (₹ 461 crore). The interest receipts of ₹ 1,975 crore includes book adjustments of ₹ 1,420 crore on irrigation projects, grain supply scheme and road transport.

2.3.2.3 Transfers from the Centre

Trends in transfers from Centre during 2011-12 to 2019-20 are shown in **Chart 2.7**.



Source: Finance Accounts of the respective years

(i) Central tax transfer

The 13th FC recommended for increasing the States' share of Central Taxes from 30.50 to 32 *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 1.048 and 1.064 *per cent*, respectively. The 14th FC recommended increase in 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.

State's share in Union taxes and duties was on increased trend from ₹ 2,302 crore in 2010-11 to ₹ 8,255 crore in 2018-19 and decreased in 2019-20 (₹ 7,111 crore) as details given in **Table 2.10**.

Table 2.10: State's share in Union taxes and duties: Actual devolution vis-à-vis Budget Estimates

Year	Finance Commission projections	Budget Estimates	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2010-11	As per 13 th FC, 32 <i>per cent</i> of the sharable amount of Central Taxes to State	2,194	2,302	108
2011-12		2,765	2,682	(-) 83
2012-13		3,180	3,062	(-) 118
2013-14		3,484	3,343	(-) 141
2014-15		4,010	3,548	(-) 462
2015-16	AS per 14 th FC, 42 <i>per cent</i> of the sharable amount of Central Taxes to States	5,680	5,496	(-) 184
2016-17		6,189	6,597	408
2017-18		8,372	7,298	(-) 1,074
2018-19		9,300	8,255	(-) 1,045
2019-20		11,216	7,111	(-) 4,105

Source: Finance Accounts of the respective years

Details of the Central tax transfers from 2015-16 to 2019-20 are at **Table 2.11**.

Table 2.11: Details of Central Tax Transfers

(₹ in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax (CGST)	--	--	104.36	2,037.54	2,018.07
Integrated Goods and Services Tax (IGST)	--	--	737.08	162.60	-- ³
Corporation Tax	1,733.37	2,118.57	2,235.92	2,870.86	2,424.73
Taxes on Income other than Corporation Tax	1,204.79	1,472.41	1,888.08	2,114.27	1,899.93
Customs	880.83	911.33	736.90	585.17	450.77
Union Excise Duties	733.13	1,040.65	770.20	388.87	313.42
Service Tax	939.76	1,049.64	825.05	75.03	--
Other Taxes ⁴	4.34	4.87	-0.07	20.26	4.61
Central Tax transfers	5,496.22	6,597.47	7,297.52	8,254.60	7,111.53
Percentage of increase over previous year	55	20	11	13	-14
Percentage of Central tax transfers to Revenue Receipts	12	13	12	13	10

Source: Finance Accounts of the respective years

The share of Union Taxes received during 2019-20 (₹ 7,111.53 crore) was lesser by ₹ 1,143.07 crore (14 *per cent*) as compared to 2018-19. It is lesser by ₹ 4,105.11 crore than the projections made in the budget estimates 2019-20 (₹ 11,216.64 crore).

(ii) Grants-in-aid from GoI

The GIA from GoI increased by ₹ 3,448.37 crore in 2019-20 over the previous year as shown in *Table 2.12*.

Table 2.12: Grants-in-aid received from GoI

(₹ in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	3,744.39	3,078.49	--	--	--
Grants for State Plan Schemes	2,268.18	2,327.52	--	--	--
Grants for Central Plan Schemes	27.53	34.50	--	--	--
Grants for Centrally Sponsored Schemes	338.66	237.07	2,326.62	2,843.09	2,851.99
Finance Commission Grants	--	--	1,316.68	1,274.26	2,005.74
Compensation for Loss of Revenue arising out of implementation of GST	--	--	1,199.00	2,820.00	5,453.43
Other Transfer/Grants to States	--	--	342.82	136.19	210.75
Total	6,378.76	5,677.58	5,185.12	7,073.54	10,521.91
Percentage of increase over the previous year	28	-11	-9	36	49
Percentage of GIA to Revenue Receipts	13	11	8	11	16

Source: Finance Accounts of the respective years

51.83 *per cent* of the GIA during 2019-20 was on account of compensation in lieu of loss of revenue arising out of implementation of GST.

³ Non-apportionment of share of net proceeds of Integrated Goods and Services Tax (IGST) by GOI in case of IGST on domestic supply of Goods and Services during 2019-20.

⁴ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services.

(iii) Fourteenth Finance Commission Grants

Fourteenth Finance Commission grants were provided to the States for local bodies and State Disaster Response Fund (SDRF). Details of grants provided by the GoI are given in **Table 2.13**.

Table 2.13: Recommended amount, actual release and transfers of Grant-in-aid
(₹ in crore)

Transfers	Recommendation of the 14 th FC 2015-20			Actual release by GoI			Transfers made by State Government		
	2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total
Local Bodies									
(i) Grants to Panchayati Raj Institutions (PRIs)	2,706.84	1,176.68	3,883.52	2,608.97	1,048.53	3,657.50	2,608.97	1,048.53	3,657.50
(a) General Basic Grant	2,446.64	1,048.53	3,495.17	2,446.64	1,048.53	3,495.17	2,446.64	1,048.53	3,495.17
(b) General Performance Grants	260.20	128.15	388.35	162.33	0.00	162.33	162.33	0.00	162.33
(ii) Grants to Urban Local Bodies (ULBs)	1,443.49	636.45	2,079.94	999.07	730.11	1,729.18	999.07	730.11	1,729.18
(a) General Basic Grant	1,164.77	499.18	1,663.95	923.62	637.80	1,561.42	923.62	637.80	1,561.42
(b) General Performance Grants	278.72	137.27	415.99	75.45	92.31	167.76	75.45	92.31	167.76
Total for Local Bodies	4,150.33	1,813.13	5,963.46	3,608.04	1,778.64	5,386.68	3,608.04	1,778.64	5,386.68
State Disaster Response Fund	1,326.00	374.00	1,700.00	1,326.00	374.00	1,700.00	1,326.00	374.00	1,700.00
Grand Total	5,476.33	2,187.13	7,663.46	4,934.04	2,152.64	7,086.68	4,934.04	2,152.64	7,086.68

Source: Information provided by the Finance Department

2.3.3 Capital Receipts

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. The capital receipts during five years (2015-20) are detailed in **Table 2.14**.

Table 2.14: Trends in growth and composition of capital receipts
(₹ in crore)

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	38,356.69	29,169.02	27,870.56	39,685.88	49,878.46
Miscellaneous Capital Receipts	29.98	26.27	39.87	49.01	54.01
Recovery of Loans and Advances	328.28	973.23	6,340.93	5,371.90	5,392.63
Public Debt Receipts	37,998.43	28,169.52	21,489.76	34,264.97	44,431.82
Internal Debt ⁵	37,901.20	28,046.26	21,348.75	34,140.14	44,329.43 ⁶
Growth rate	102.38	(-) 26.00	(-) 23.88	59.92	29.85
Loans and advances from GoI	97.23	123.26	141.01	124.83	102.39
Growth rate	(-) 25.64	26.77	14.40	(-) 11.47	(-) 17.98
Rate of growth of debt Capital Receipts	101.49	(-) 25.87	(-) 23.71	59.45	29.67
Rate of growth of non-debt capital receipts	22.88	178.99	538.40	-15.04	0.47
Rate of growth of GSDP	13.35	13.34	15.67	13.02	13.27
Rate of growth of Capital Receipts (per cent)	100.29	(-) 23.95	(-) 4.45	42.39	25.68

Source: Finance Accounts of the respective years

Internal Debt receipts increased by ₹ 10,189.29 crore during 2019-20 in comparison to 2018-19. The recovery of loans and advances includes conversion

⁵ Including gross figure under Ways and Means Advances

⁶ Including Ways and Means Advances of ₹ 1,261.75 crore

of ₹ 5,190 crore of DISCOM loans into equity during 2017-18 to 2019-20. The State Government had issued Power bonds of ₹ 17,300 crore in 2015-16 and ₹ 8,650 crore in 2016-17 by taking over the loans of ₹ 25,950 crore (75 per cent of total DISCOMs liability as on 30 September 2015 under UDAY scheme) and treated the financial package as grant-in-aid (₹ 7,785 crore), Equity Capital (₹ 2,595 crore) and Loans to DISCOMs (₹ 15,570 crore). Total loans of ₹ 15,570 crore have been converted into equity during 2017-20.

2.3.4 State's performance in mobilisation of 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 mobilisation 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 2019-20 vis-à-vis assessment made by 14th FC and MTFPS are given in the **Table 2.15**.

**Table 2.15: Actual tax and non-tax receipts
vis-à-vis projections made by 14th FC and MTFPS**

	14 th FC projection	Budget estimates	MTFPS projection	Actual	Percentage variation of actual over		
					14 th FC projection	Budget estimates	MTFPS projection
Tax revenue	77,806	51,105	51,105	42,825	(-) 44.96	(-) 16.20	(-) 16.20
Non-tax revenue	5,109	10,025	10,025	7,400	44.84	(-) 26.18	(-) 26.18

The actual collection under State's own tax revenue fell short by 44.96 per cent of the projections made by 14th FC and 16.20 per cent of budget estimates and MTFPS projection. The actual receipts under non-tax revenue were more by 44.84 per cent of the projections made by 14th FC but fell short by 26.18 per cent of budget estimates and MTFPS. Thus, the State Government could not achieve even their own targets projected in the budget and MTFPS.

2.4 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. The application of resources are analysed under various headings such as growth and composition of expenditure, revenue expenditure, committed expenditure and financial assistance to local bodies and other institutions in the succeeding paragraphs.

2.4.1 Growth and composition of expenditure

The expenditure of State Government can be classified in two categories namely Revenue Expenditure and Capital Expenditure. **Revenue Expenditure** includes charges on maintenance, repair, upkeep and working expenses, which are

required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses.

Capital Expenditure includes all charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also bears charges for such further additions and improvements as may be sanctioned under the rules made by competent authority.

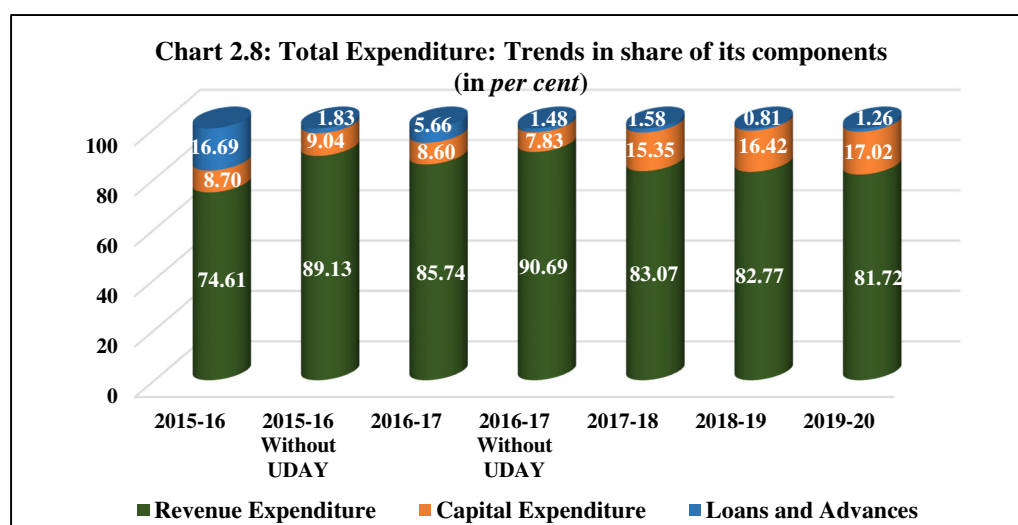
Trends and composition of total expenditure over the last five years (2015-20) are shown in **Table 2.16**.

Table 2.16: Total expenditure and its composition

(₹ in crore)

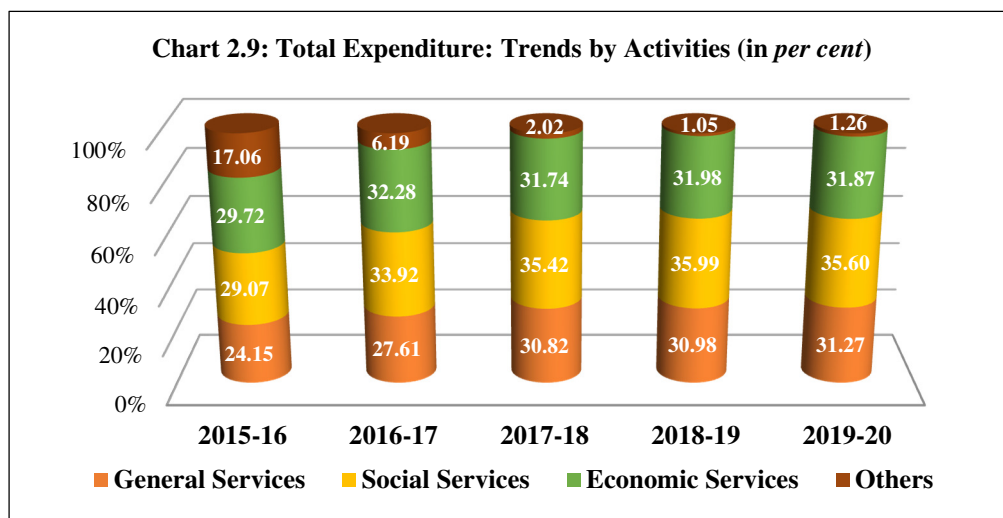
	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	79,394	79,781	88,190	93,218	1,03,823
Revenue Expenditure (RE)	59,236	68,403	73,257	77,155	84,848
Capital Expenditure (CE)	6,908	6,863	13,538	15,307	17,666
Loans and Advances	13,250	4,515	1,395	756	1,309
As a percentage of GSDP					
TE/GSDP	16.02	14.21	13.58	12.70	12.48
RE/GSDP	11.95	12.18	11.28	10.51	10.20
CE/GSDP	1.39	1.22	2.08	2.08	2.12
Loans and Advances/GSDP	2.67	0.80	0.21	0.10	0.16

Total expenditure increased by 30.77 *per cent* over a period of five years (2015-20). The Revenue Expenditure increased by 43.24 *per cent* during 2015-20 while the capital expenditure increased by 155.73 *per cent* during the same period mainly due to conversion of DISCOM loans into equity during the period 2017-18 to 2019-20. The conversion of loan of ₹ 11,677.50 crore (₹ 3,892.50 crore each year for three years from 2017-18 to 2019-20) into equity was against the tripartite MoU of UDAY scheme and resulted in overstatement of Capital expenditure consequent understatement of Revenue expenditure in each of the three years.



As depicted in **Chart 2.8**, the share of revenue expenditure in total expenditure increased from 74.61 *per cent* in 2015-16 to 85.74 *per cent* in 2016-17 and was 81.72 *per cent* in 2019-20, while the share of capital expenditure in total

expenditure increased from 8.70 *per cent* in 2015-16 to 17.02 *per cent* in 2019-20. The share of loans and advances was 16.69 *per cent* in 2015-16 due to disbursement of loans under UDAY scheme which was 1.26 *per cent* in 2019-20.



As shown in **Chart 2.9**, the share of general services which includes interest payments is showing increasing trend since 2016-17 and was 31.27 *per cent* in 2019-20. The share of social services also increased upto 35.60 *per cent* 2019-20 and expenditure on economic services increased from 29.72 *per cent* in 2015-16 to 31.87 *per cent* in 2019-20. The combined expenditure on social and economic services which represent development expenditure increased from 58.79 *per cent* in 2015-16 to 67.47 *per cent* in 2019-20. Others which include Grants to local bodies and Loans and advances were 17.06 *per cent* of total expenditure during 2015-16 due to disbursement of loans to DISCOMs under UDAY scheme that decreased upto 1.26 *per cent* during 2019-20.

2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. **Table 2.17** presents the growth of revenue expenditure over five years (2015-20).

Table 2.17: Growth of revenue expenditure during 2015-20

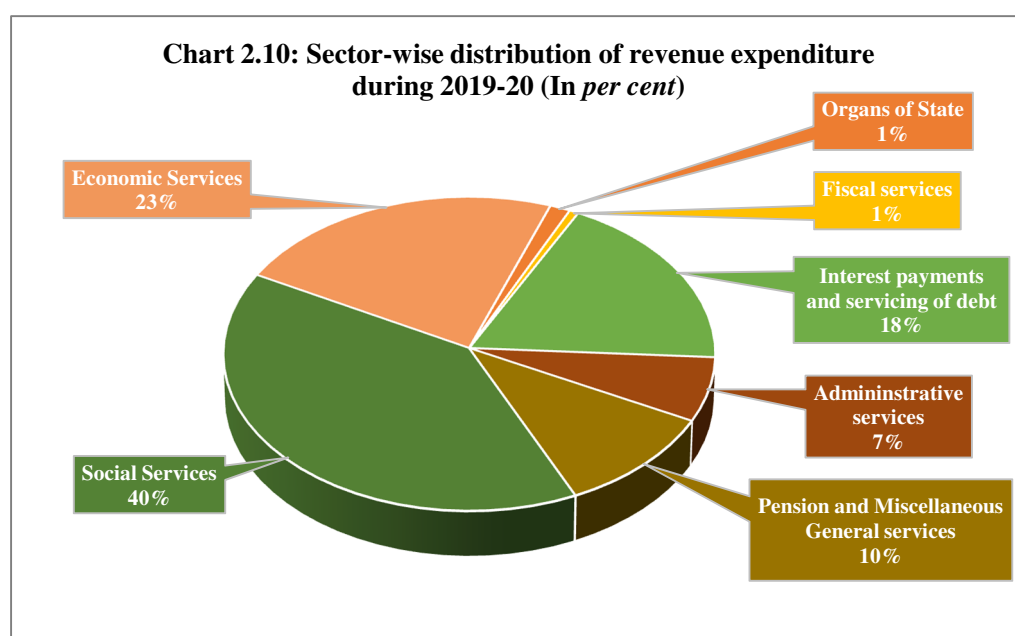
(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	79,394	79,781	88,190	93,218	1,03,823
Revenue Expenditure (RE)	59,236	68,403	73,257	77,155	84,848
Rate of Growth of RE (<i>per cent</i>)	20.60	15.48	7.10	5.32	9.97
Revenue Expenditure as percentage of TE	74.61	85.74	83.07	82.77	81.72
RE/GSDP (<i>per cent</i>)	11.95	12.18	11.28	10.51	10.20
RE as percentage of RR	124.56	130.30	116.85	117.11	125.04
Revenue Receipts (RR)	47,557	52,497	62,695	65,885	67,858
Rate of growth of RR (<i>per cent</i>)	16.56	10.39	19.43	5.09	2.99
GSDP	4,95,504	5,61,610	6,49,592	7,34,163	8,31,610
Rate of growth of GSDP (<i>per cent</i>)	13.35	13.34	15.67	13.02	13.27
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.54	1.16	0.45	0.41	0.75
Revenue Receipts (ratio)	1.24	1.49	0.37	1.05	3.33

Source: Finance Accounts of the respective years

Revenue expenditure during 2015-20 increased by ₹ 25,612 crore (43 per cent). Its percentage to GSDP decreased from 11.95 in 2015-16 to 10.20 in 2019-20. Revenue expenditure increased by 10 per cent from ₹ 77,155 crore in 2018-19 to ₹ 84,848 crore in 2019-20.

Revenue expenditure in 2019-20 at ₹ 84,848 crore was less than the projections made in Budget and MTFPS (₹ 94,242 crore). The State could not keep the Revenue Expenditure within the normative assessment of 14th FC (₹ 72,739 crore). Sector-wise distribution of revenue expenditure is presented in **Chart 2.10**.



2.4.2.1 Major changes in Revenue Expenditure

Table 2.18: Major variations in Revenue Expenditure during 2019-20 as compared to 2018-19

(₹ in crore)

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
General Services	28,168.97	31,883.95	3,714.98
2015-Elections	45.21	133.93	88.72
2049-Interest Payments	13,551.46	15,588.01	2,036.55
2055-Police	3,875.57	4,423.72	548.15
2075-Miscellaneous General Services	0.36	149.42	149.06
Social Services	29,743.19	33,726.48	3,983.29
2202-General Education	11,973.86	13,644.01	1,670.15
2203-Technical Education	394.78	529.49	134.71
2210-Medical and Public Health	3,473.93	4,249.85	775.92
2217-Urban Development	2,922.06	3,300.80	378.74
2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	398.71	287.19	-111.52
2230-Labour, Employment and Skill Development	659.36	909.42	250.06
2235-Social Security and Welfare	6,787.53	7,618.95	831.42
Economic Services	19,021.58	19,237.78	216.20
2401-Crop Husbandry	1,332.52	969.49	-363.03
2415-Agricultural Research and Education	386.01	482.82	96.81
2501-Special Programmes for Rural Development	158.66	116.13	-42.53

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
2505-Rural Employment	201.78	110.13	-91.65
2515-Other Rural Development Programmes	3,015.76	3,714.20	698.44
3054-Roads and Bridges	729.81	1,086.52	356.71
Grants-in-aid and contribution	221.80	0.00	-221.80
3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	221.80	0.00	-221.80

Source: Finance Accounts of the respective years

As given in **Table 2.18**, Revenue expenditure on General services increased by ₹ 3,714.98 crore due to increase in expenditure mainly on Elections, Police services, interest payments and Miscellaneous General Services. Interest payments on market loans increased by ₹ 1,625.28 crore during the year. The expenditure on Social services increased by ₹ 3,983.29 crore over the previous year due to increase in expenditure mainly on General Education, Technical Education, Medical and Public Health, Urban Development, Labour, Employment and Skill Development, Social Security and Welfare. Expenditure on Economic services increased by ₹ 216.20 crore mainly due to increase in expenditure on Agricultural Research and Education, Other Rural Development Programme, Roads and Bridges. No expenditure was incurred on Grants-in-aid and contribution during 2019-20 due to non-provision for the same in budget.

2.4.2.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector. **Table 2.19** and **Chart 2.11** present the trends in the expenditure on these components during 2015-20.

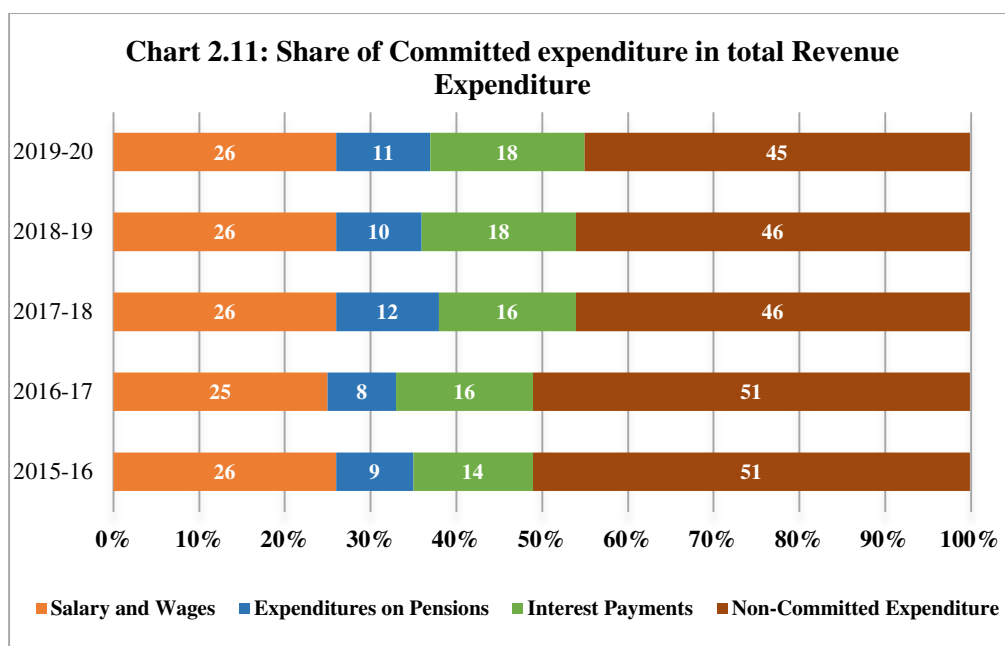
Table 2.19: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries and wages	15,294	17,321	18,632	19,763	22,365 ⁷
Expenditure on Pensions	5,413	5,659	8,783	8,140	8,833
Interest Payments	8,284	10,542	11,961	13,551	15,588
Total	28,991	33,522	39,376	41,454	46,786
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	32.16	32.99	29.72	30.00	32.96
Expenditure on Pensions	11.38	10.78	14.01	12.35	13.02
Interest Payments	17.42	20.08	19.08	20.57	22.97
Total	60.96	63.85	62.81	62.92	68.95
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	25.82	25.32	25.43	25.62	26.36
Expenditure on Pensions	9.14	8.28	11.99	10.55	10.41
Interest Payments	13.98	15.41	16.33	17.56	18.37
Total	48.94	49.01	53.75	53.73	55.14

Source: Finance Accounts of the respective years.

⁷ Includes wages of ₹ 644 crore



The total expenditure (₹ 46,142 crore) on salary, interest and pension payments was lesser by ₹ 1,392 crore (2.93 *per cent*) than the projections by the Government in MTFPS (₹ 47,534 crore) and consumed 68 *per cent* of the revenue receipts.

Committed expenditure on account of salary and wages, interest and pensions increased from 49 *per cent* to 55 *per cent* of the Revenue expenditure during 2015-16 to 2019-20.

2.4.2.3 Undischarged liabilities in National Pension System

State Government employees recruited on or after 1 January 2006 are eligible for the new pension scheme called 'Defined Contribution Pension Scheme'. In terms of the scheme, the employee contributes 10 *per cent* of the 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 Security Depository Limited (NSDL). The actual amount payable by employees and the matching Government contribution over the years has not been estimated.

As per the Ministry of Finance, GoI, no contributions are to be parked under the Head of Account '8342-117' Other Deposits – Defined Contribution Pension Scheme even as a temporary measure. Audit noted that an amount of ₹ 32.89 crore was parked under the above Major Head as on 31st March 2020 as depicted in **Table 2.20**.

Table 2.20: Position of New Pension Scheme Contribution

(₹ in crore)

Year	Employees Contribution	Contribution by the State Government	Total	Short Contribution	Total transfer to NSDL	Short transfer to NSDL
1	2	3	4 = (2+3)	5= (2-3)	6	7= (4-6)
Balance of pension funds lying with the State Government as on 31 March 2015						8.11
2015-16	328.94	278.83	607.77	50.11	596.45	11.32
2016-17	382.15	378.04	760.19	4.11	729.70	30.49
2017-18	479.94	460.44	940.38	19.50	975.76	(-) 35.38
2018-19	565.88	534.30	1,100.18	31.58	1,086.16	14.02
2019-20	717.91	694.20	1,412.11	23.71	1,407.78	4.33
Total	2,474.82	2,345.81	4,820.63	129.01	4,795.85	32.89

Source: Finance Accounts of the respective years.

As against the employees' contribution of ₹ 2,474.82 crore during 2015-16 to 2019-20, the State Government made contribution of ₹ 2,345.81 crore i.e. lesser by ₹ 129.01 crore. During 2015-20, out of total amount of ₹ 4,820.63 crore, the State Government transferred ₹ 4,795.85 crore to NSDL i.e. lesser by ₹ 24.78 crore. As on 31 March 2020, there was balance of ₹ 32.89 crore lying with the State Government. The liability of the State Government increased due to non-transfer of contribution including Government share to NSDL.

The State Government should examine the reasons and put in place a mechanism to ensure that contribution of employees and equally matched Government contribution are fully transferred to NSDL in a timely manner.

2.4.2.4 Subsidies

Expenditure on subsidies increased by ₹ 1,206 crore (17.48 per cent) from ₹ 6,899 crore in 2015-16 to ₹ 8,105 crore in 2019-20, which was 11.94 per cent of the revenue receipts as details given in **Table 2.21**. The subsidies were disbursed for Power: ₹ 7,012 crore (86.51 per cent), Agriculture and allied activities: ₹ 934 crore (11.54 per cent), Village and Small industries: ₹ 100 crore (1.23 per cent) and Social Services: ₹ 59 crore (0.72 per cent). The total subsidy to the rural electrification (₹ 6,978 crore) was higher than the projection in MTFPS (₹ 6,878 crore).

Table 2.21: Expenditure on subsidies during 2015-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	6,899	7,654	8,446	8,549	8,105
Subsidies as a percentage of Revenue Receipts	14.51	14.58	13.47	12.98	11.94
Subsidies as a percentage of Revenue Expenditure	11.65	11.19	11.53	11.08	9.55

Source: Finance Accounts of the respective years.

2.4.2.5 Financial assistance by the State Government to Local Bodies and Other Institutions

Table 2.22: Financial assistance to Local Bodies and other institutions

(₹ in crore)

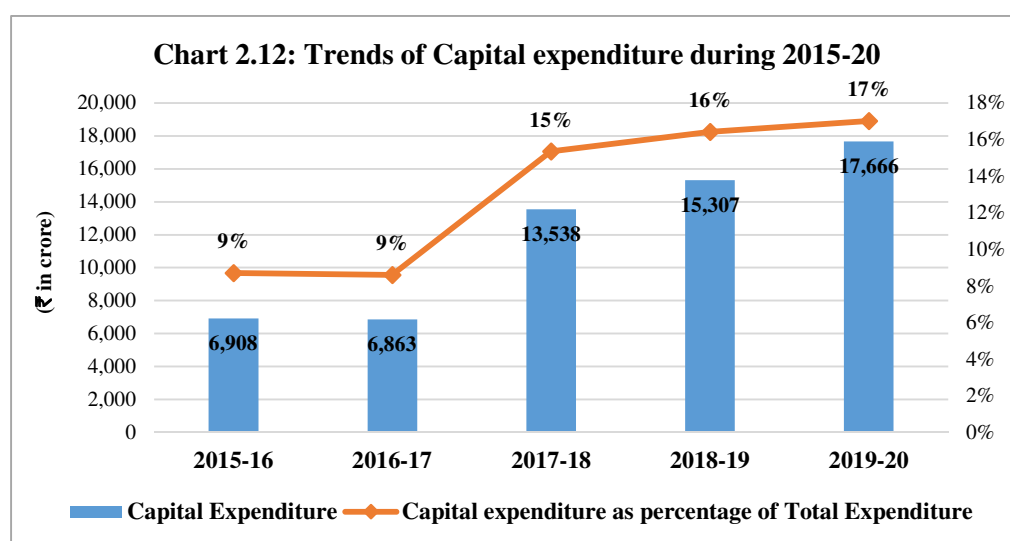
Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
(A) Local Bodies					
Municipal Corporations and Municipalities	1,045.99	1,585.77	2,466.82	2,092.31	2,279.46
Panchayati Raj Institutions	1,261.94	2,263.80	2,283.43	2,547.17	3,098.12
Total (A)	2,307.93	3,849.57	4,750.25	4,639.48	5,377.58
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,984.67	2,130.56	2,102.96	2,093.14	2,496.64
Development Authorities	878.09	757.94	868.04	865.54	812.88
Hospitals and Other Charitable Institutions	1,010.97	1,117.68	1,101.14	1,350.08	1,745.08
Other Institutions	4,584.31	4,791.39	1,021.92	1,129.59	905.17
Total (B)	8,458.04	8,797.57	5,094.06	5,438.35	5,959.77
Total (A+B)	10,765.97	12,647.14	9,844.31	10,077.83	11,337.35
Revenue Expenditure	59,236	68,403	73,257	77,155	84,848
Assistance as percentage of Revenue Expenditure	18.17	18.49	13.44	13.06	13.36

Source: Finance Accounts of the respective years.

Table 2.22 indicates that the financial assistance to local bodies and other institutions increased from ₹ 10,765.97 crore in 2015-16 to ₹ 11,337.35 crore, constituting 13.36 per cent of the revenue expenditure during 2019-20. It increased by ₹ 1,259.52 crore (12.50 per cent) over the previous year mainly due to increase in disbursements to Panchayati Raj Institutions, Educational Institutions and Hospitals and other Charitable Institutions.

2.4.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. Chart 2.12 shows details of capital expenditure and capital expenditure as percentage of total expenditure.



Source: Finance Accounts of the respective years

2.4.3.1 Major changes in Capital Expenditure

The capital expenditure during 2019-20 mainly comprises investment in equity of DISCOMs by conversion of loans into equity, procurement of food grain, irrigation and roads under Economic Services and the capital expenditure was mainly on Water Supply and Urban Development under Social Services. Major increase in Capital expenditure was on procurement of food grain as compared to previous year are given in **Table 2.23**.

Table 2.23: Variation in Capital Expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Accounts	2018-19	2019-20	Increase (+)/ Decrease (-)
Capital Expenditure	15,306.60	17,665.93	2,359.33
General Services	714.56	586.16	(-) 128.40
Social Services	3,804.65	3,233.56	(-) 571.09
Economic Services	10,787.39	13,846.21	3,058.82
Food, Storage and Warehousing*	1,669.51	4,402.31	2,732.80
Irrigation and Flood Control	1,274.38	1,400.82	126.44
Energy	5,500.25	5,829.63	329.38
Roads and Bridges	1,603.77	1,800.07	196.30

Source: Finance Accounts of the respective years.

*Expenditure incurred under this Major Head for activities of food grain and pulses procurement for Food Corporation of India is recoverable by the State Government from FCI.

2.4.3.2 Quality of capital expenditure**(i) Investments and Returns**

The Government as of 31 March 2020 had invested ₹ 36,922.92 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 2.24**). The average return on these investments was 0.136 *per cent* in the last five years while the Government paid an average interest rate of 8.37 *per cent* on its borrowings during 2015-20.

Table 2.24: Return on Investment

Investment/return/cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year (₹ in crore)	9,372.44	11,371.42	17,374.35	30,747.91	36,922.92
Return (₹ in crore)	15.89	5.89	7.53	56.60	87.01
Return (<i>per cent</i>)	0.17	0.05	0.04	0.18	0.24
Average rate of interest on Government borrowings (<i>per cent</i>)	8.64	8.00	8.10	8.81	8.31
Difference between interest rate and return (<i>per cent</i>)	8.47	7.95	8.06	8.63	8.07
Difference between interest on Government borrowings and return on investments (₹ in crore)	793.85	904.03	1,400.37	2,653.54	2,979.68

Source: Finance Accounts (Statement No. 19) of the respective years

Out of total investment of ₹ 36,922.92 crore, investment of ₹ 35,452.96 crore (96 *per cent*) was in four power sector companies. The State Government keeps on making investments in loss making Government companies.

(ii) Quality of investments in the companies, corporations and other bodies

Capital expenditure in the companies, corporations and other bodies, which are loss making or where net worth is being eroded, is not sustainable. The State Government has made investment of ₹ 6,175 crore during 2019-20 which included conversion of ₹ 5,190 crore loans under UDAY into equity of DISCOMs as shown in **Table 2.25**.

Table 2.25: Investments made in loss incurring companies

(₹ in crore)

Sr. No.	Government Companies	Investment (upto 2018-19)	Investment during 2019-20	Investment (upto 2019-20)	Accumulated Loss	Year of Account
		(₹ in crore)				
1.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	44.72	2.50	47.22	13.61	2015-16
2.	Haryana State Minor Irrigation (Tube wells) Corporation Limited, Chandigarh	10.89	0.00	10.89	354.28	2016-17
3.	Haryana Power Generation Corporation Limited	2,889.09	51.75	2,940.84	48.53	2017-18
4.	Uttar Haryana Bijli Vitran Nigam Limited	12,134.99	2,965.35	15,100.34	15,396.40	2019-20
5.	Dakshin Haryana Bijli Vitran Nigam Limited	10,741.51	2,545.53	13,287.04	13,581.49	2019-20
6.	Haryana Financial Corporation	202.01	0.00	202.01	113.51	2017-18
7.	Haryana Minerals Limited	0.24	0.00	0.24	5.17	2018-19
8.	Haryana Police Housing Corporation	25.00	0.00	25.00	1.07	2015-16
9.	Haryana Agro Industries Corporation Limited, Chandigarh	2.54	0.00	2.54	121.85	2015-16
10.	Haryana Medical Services Limited	5.00	0.00	5.00	1.50	2014-15
11.	Haryana Women Development Corporation	15.51	0.00	15.51	1.65	2016-17
Total		26,071.50	5,565.13	31,636.63	29,639.06	

Source: Finance Accounts and Annual accounts of companies

Eleven Government companies with an aggregate investment of ₹ 31,636.63 crore were incurring losses and their accumulated losses amounted to ₹ 29,639.06 crore as per the accounts furnished by these companies. Out of 11 loss incurring Government companies, losses of ₹ 29,026.42 crore in three power generation and distribution companies constituted 98 per cent of the total losses of Government Companies.

Out of total investment of ₹ 6,175 crore during 2019-20, the State Government invested ₹ 5,565.13 crore during 2019-20 in four loss incurring 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.

(iii) Erosion of net worth

Net worth means the sum total of the paid-up capital, free reserves and surplus reduced by accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment of the owners has been eroded due to accumulated losses. As on 31 March 2020, the overall accumulated losses of the 11 loss incurring companies were ₹ 29,639.06 crore as against the capital investment of ₹ 31,636.63 crore resulting in erosion of net worth of the investments to ₹ 1,997.57 crore. Out of this, in three loss incurring DISCOMs, the overall accumulated losses were ₹ 29,026.42 crore as against the capital investment of ₹ 31,328.22 crore, thus erosion of net worth to ₹ 2,301.80 crore.

(iv) Reconciliation of Government Investments with Accounts of Companies

The Government investments as equity in State Public Sector Undertakings (PSUs) should agree with that of the figures appearing in the PSUs. Reconciliation of figures is necessary to figure out the differences in Accounts of PSUs and Finance Accounts. Scrutiny of both the Accounts revealed that as per Finance Accounts, Government Investment in equity of 22 PSUs was ₹ 27,813.18 crore whereas as per records of PSUs it was ₹ 36,070.27 crore. There was a difference of ₹ 8,257.09 crore as detailed in **Appendix 2.4**. Reconciliation should be carried out in time bound manner to figure out the differences.

(v) Implementation of Ujwal DISCOM Assurance Yojana (UDAY)

Government of India launched (November 2015) Ujwal DISCOM Assurance Yojana (UDAY) scheme for the financial turnaround of Power Distribution Companies (DISCOMs). It was a revival package for making DISCOMs financially and operationally viable for enabling them to supply adequate power at affordable rates. A tripartite Memorandum of Understanding (MoU) was signed (March 2016) between the Ministry of Power (MoP), the Government of Haryana (GoH) and State DISCOMs (i.e. UHBVNL and DHBVNL). As per provisions of the UDAY Scheme and tripartite MoU, out of the total debt ₹ 34,600 crore pertaining to the two DISCOMs as on 30th September 2015 in Haryana, the GoH took over the 75 per cent of total debt i.e. ₹ 25,950 crore. The implementation of UDAY Scheme was envisaged as shown in **Table 2.26**.

Table 2.26: Implementation of UDAY Scheme**(₹ in crore)**

Year	Total debt to be taken over	Transfer to DISCOMs in form of Grant	Transfer to DISCOMs in form of loan	Transfer to DISCOMs in form of equity
2015-16	17,300	3,892.50	12,110	1,297.50
2016-17	8,650	3,892.50	3,460	1,297.50
Total (A)	25,950	7,785.00	15,570	2,595.00
Percentage to total debt of ₹ 34,600 crore	75 per cent	22.50 per cent	45 per cent	7.5 per cent

In terms of the MoU, Government provided grants of ₹ 7,785 crore (₹ 3,892.50 crore each year), equity of ₹ 2,595 crore (₹ 1,297.50 crore each year) and balance of ₹ 15,570 crore as loan to DISCOMs during 2015-16 and 2016-17. The loans of ₹ 15,570 crore were to be converted into grant of ₹ 11,677.50 crore (75 per cent) and equity of ₹ 3,892.50 crore (25 per cent) during 2017-18 to 2019-20. However, the State Government converted total loans taken over into equity as given in **Table 2.27**.

Table 2.27: Implementation of UDAY Scheme in Haryana State

(₹ in crore)

Year	Total	Grant	Loan	Equity
2015-16	17,300.00	3,892.50	12,110.00	1,297.50
2016-17	8,650.00	3,892.50	3,460.00	1,297.50
Total	25,950.00	7,785.00	15,570.00	2,595.00
2017-18	-		(-) 5,190.00	5,190.00
2018-19	-	(-) 7,785.00	(-) 5,190.00	12,975.00
2019-20	-		(-) 5,190.00	5,190.00
Total (as on 31st March 2020)				25,950.00

Financial Results of two DISCOMs after the implementation of the scheme was depicted in **Table 2.28**.

Table 2.28: Financial Results of DISCOMs during 2015-20

(₹ in crore)

Name of DISCOM	Profit(+)/Loss (-)	Profit (+)/Loss (-) after implementation of UDAY			
	2015-16	2016-17	2017-18	2018-19	2019-20
UHBVNL	(-) 336.37	(-) 205.01	278.24	185.71	217.72
DHBVNL	(-) 471.58	11.96	134.12	95.23	113.67
Total	(-) 807.95	(-) 193.05	412.36	280.94	331.39

Source: Annual accounts of DISCOMs

It was observed that State Government did not follow the provisions of MoU and the scheme notification. During the period 2017-18 to 2018-20, ₹ 15,570 crore of loan was entirely converted as equity instead of between grant (₹ 11,677.50 crore) and equity (₹ 3,892.50 crore). Further, the grant of ₹ 7,785 crore was converted into equity during 2018-19 with retrospective effect through a re-appropriation order resulting into difference in invested amount between accounts of the State Government and of the DISCOMs to the extent of ₹ 7,785 crore. It is contended that the re-appropriation order issued

- (i) is contrary to the provisions of Punjab Budget Manual Para 15.2, Sub-Para (b) which says that “No re-appropriation should be made from the funds allocated for a particular financial year after the expiry of that financial year”.
- (ii) changing expenditure from Grant-in-aid to equity effectively led to change in classification from revenue expenditure to capital expenditure.

Thus, conversion of loan of ₹ 11,677.50 crore (₹ 3,892.50 crore each year for three years from 2017-18 to 2019-20) into equity was against the tripartite MoU of UDAY scheme and resulted in overstatement of Capital Expenditure with

consequent understatement of Revenue expenditure in each of the three years. This has also resulted in understatement of the Revenue Deficit.

(vi) Resource availability of the State under Public Private Partnership Projects

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.

Total 13 PPP projects with a total estimated cost of ₹ 7,848.56 crore were under implementation as on 31 March 2020 as shown in **Appendix 2.5**.

(vii) 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/organisations. **Table 2.29** presents the outstanding loans and advances as on 31 March 2020 and interest receipts vis-à-vis interest payments during the last five years.

Table 2.29: Quantum of loans disbursed and recovered during five years

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of loans outstanding	4,572	17,494	21,036	16,090	11,474
Amount advanced during the year	13,250	4,515	1,395	756	1,309
Amount recovered during the year	328	973	6,341	5,372	5,393
Closing Balance of the loans outstanding	17,494	21,036	16,090	11,474	7,390
Net addition	12,922	3,542	(-) 4,946	(-) 4,616	(-) 4,084
Interest received	47	1,213	1,163	720	398
Interest rate on Loans and Advances given by the Government.	0.43	6.30	6.27	5.22	4.22
Rate of Interest paid on the outstanding borrowings of the Government	7.92	7.89	7.71	7.78	7.80
Difference between the rate of interest paid and interest received (<i>per cent</i>)	7.49	1.59	1.44	2.56	3.58

Outstanding loans and advances as on 31 March 2020 declined by 35.59 *per cent* due to conversion of DISCOM loans amounting to ₹ 5,190 crore into equity during the year. Loans amounting to ₹ 2,647.86 crore were outstanding at the beginning of the year 2019-20 against co-operative sugar mills. Further, loans totalling ₹ 770.82 crore were given to these sugar mills. Three new loans of ₹ 420.63⁸ crore were given during the year 2019-20. The State Government received interest of ₹ 398 crore (4.22 *per cent* of outstanding loans and advances) during 2019-20.

⁸ Loans for Power Projects-Transmission and Distribution: ₹ 160.63 crore, Financial Assistance to Private Sugar Mills for making payment to cane growers: ₹ 160 crore and Loan to Haryana State Agriculture and Rural Bank: ₹ 100 crore.

(viii) Capital blocked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of capital expenditure. Blocking of funds on incomplete projects/works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years leads to the extra burden in terms of servicing of debt and interest liabilities.

Department-wise information pertaining to incomplete projects as on 31 March 2020 is given in **Table 2.30**. Only those projects where the scheduled dates for completion were already over as of 31 March 2020 have been included under incomplete projects.

Table 2.30: Department-wise profile of incomplete projects as on 31 March 2020

(₹ in crore)

Department	Number of incomplete projects	Estimated cost (₹ in crore)	Expenditure (₹ in crore)
Irrigation and Water Resources	3	29.64	19.00
Public Works (Buildings and Roads)	23	417.60	202.57
Total	26	447.24	221.57

Source: Finance Accounts

The scheduled dates of completion of 26 projects of the departments were between December 2017 and March 2020, but these were incomplete as on 31 March 2020, resulting in non-derivation of desired benefits from the investment of ₹ 221.57 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.

2.4.4 Expenditure Priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. **Table 2.31** analyses expenditure priority of the State with regards to Health, Education and Capital expenditure during 2019-20.

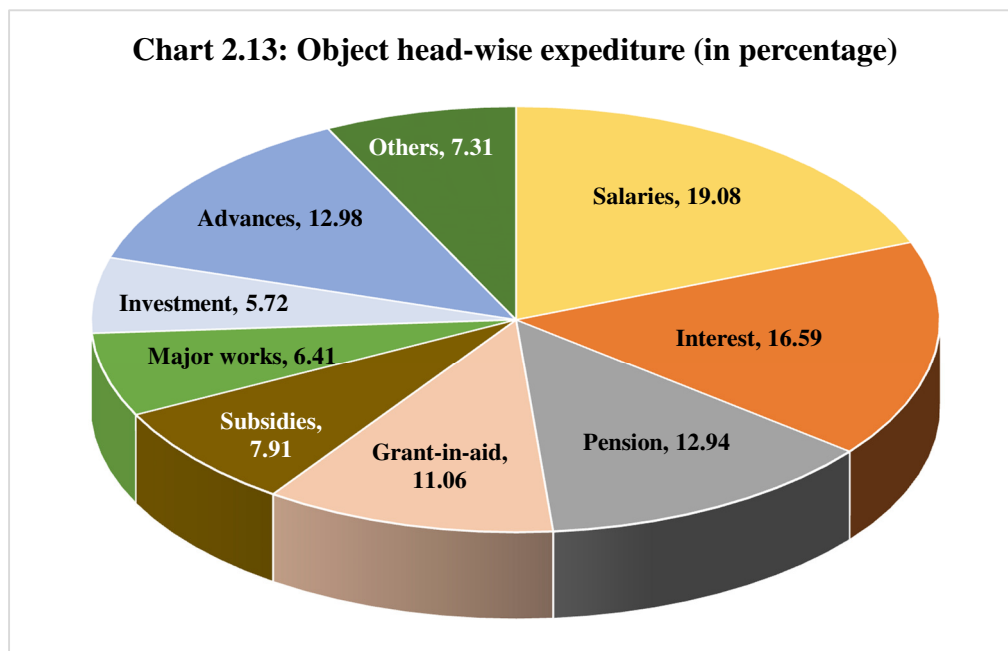
Table 2.31: Expenditure priority of the State with regards to Health, Education and Capital expenditure

Fiscal Priority of the State	TE/GSDP	CE/TE	Education/TE	Health/TE
Haryana Average (Ratio) 2015-16	16.02	8.70	12.74	3.18
General Category States (GCS) Average (Ratio) 2015-16	16.97	14.81	15.68	4.79
Haryana Average (Ratio) 2019-20	12.48	17.02	14.32	4.80
General Category States Average (Ratio) 2019-20	15.15	12.97	15.91	5.21
TE: Total Expenditure, CE: Capital Expenditure. Source for GSDP: Directorate of Economic and Statistical Analysis, Haryana.				

Aggregate expenditure as a ratio of GSDP in Haryana is lesser than GCS average in 2019-20. The ratio of expenditure on Education and Health was lower in Haryana than GCS average during 2015-16 as well as 2019-20. The ratio of CE to TE was more in 2019-20 primarily due to conversion of loan to DISCOMs into equity.

2.4.5 Object head-wise expenditure

Object head-wise expenditure give information about the object/purpose of the expenditure are shown in *Chart 2.13*.



Note: The object head wise expenditure obtained from VLC data contains object head wise expenditure on Salary, Interest and Pensions in all major heads which differs from the Committed expenditure on these items (as appeared in Paragraph 2.4.2.2).

2.5 Public Account

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

2.5.1 Net Public Account Balances

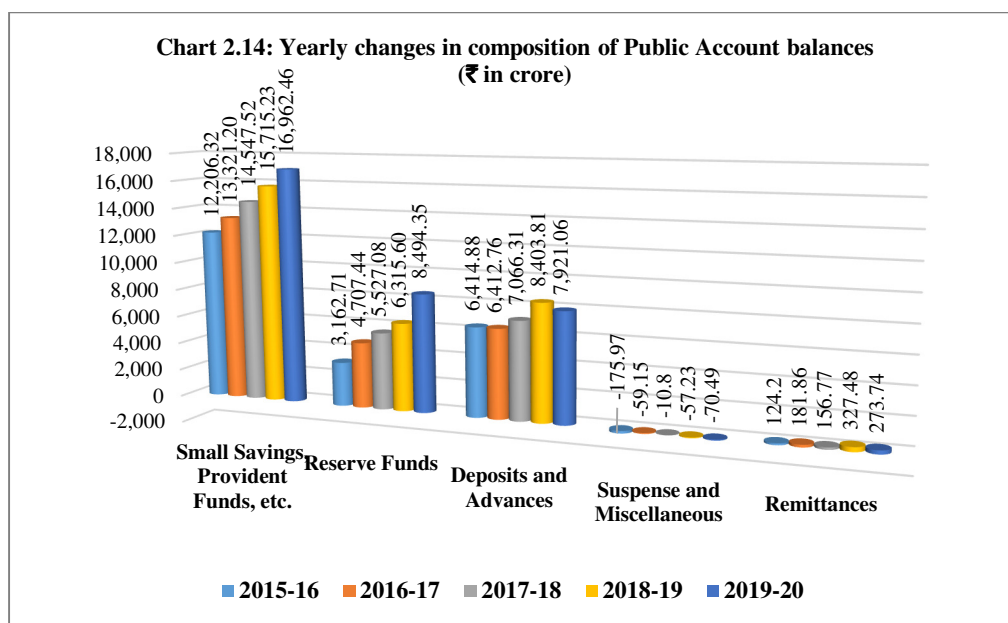
Component-wise net balances under various segments of Public Account are given in *Table 2.32* and *Chart 2.14*.

Table 2.32: Component-wise net balances in Public Account as of 31 March 2020

(₹ in crore)

Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	12,206.32	13,321.20	14,547.52	15,715.23	16,962.46
J. Reserve Funds	(a) Reserve Funds bearing Interest	769.77	2,045.23	2,593.33	3,086.92	4,962.35
	(b) Reserve Funds not bearing Interest	2,392.94	2,662.21	2,933.75	3,228.68	3,532.00
	Total	3,162.71	4,707.44	5,527.08	6,315.60	8,494.35
K. Deposits and Advances	(a) Deposits bearing Interest	363.77	397.00	379.13	403.41	421.76
	(b) Deposits not bearing Interest	6,051.83	6,016.48	6,687.90	8,001.14	7,500.04
	(c) Advances	(-) 0.72	(-) 0.72	(-) 0.72	(-) 0.74	(-) 0.74
	Total	6,414.88	6,412.76	7,066.31	8,403.81	7,921.06
L. Suspense and Miscellaneous	Suspense and Miscellaneous	(-) 175.97	(-) 59.15	(-) 10.80	(-) 57.23	(-) 70.49
M. Remittances	(a) Money Orders, and other Remittances	137.28	199.55	180.34	343.72	306.84
	(b) Inter-Governmental Adjustment Account	(-) 13.08	(-) 17.69	(-) 23.57	(-) 16.24	(-) 33.10
	Total	124.20	181.86	156.77	327.48	273.74
Grand Total		21,732.14	24,564.11	27,286.88	30,704.89	33,581.12

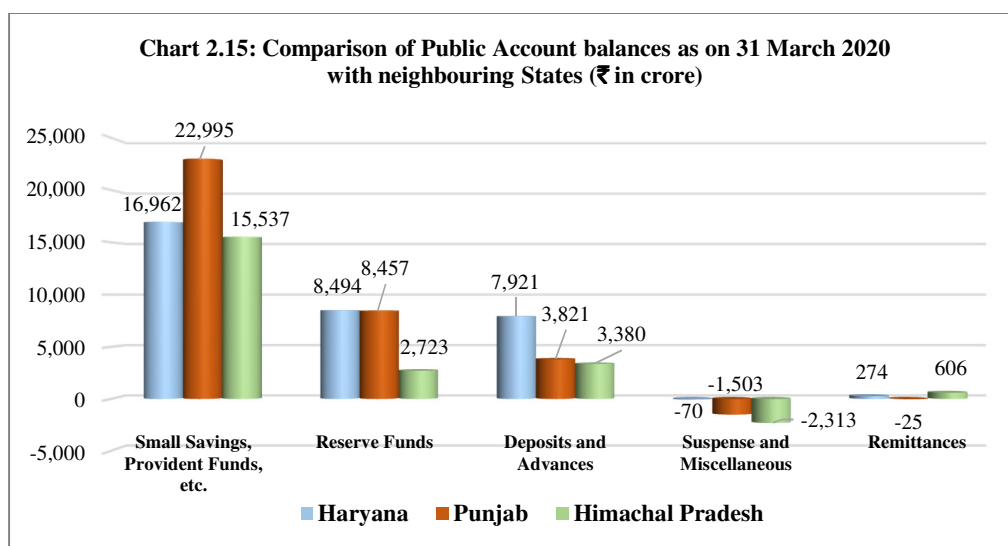
Source: Finance Accounts of the respective years



Source: Finance Accounts of the respective years

Net public account balances in 2019-20 increased by 9.37 per cent over the previous year mainly due to increase in Small Savings, Provident Fund, etc. (₹ 1,247 crore), Reserve Funds (₹ 2,179 crore) offset by decrease in deposits (₹ 482.75 crore), remittances (₹ 53.74 crore).

Comparison of Net Public Account balances as on 31 March 2020 with neighbouring States has been given in **Chart 2.15**. The comparison shows that against the public account balance of ₹ 33,581 crore in Haryana, Punjab had the balance of ₹ 33,745 crore and Himachal Pradesh had the balance of ₹ 19,933 crore.



2.5.2 Reserve Funds

Details of Reserve Funds are available in Statements 21 and 22 of the Finance Accounts. There were ten Reserve Funds (five Reserve Funds bearing Interest and five Reserve Funds not bearing Interest) earmarked for specific purposes. The interest on balances of Reserve Funds bearing Interest is paid by the Government if the same are not invested while in case of Reserve Funds not bearing Interest, balances are invested in Government Securities/Treasury Bills under the administration of Central Accounts Section of the Reserve Bank of India at Nagpur. The fund balances lying in various Reserve Funds (bearing Interest and not bearing Interest) as on 31 March 2020 are given in **Table 2.33**.

Table 2.33: Details of Reserve Fund

(₹ in crore)

Sr. No.	Name of Reserve Fund	Balance as on 31 March 2020
A	Reserve Funds bearing Interest	4,962.36
1	Depreciation Reserve Fund-Motor Transport	490.94
2	Depreciation Reserve Fund-Government Presses	12.28
3	Reserve Fund-Motor Transport Accident Reserve Fund	3.77
4	State Disaster Response Fund	3,172.72
5	State Compensatory Afforestation Fund	1,282.65
B	Reserve Funds not bearing Interest	3,532.00
1	Sinking Funds	2,084.06
2	Mines and Mineral Development Restoration and Rehabilitation Fund	220.43
3	Fund for Development Schemes	1.41
4	Fund for Village Reconstruction for Harijan Uplift	2.29
5	Guarantee Redemption Fund	1,223.81
	Grand Total	8,494.36

Out of above, two Reserve Funds not bearing interest i.e. fund for development schemes and fund for village reconstruction for harijan uplift are inoperative for the last five years. The State Government is yet to close these inoperative Reserve Funds and transfer their balances to the Consolidated Fund of the State.

2.5.2.1 Consolidated Sinking Fund

The State Government of Haryana constituted the Consolidated Sinking Fund (CSF) in 2002 for redemption of market loans. As per guidelines, the Government was required to contribute one to three *per cent* of previous year's closing balance of market loans to the fund.

The State Government has not made any contribution during 2019-20 resulting in short contribution of ₹ 1,149.90 crore (one *per cent* of outstanding market loans of ₹ 1,14,989.59 crore as on 31 March 2019).

As on 1st April 2019 the balance under the fund was ₹ 1,926.17 crore. The fund remained invested and interest of ₹ 157.89 crore was earned during the year. No disbursement was made and the fund was closed at ₹ 2,084.06 crore, out of which, ₹ 2,081.93 crore was invested.

2.5.2.2 State Disaster Response Fund

The State Government replaced the Calamity Relief Fund with the State Disaster Response Fund (SDRF) in 2010-11. In terms of the guidelines of the Fund, the Centre, and the States, are required to contribute to the Fund in the proportion of 75:25. In terms of guidelines issued by Ministry of Home Affairs, Government of India on 28 September 2010 and 30 July 2015, Fund balances are required to be invested as per the recommendations of the State Executive Committee (SEC) constituted for the management of the Fund.

There was opening balance of ₹ 2,616.12 crore in SDRF. During 2019-20, the Central Government released ₹ 227.10 crore (first and second instalment of Central share for 2019-20 after deducting ₹ 53.40 crore released in excess during 2018-19). As against GoI release of ₹ 227.10 crore, State's matching share works out to ₹ 146.90 crore (including share of previous year). The State Government transferred an amount of ₹ 599.16 crore to the fund which includes GoI release, State's matching share, unspent balances of ₹ 25.16 crore and interest of ₹ 200 crore. An expenditure of ₹ 42.56 crore was met from the Fund during the year. There was a balance of ₹ 3,172.72 crore in the Fund as on 31 March 2020.

As per paragraph 18 of GoI guidelines on constitution and administration of the 'SDRF' the investments out of SDRF were to be made as per decision of SEC. However, in violation of GoI guidelines, no amount was invested by the State Government.

The SDRF shall be used only for meeting the expenditure for providing immediate relief to the victims of natural calamities. An expenditure of ₹ 42.56 crore was charged to SDRF as given in **Table 2.34**.

Table 2.34: Detail of expenditure charged to SDRF

Major Head of Account	Minor Head of Account	Expenditure during 2019-20 (₹ in crore)
2245-Relief on Account of Natural Calamities 02-Foods, Cyclones, etc.	101- Gratuitous Relief	37.94
	111- Ex-gratia payments to bereaved families	0.14
	113- Assistant for repairs/reconstruction of Houses	0.07
	117- Assistance to farmers for purchase of Live Stock.	0.01
	282- Public Health	8.36
	800- Others	0.04
	Sub Total	46.56
2245-Relief on Account of Natural Calamities 80-General	800-Other Expenditure	22.46
	Sub Total	22.46
	Grand Total	69.02
05-State Disaster Response Fund	901-Deduct –Amount met from State Disaster	42.56
Expenditure charged to SDRF (admissible expenditure under SDRF guidelines)		37.94

2.5.2.3 Guarantee Redemption Fund

The State Government constituted the Guarantee Redemption Fund (GRF) in 2003 for meeting obligations arising out of the 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 collected guarantee fee and annual or periodic contributions as estimated by the Government to the fund. The Fund is administered by the Reserve Bank of India. The outstanding guarantees of the Government as on 31 March 2019 were ₹ 18,219.87 crore. RBI guidelines of 2013 indicates contribution of minimum one *per cent* of outstanding guarantees at the beginning of the year and thereafter a minimum of 0.5 *per cent* every year to achieve a corpus of minimum three to five *per cent* of the outstanding guarantees of the previous year.

The balance under the Fund was ₹ 1,223.81 crore (which is 6.72 *per cent* of the outstanding guarantees of ₹ 18,219.87 crore) which stood invested.

2.5.2.4 Mines and Mineral Development, Restoration and Rehabilitation Fund

The Fund was established (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 and preservation of ecology and environment of the area. Though the Fund is enlisted as ‘Reserve Funds not bearing interest’, it bears interest at the rate of six *per cent* per annum.

As per constitution of the Fund, an amount equal to 10 *per cent* of the ‘Dead Rent/Royalty/Contract Money’ paid to the State is to be charged from the mineral concession holders in the nature of ‘other charges’ for restoration and

rehabilitation works and credited to the Fund. Also, an amount equal to five *per cent* of the amount received by State Government on account of the 'Dead Rent/Royalty/Contract Money' in a financial year is to be deposited/transferred in the Fund as Government Contribution to the Fund.

A balance of ₹ 170.52 crore was in the Fund as on 1 April 2019. The State Government during the year received an amount of ₹ 582.33 crore on account of Dead Rent, etc. and an amount of ₹ 46.84 crore on account of 'other charges' from the Concession Holders. The amount of ₹ 87.35 crore (Concession Holders' contribution: ₹ 58.23 crore i.e. 10 *per cent* of Dead Rent plus State share: ₹ 29.12 crore i.e. five *per cent* of Dead Rent of ₹ 582.33 crore) was required to be contributed to the Fund. However, the State Government, during the year contributed an amount of ₹ 85.50 crore (State contribution: ₹ 32.92 crore and Concession Holders' contribution: ₹ 52.58 crore). Thus, there was short contribution of ₹ 1.85 crore. The State Government, has not allowed interest on the balances in the Fund during the year, thereby leading to short contribution to the Fund on account of interest to the extent of ₹ 10.23 crore (six *per cent* of ₹ 170.52 crore). An expenditure of ₹ 35.59 crore was met from the Fund during the year, thereby leaving a balance of ₹ 220.43 crore in the Fund as on 31 March 2020.

2.5.2.5 State Compensatory Afforestation Fund

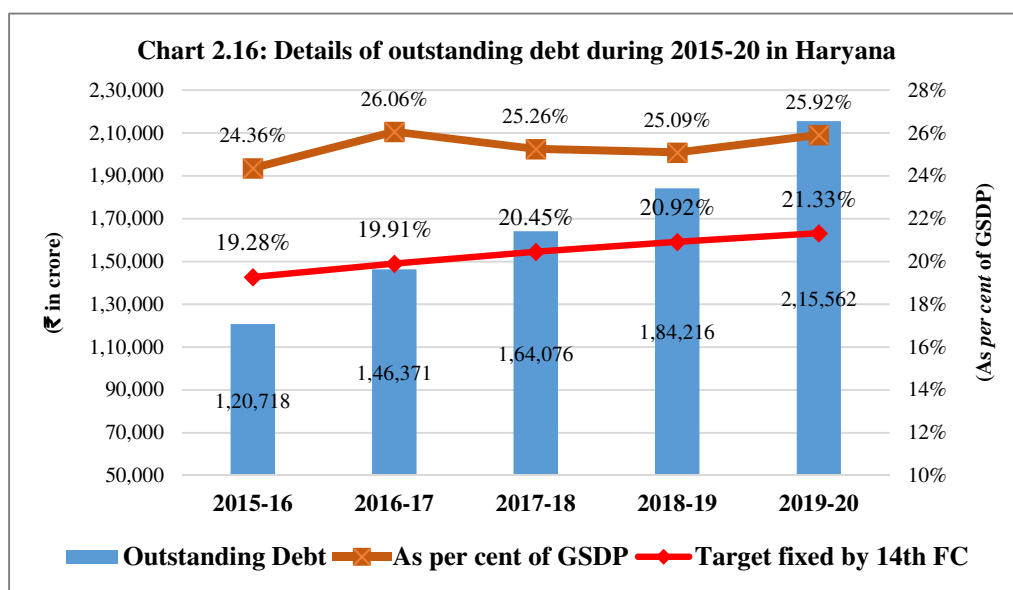
In compliance to the instructions issued by the Ministry of Environment and Forests, Government of India vide their letter No. 5-1/2009-FC dated 28th April 2009 and guidelines of 2 July 2009, the State Governments are required to establish the State Compensatory Afforestation Fund Management and Planning Authority (CAMPA) which will administer the amount received and utilise the collected amounts for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto. The Authority will set up the State Compensatory Afforestation Fund for this purpose. It is an interest-bearing reserve fund, which is required to be invested.

During the year 2019-20, the State Government received ₹ 1,282.65 crore, being State share of the CAMPA Fund, from National Compensatory Afforestation Deposits to the Fund. The State Government did not credit any interest during the year. No expenditure was incurred out of the Fund.

2.6 Debt Management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment

or any other annual budget announcements. The details of outstanding debt in Haryana during 2015-20 are given in **Chart 2.16**.



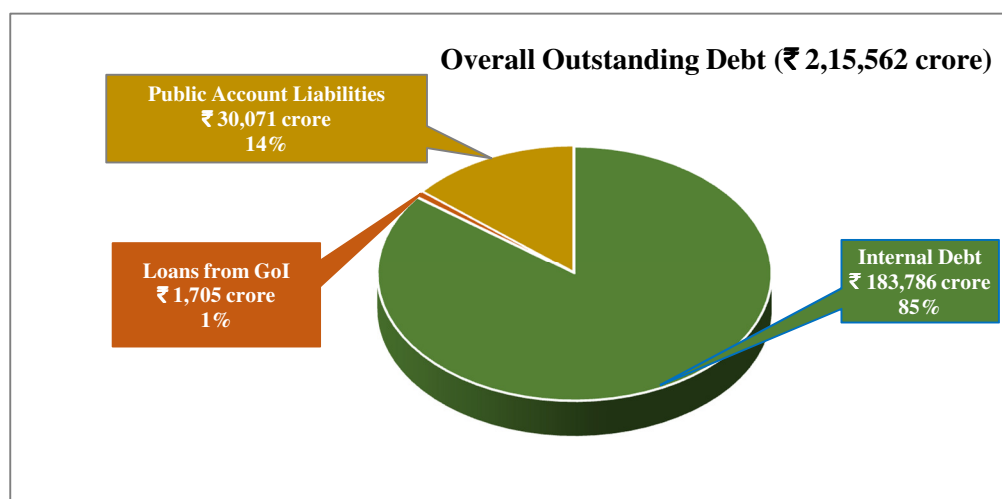
2.6.1 Debt profile: Components

Total debt of the State Government typically constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The outstanding fiscal liabilities of the State are presented in **Chart 2.17** during 2019-20. The component-wise debt trends of the State for the period of five years beginning from 2015-16 are presented in **Table 2.35**.

Table 2.35: Component-wise debt trends

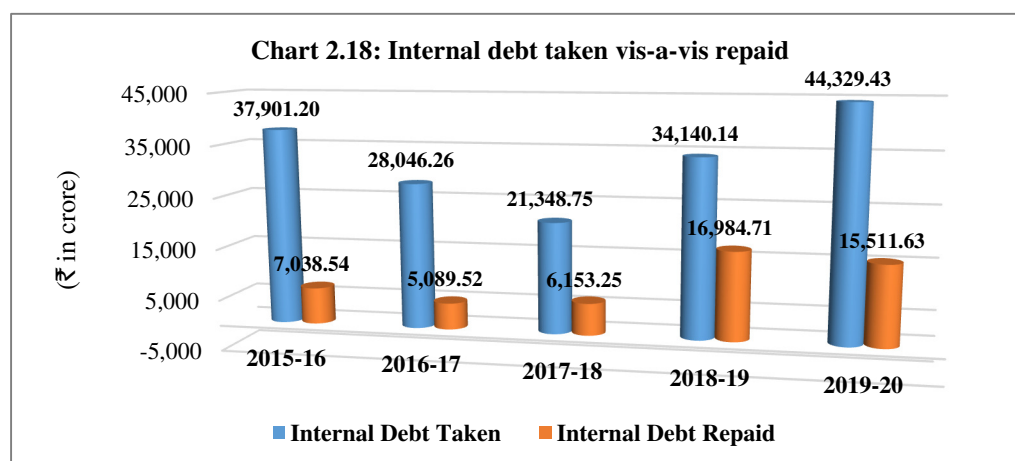
(₹ in crore)

Components of fiscal liability		2015-16	2016-17	2017-18	2018-19	2019-20
Overall Outstanding Debt		1,20,718	1,46,371	1,64,076	1,84,216	2,15,562
Public Debt	Internal debt	99,660	1,22,617	1,37,813	1,54,968	1,83,786
	Loans from GoI	2,049	1,986	1,941	1,867	1,705
Liabilities on Public Account		19,009	21,768	24,322	27,381	30,071
Rate of growth of outstanding Overall debt (percentage)		36.49	21.25	12.10	12.27	17.02
Gross State Domestic Product (GSDP)		4,95,504	5,61,610	6,49,592	7,34,163	8,31,610
Debt/GSDP (per cent)		24.36	26.06	25.26	25.09	25.92
Public Debt Receipts		37,998	28,170	21,490	34,265	44,432
Public Debt Repayments		7,215	5,276	6,339	17,184	15,776
Public Debt Available		30,783	22,894	15,151	17,081	28,656
Public Debt Repayments/Receipts (percentage)		18.99	18.73	29.50	50.15	35.51
Net Public Account Receipts		1,489	2,759	2,554	3,059	2,690
Total Debt Available		32,272	25,653	17,705	20,140	31,346

Chart 2.17: Break up of Overall Outstanding Debt at the end of 31 March 2020

The overall fiscal liabilities of the State increased from ₹ 1,20,718 crore in 2015-16 to ₹ 2,15,562 crore in 2019-20 registering an increase of 78.57 *per cent* mainly due to increase in internal debt (₹ 84,126 crore) and public account liabilities (₹ 11,062 crore). The overall fiscal liabilities increased by 17.02 *per cent* in 2019-20 as compared to 12.27 *per cent* in the previous year. The ratio of fiscal liabilities to GSDP increased from 24.36 *per cent* in 2015-16 to 25.92 *per cent* in 2019-20. The liabilities were 3.18 times of the revenue receipts and 4.29 times the State's own resources. It is significant to note that fiscal liabilities at ₹ 2,15,562 crore were higher than the limit of ₹ 1,79,412 crore projected in the MTFPS for the year 2019-20.

The fiscal liabilities to GSDP ratio at 25.92 *per cent* was higher against the normative assessment of 21.33 *per cent* under 14th FC.



Source: Finance Accounts of respective years

Internal debt of the State Government increased by ₹ 84,126 crore (84.41 *per cent*) from ₹ 99,660 crore in 2015-16 to ₹ 1,83,786 crore in 2019-20. **Chart 2.18** is showing the trends of internal debt taken vis-à-vis repaid. An interest of ₹ 13,874 crore was paid on internal debt during 2019-20.

Market borrowings form a major portion of the internal debt of the State Government, with interest rates ranging between 6.86 and 9.89 *per cent*. In 2019-20, out of total internal debt receipts of ₹ 44,329 crore, market loans were of ₹ 24,677 crore. Out of total internal debt re-payments of ₹ 15,512 crore, repayment of market loans was ₹ 4,000 crore. The outstanding market borrowings as of 31 March 2020 were ₹ 1,35,666 crore. The net increase of market borrowings during the year was 17.98 *per cent* (₹ 20,677 crore).

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Chart 2.19 and Table 2.36**. Receipts and disbursements under the components of financing the fiscal deficit during 2018-19 are given in **Table 2.37**.

Table 2.36: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit	(-) 31,479	(-) 26,285	(-) 19,114	(-) 21,912	(-) 30,519
1 Revenue Deficit	(-) 11,679	(-) 15,906	(-) 10,562	(-) 11,270	(-) 16,990
2 Net Capital Expenditure	(-) 6,878	(-) 6,837	(-) 13,498	(-) 15,258	(-) 17,612
3 Net Loans and Advances	(-) 12,922	(-) 3,542	4,946	4,616	4,083
Financing Pattern of Fiscal Deficit					
1 Market Borrowings	13,168.29	15,358.98	15,839.49	17,970.00	20,676.85
2 Loans from GOI	(-) 78.91	(-) 63.06	(-) 44.59	(-) 74.33	(-) 161.49
3 Special Securities issued to NSSF	1,012.11	(-) 947.05	(-) 954.14	(-) 980.58	(-) 1,004.39
4 Loans from Financial Institutions	16,682.26	8,544.81	310.15	165.99	9,145.34
5 Small Savings, PF, etc.	1,048.64	1,114.88	1,226.32	1,167.71	1,247.23
6 Reserve Fund	70.72	1,646.31	673.72	553.47	1,925.34
7 Deposits and Advances	369.27	(-) 2.12	653.55	1,337.50	(-) 482.75
8 Suspense and Miscellaneous	(-) 1,583.19	1,734.84	518.78	1,296.28	(-) 1,623.60
9 Remittances	(-) 19.15	57.66	(-) 25.09	170.72	(-) 53.74
10 Overall Deficit	30,670.04	27,445.25	18,198.19	21,606.76	29,668.79
11 Increase/Decrease in cash balance	(+) 809.47	(-) 1,160.13	916.30	304.99	849.83
12 Gross Fiscal Deficit	31,479.51	26,285.12	19,114.49	21,911.75	30,518.62

Source: Finance Accounts of the respective years

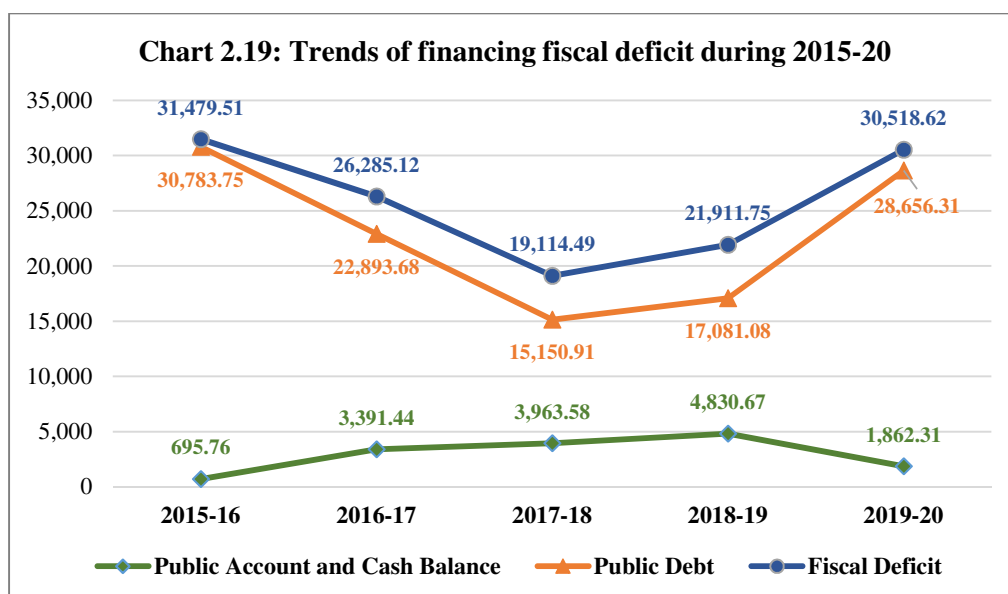


Table 2.37: Receipts and Disbursements under components financing the fiscal deficit
(₹ in crore)

Particulars	Receipt	Disbursement	Net
1 Market Borrowings	24,676.85	4,000.00	20,676.85
2 Loans from GOI	102.39	263.88	(-) 161.49
3 Special Securities issued to NSSF	0.00	1,004.39	(-) 1,004.39
4 Loans from Financial Institutions	18,390.83	9,245.49	9,145.34
5 Small Savings, PF, etc.	3,670.12	2,422.89	1,247.23
6 Deposits and Advances	29,111.19	29,593.94	(-) 482.75
7 Reserve Funds	2,317.15	391.81	1,925.34
8 Suspense and Miscellaneous	82,254.13	83,877.73	(-) 1,623.60
9 Remittances	8,919.27	8,973.01	(-) 53.74
10 Overall surplus (-) Deficit (+)	1,69,441.93	1,39,773.14	29,668.79
11 Increase (-)/decrease (+) in cash balance	Cr. 794.56	Cr. 1,644.39	849.83
12 Gross Fiscal Deficit	1,68,647.37	1,38,128.75	30,518.62

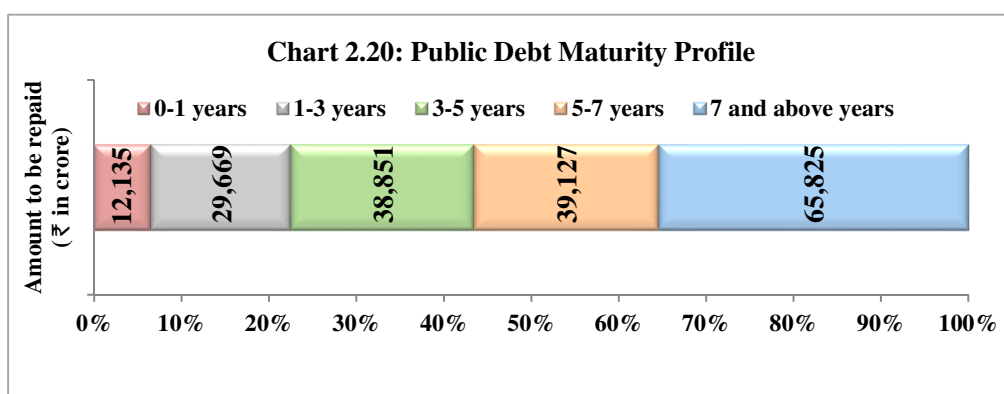
As evident from above, the fiscal deficits during 2015-20 were largely financed through public debt includes market borrowings, loans from financial institutions, etc.

2.6.2 Debt profile: Maturity and Repayment

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

Table 2.38: Public debt maturity profile

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	12,134.95	7
1 – 3	29,668.65	16
3 – 5	38,851.39	21
5 – 7	39,126.56	21
7 and above	65,825.07	35
Total	1,85,606.62⁹	100

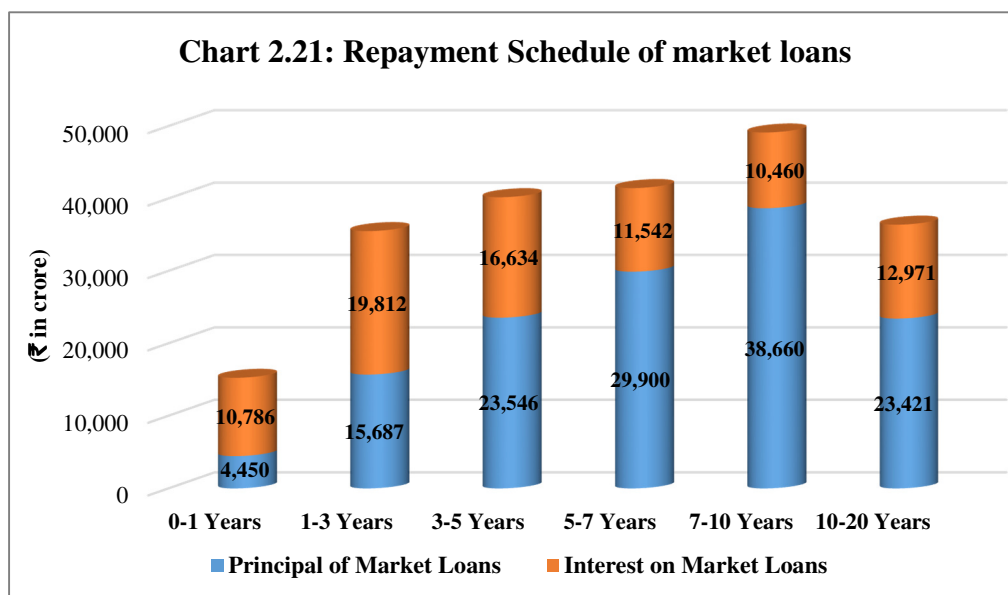


As of March 2020, total public outstanding debt was ₹ 1,85,606.62 crore. The maturity profile of outstanding stock of public debt as on 31 March 2020 showed that 65 per cent (₹ 1,19,781.55 crore) of the total outstanding debt was

⁹ Difference of ₹ 115.57 crore between maturity profile and balances under Public Debt is under reconciliation.

in the maturity bucket of up to seven years and the balance of ₹ 65,825.07 crore (35 per cent) from seventh year onwards as depicted in **Table 2.38** and **Chart 2.20**.

Repayment schedule of market loans alongwith interest has been given in **Chart 2.21**.



Note: The maturity profile has been evolved for outstanding market loans as on 31 March 2020 and interest has been calculated upto the financial year in which the loans are going to retire.

The State will have to repay ₹ 20,137 crore of market loans and pay interest of ₹ 30,598 crore in next three financial years i.e. upto 2022-23. In next two years upto 2024-25, ₹ 23,546 crore principal and interest of ₹ 16,634 crore will be payable. Annual outgo in shape of loan repayment and interest will be approximately ₹ 18,183 crore during next five years upto 2024-25.

In the period 2025-26 to 2029-30, loans of ₹ 68,560 crore and interest of ₹ 22,002 crore will be payable. As such the State will have to repay approximately ₹ 18,112 crore annually during the period 2025-26 to 2029-30.

2.7 Debt Sustainability Analysis

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 2.39** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2015-16.

Table 2.39: Trends in debt Sustainability indicators

(₹ in crore)

Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt*	1,01,709	1,24,603	1,39,754	1,56,835	1,85,491
Rate of Growth of Outstanding Public Debt	43.40	22.51	12.16	12.22	18.27
GSDP	4,95,504	5,61,610	6,49,592	7,34,163	8,31,610
Rate of Growth of GSDP	13.35	13.34	15.67	13.02	13.27
Public Debt/GSDP	20.53	22.19	21.51	21.36	22.31
Debt Maturity profile of repayment of State debt – including default history, if any	3,189.78	2,382.11	2,561.93	5,054.18	5,840.63
Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	7.61	8.17	8.08	8.16	8.17
Percentage of Interest payment to Revenue Receipt	13.81	17.62	17.04	18.37	20.60
Percentage of Debt Repayment to Debt Receipt	18.99	18.73	29.50	50.15	35.50
Net Debt available to the State [#]	24,217.92	13,646.26	4,469.12	4,981.11	14,677.34
Net Debt available as <i>per cent</i> to Debt Receipts	63.73	48.44	20.80	14.54	33.03
Debt Stabilisation (Quantum spread + Primary Deficit)	(-) 18,404.51	(-) 9,089.20	3,426.38	(-) 1,758.25	(-) 5,729.65

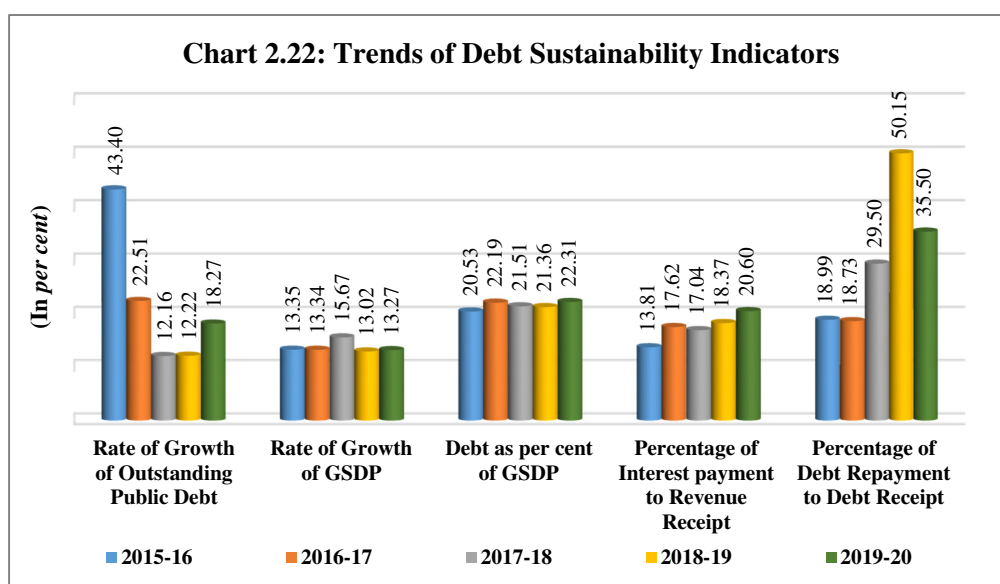
Source: Finance Accounts of the respective years

* Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004-Loans and Advances from the Central Government.

Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

A necessary condition for debt stability states that if the rate of growth of GSDP exceeds the interest rate for public debt, the debt GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Thus, if primary deficit together with quantum spread turns out to be negative, debt GSDP ratio would be rising.

In Haryana, the debt GSDP ratio rose from 20.53 *per cent* in 2015-16 to 22.31 *per cent* in 2019-20 due to negative figure of primary deficit together with quantum spread. Trends of Debt sustainability indicators for the five years starting from 2015-16 are shown in **Chart 2.22**.



Public Debt of the State Government increased from ₹ 1,01,709 crore in 2015-16 to ₹ 1,85,491 crore in 2019-20 registering an increase of 82.37 *per cent* during the period 2015-20. The annual rate of increase ranged between 12.16 *per cent* and 43.40 *per cent* over the period 2015-16 to 2019-20 while growth rate of GSDP remained between 13.02 and 15.67 *per cent*.

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. The detail of utilisation of borrowed funds for repayment of earlier borrowings, capital expenditure and revenue expenditure during the period 2015-20 is given in **Table 2.40**.

Table 2.40: Utilisation of borrowed funds

(₹ in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Total Borrowings	37,998.43	28,169.52	21,489.76	34,264.97	44,431.82
Repayment of earlier borrowings (Principal) (percentage)	7,214.68 (19)	5,275.84 (19)	6,338.85 (29)	17,183.87 (50)	15,775.51 (36)
Net capital expenditure (Percentage)*	6,878.35 (18)	6,836.83 (24)	8,308.03 (39)	10,067.59 (29)	12,421.92 (28)
Net loans and advances[#]	12,922.01 (34)	3,541.68 (13)	243.96 (1)	573.74 (2)	1,106.62 (2)
Portion of Revenue expenditure met out of net available borrowings	10,983.39 (29)	12,515.17 (44)	6,598.92 (31)	6,439.77 (19)	15,127.77 (34)

Source: Finance Accounts of the respective years

Figures in parenthesis indicate percentage to the total borrowings

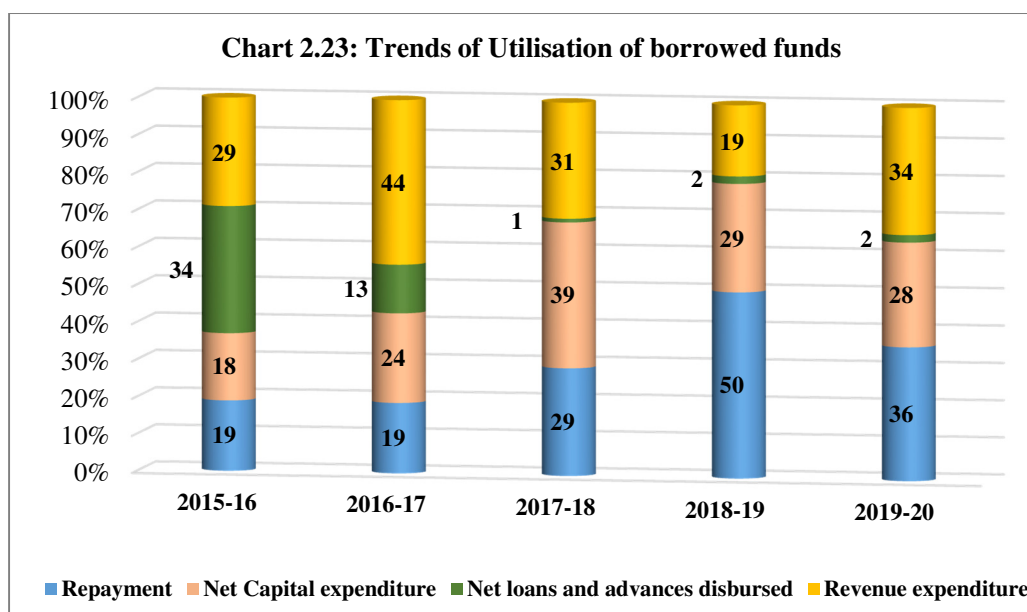
* Net Capital Expenditure = Total Capital Expenditure – Misc. Capital Receipts and the effect of conversion of loans of ₹ 5,190 crore into equity during 2017-18, 2018-19 and 2019-20 has been excluded as it was only book adjustment and has no effect on actual utilisation of borrowed funds.

Similarly the effect of conversion of loans of ₹ 5,190 crore into equity during 2017-18, 2018-19 and 2019-20 has been excluded in calculation of Net loans and advances as it was only book adjustment.

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 2019-20, revenue expenditure of ₹ 15,128 crore (18 *per cent* of total revenue expenditure) was met from borrowed funds which constitutes 34 *per cent* of borrowed funds.

Thus, during 2015-16 to 2019-20 borrowed funds between 48 *per cent* and 70 *per cent* had been utilised for repayment of earlier loans and Revenue Expenditure. During 2019-20, 70 *per cent* of borrowed funds were utilised for repayment of earlier loans (36 *per cent*) and Revenue Expenditure (34 *per cent*). Hence, borrowed funds were not utilised for creation of infrastructure which could have showed growth in the State.

Trends of utilisation of borrowed funds during the period 2015-20 is depicted in **Chart 2.23**.

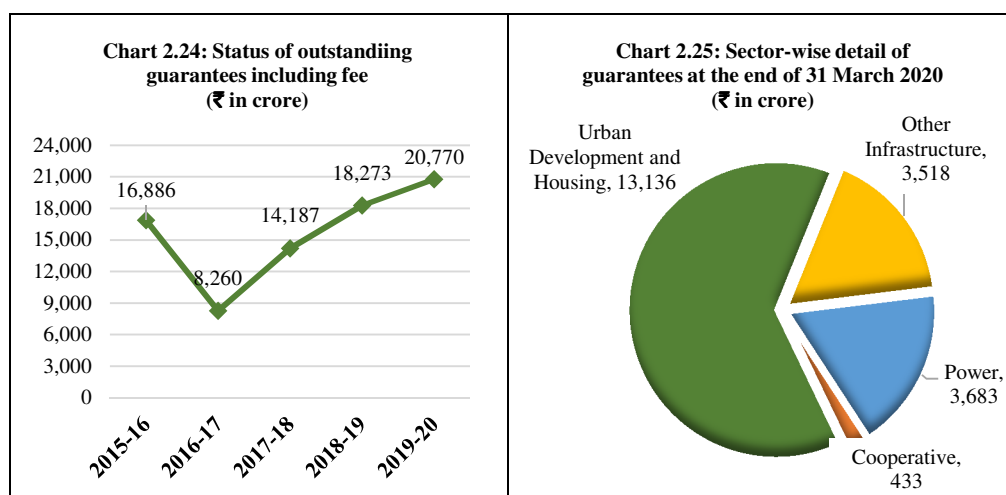


Source: Finance Accounts of the respective years

2.7.2 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. The State Government has not passed a law under Article 293 of the Constitution for 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 2.24** and **2.25**.



Source: Finance Accounts of respective years

No amount was paid by the Government towards guarantees during 2019-20. The details of outstanding guarantees including guarantee fee, as on 31 March 2020, was in respect of PSUs and autonomous bodies as shown in **Table 2.41**.

Table 2.41: Details of outstanding guarantees including guarantee fee given to entities
(₹ in crore)

Sr. No.	Name of PSUs/Autonomous bodies	Number of Guarantees	Outstanding Guarantee including guarantee fee
1	Haryana Sahari Vikas Pradhikaran (HSVP)	9	12,389.29
2	Haryana State Industrial Infrastructure Development Corporation	5	3,292.82
3	Uttar Haryana Bijli Vitran Nigam Limited	12	2,034.22
4	Haryana Vidyut Parsaran Nigam Limited	7	1,500.01
5	Haryana State Co-operative Agriculture Rural Development Bank	1	428.96
6	Haryana Police Housing Corporation Limited	2	421.78
7	Housing Board, Haryana	6	324.64
8	Dakshin Haryana Bijli Vitran Nigam Limited	5	107.71
9	Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited	1	81.02
10	Municipal Corporation, Faridabad	2	74.08
11	Haryana State Warehousing Corporation	4	52.18
12	Haryana Power Generation Limited, Panchkula	1	40.69
13	Others	3	22.29
	Total	58	20,769.69

Source: Finance Accounts for the year 2019-20

Out of total outstanding guarantee including guarantee fee as on 31 March 2020, 92.52 per cent (₹ 19,216.34 crore) was outstanding mainly in respect of Haryana Sahari Vikas Pradhikaran (₹ 12,389.29 crore), Haryana State Industrial Infrastructure Development Corporation (₹ 3,292.82 crore), Uttar Haryana Bijli Vitran Nigam Limited (₹ 2,034.22 crore) and Haryana Vidyut Parsaran Nigam Limited (₹ 1,500.01 crore).

2.7.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time.

Comparative figures of cash balances and investment of cash balance for the years 2018-19 and 2019-20 are given in **Table 2.42**.

Table 2.42: Detail of cash balances and investment of cash balances

(₹ in crore)

	Opening balance on 1 April 2019	Closing balance on 31 March 2020
A. General Cash Balance		
Deposits with Reserve Bank of India	(-) 795.10	(-) 1,644.93
Remittances in Transit – Local	0.54	0.54
Total	(-) 794.56	(-) 1,644.39
Investments held in Cash Balance investment account	721.57	2,332.87
Total (A)	(-) 72.99	688.48
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	3.79	2.83
Permanent advances for contingent expenditure with department officers	0.12	0.12
Investment in earmarked funds	3,054.63	3,308.04
Total (B)	3,058.54	3,310.99
Total (A + B)	2,985.55	3,999.47
Interest realised	91.54	76.54

Source: Finance Accounts

Table 2.43: Cash Balance Investment Account (Major Head-8673)

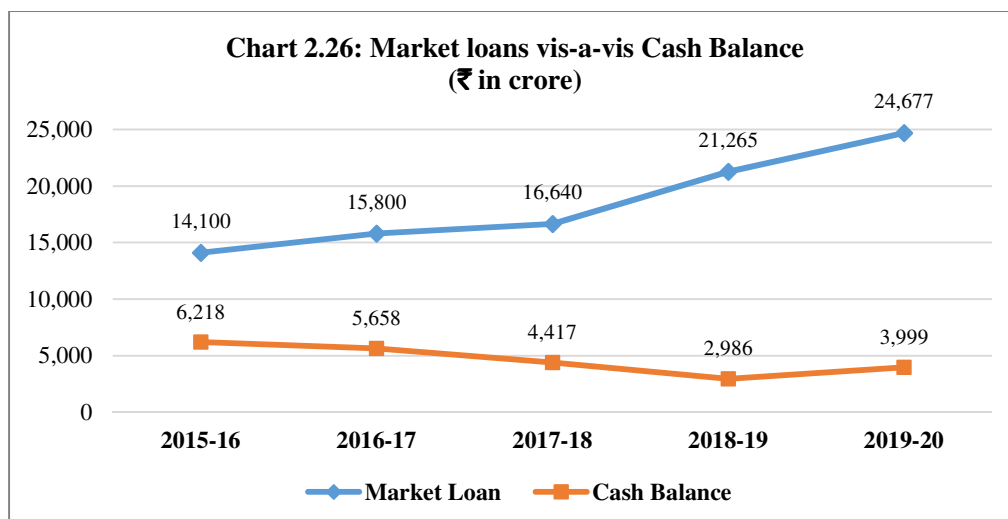
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	2,571.52	4,173.12	1,601.60	186.49
2016-17	4,173.12	2,554.85	(-) 1,618.27	161.32
2017-18	2,554.85	2,084.53	(-) 470.32	94.89
2018-19	2,084.53	721.57	(-) 1,362.96	91.54
2019-20	721.57	2,332.87	1,611.30	76.54

Source: Finance Accounts of the respective years

The Cash Balance included investment of ₹ 3,308.04 crore from earmarked funds. The said investment consisting of Sinking Fund Investment Account (₹ 2,081.93 crore) and Guarantee Redemption Fund Investment Account (₹ 1,223.81 crore) was invested by the RBI. The Government was able to maintain a minimum cash balance of ₹ 1.14 crore for 355 days during 2019-20. The Government had maintained the minimum balance by taking ordinary ways and means advance (WMA) for 11 days. The State had to pay ₹ 0.42 crore as interest on WMA during the year 2019-20.

During 2019-20, the State had an opening cash balance of ₹ 2,986 crore and Government borrowed ₹ 24,677 crore from the market for meeting its obligations. The closing cash balance was ₹ 3,999 crore.



2.8 Conclusions

The State passed FRBM Act, 2005 to ensure prudence in fiscal management and fiscal stability by progressive elimination of Revenue Deficit. However, the FRBM Act has not been amended as per the recommendations of 14th Finance Commission. The State continued to be a revenue deficit State. The revenue deficit was 25 *per cent* of revenue receipts during 2019-20 against the 17 *per cent* during 2018-19.

The Revenue Deficit which was to be brought down to zero by 2011-12, increased upto ₹ 16,990 crore during 2019-20. It indicates that the State had borrowed funds for meeting current consumption. The conversion of loan ₹ 11,677.50 crore (₹ 3,892.50 crore each year for the three years from 2017-18 to 2019-20) into equity was against the tripartite MoU of UDAY scheme and resulted in understatement of Revenue Deficit in each of the three years.

Fiscal Deficit of the State was ₹ 30,518 crore during 2019-20 which was 3.67 *per cent* of the GSDP and was higher than the target fixed by the State Government in MTFP. The Fiscal Deficit was mainly financed through market borrowings.

Out of total borrowings of ₹ 44,432 crore during 2019-20, the State Government incurred Capital Expenditure of only ₹ 12,422 crore (28 *per cent*). Balance 72 *per cent* borrowings were utilised for repayment of earlier loans, disbursement of loans and advances and for meeting Revenue Expenditure.

Annual growth rate of Revenue Receipts decreased from 16.56 *per cent* in 2015-16 to mere 2.99 *per cent* in 2019-20, which resulted in higher dependency on borrowed funds for meeting the current consumption. Further, State's own revenue registered a negative growth of 0.66 *per cent* over the previous year, leading to a higher dependency on GoI contributions.

State incurred 65 *per cent* of the total Revenue Expenditure on Committed Liabilities like salaries and wages, pensions, interest payment and subsidies, leaving only 35 *per cent* for priority sector expenditure. The percentage of total expenditure in priority sectors such as Education and Health in Haryana was lower than the average of General Category States.

There was a difference of ₹ 8,257 crore in equity investment figures as per State Accounts and as per the Accounts of 22 PSUs. The difference is mainly on account GIA of ₹ 7,785 crore to DISCOMs under UDAY scheme, booked under Revenue Expenditure during 2015-16 and 2016-17, which was converted to equity during 2018-19 with retrospective effect through a re-appropriation order.

In contravention to the UDAY scheme guidelines and tripartite MoU in this regard, State converted the entire amount of loan taken over from DISCOMS, into equity instead of restricting equity and grant in a ratio of 25:75. This has increased the Capital expenditure at the same time reduced revenue expenditure, which has a direct bearing on the revenue deficit.

The State Government earned a meagre 0.24 *per cent* return on its total investment (₹ 36,923 crore) in Statutory Corporations, Rural Banks, Government Companies and Co-operatives up to 31 March 2020. Further, 86 *per cent* of total investment was made in 11 loss incurring Government Companies with accumulated losses of ₹ 29,639 crore, leading to erosion of Government investments to that extent.

Loans amounting to ₹ 2,647.86 crore were outstanding at the beginning of the year against co-operative sugar mills. Further, loans of ₹ 770.82 crore were given to these sugar mills without recovery of earlier loans.

Overall, fiscal liabilities including public debt and public account liabilities were 25.92 *per cent* of the GSDP. The debt grew by 17 *per cent* over previous year. The State Government raised public debt of ₹ 44,432 crore and repaid ₹ 15,776 crore. During the year, outgo because of interest payments was equal to 18 *per cent* of Revenue Expenditure and 23 *per cent* of Revenue Receipts.

The State Government received ₹ 398 crore (4.22 *per cent*) as interest on outstanding loans during 2019-20 while paid interest at 7.80 *per cent* on outstanding debt. The State Government raised loans during 2019-20 on an average interest rate of 8.31 *per cent* per annum.

The State Government had not invested funds of ₹ 3,393.15 crore available under SDRF and Restoration and rehabilitation of mines and minerals.