

Chapter I - Overview

1.1 Profile of the State

Chhattisgarh is located in the central part of India and is spread over an area of 1,35,192 sq. km (4.11 *per cent* of geographical area of India). The State was created in November 2000 by bifurcating the composite State of Madhya Pradesh. It has 27 districts and is home to 2.55 crore population as per Census 2011. The State's population increased from 2.08 crore in 2001 to 2.55 crore in 2011, recording a decadal growth of 22.61 *per cent*. At current prices, the per capita income of the State was estimated at ₹98,281 during 2019-20, which was lower than the national average of ₹1,35,050.

General and financial data relating to the State is given in *Appendix 1.1*.

1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Trends in annual growth of Chhattisgarh's GSDP (current prices) *vis-à-vis* GDP of the country are given in **Table – 1.1**

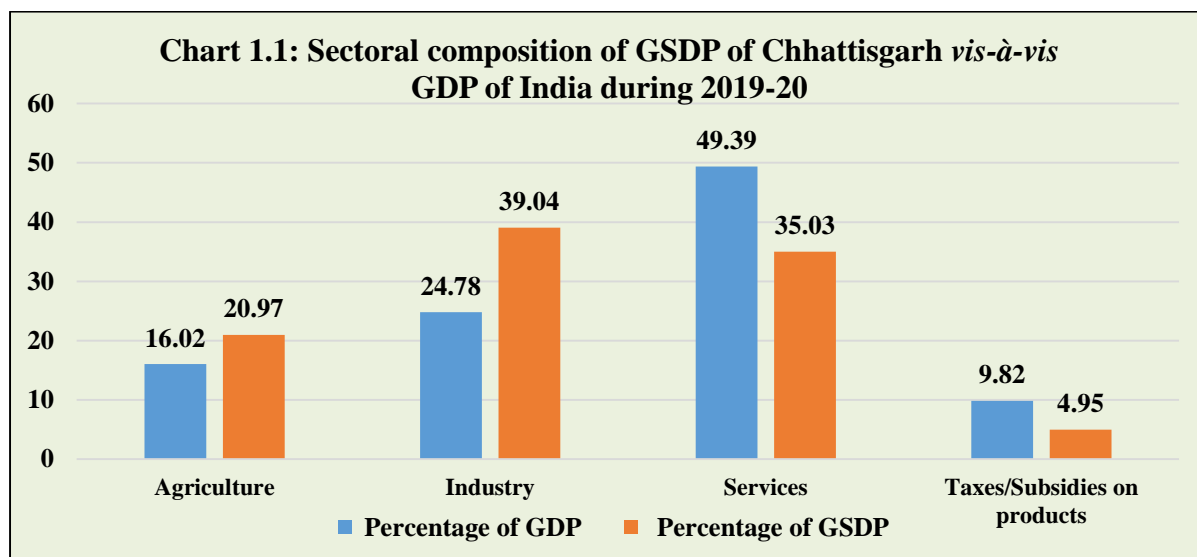
Table 1.1: Trends in GSDP compared to the national GDP

Year	2015-16	2016-17	2017-18	2018-19	2019-20
GDP of India at current prices (₹ in crore)	1,37,71,874	1,53,91,669	1,70,98,304	1,89,71,237	2,03,39,849
Growth Rate of GDP over previous year (in <i>per cent</i>)	10.46	11.76	11.09	10.95	7.21
State's GSDP at current prices (₹ in crore)	2,25,163	2,50,882	2,74,042 ^P	3,04,063 ^Q	3,29,180 ^A
Growth Rate of GSDP over previous year (in <i>per cent</i>)	1.83	11.42	9.23	10.95	8.26

Source: GoI's Economic Survey (2019-20) and Directorate of Economics and Statistics, Chhattisgarh
A- Advanced Estimates; Q - Quick Estimates; P - Provisional Estimates

As can be seen from the Table above, the growth rate of GSDP of Chhattisgarh oscillated from 1.83 to 11.42 *per cent* during the five-year period 2015-16 to 2019-20. Even though the GSDP of Chhattisgarh grew at a higher rate during 2019-20 compared to the GDP of India, it registered a lower growth rate compared to the previous year mainly due to decrease in growth rate of all three Sectors that make up the GSDP - Agriculture, Industry and Services sectors, from 15.77 *per cent*, 8.49 *per cent* and 10.98 *per cent* in 2018-19 to 12.10 *per cent*, 5.51 *per cent* and 9.35 *per cent* in 2019-20 respectively.

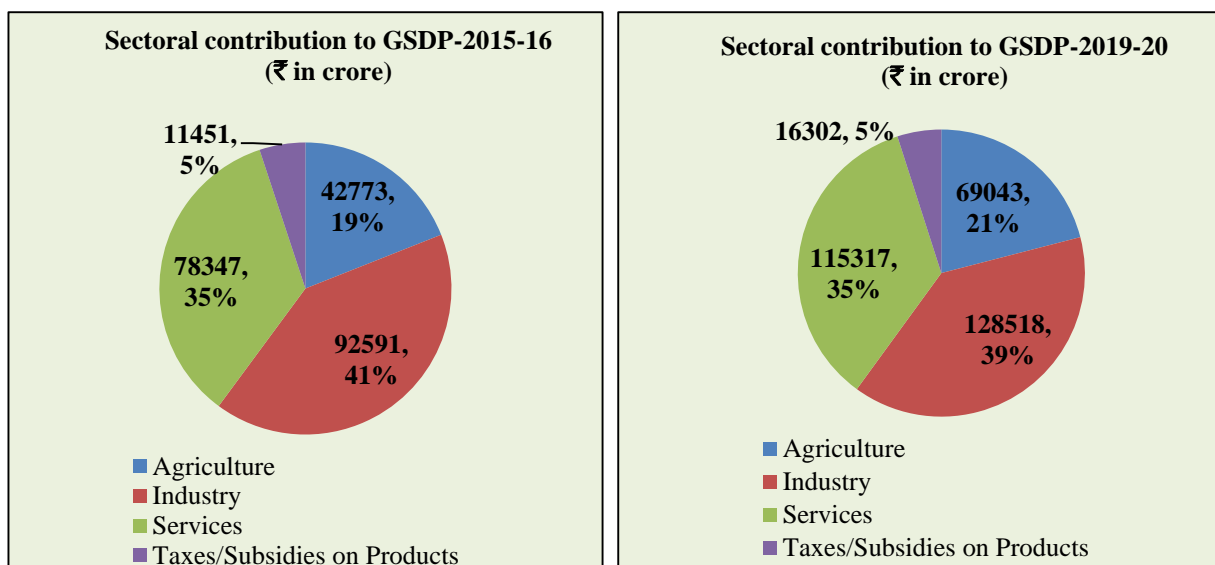
Economic activities are generally divided into Primary, Secondary and Tertiary sectors, which correspond to Agriculture, Industry, and Services Sectors. Change in sectoral contribution to the GSDP is also important to understand the changing structure of economy. **Chart 1.1** below shows the sectoral composition of GSDP of Chhattisgarh *vis-à-vis* GDP of India during 2019-20.



Source: GoI's Economic Survey (2019-20) and Directorate of Economics and Statistics, Chhattisgarh

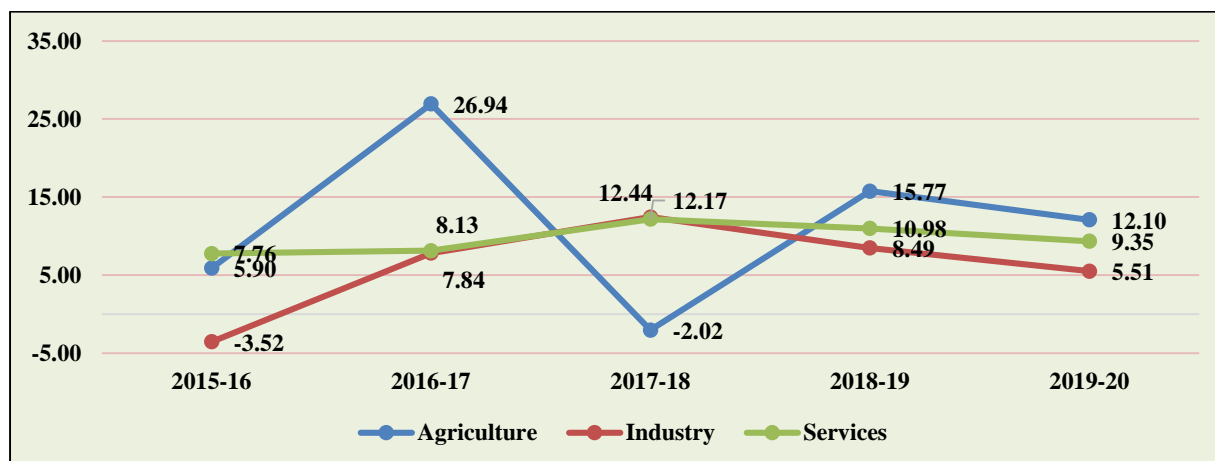
As can be seen from **Chart 1.1**, the major contributing factor to GSDP of Chhattisgarh was Industrial sector, while for the GDP of India, it was Services sector. Percentage wise, contribution of Industry and Agriculture sectors in GSDP of Chhattisgarh was higher than that of national GDP, whereas Services sector and Taxes/Subsidies on products contributed less to GSDP of the State compared to their share in GDP of India.

Chart 1.2 reveals that during the five-year period 2015-16 to 2019-20, there has been an increase in the relative share of Agriculture and Services sectors in GSDP of the State from 19.00 per cent and 34.80 per cent in 2015-16 to 20.97 per cent and 35.03 per cent in 2019-20 respectively. During the same period, there has been a decrease in the share of Industry Sector from 41.12 per cent in 2015-16 to 39.04 per cent in 2019-20. Also, Taxes and Subsidies on Products decreased from 5.09 per cent in 2015-16 to 4.95 per cent in 2019-20.

Chart 1.2: Change in sectoral contribution to GSDP (2015-16 to 2019-20)

Source: Economic Survey (2019-20), Directorate of Economics and Statistics, Chhattisgarh

The year-on-year change in contribution of various sectors to the GSDP of the State is given below in **Chart 1.3**:

Chart 1.3: Sectoral growth in GSDP

Source: Economic Survey (2019-20), Directorate of Economics and Statistics, Chhattisgarh

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of Chhattisgarh for the year ending 31 March 2020 has been prepared by the CAG for submission to the Governor of Chhattisgarh under Article 151 (2) of the Constitution of India.

Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements

received from the Reserve Bank of India. These accounts are audited independently by the Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State for the year 2019-20 constitute the core data for this report. Other sources include the following:

- Budget of the State for the year 2019-20 forms an important source of data –both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, and for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Accountant General (Audit), Chhattisgarh;
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP related statistics from the Directorate of Economic and Statistical Department of Chhattisgarh; and
- Various audit reports of the CAG of India during 2015-20.

The analysis has been carried out in the context of recommendations of the Fourteenth Finance Commission (XIVFC), Chhattisgarh Fiscal Responsibility and Budget Management (CGFRBM) Act, Budget documents of the State and guidelines of the Government of India.

1.3 Report Structure

The SFAR is structured into the following four Chapters:

Chapter - 1	<u>Overview</u> This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices, and State's fiscal position including the deficits/ surplus.
Chapter - II	<u>Finances of the State</u> This chapter provides a broad perspective of the finances of the State, the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State, and key Public Account transactions, based on the Finance Accounts of the State.
Chapter -III	<u>Budgetary Management</u> This chapter is based on the Appropriation Accounts of the State, reviews the appropriations and allocative priorities of the State Government, and reports on deviations from Constitutional provisions relating to budgetary management
Chapter -IV	<u>Quality of Accounts & Financial Reporting Practices</u> This chapter comments on the quality of accounts rendered by various authorities of the State Government, and on issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

1.4 Overview of Government Accounts Structure

The Accounts of the Government are kept in three Parts:

1. Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments *etc.*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State (Article 267(2) of the Constitution of India)

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. Public Accounts of the State (Article 266(2) of the Constitution)

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue receipts consists of tax revenue, non-tax revenue, share of Union Taxes/ Duties, and grants from Government of India.

Revenue expenditure consists of all those expenditures of the government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **capital receipts** consist of:

Debt receipts: Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc.*;

Non-debt receipts: Proceeds from disinvestment, Recoveries of loans and advances;

Capital expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

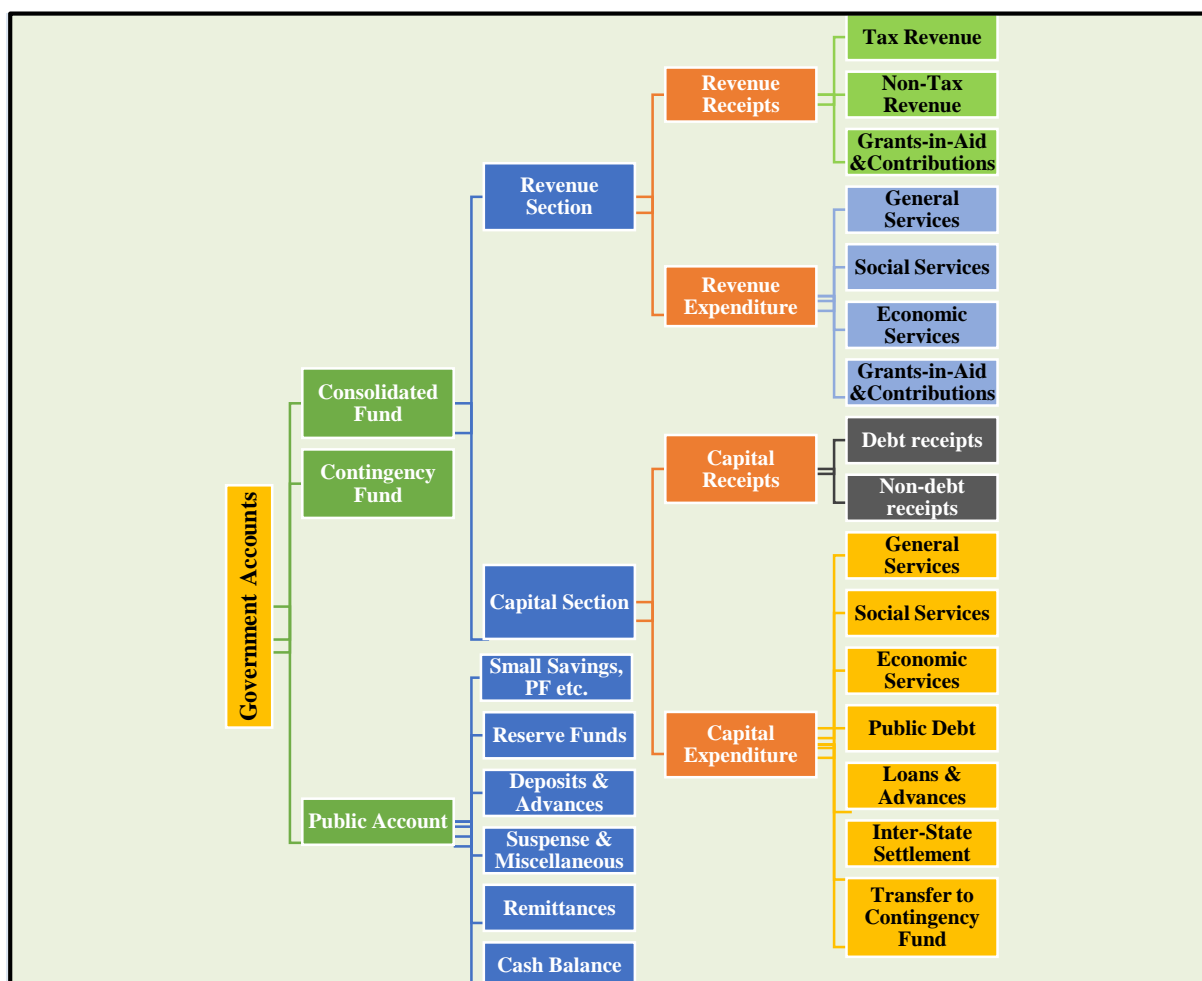
The Government accounting classification system is both functional and economic.

	Attributes of transactions	Classification
Standardised in List of Major and Minor Heads of Account by Controller General of Accounts	Function - Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, <i>etc.</i> (2-digit)

Functional classification involves arranging the receipts and expenditure by economic categories, distinguishing the Government transactions into Sections like Revenue and Capital (including Public Debt, Loans and Advances), Sectors like Tax Revenue from other revenue and Grants-in-Aid, Sub-sectors like Taxes on Income and Expenditure, fiscal services, *etc.* On the expenditure side also, the transactions are classified into Sectors *viz.*, General Services, Economic Services, Social Services and Grants-in-Aid and contributions and sub-divided into Major Heads of account below these Sectors. Major Heads of account falling within the Consolidated Fund generally correspond to 'Functions' of Government, such as 'Education', while Minor Heads subordinate to them identify the 'Programme' undertaken to achieve the objectives of the function represented by the Major Head. A programme may consist of a number of schemes or activities and these generally, correspond to 'Sub-heads' below the Minor head. 'Detailed head' below the Sub-head, is primarily meant for itemised control over expenditure and indicates the object or nature of expenditure on a scheme or activity in terms of inputs such as 'Salaries', 'Office Expenses', 'Grants-in-Aid', *etc.*

A pictorial depiction of the structure of Government Accounts is given in **Chart 1.4**

Chart 1.4: Pictorial depiction of the structure of Government Accounts



1.5 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Chhattisgarh caused to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2019-20, in the form of an **Annual Financial Statement**. In terms of Article 203, the above was submitted to the State Legislature in the form of 71 Demands for Grants/Appropriations and after approval of these, the Appropriation Bill was passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. Finance Accounts and Appropriation Accounts encompass the core data for preparation of the SFAR. These Accounts are based on actual receipts and expenditure of the State during the year 2019-20 including various inter-governmental and other adjustments carried out by the Reserve Bank of India (RBI).

The Madhya Pradesh Budget Manual (as adopted by Government of Chhattisgarh) details the formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities.

While formulating its Budget for 2019-20, the State Government introduced procedural and policy changes to improve transparency and ensure better control over unproductive areas. Towards this end, it outlined the following strategy:

a) To cut down the expenditure on unnecessary and less important Budget Heads and to decrease revenue deficit by increasing revenue resources.

b) Curtail unproductive revenue expenditure to maintain revenue balance.

Further, the State Government was also preparing the *Outcome* budget, *Gender* budget, *Yuva* budget, and *Agriculture* budget separately.

Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.5.1 Snapshot of Finances

The following table provides the details of actual financial results *vis-a-vis* Budget Estimates for the year 2019-20, and actuals of 2018-19.

Table 1.2: Snapshot of Finances

(₹ in crore)						
Sl. No	Components	2018-19 (Actual)	2019-20 (Budget Estimate)	2019-20 (Actuals)	Percent age of Actual to B.E.	Percentage of Actuals to GSDP
1.	Tax Revenue	21,427.26	22,930.00	22,117.85	96.46	6.72
2.	Non-Tax Revenue	7,703.02	8,825.00	7,933.77	89.90	2.41
3.	Share of Union Taxes and duties	23,458.69	27,917.00	20,205.84	72.38	6.14
4.	Grants-in-aid and contributions	12,505.96	20,074.00	13,611.24	67.81	4.13
5.	Revenue Receipts (1+2+3+4)	65,094.93	79,746.00	63,868.70	80.09	19.40
6.	Recovery of Loans and Advances including Inter State Settlement	162.89	283.00	256.91	90.78	0.08
7.	Other Receipts	5.26	0.00	4.70	0.00	0.00
8.	Borrowings and other Liabilities ¹	19,238.16	12,145.90	16,206.99	133.44	4.92
9.	Capital Receipts (6+7+8)	19,406.51	12,428.90	16,468.60	132.51	5.00
10.	Total Receipts (5+9)	84,501.44	92,174.90	80,337.30	87.16	24.41
11.	Revenue Expenditure	64,411.17	78,594.53	73,477.31	93.49	22.32
12.	Interest Payments	3,652.55	4,489.00	4,970.33	110.72	1.51
13.	Grants in aid for creation of Capital Assets	1,998.74	2,248.97	1,939.61	86.24	0.59
14.	Capital Expenditure of which	9,144.14	12,315.07	8,622.55	70.02	2.62
	<i>Capital Outlay</i>	8,903.45	12,109.61	8,566.39	70.74	2.60
	<i>Loans and Advances including Inter-state Settlement</i>	240.69	205.46	56.16	27.33	0.02
15.	Total Expenditure (11+14)	73,555.31	90,909.60	82,099.86	90.31	24.94
16.	Revenue Surplus(+)/Deficit(-) (5-11)	683.76	1,151.47	(-9,608.61)	(-934.46)	2.92
17.	Fiscal Deficit {15-(5+6+7)}	(-8,292.23)	(-10,880.60)	(-17,969.55)	65.15	5.46
18.	Primary Deficit (17+12)	(-4,639.68)	(-6,391.60)	(-12,999.22)	103.38	3.95

Source: Finance Accounts 2019-20 and Budget Book

¹ (Net Public Debt Receipts + Net Public Account Receipts + Net Contingency Fund) + (Net Opening Balance and Closing Balance)

1.5.2 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public accounts, and the assets comprises mainly the capital outlay and loans and advances given by the State Government and cash balances.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

LIABILITIES				ASSETS			
	2018-19	2019-20	Percentage Increase/ Decrease(-)		2018-19	2019-20	Percentage Increase/ Decrease(-)
Internal Debt	49,553.83	60,382.67	21.85	Gross Capital Outlay	84,332.15	92,893.83	10.15
Loans and Advances from GoI	2,700.39	2,764.05	2.36	Loans and Advances	1,597.75	1,397.08	(-)12.56
Contingency Fund (corpus)	100.00	100.00	0.00	Contingency fund (un-recouped)	4.92	0.00	(-)100.00
Small Savings, Provident Funds, etc.,	6,832.41	7,617.67	11.49	Advances	1.74	1.83	5.17
Deposits	6,007.34	5,483.29	(-)8.72	Remittance	359.09	278.30	(-)22.50
Reserve Funds	3,840.85	9,697.05	152.47	Suspense and Miscellaneous	0.00	0.00	0.00
Suspense and Miscellaneous	96.78	89.52	(-)7.50	Cash Balance (including investment in earmarked fund)	12,277.88	11,396.60	(-)7.18
Remittances	0.00	0.00	0.00	Total (1 to 7)	98,573.53	1,05,967.64	7.50
				Deficit on Government Account	29,441.93	19,833.39	(-)32.64
Total (1 to 8)	69,131.60	86,134.25	24.59	Total (8-9)	69,131.60	86,134.25	24.59

Source: Finance Accounts 2019-20 and Budget Book

1.6 Fiscal Balance: Achievement of deficit and total debt targets

Deficit is an indicator of prudent fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied, are important pointers to its fiscal health. This section presents trends, nature and magnitude of deficits and the manner of financing these deficits, and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under CGFRBM Act/Rules for the financial year 2019-20.

Three key fiscal parameters – Revenue, Fiscal and Primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period.

1. **Revenue Deficit/Surplus** - Refers to the gap between Revenue expenditure and Revenue receipts
2. **Fiscal Deficit/Surplus** - This is the difference between the Revenue Receipts plus Non-Debt Capital Receipts and the Total expenditure. Fiscal Deficit is reflective of the total borrowing requirements of Government.
3. **Primary Deficit/Surplus** - Primary Deficit is measured as Fiscal Deficit less interest payments.

1.6.1 Compliance with provisions of State FRBM Act

In compliance with the recommendations of Twelfth Finance Commission (TFC), the Government of Chhattisgarh enacted its Fiscal Responsibility and Budget Management Act, 2005 (FRBM Act) (amended in September 2011) to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability and greater transparency in fiscal operations of the Government, and conduct of fiscal policy in a Medium Term Fiscal Framework (MTFF).

The State Government passed the Chhattisgarh Fiscal Responsibility and Budget Management (Amendment) Act, 2016 in May 2016. According to the Act, the State Government shall, by rules, specify the fiscal rules suggested for the FRBM Acts of States by the Finance Commission.

Major fiscal variables, as set in CGFRBM Act, and their achievement during 2015-20 are presented in **Table 1.4**.

Table 1.4: Major fiscal variables for 2015-20²

Fiscal Parameters	Fiscal Targets set in the Act	ACHIEVEMENT (₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit (-)/ Surplus (+)	Revenue Surplus	2,366.65	5,520.65	3,417.32	683.76	(-) 9,608.61
		Yes	Yes	Yes	Yes	No
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	3.50 per cent of GSDP	(-) 4,573.71 (2.03 per cent)	(-) 4,047.27 (1.61 per cent)	(-) 6,810.32 (2.49 per cent)	(-) 8,292.23 (2.73 per cent)	(-) 17,969.55 (5.46 per cent)
		Yes	Yes	Yes	Yes	No
Ratio of total outstanding debt to GSDP (in per cent)	21.23 per cent (for 2019-20)	16.76	17.64	19.31	21.95	23.91
		No	No	No	No	No

Source: Finance Accounts of the respective years

* As per Chhattisgarh FRBM (Amendment) Act (3 March 2021) which came into effect from 1 March 2020, the fiscal deficit for the financial year 2019-20 and 2020-21 shall not exceed five per cent of GSDP. Further, the revenue deficit, fiscal deficit and total liabilities as percentage of GSDP may exceed the limits specified on the grounds of unforeseen demands on the finances of the State arising out of internal disturbance or natural calamity or such other exceptional grounds as the State Government may specify.

² The percentages with reference GSDP indicated earlier reports have been revised due to change in figures of GSDP.

- During 2019-20, Revenue Deficit of ₹9,608.61 crore was due to increase in Revenue expenditure by ₹9,066.14 crore (14.08 *per cent*) and decrease in Revenue Receipts by ₹1,226.23 crore (1.88 *per cent*) as compared to 2018-19.
- Revenue expenditure increased primarily due to increase in interest payment on Market loans (₹137.79 crore), Pension and other retirement benefits (₹1,209.48 crore), General Education (₹3,470.35 crore) and Food, storage and warehousing (₹1,629.47 crore), whereas Revenue Receipts decreased mainly due to decrease in receipts of share of Union taxes and duties by ₹3252.85 crore.
- Fiscal Deficit increased during 2019-20 (₹17,969.55 crore) by ₹9,677.32 crore from ₹8,292.23 crore in 2018-19, since the State had turned from Revenue surplus of ₹683.76 crore in 2018-19 to Revenue Deficit of ₹9,608.61 crore in 2019-20. Although the targets for Fiscal Deficit were achieved during the years 2015-16 to 2018-19, during 2019-20 Fiscal Deficit at 5.46 *per cent* of the GSDP exceeded the target prescribed (3.50 *percent of GSDP*) in the FRBM Act.
- The ratio of total outstanding debt to GSDP during 2019-20 was more than the target prescribed in the Act as the State Government has raised ₹11,680 crore from market borrowings.

1.6.2 Medium Term Fiscal Policy Statement

As per the CGFRBM Act, the State Government has to lay before the State Legislature a Medium Term Fiscal Policy Statement (MTFPS) along with the Annual Budget. The statement has to set forth a three year rolling target for the prescribed fiscal indicators.

Table 1.5 indicates the variation between the estimates made for 2019-20 in MTFPS presented to the State Legislature and actual of the year.

Table 1.5: Actuals *vis-à-vis* estimates in FRBM Act for 2019-20

Sl. No	Fiscal Variables	Projection as per MTFPS (₹ in crore)	Actuals (2019-20) (₹ in crore)	%Increase(+)/Decrease(-)
1	Own Tax Revenue	22,930.00	22,117.85	(-)3.54
2	Non-Tax Revenue	8,825.00	7,933.77	(-)10.10
3	Share of Central Taxes	27,917.00	20,205.84	(-)27.62
4	Grants-in aid from GoI	20,074.00	13,611.24	(-)32.19
5	Revenue Receipts (1+2+3+4)	79,746.00	63,868.70	(-)19.91
6	Revenue Expenditure	78,594.53	73,477.31	(-)6.51
7	Revenue Deficit (-)/Surplus (+) (5-6)	1,151.47	(-)9,608.61	(-)934.46
8	Fiscal Deficit (-)/Surplus (+)	(-)10,880.60	(-)17,969.55	65.15
9	Debt-GSDP ratio (<i>per cent</i>)	21.23	23.91	12.53
10	GSDP growth rate at current prices (<i>per cent</i>)	11.09	8.26	(-)25.52

Source: Finance Accounts of 2019-20 and FRBM disclosures 2019-20

As can be seen from the above table, it is evident that the estimations made in the CGFRBM Act were not met during 2019-20. The projection of revenue surplus as per MTFPS turned into

revenue deficit, as the revenue receipts fell short by 19.91 *per cent* and the revenue expenditure was 6.51 *per cent* lower than the projections.

1.6.3 Deficit and Surplus

When a Government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture Government deficit.

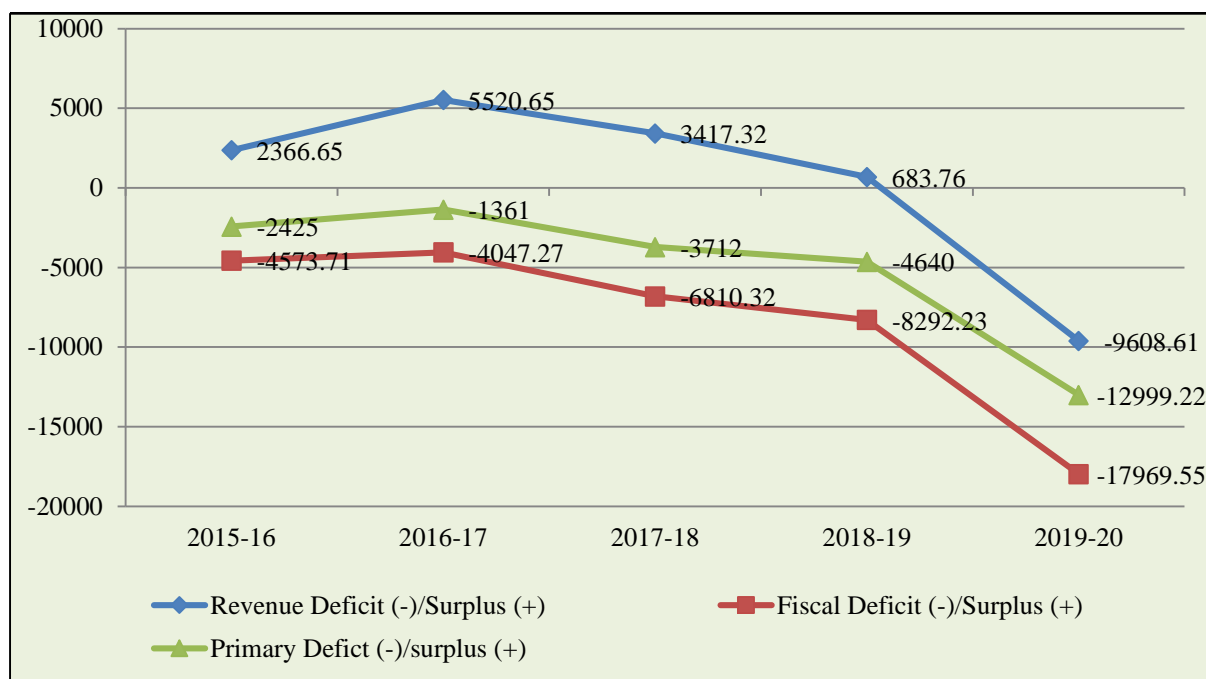
<p>Revenue Deficit/ Surplus (Revenue Expenditure – Revenue Receipts)</p>	<p><i>Refers to the difference between revenue expenditure and revenue receipts.</i></p> <ul style="list-style-type: none"> • When the government incurs a revenue deficit, it implies that the Government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure. • Existence of revenue deficit is a cause of concern as revenue receipts were not able to meet even revenue expenditure. Moreover, part of capital receipts was utilized to meet revenue expenditure, reducing availability of capital resources to that extent for creation of capital assets. • This situation means that the Government will have to borrow not only to finance its investment but also its consumption requirements. This leads to a build-up of stock of debt and interest liabilities and forces the government, eventually, to cut expenditure. • If major part of revenue expenditure is committed expenditure (interest liabilities, salaries, pensions), the government reduces productive expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications.
<p>Fiscal Deficit/ Surplus (Total expenditure – (Revenue receipts + Non-debt creating capital receipts))</p>	<p><i>It is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. Fiscal Deficit is reflective of the total borrowing requirements of Government.</i></p> <ul style="list-style-type: none"> • Fiscal deficit is the difference between the government’s total expenditure and its total receipts excluding borrowings. • Non-debt creating capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of PSUs. • The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources. <p>Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus it is desirable to fully utilize borrowed funds for the creation of capital assets and to use revenue receipts for the repayment of principal and interest.</p>

1.6.4 Trends of Deficit/Surplus

The State had a fiscal deficit of ₹17,969.55 crore during the year 2019-20, representing 5.46 *per cent* of the GSDP (₹3,29,180 crore) and constituting 21.89 *per cent* of Total Expenditure (₹82,099.86 crore). The Primary Deficit of ₹4,640 crore during 2018-19 increased to ₹12,999.22 crore during the current year and the Revenue Surplus of ₹683.76 crore in 2018-19 turned to a deficit of ₹9,608.61 crore during 2019-20. The trend of surplus and deficit over the five-year period 2015-16 to 2019-20 is depicted in **Chart 1.5** and trend in surplus or deficit relative to GSDP is given in **Chart 1.6** below:

Chart 1.5- Trends in Surplus/Deficit

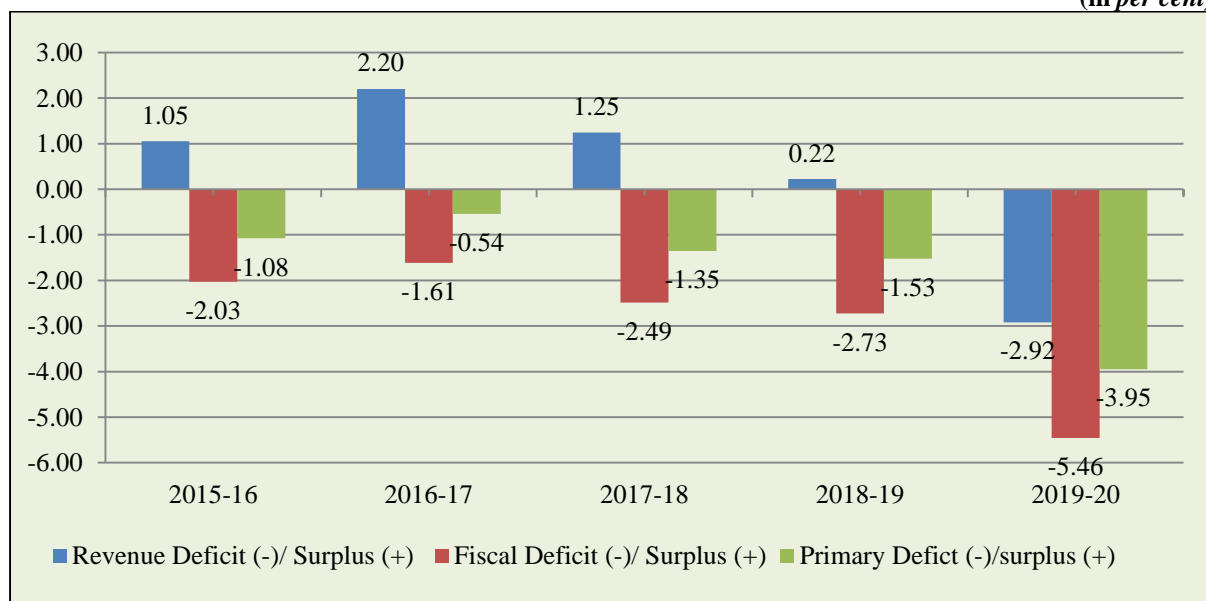
(₹ in crore)



Source: Finance Accounts of the respective years

Chart 1.6 - Trends in Surplus/Deficit relative to GSDP

(in per cent)



Source: Finance Accounts of the respective years

1.6.5 Deficits after examination in Audit

Table -1.6 depicts the assessment of actual surplus/deficit after taking into account incorrect classification/booking by the State Government in its accounts of 2019-20.

Table 1.6: Overall Deficit, post examinations by Audit

(₹ in crore)

Item	Impact on Revenue Deficit		Impact on Fiscal Deficit	
	Over Stated	Under Stated	Over Stated	Under Stated
Grants-in- Aid booked under Capital Section instead of Revenue	0.00	1,939.61	0.00	0.00
Revenue Expenditure booked under Capital Section	0.00	9.59	0.00	0.00
Total	0.00	1,949.20	0.00	0.00

Source: Finance Accounts 2019-20