

## Chapter II: Finances of the State Government

### 2.1 Introduction

This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period from 2015-16 to 2019-20, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State.

#### Major changes in Key Fiscal Aggregates during 2019-20 vis-à-vis 2018-19

**Table 2.1** gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2019-20, compared to the previous year.

**Table 2.1: Changes in key fiscal aggregates in 2019-20 compared to 2018-19**

<b>Revenue Receipts</b>	Revenue Receipts of the State decreased by 1.88 per cent Own Tax Receipts of the State increased by 3.22 per cent Non-Tax Receipts increased by 3.00 per cent State's Share of Union Taxes and Duties decreased by 13.87 per cent Grants-in-Aid from Government of India increased by 8.84 per cent
<b>Revenue Expenditure</b>	Revenue Expenditure increased by 14.08 per cent Revenue Expenditure on General Services increased by 24.97 per cent Revenue Expenditure on Social Services increased by 13.63 per cent Revenue Expenditure on Economic Services increased by 7.38 per cent Expenditure on Grants-in-Aid increased by 25.15 per cent
<b>Capital Expenditure</b>	Capital Expenditure decreased by 3.79 per cent Capital Expenditure on General Services decreased by 23.89 per cent Capital Expenditure on Social Services increased by 7.81 per cent Capital Expenditure on Economic Services decreased by 6.03 per cent
<b>Loans and Advances</b>	Disbursements of Loans and Advances decreased by 76.66 per cent Recoveries of Loans and Advances increased by 58.19 per cent
<b>Public Debt</b>	Public Debt Receipts increased by 36.31 per cent Repayment of Public Debt increased by 658.80 per cent
<b>Public Account</b>	Public Account Receipts increased by 16.91 per cent Public Account Disbursements increased by 9.64 per cent

Each of the above indicators is analyzed in the succeeding paragraphs.

### 2.2 Sources and Application of Funds

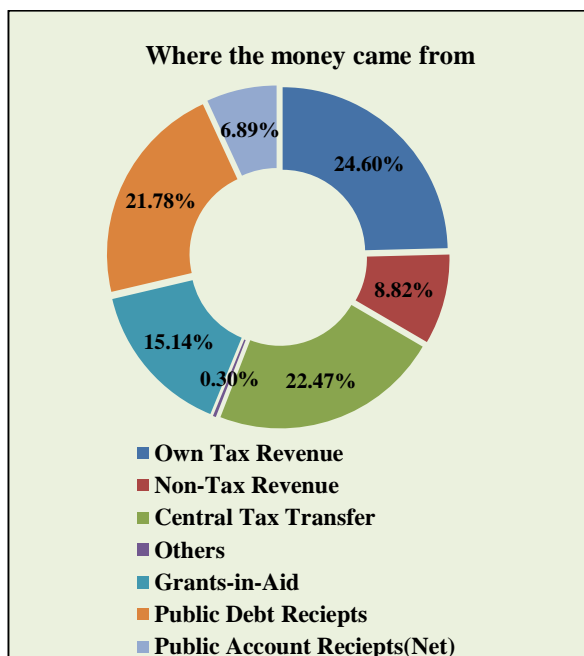
**Table 2.2** compares the sources and application of funds of the State during 2019-20 with 2018-19 figures, while **Charts 2.1** and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2019-20 in terms of percentages.

**Table 2.2: Details of Sources and Application of funds during 2018-19 and 2019-20**

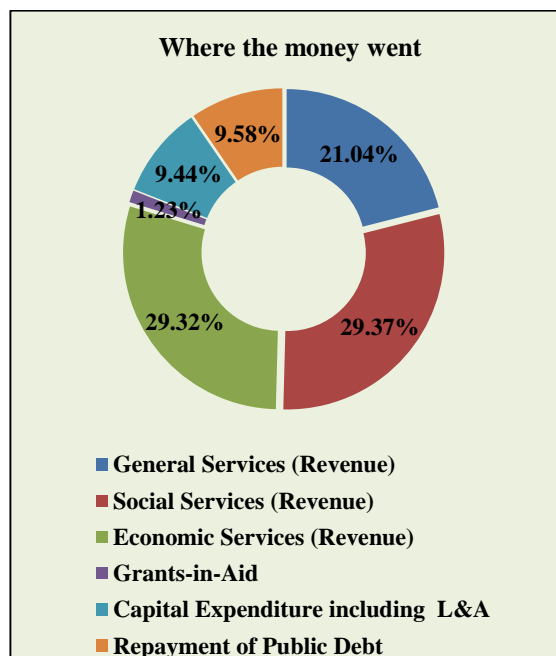
(₹ in crore)

Particulars	2018-19	2019-20	Increase(+)/ Decrease(-)
<b>Source</b>			
Opening Cash Balance with RBI	6,804.91	12,277.88	5,472.97
Revenue Receipts	65,094.93	63,868.70	(-)1,226.23
Capital Receipts	5.26	4.70	(-)0.56
Recoveries of Loans and Advances	162.32	256.78	94.46
Inter-State Settlement	0.57	0.13	(-)0.44
Public Debt Receipts (Net)	13,224.21	10,892.50	(-)2,331.71
Public Account Receipts (Net)	545.90	6,190.85	5,644.95
Contingency Fund	0.00	4.92	4.92
<b>Total</b>	<b>85,838.10</b>	<b>93,496.46</b>	<b>7,658.36</b>
<b>Application</b>			
Revenue Expenditure	64,411.17	73,477.31	9,066.14
Capital Expenditure	8,903.45	8,566.39	(-)337.06
Disbursement of Loans and Advances	240.43	56.11	(-)184.32
Inter-State Settlement	0.25	0.05	(-)0.20
Contingency Fund	4.92	0.00	(-)4.92
Closing Cash Balance with RBI	12,277.88	11,396.60	(-)881.28
<b>Total</b>	<b>85,838.10</b>	<b>93,496.46</b>	<b>7,658.36</b>

**Chart 2.1: Sources of Resources (per cent)**



**Chart 2.2: Application of Resources (per cent)**



Source: Finance Accounts 2019-20

Note: Others includes Recoveries of Loans & Advances, Capital Receipts and Contingency Fund

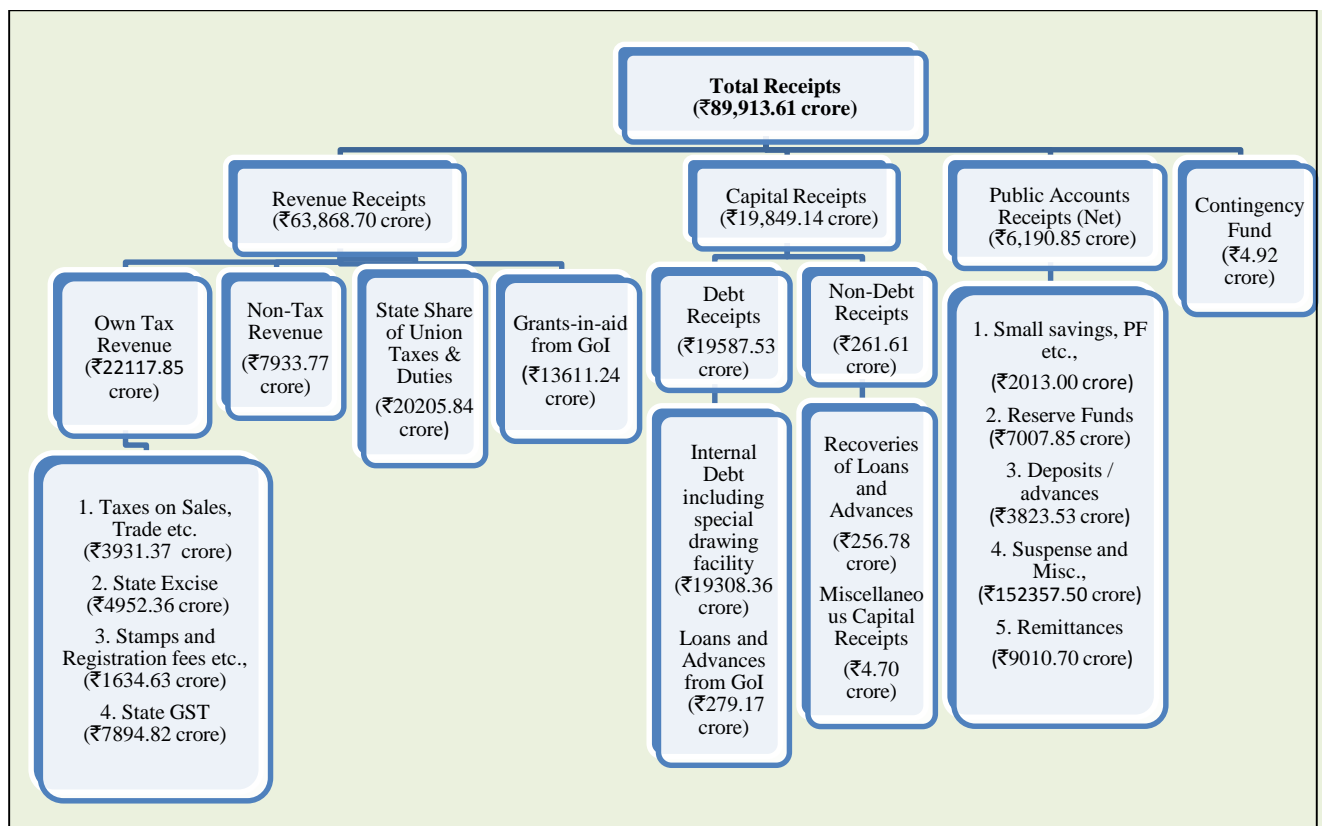
## 2.3 Resources of the State

- 1. 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

**Chart 2.3** presents the composition of the overall receipts. Besides, the Revenue and Capital receipts, funds available in the Public Account (net of disbursement made from it) are also utilized by the Government to finance its deficit.

**Chart 2.3 Composition of receipts of the State during 2019-20**



Source: Finance Accounts 2019-20

## 2.3.2 Revenue Receipts

Revenue receipts consist of the State's Own Tax and Non-Tax Revenue, Central Tax transfers and Grants-in-aid from GoI.

### 2.3.2.1 Trends and growth of Revenue Receipts

Table 2.3 provides the trends and growth of Revenue receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2015-20. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in Charts 2.4 and 2.5 respectively.

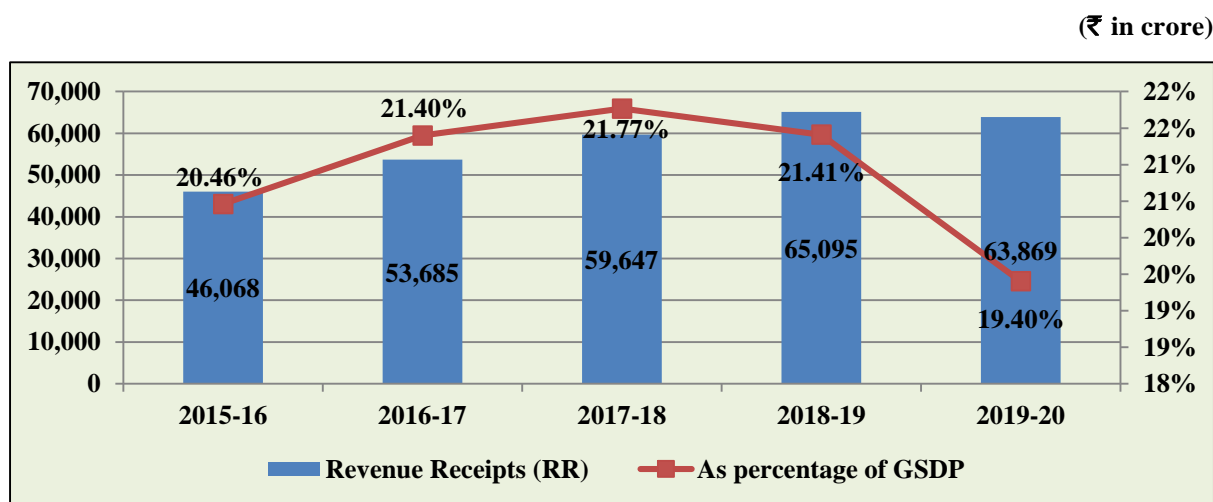
**Table 2.3: Trend in Revenue Receipts**

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	46,067.71	53,685.25	59,647.07	65,094.93	63,868.70
Rate of growth of RR ( <i>per cent</i> )	21.27	16.53	11.11	9.13	(-1.88)
Own Tax Revenue (₹ in crore)	17,074.86	18,945.21	19,894.68	21,427.26	22,117.85
Non-Tax Revenue (₹ in crore)	5,214.79	5,669.25	6,340.42	7,703.02	7,933.77
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) ( <i>per cent</i> )	8.03	10.43	6.58	11.04	3.16
Gross State Domestic Product (₹ in crore)	2,25,163	2,50,882	2,74,042 <sup>P</sup>	3,04,063 <sup>Q</sup>	3,29,180 <sup>A</sup>
Rate of growth of GSDP ( <i>per cent</i> )	1.83	11.42	9.23	10.95	8.26
RR/GSDP ( <i>per cent</i> )	20.46	21.40	21.77	21.41	19.40
<b>Buoyancy Ratios<sup>1</sup></b>					
Revenue Buoyancy w.r.t GSDP	11.62	1.45	1.20	0.83	(-0.23)
State's Own Revenue Buoyancy to GSDP	4.39	0.91	0.71	1.01	0.38

Source of GSDP figures: Directorate of Economics and Statistics of the Chhattisgarh State.

P-Provisional Estimates; Q-Quick Estimates; A-Advance Estimate

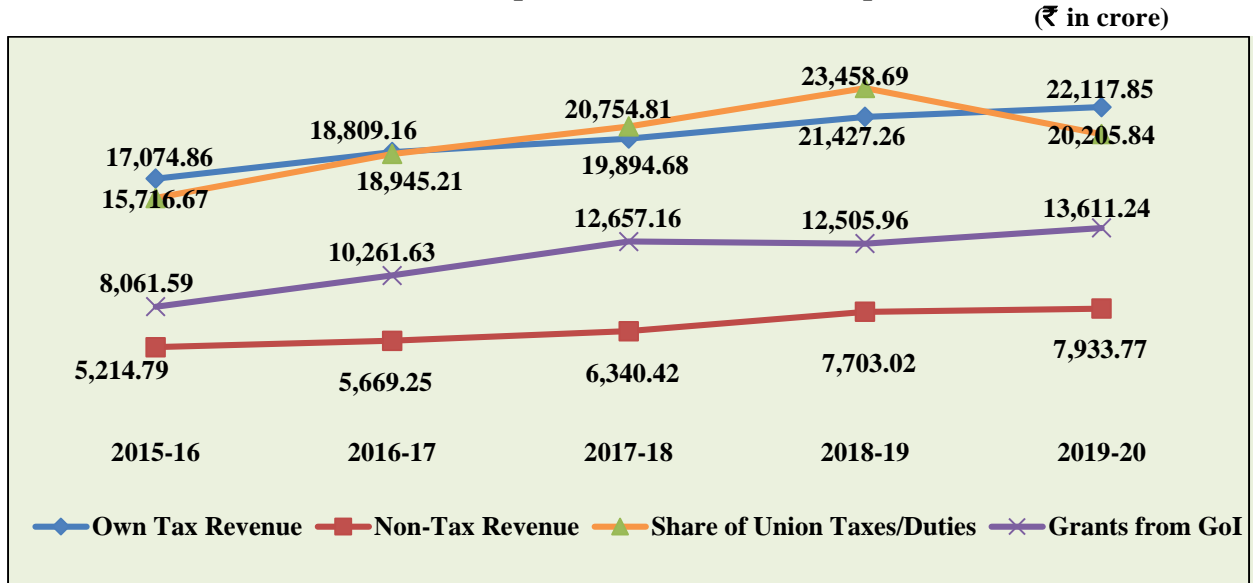
**Chart 2.4: Trend of Revenue Receipts**



Source: Finance Accounts of the respective years

<sup>1</sup>Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one *per cent*.

Chart 2.5: Trend of components of Revenue Receipts



Source: Finance Accounts of the respective years

An analysis of Revenue receipts of the State revealed that:

- Revenue receipts increased by ₹17,800.99 crore from ₹46,067.71 crore in 2015-16 to ₹63,868.70 crore during 2019-20. However, the Revenue receipts decreased by ₹1,226.23 crore (1.88 per cent) over previous year mainly due to decrease in receipts of State's share of Union taxes and duties from GoI by ₹3,252.85 crore (13.87 per cent).
- About 47 per cent of the Revenue receipts during 2019-20 came from the State's own resources, while Central Tax Transfers and Grants-in-Aid together contributed 53 per cent.
- During the current year, the decrease of 1.88 per cent (₹1,226.23 crore) in Revenue receipts was marginally lower than the significant increase of 14.08 per cent (₹9,066.14 crore) in Revenue expenditure, leading to a Revenue Deficit, as against a Revenue Surplus in the previous year.

### 2.3.3 State's own resources

State's share in central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-Aid are determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes. State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The states actual Own Tax and Non-Tax Revenue receipts for the year 2015-16 to 2019-20 are given in the **Table 2.4**

**Table 2.4: Growth of State's own Tax/Non-Tax revenue during 2015-20**

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Own Tax Revenue (₹ in crore)	17,074.86	18,945.21	19,894.68	21,427.26	22,117.85
Rate of Growth (per cent)	8.71	10.95	5.01	7.70	3.22
Non-Tax Revenue (₹ in crore)	5,214.79	5,669.25	6,340.42	7,703.02	7,933.77
Rate of Growth (per cent)	5.78	8.71	11.84	21.49	3.00

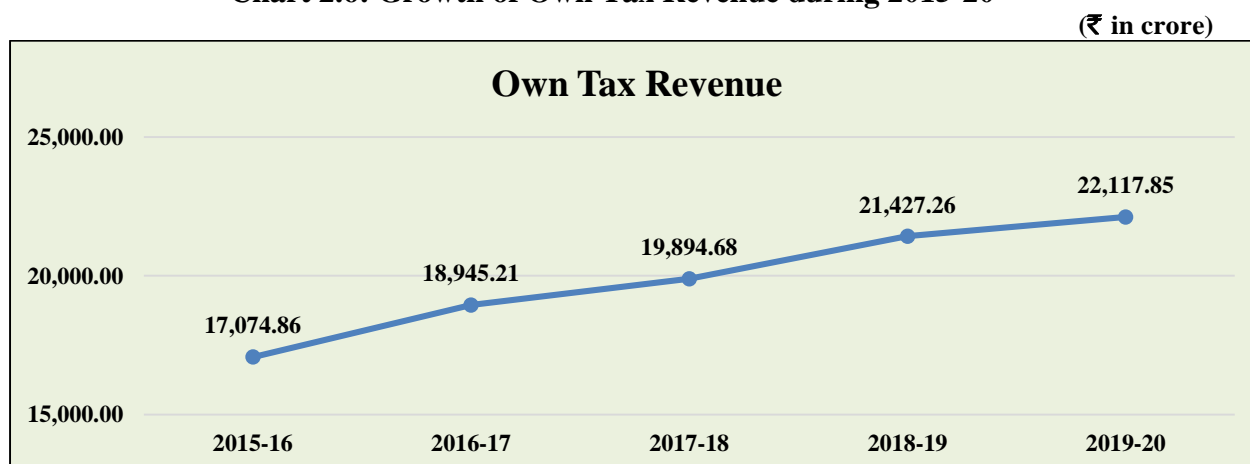
Source: Finance Accounts of the respective years

- The growth rate of Own Tax Revenue (OTR) showed fluctuating trends ranging from 3.22 to 10.95 per cent and decreased from 7.70 per cent in 2018-19 to 3.22 per cent in 2019-20. During the year 2019-20 the GST component (Apportionment of IGST-Transfer of Tax component to SGST) received was less as compared to the previous year.
- The growth rate of Non-Tax Revenue (NTR) showed fluctuating trends ranging from 3.00 to 21.49 per cent during the period 2015-19 and decreased from 21.49 per cent in 2018-19 to 3.00 per cent in 2019-20. The decrease was due to receipts of only ₹85.48 crore under Non-ferrous Mining and Metallurgical Industries as compared to the receipts of ₹1,198.80 crore in 2018-19.
- In both OTR and NTR, the State registered the lowest growth rate in last five years.
- The Own Tax Revenue during 2019-20 was estimated lower by 11.99 per cent (₹22,930 crore) than 2018-19 (₹26,030 crore) mainly due to depiction of compensation payable to the State for loss of revenue arising on account of implementation of GST as Grant-in Aid by GoI. Further, no new taxes were introduced by the State Government for 2019-20.

### 2.3.3.1 Own Tax Revenue

Own Tax Revenue of the State Government during the five-year period 2015-20 is given in Chart 2.6:

**Chart 2.6: Growth of Own Tax Revenue during 2015-20**



Source: Finance Accounts of the respective years

The component-wise details of Own Tax Revenue collected during the five-year period 2015-20 are given in Table 2.5.

**Table 2.5: Component-wise Own Tax Revenue during 2015-20**

(₹ in crore)

Heads	2015-16	2016-17	2017-18	2018-19	2019-20	
					Budget Estimates	Actuals
Taxes on Sales, Trades, etc.	8,908.36	9,927.21	6,449.60	4,087.72	3,788.30	3,931.37
State Goods and Services Tax	0.00	0.00	4,386.56	8,203.41	8,201.70	7,894.82
State Excise	3,338.40	3,443.51	4,054.00	4,489.03	5,000.00	4,952.36
Taxes on Vehicles	829.22	985.27	1,180.01	1,204.85	1,600.00	1,274.85
Stamps and Registration Fees	1,185.22	1,211.35	1,197.47	1,108.46	1,550.00	1,634.63
Land Revenue	363.84	503.66	446.41	487.57	700.00	551.50
Taxes on Goods and Passengers	1,040.26	1,340.36	477.66	54.51	0.00	40.51
Taxes and duties on electricity	1,372.84	1,495.48	1,688.96	1,790.27	2,090.00	1,837.00
Other Taxes	36.72	38.37	14.01	1.44	0.00	0.81
<b>Total</b>	<b>17,074.86</b>	<b>18,945.21</b>	<b>19,894.68</b>	<b>21,427.26</b>	<b>22,930.00</b>	<b>22,117.85</b>

Source: Finance Accounts of respective years and Budget Books for the year 2019-20

Own Tax Revenue of the State increased by ₹5,042.99 crore (29.53 per cent) from ₹17,074.86 crore in 2015-16 to ₹22,117.85 crore in 2019-20. Out of the Total Tax Revenue of ₹22,117.85 crore in 2019-20, Goods and Services Tax contributed 35.69 per cent followed by State Excise (22.39 per cent) and Taxes on Sales, Trades, etc. (17.77 per cent). As can be seen from the table above, receipts from taxes on sales, trades etc. and stamps and registration fees exceeded budget estimates during 2019-20 while there was a significant shortfall in receipts from duties on electricity and taxes on vehicles compared to budgetary projections.

### 2.3.3.2 State Goods and Services Tax (SGST)

The State Government implemented the Goods and Services Tax (GST) Act, with effect from 01 July 2017. Under the GST (Compensation to the States) Act, 2017, the Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor General of India. A base year (2015-16) revenue figure of taxes subsumed under GST was finalised under GST Act. As per the provisions of the Act, the projected revenue for Chhattisgarh was calculated at ₹12,426.41 crore for the year 2019-20 by applying the projected growth at the rate of 14 per cent per annum over the base year (2015-16) revenue of ₹7,357.43 crore.

Revenue on account of GST for the year 2019-20 has been depicted in the Finance Accounts as per nature of receipts *i.e.* State Goods and Services Tax (SGST), Input Tax Credit cross utilization of SGST and Integrated Goods and Services Tax (IGST), Apportionment of IGST-transfer-in of Tax component to SGST and Advance apportionment from IGST. Against the projected revenue of ₹12,426.41 crore, the revenue receipts of the State under GST was ₹7,894.82 crore during the year 2019-20. The State Government also received compensation of ₹3,081.44 crore from GoI for loss of revenue arising out of implementation of GST.

While Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June, 2020, administrative action to implement the above decision was pending at State Government level. The accounts for 2019-20 have, therefore, been certified on the basis of test audit, as was being done when records were maintained manually, pending full implementation of Government of India's decision to provide Audit access to GSTN data.

### 2.3.3.3 Non-Tax Revenue

The component-wise details of Non-Tax Revenue collected during the years 2015-20 were as follows:

**Table 2.6: Component wise non-tax Revenue during 2015-20**

(₹ in crore)						
Revenue head	2015-16	2016-17	2017-18	2018-19	2019-20	% increase / decrease during 2019-20 over the previous year
Non-ferrous Mining and Metallurgical Industries	3,709.52	4,141.47	4,911.44	6,110.24	6,195.73	1.40
Major Irrigation	502.17	437.35	461.23	521.81	437.04	(-)16.25
Forestry and Wild Life	409.75	405.15	291.17	236.73	249.37	5.34
Interest receipts	108.23	157.24	180.44	189.55	232.41	22.61
Other non-tax receipts	485.12	528.04	496.14	644.69	819.22	27.07
<b>Total</b>	<b>5,214.79</b>	<b>5,669.25</b>	<b>6,340.42</b>	<b>7,703.02</b>	<b>7,933.77</b>	<b>3.00</b>

Source: Finance Accounts of the respective years

The Total Non-Tax Revenue receipts increased by ₹2,718.98 crore (52.14 per cent) from ₹5,214.79 crore in 2015-16 to ₹7,933.77 crore in 2019-20. The Non-Tax Revenue increased by 3 per cent (₹230.75 crore) during 2019-20 over the previous year mainly due to increase in Other Non-Tax receipts by ₹174.53 crore (27.07 per cent), and Interest Receipts ₹42.86 crore (22.61 per cent). Non-ferrous Mining and Metallurgical Industries contributed (₹6,195.73 crore) 78.09 per cent of Total Non-Tax Revenue during 2019-20.

### 2.3.3.4 Central Tax Transfers

The GoI accepted the recommendations of XIV FC to increase the States' share in the divisible pool of taxes from 32 per cent to 42 per cent with effect from 2015-16 onwards. This significant increase in the State's share altered the composition of central transfers in favour of statutory transfers from discretionary transfers made earlier. It also led to greater predictability and certainty in the quantum of funds being transferred to the State.

The details of Central tax transfers to the State during 2015-20 are given in **Table 2.7**.

**Table 2.7: Central Tax Transfers**

(₹ in crore)					
Head	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax	0.00	0.00	291.44	5,789.33	5,733.71
Integrated Goods and Services Tax	0.00	0.00	2,094.36	462.00	0.00
Corporation Tax	4,950.08	6,019.53	6,352.98	8,157.09	6,889.42
Taxes on Income other than Corporation Tax	3,455.09	4,183.59	5,364.62	6,007.35	5,398.34
Customs	2,504.03	2,589.37	2,093.70	1,662.66	1,280.78
Union Excise Duties	2,069.99	2,956.84	2,188.50	1,104.93	890.49



Service Tax	2,727.11	3,045.99	2,369.40	217.76	0.00
Other Taxes	10.17	13.84	(-)0.19	57.57	13.10
Central Tax transfers	<b>15,716.47</b>	<b>18,809.16</b>	<b>20,754.81</b>	<b>23,458.69</b>	<b>20,205.84</b>
Percentage of increase over previous year	87.92	19.68	10.34	13.03	(-)13.87
Percentage of Central tax transfers to Revenue Receipts	<b>34.12</b>	<b>35.04</b>	<b>34.80</b>	<b>36.04</b>	<b>31.64</b>

Source: Finance Accounts of the respective years

Over the five-year period 2015-20, Central tax transfers increased by 28.56 per cent from ₹15,716.47 crore in 2015-16 to ₹20,205.84 crore in 2019-20. The decrease of Central Tax transfers by ₹3,252.85 crore (13.86 per cent) in 2019-20 over the previous year was mainly under Corporation Tax (₹1,267.67 crore) and Taxes on Income other than Corporation Tax (₹609.01 crore).

### 2.3.3.5 Grants-in-Aid from Government of India

Grants-in-Aid (GIA) received by the State Government from GoI during 2015-20 are detailed in Table 2.8.

Table 2.8: Grants-in-Aid from GoI

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	2,328.79	2,013.42	#	#	#
Grant for State Plan Scheme	4,775.83	7,785.03			
Grant for Central Plan Scheme (including Centrally Sponsored Plan Scheme)	956.97	463.18			
Grants for Centrally Sponsored Schemes	#	#	9,275.76	8,214.77	7,808.24
Finance Commission Grants			1,460.23	1,679.48	2,044.75
Other Transfers/Grants to State			1,921.17	2,611.70	3,758.25
<b>Total</b>	<b>8,061.59</b>	<b>10,261.63</b>	<b>12,657.16</b>	<b>12,505.95</b>	<b>13,611.24</b>
Percentage of increase over the previous year	(-)10.31	27.29	23.34	(-)1.19	8.84
Revenue Receipts	46,067.71	53,685.25	59,647.07	65,094.93	63,868.70
Total grants-in-aid as a percentage of Revenue Receipts of the State	17.50	19.11	21.22	19.21	21.31

#there are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

Source: Finance Accounts of the respective years

GIA constituted 21 per cent of Revenue receipts during the year 2019-20. Grants for Centrally Sponsored Schemes (₹7,808.24 crore) to the State constituted 57 per cent of the total grants during the year. Finance Commission Grants (₹2,044.75 crore) to the State were provided for Local Bodies and State Disaster Response Fund (SDRF) and constituted 15 per cent of total grants during the year. Grants-in-Aid from GoI increased by ₹1,105.29 crore (8.84 per cent) during the year 2019-20 compared to the previous year primarily due to increase in receipt of Compensation for loss of Revenue arising out of implementation of Goods and Service Tax, Grants-in-aid for creation of assets under Pradhan Mantri Gram Sadak Yojana, Samagra Shiksha yojana.

### 2.3.3.6 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 to the State in this regard during the years 2018-19 and 2019-20 are given in **Table 2.9**.

**Table 2.9: Grants-in-Aid released by GoI as per recommendation of Fourteenth Finance Commission**

(₹ in crore)

Transfers	Recommendation of 14 <sup>th</sup> FC		Actual release by GoI		Difference	
	2015-20	2019-20	2015-20	2019-20	2015-20	2019-20
<b>Local Bodies</b>						
<b>1. Grants to PRIs</b>						
(a) General Basic Grant	4,719.72	1,415.89	4,719.72	1,415.89	0.00	0.00
(b) Performance Grant	524.41	173.05	219.21	0.00	305.20	173.05
<b>2. Grants to ULBs</b>						
(a) General Basic Grant	1,270.33	381.09	1,270.30	381.09	0.03	0.00
(b) Performance Grant	317.58	104.80	132.75	70.47	184.83	34.33
<b>Total for Local Bodies</b>	<b>6,832.04</b>	<b>2,074.83</b>	<b>6,371.68</b>	<b>1,867.45</b>	<b>460.36</b>	<b>207.38</b>
<b>State Disaster Response Fund</b>	<b>1,196.00</b>	<b>263.00</b>	<b>1,065.74</b>	<b>177.30</b>	<b>130.26</b>	<b>85.70</b>
<b>Grand Total</b>	<b>8,028.04</b>	<b>2,337.83</b>	<b>7,437.42</b>	<b>2,044.75</b>	<b>590.62</b>	<b>293.08</b>

Source: Finance Accounts of the respective years and FFC report

- As of March 2020, the State Government received entire basic grants to PRIs (₹4,719.72 crore) and ULBs (₹1,270.30 crore) against the recommendation of Fourteenth Finance Commission (XIVFC) during the award period of XIVFC *i.e.* 2015-20.
- With regard to the performance grant, the State Government had received ₹219.21 crore for PRIs and ₹132.75 crore for ULBs against the XIVFC recommendation of ₹524.41 crore and ₹317.58 crore respectively during the award period of XIVFC *i.e.* 2015-20.
- The State Government received ₹1,065.74 crore towards State Disaster Response Fund against the recommendation of XIVFC (₹1,196.00 crore) during the award period of XIVFC *i.e.* 2015-20.

### 2.3.3.7 Capital Receipts

Capital receipts comprises miscellaneous Capital receipts such as proceeds from Disinvestment, 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 following table shows the trends in growth and composition of Capital Receipts.

**Table 2.10: Trends in growth and composition of Capital Receipts**

Sources of State's Receipts under capital section	2015-16	2016-17	2017-18	2018-19	2019-20
Miscellaneous Capital Receipts (₹ in crore)	2.84	2.37	3.32	5.26	4.70
Recovery of Loans and Advances (₹ in crore)	296.39	172.99	138.59	162.32	256.78
Inter-State Settlement (₹in crore)	0.52	0.38	1.24	0.56	0.13

<b>(A) Non-Debt Capital Receipts (₹ in crore)</b>	<b>299.75</b>	<b>175.74</b>	<b>143.15</b>	<b>168.14</b>	<b>261.61</b>
Rate of growth of non-debt Capital Receipts ( <i>per cent</i> )	50.78	(-)41.37	(-)18.54	17.46	55.59
Internal Debt (₹ in crore)	7,105.87	5,098.40	9,187.89	13,816.66	19,308.36
Growth Rate of Internal Debt ( <i>in per cent</i> )	10.49	28.25	80.21	50.38	39.75
Loans and advances from the Central Government (₹ in crore)	145.28	381.53	464.55	553.44	279.17
<b>(B) Public Debt Receipts (₹ in crore)</b>	<b>7,251.15</b>	<b>5,479.93</b>	<b>9,652.44</b>	<b>14,370.10</b>	<b>19,587.53</b>
<b>Receipts under capital section (A+B) (₹ in crore)</b>	<b>7,550.90</b>	<b>5,655.67</b>	<b>9,795.59</b>	<b>14,538.24</b>	<b>19,849.14</b>
Rate of growth of Public Debt receipts under capital section ( <i>per cent</i> )	12.60	(-)24.43	76.14	48.88	36.31
Rate of growth of GSDP at current price ( <i>per cent</i> )	1.83	11.42	9.23	10.95	8.26
Rate of growth of receipts under capital section ( <i>per cent</i> )	13.74	(-)25.10	73.2	48.42	36.53

Source: Finance Accounts of the respective years

Capital Receipts of the State increased by 163 *per cent* from ₹7,550.90 crore in 2015-16 to ₹19,849.14 crore in 2019-20. During 2019-20, the capital receipts increased by ₹5,310.90 crore (36.53 *per cent*) mainly due to increase in Public Debt Receipts by ₹5,217.43 crore (36.30 *per cent*) attributable to Market Loan of ₹11,680 crore (58.84 *per cent* of Public Debt).

### 2.3.4 State's performance in mobilization of resources

State's performance in mobilization of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. Details of the State's actual own tax and non-tax revenues for 2019-20 in comparison to the XIV Finance Commission assessment and budget estimates are given in **Table 2.11**

**Table 2.11: Tax and non-tax receipts vis-à-vis projections**

	FC projections (₹ in crore)	Budget Estimates (₹ in crore)	Actual (₹ in crore)	Percentage variation of actual over	
				Budget estimates	FC projections
Own Tax revenue	36,686.00	22,930.00	22,117.85	(-)3.54	(-)39.71
Non-tax revenue	6,420.00	8,825.00	7,933.77	(-)10.10	23.58
Total	43,106.00	31,755.00	30,051.62	(-)5.36	(-)30.28

Source: Finance Accounts, Budget Books and Finance commission report

The State Government was short by 30.28 *per cent* in meeting the expectations of the XIV FC with regard to its own tax receipts. In fact it was short by 5.36 *per cent* in mobilizing resources against the targets set in its own Budget Estimates.

## 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.

## 2.4.1 Growth and composition of expenditure

The total expenditure incurred, its composition, and relative share in GSDP during the years 2015-16 to 2019-20 is presented in **Table 2.12**.

**Table 2.12: Total Expenditure and its composition**

(₹ in crore)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	51,811.29	57,908.26	66,600.54	73,555.31	82,099.86
Revenue Expenditure (RE)	43,701.06	48,164.60	56,229.75	64,411.17	73,477.31
Capital Expenditure (CE)	7,945.01	9,470.51	10,000.96	8,903.45	8,566.39
Loans and Advances	165.22	273.15	369.83	240.69	56.16
<b>As a percentage of GSDP</b>					
GSDP at current prices	2,25,163	2,50,882	2,74,042	3,04,063	3,29,180
TE/GSDP	23.01	23.08	24.30	24.19	24.94
RE/GSDP	19.41	19.20	20.52	21.18	22.32
CE/GSDP	3.53	3.77	3.65	2.93	2.60
Loans and Advances/GSDP	0.07	0.11	0.13	0.08	0.02

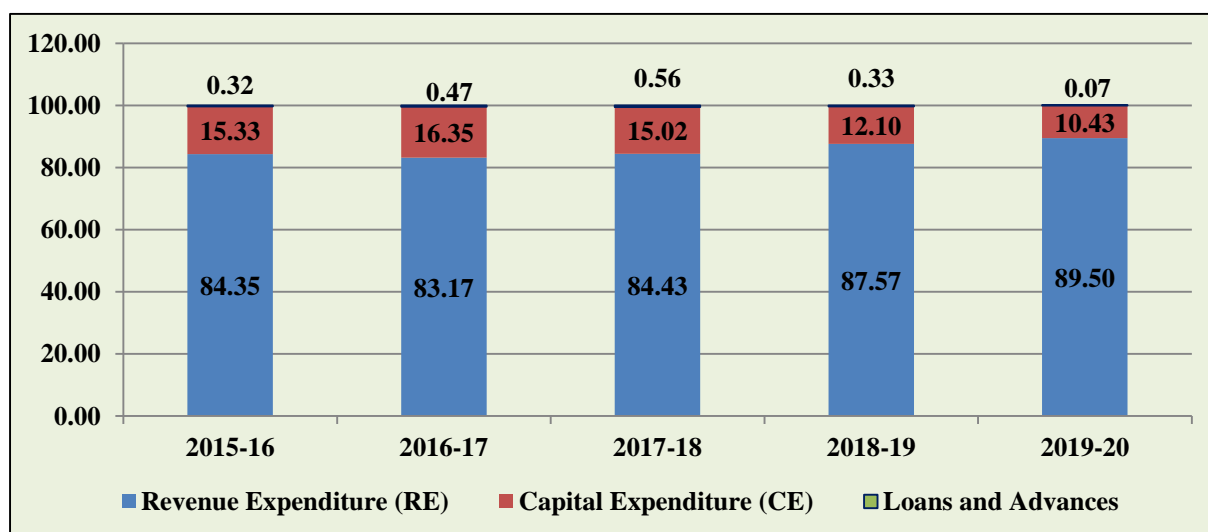
Source: Finance Accounts of the respective years

The above Table shows that Total expenditure of the State increased by 58.46 *per cent* from ₹51,811 crore in 2015-16 to ₹82,099 crore in 2019-20. During the year, it increased by 11.62 *per cent* over the previous year. As a percentage of GSDP, the Total expenditure remained in the range of 23.01 *per cent* to 24.94 *per cent* during 2015-20.

**Charts 2.7** depicts the trend of the share of the components in Total expenditure.

**Chart 2.7: Total Expenditure: Trends in share of its components**

(in per cent)



Source: Finance Accounts of the respective years

As is evident from the above chart, Capital expenditure has shown a declining trend since 2017-18.

In terms of activities, the Total expenditure (refer *Appendix 2.1*) is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and others. Relative expenditure on these components are shown in **Table 2.13**.

**Table 2.13: Share of various sectors of expenditure**

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	10,772.09	11,683.77	13,373.74	15,535.80	19,289.82
Social Services	18,190.76	23,972.80	27,116.57	25,319.17	28,610.12
Economic Services	21,947.54	21,100.70	24,744.50	31,804.93	33,079.55
Others (Grants to Local Bodies and Loans and Advances)	9,00.90	1,150.99	1,365.73	895.41	1,120.37

(₹ in crore)

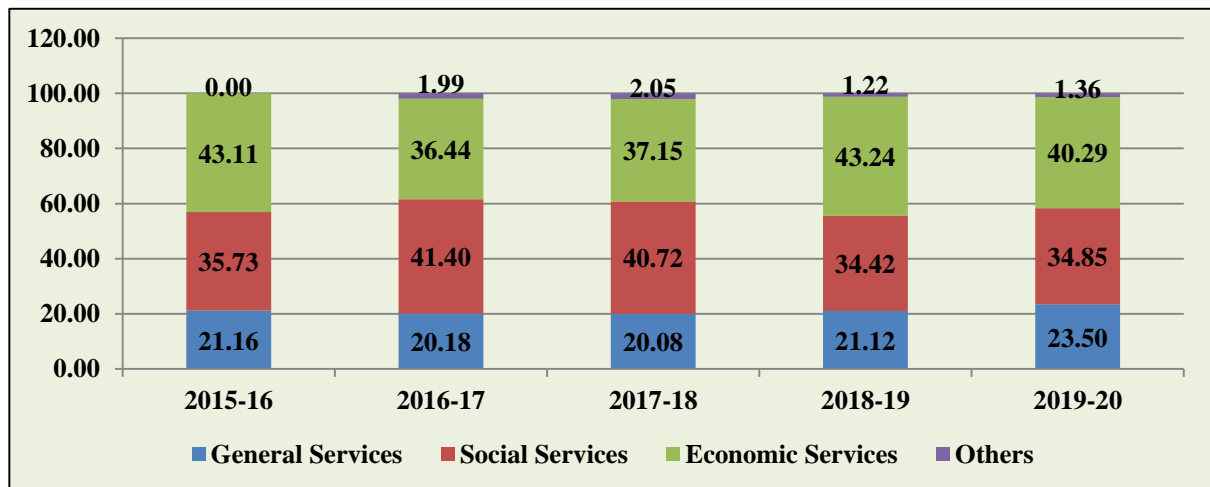
Source: Finance Accounts of the respective years

Expenditure on all three sectors – general, social and economic, and others in the Total Expenditure increased during 2019-20 over the previous year.

- Expenditure in General Services increased over the previous year mainly due to increase in expenditure on interest on Market loans, interest on State Provident Funds, Superannuation and Retirement allowances, Gratuities, Family Pension, and Government Contribution to Defined Pension Contribution Scheme.
- Expenditure in Social Services increased over the previous year mainly due to increase in expenditure on Pay and allowances as the Panchayat Teachers were merged in the School Education Department.
- Expenditure in Economic Services increased over the previous year mainly due to payment to State Rural Bank and various banks under Short term Agriculture Loan waiver scheme, increase in expenditure on Pay and allowances, Margin to Public Distribution System dealers, reimbursement of loss on procurement of food grains to Chhattisgarh State Marketing Federation, Sugar Distribution Scheme, *Mukhyamantri Khadhyaan Vitaran Yojana, etc.*

**Chart 2.8: Total expenditure - Expenditure by activities**

(in per cent)



Source: Finance Accounts of the respective years

## 2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations. As such, it does not result in any addition to the State's infrastructure and service network.

The overall Revenue expenditure, its rate of growth, its ratio to total expenditure and buoyancy *vis-à-vis* GSDP and Revenue receipts are indicated in **Table 2.14** and the sectoral distribution of Revenue expenditure pertaining to 2019-20 is given in **Chart 2.9**.

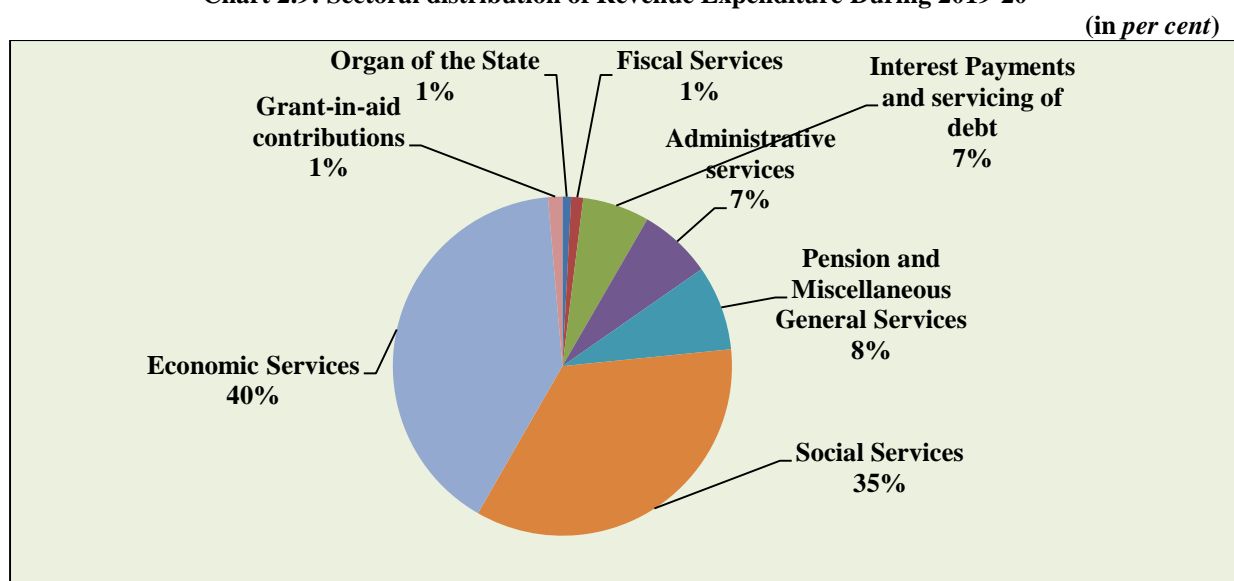
**Table 2.14: Revenue Expenditure—basic parameter**

(₹ in crore)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Total Expenditure (TE)</b>	<b>51,811.29</b>	<b>57,968.26</b>	<b>66,600.55</b>	<b>73,555.31</b>	<b>82,099.86</b>
<b>Revenue Expenditure (RE)</b>	<b>43,701.06</b>	<b>48,164.60</b>	<b>56,229.75</b>	<b>64,411.17</b>	<b>73,477.31</b>
Rate of Growth of RE ( <i>per cent</i> )	10.46	10.21	16.74	14.55	14.08
Revenue Expenditure as percentage of TE	84.35	83.09	84.43	87.57	89.50
RE/GSDP ( <i>per cent</i> )	19.41	19.20	20.52	21.18	22.32
<b>Revenue Receipts (RR)</b>	<b>46,067.71</b>	<b>53,685.25</b>	<b>59,647.07</b>	<b>65,094.93</b>	<b>63,868.70</b>
Rate of Growth of RR ( <i>per cent</i> )	21.27	16.53	11.11	9.13	(-)1.88
RE as percentage of RR	94.86	89.72	94.27	98.95	115.04
<b>Buoyancy of Revenue Expenditure with</b>					
GSDP (ratio)	5.72	0.89	1.81	1.33	1.70
Revenue Receipts (ratio)	0.49	0.62	1.51	1.59	(-)7.49

Source: Finance Accounts of respective years

Revenue expenditure formed an average of 85.79 *per cent* (ranging from 83.09 *per cent* to 89.50 *per cent*) of the total expenditure during the period 2015-20. Rate of growth of Revenue expenditure has fluctuated during the five-year period 2015-20. Revenue expenditure increased during 2019-20 over the previous year mainly due to increase in Salaries and Wages by ₹3,956 crore, pensions by ₹1209 crore, Interest Payments by ₹1,318 crore and Subsidies by ₹3,160 crore.

**Chart 2.9: Sectoral distribution of Revenue Expenditure During 2019-20**



Source: Finance Accounts of 2019-20

During 2019-20, Revenue expenditure as a percentage of GSDP has increased by 1.14 *per cent* over the previous year.

### 2.4.2.1 Major Changes in Revenue Expenditure

**Table 2.15** details significant variations under various Heads of Account with regard to Revenue expenditure of the State during the current year and the previous year.

**Table 2.15: Variation in Revenue Expenditure during 2019-20 compared to 2018-19**

(₹ in crore)

Major Heads of Accounts	2018-19	2019-20	Difference	%Increase(+) /Decrease(-)
2435-Other Agricultural Programmes	261.85	2,729.30	2,467.45	942.31
3452-Tourism	5.70	21.99	16.29	285.79
2501-Special Programmes for Rural Development	159.64	504.67	345.03	216.13
2048-Appropriation for reduction or avoidance of debt	100.00	265.00	165.00	165.00
2801-Power	2,078.77	4,690.79	2,612.02	125.65
2810-New and Renewable Energy	26.25	57.76	31.51	120.04
2515-Other Rural development Programmes	1,487.89	2,875.27	1,387.38	93.24
2408-Food Storage and Warehousing	4,105.84	5,735.40	1,629.56	39.69
2049-Interest Payment	3,652.55	4,970.36	1,317.81	36.08
2202-General Education	12,266.52	5,736.87	3,470.35	28.29
2071-Pensions and Other Retirement	5,428.50	6,637.98	1,209.48	22.28
2216-Housing	2,377.39	674.65	(-)1,702.74	(-)71.62
2401- Crop Husbandry	8,839.89	2,239.15	(-)6,600.74	(-)74.67

**Source: Finance Accounts for the respective years**

Revenue expenditure under Crop Husbandry declined significantly during the year, mainly due to the decrease in expenditure on incentives for production of food grains and grams, Bonus to Sugar cane farmers, *Jaivik Kheti* Mission, Crop exhibition scheme, Establishment of Agriculture equipment service Centre *etc.* Housing also recorded a decrease during 2019-20 compared to the previous year due to decline in expenditure on *Pradhan Mantri Awas Yojana*. Further, increase in expenditure under Power and Other Agricultural Programmes was due to assistance to electricity boards and debt relief to farmers respectively.

### 2.4.2.2 Committed Expenditure

Committed Expenditure of Government on revenue account consists mainly of expenditure on salaries and wages, interest payments and pensions. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector.

Table 2.16 presents the trends in the components of committed expenditure during 2015-20.

**Table 2.16: Components of Committed Expenditure**

(₹ in crore)

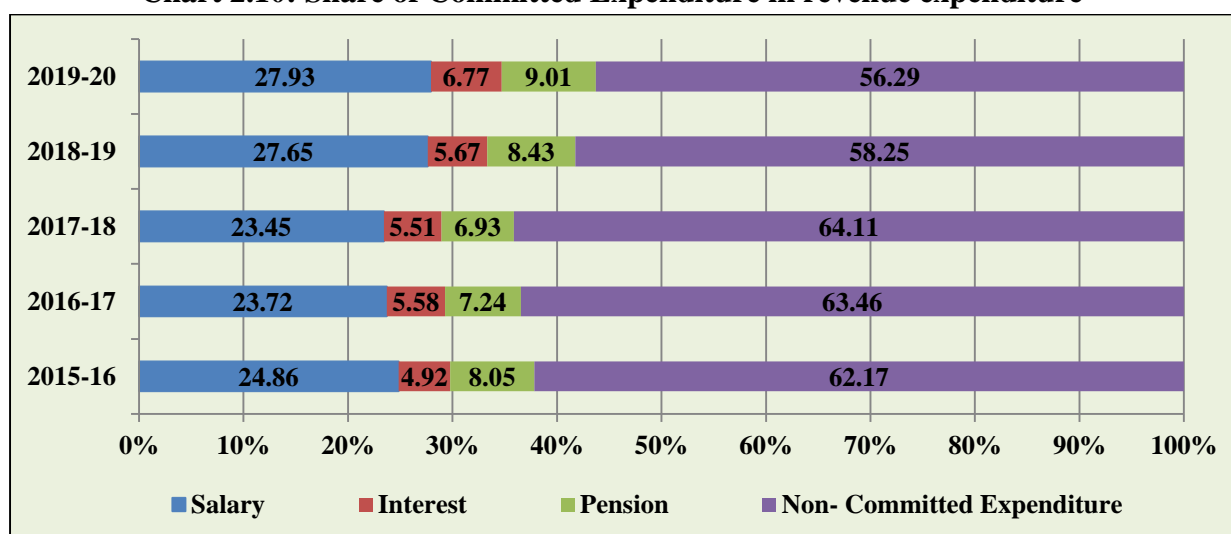
Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries & Wages	10,865	11,424	13,184	17,808	21,764
Expenditure on Pensions	3,519	3,487	3,898	5,429	6,638
Interest Payments	2,149	2,687	3,098	3,653	4,971
<b>Total</b>	<b>16,533</b>	<b>17,598</b>	<b>20,180</b>	<b>26,890</b>	<b>33,373</b>
<b>As a percentage of Revenue Receipts (RR)</b>					
Salaries & Wages	23.58	21.28	22.10	27.36	34.08
Expenditure on Pensions	7.64	6.50	6.54	8.34	10.39
Interest Payments	4.66	5.01	5.19	5.61	7.78
<b>Total</b>	<b>35.89</b>	<b>32.78</b>	<b>33.83</b>	<b>41.31</b>	<b>52.25</b>
<b>As a percentage of Revenue Expenditure (RE)</b>					
Salaries & Wages	24.86	23.72	23.45	27.65	29.62
Expenditure on Pensions	8.05	7.24	6.93	8.43	9.03
Interest Payments	4.92	5.58	5.51	5.67	6.77
<b>Total</b>	<b>37.83</b>	<b>36.54</b>	<b>35.89</b>	<b>41.75</b>	<b>45.42</b>

Source: Finance Accounts of the respective years

Committed Expenditure has grown from ₹16,533 crore (37.83 per cent of RE) in 2015-16 to ₹33,373 crore (45.42 per cent of RE) in 2019-20. The interest payment has drastically increased as compared to the previous year due to addition of the market loans of ₹10,980 crore during the year 2019-20.

Percentage of committed expenditure to Revenue receipts and Revenue expenditure during 2015-20 is given in Chart 2.10.

**Chart 2.10: Share of Committed Expenditure in revenue expenditure**



Source: Finance Accounts of the respective years



As can be seen from **Chart 2.10** above, committed expenditure constituted over 36 *per cent* of Revenue Expenditure during 2015-16 to 2019-20, while it accounted for over 33 *per cent* of the receipts of the State during the same period.

### **2.4.2.3 Undercharged Liability under National Pension System**

During 2019-20, expenditure on pension payments was ₹6,637.98 crore, out of which ₹1057.21 crore was incurred towards National Pension System (NPS) applicable to employees recruited on or after 1 January 2005.

#### ***National Pension System (NPS)***

State Government employees recruited on or after 1 November 2004 are covered under the National Pension System (NPS), which is a defined contributory pension scheme. In terms of the scheme, the employee contributes 10 *per cent* of basic pay and dearness allowance, which is matched by the State Government, and the entire amount is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank.

Deduction of contributions under New Pension Scheme from the employees commenced from March 2006 along with contribution of arrears for the period December 2004 to February 2006. During 2019-20 against employees' contribution of ₹1,059.29 crore, the State Government contributed ₹1,057.21 crore resulting in short contribution of ₹2.08 crore.

As on 31 March 2020, ₹25.83 crore remained in the Public Account, pending transfer to NSDL/Trustee Bank. Short contribution of ₹2.08 crore and non-transfer of ₹25.83 crore resulted in avoidable liability of ₹27.91 crore to the State Government and created uncertainty in respect of benefit due to the employees to that extent.

### **2.4.2.4 Parking of Government's contribution for NPS in Personal Deposit Account**

The *Panchayat* and Rural Development Department, Government of Chhattisgarh adopted NPS for *Shikshakarmis* in Chhattisgarh with effect from 01 April 2012.

Scrutiny of records of the Commissioner, Tribal Department revealed that the Department drew (February 2013) an advance of ₹36.10 crore as Government's contribution for NPS for the year 2012-13 against 10,333 *Shikshakarmis* working in educational institutions of the department and deposited ₹0.29 crore towards issuing new cards and paid ₹1.10 crore towards the service charge to National Security Depository Limited (NSDL). The department, however, did not initiate the process of NPS deduction from the salary of the employees and thus the amount of ₹34.71 crore was still lying in Personal Deposit Account as of 31 March 2020.

### **2.4.2.5 Subsidies**

Subsidies as a percentage of Revenue Receipts increased from 4.40 *per cent* in 2018-19 to 5.19 *per cent* in 2019-20 and constituted 17.98 *per cent* of the revenue receipts and 15.63 *per cent* of the revenue expenditure as can be seen from the details given in **Table 2.17**.

**Table 2.17: Expenditure on subsidies during 2015-20**

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	7,397.12	4,189.14	5,004.69	8,323.01	11,483.23
Subsidies as a percentage of Revenue Receipts	16.06	7.80	8.39	12.79	17.98
Subsidies as a percentage of Revenue Expenditure	16.93	8.70	8.90	12.92	15.63

Source: Finance Accounts of the respective years

The expenditure on subsidies sharply increased by ₹3,160.22 crore (37.96 per cent) from ₹8,323.01 crore in 2018-19 to ₹11,483.23 crore in 2019-20. The main components of subsidy expenditure during the year were Food and Civil Supplies (₹4,938.15 crore), Energy (₹3,074.11 crore) and Finance (₹2,729.29 crore) under Agricultural Loan Waiver Scheme, free supply of electricity to Agricultural Pumps, Single Bulb Connection, relief in Electricity Fees, Chief Minister Food Assistance Scheme and for meeting losses on Food Procurement.

#### 2.4.2.6 Financial assistance by the State Government to Local Bodies and other Institutions

The quantum of financial assistance by way of grants and loans provided by the State Government to Local Bodies and other institutions during last five years are presented in **Table 2.18**.

**Table 2.18: Financial Assistance to Local Bodies etc.**

(₹ in crore)

Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Local Bodies</b>					
Municipal Corporations and Municipalities	1,785.97	3,234.45	3,425.75	2,778.73	3,138.94
Panchayati Raj Institutions	6,246.71	8,899.54	10,899.36	6,905.17	6,006.83
<b>Total (A)</b>	<b>8,032.68</b>	<b>12,133.99</b>	<b>14,325.11</b>	<b>9,683.90</b>	<b>9,145.77</b>
<b>(B) Others</b>					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	189.05	218.9	235.45	170.44	273.67
Development Authorities	167.93	262.27	287.03	271.41	235.06
Other Institutions	5060.76	7040.53	10067.64	13209.81	10429.32
<b>Total (B)</b>	<b>5,417.74</b>	<b>7,521.7</b>	<b>10,590.12</b>	<b>13,651.66</b>	<b>10,938.05</b>
<b>Total (A+B)</b>	<b>13,450.42</b>	<b>19,655.69</b>	<b>24,915.23</b>	<b>23,335.56</b>	<b>20,083.82</b>
<b>Revenue Expenditure</b>	<b>43,701.06</b>	<b>48,164.60</b>	<b>56,229.75</b>	<b>64,411.17</b>	<b>73,477.31</b>
Assistance as percentage of Revenue Expenditure	30.78	40.81	44.31	36.23	27.33

Source: Finance accounts of respective years

Financial assistance provided to Municipal Corporations and Municipalities increased by ₹360.21 crore over the previous year mainly due to increase in compensation and assignments provided to Local Bodies. Further, due to merger of *Shikshak Panchayat* into School Education, the financial assistance provided to *Panchayati Raj* Institutions decreased by ₹898.34 crore as compared to the previous year.

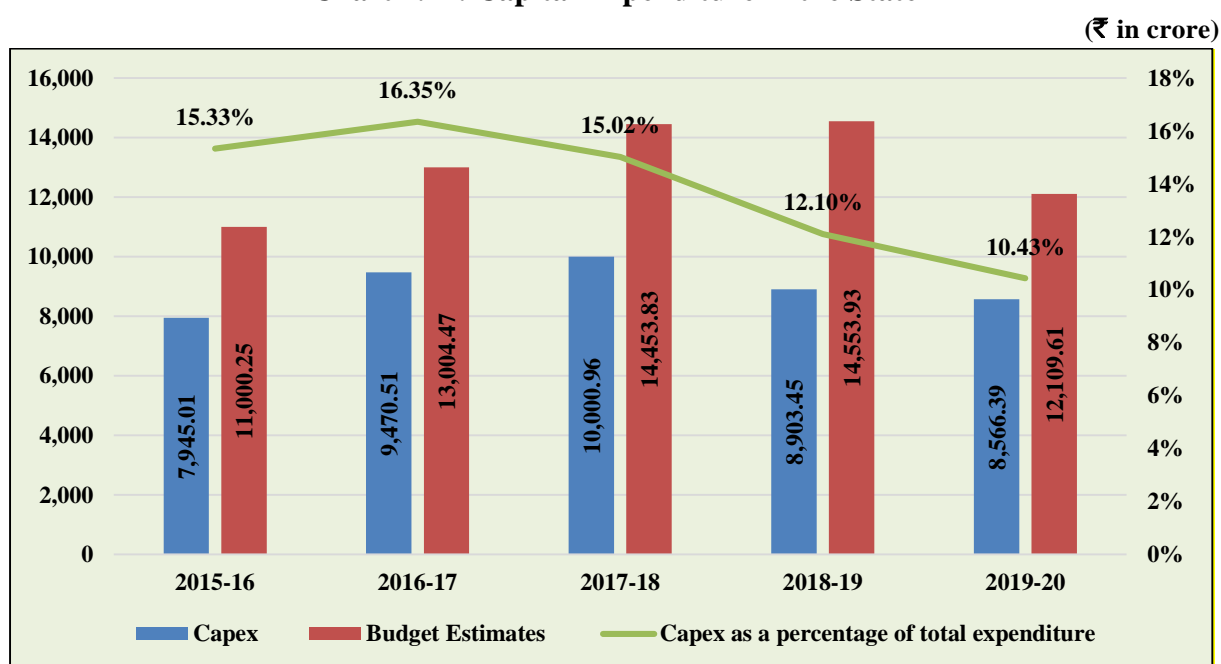
Financial assistance as a percentage of Revenue expenditure decreased from 30.78 *per cent* in 2015-16 to 27.33 *per cent* in 2019-20.

### 2.4.3 Capital Expenditure

Capital expenditure includes primarily expenditure on creation of fixed infrastructure assets, such as buildings, roads, bridges, *etc.*

Capital expenditure of the State showed a significant decrease during the last two years with a decrease of ₹1,098 crore in 2018-19 and ₹337 crore in 2019-20. Details of Capital expenditure during the five-year period 2015-20 are given in **Chart 2.11**.

**Chart 2.11: Capital Expenditure in the State**



Source: Finance Accounts of the respective years

Capital expenditure of the State increased during the last five years from ₹7,945 crore in 2015-16 to ₹8,566 crore in 2019-20 with inter year fluctuation. During 2019-20 the State Government decreased the Budget Estimates by ₹2,344.32 crore (16.22 *per cent*) as compared to Budget Estimates of 2018-19. Capital Expenditure decreased by 3.79 *per cent* (₹337.06 crore) mainly due to slow progress of works of Major, Medium and Minor irrigation projects.

#### 2.4.3.1 Major changes in Capital Expenditure

**Table 2.19** highlights the cases of significant increase or decrease in various heads of Account in Capital Expenditure during 2019-20 *vis-à-vis* the previous year.

**Table 2.19: Capital Expenditure during 2019-20 compared to 2018-19**

(₹ in crore)

Major Heads of Accounts	2018-19	2019-20	% Increase /Decrease(-)
5055-Capital Outlay on Road Transport	3.09	6.00	94.17
4210-Capital Outlay on Medical and Public Health	214.49	361.82	68.69
5054-Capital Outlay on Roads and Bridges	3,765.51	3,928.86	4.34
4702-Capital Outlay on Minor Irrigation	848.90	667.96	(-)21.31
4059-Capital Outlay on Public Works	233.71	148.85	(-)36.31
4711-Capital Outlay on Flood Control Projects	27.37	10.21	(-)62.70
4801-Capital Outlay on Power Projects	130.00	42.09	(-)67.62

Source: Finance Accounts of 2018-19 and 2019-20

The above table reveals that 46 *per cent* of total Capital expenditure (₹8,566.39 crore) was incurred on Roads and Bridges followed by eight *per cent* on Minor Irrigation, while there was a significant decrease in expenditure on power projects. Medical and Public Health expenditure increased mainly due to increase in expenditure under Medical education colleges, expenditure on construction works of Sub Health Centres, District Hospitals, Primary Health Centres and Community Health Centres.

### 2.4.3.2 Quality of Capital Expenditure

This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

#### 2.4.3.2.1 Quality of investment in Companies, Corporations and other Bodies

Capital Expenditure in Companies, Corporations and other bodies, which are loss making or where net worth is completely eroded, is not sustainable.

Investments made and loans given to companies (e.g. DISCOMs), Corporations (e.g. SC & ST Financial Corporation), and co-operatives (e.g. sugar mills), which are loss making and those whose net worth is completely eroded, affect the quality of capital expenditure. Return on investment in share capital invested in PSUs and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure.

#### 2.4.3.2.2 Investment and Returns

As per the Finance Accounts 2019-20, the Government of Chhattisgarh had invested ₹7,265.79 crore in 10 Statutory Corporations, 28 Government Companies, 22 Joint Stock Companies, two Rural Banks and 1523 Co-operatives in the State as of 31 March 2020. The State Government earned a return of ₹2.39 crore on these investments during 2019-20. Year-wise details of investment by the Government of Chhattisgarh over the five-year period 2015-16 to 2019-20 are as follows:

Table 2.20: Details of Investment and Return on Investment

(₹ in crore)

Investment/Return/Cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Statutory Corporations (No. of entities)	33.50(06)	35.90(02)	37.82(02)	86.92(10)	87.88(10)
Government Companies (No. of entities)	5,969.44(16)	6,459.45(13)	6,459.45(13)	6,683.34(28)	6,683.34(28)
Joint Stock Companies (No. of entities)	2.60(01)	57.60(04)	144.80(05)	145.21(22)	145.21(22)
Rural Banks (No. of entities)	24.31(01)	24.31(01)	25.15(01)	25.15(02)	25.15(02)
Co-operative Institutions and Local Bodies (No. of entities)	162.37(1462)	201.34(1523)	199.15(1523)	327.42(1523)	324.21(1460)
<b>Total Investment</b>	<b>6,192.22</b>	<b>6,778.60</b>	<b>6,866.37</b>	<b>7,268.05</b>	<b>7,265.79</b>
Investment at the end of the year	6,192.22	6,778.60	6,866.37	7,268.05	7,265.79
Return on investment	5.73	0.55	4.80	1.49	2.39
Return on investment ( <i>per cent</i> )	0.09	0.01	0.07	0.02	0.03
Average rate of interest on Government borrowing ( <i>per cent</i> )	6.25	6.62	6.38	6.10	6.83
Difference between interest rate and return ( <i>per cent</i> )	6.16	6.61	6.31	6.08	6.80
Loss due to difference between interest rate of market borrowing and interest received on the returns (₹ in crore)	381.44	448.07	433.27	442.15	493.86
<i>Figures in the bracket shows the number of entities</i>					

Source: Finance Accounts of respective years

The average rate of return on investment was 0.04 *per cent* during the five-year period 2015-16 to 2019-20, while the average rate of interest paid by the State Government during the period was 6.44 *per cent*. During 2019-20, there were 14 profit making PSUs with a profit of ₹684.51 crore, out of which only two PSUs had declared dividend. Further, the State Government had not formulated any dividend policy under which PSUs are required to pay a minimum return on the paid-up share capital contributed by the State Government.

#### 2.4.3.2.3 Loans and Advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, State Government has also provided Loans and Advances to many institutions/ organisations. Table 2.21 presents the outstanding Loans and Advances as on 31 March 2020, along with interest receipts *vis-à-vis* interest payments during the five-year period 2015-16 to 2019-20.

**Table 2.21: Quantum of Loans disbursed and recovered during 2015-16 to 2019-20**

(₹ in crore)

Quantum of loans disbursed and recovered	2015-16	2016-17	2017-18	2018-19	2019-20
Opening balance of loans outstanding	1,395.41	1,273.96	941.98	1,519.63	1,597.75
Amount advanced during the year	164.73	272.71	368.76	240.44	56.11
Amount repaid during the year	296.39	172.99	138.59	162.32	256.78
<b>Closing Balance of loans outstanding</b>	<b>1263.75</b>	<b>1373.69</b>	<b>1172.16</b>	<b>1597.75</b>	<b>1397.08</b>
Net addition	(-)131.66	99.72	230.17	78.12	(-)200.67
Interest received	47.02	30.19	27.61	28.32	1.67
Interest rate on Loans and Advances given by the Government	3.54	2.28	2.36	1.77	0.12
Rate of Interest paid on the outstanding borrowings of the Government	6.25	6.62	6.38	6.10	6.83
Difference between rate of interest paid and interest received ( <i>per cent</i> )	(-)2.71	(-)4.34	(-)4.02	(-)4.33	(-)6.71

Source: Finance Accounts of Respective years

The loans disbursed during the year have decreased considerably as compared to the previous year. Further, the interest received has also decreased since the State Government had not received interest from Chhattisgarh State Marketing Co-operation and Urban Local Bodies.

Average rate of interest paid on borrowings was 6.83 *per cent* during 2019-20, while the rate of interest received was only 0.12 *per cent* on Loans and Advances given by the Government.

### 2.4.3.3 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 extra burden in terms of servicing of debt and interest liabilities.

The details of incomplete projects costing ₹10 crore and above which were to be completed on or before 31 March 2020 are given in **Table 2.22**.

**Table 2.22: Department-wise profile of incomplete projects**

(₹ in crore)

Department	Number of incomplete projects	Estimated cost	Incomplete Projects			Cumulative expenditure of all 145 incomplete projects as on 31 March 2020	
			Initial estimated cost of 51 incomplete projects whose cost was revised		Revised cost of 51 incomplete projects		Cost overrun of 51 incomplete projects which were revised
			No.	Amount			
Public Works	10	417.43	02	551.20	551.20	399.59	502.43
Water Resources	135	3,934.62	49	1,722.18	3,819.29	2,017.11	2,852.79
<b>Total</b>	<b>145</b>	<b>4,352.05</b>	<b>51</b>	<b>2,273.38</b>	<b>4,370.49</b>	<b>2,496.70</b>	<b>3,355.22</b>

Source: Finance Accounts 2019-20

Delay in completion of project works increases the risk of cost escalation. Since the State Government had not evaluated the cost of 94 incomplete projects, the actual amount of expenditure to be incurred by the State could not be ascertained, and due to delay in completion of these projects, the intended benefits from the projects could not be achieved.

#### 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.

The fiscal priorities of the State Government with regard to development expenditure, social services expenditure and capital expenditure during 2015-16 to 2019-20 are shown in **Table 2.23** below:

**Table 2.23: Expenditure priority of the State with regards to Health, Education and Capital expenditure**

(in per cent)

	AE/GSDP	SSE/AE	ESE/AE	DE/AE	CE/AE	Education/AE	Health/AE
<b>Average (Ratio) 2015-16 of</b>							
General Category States	16.97	36.09	34.19	70.29	14.81	15.68	4.79
Chhattisgarh State	23.01	35.11	42.36	77.47	15.33	18.96	5.23
<b>Average (Ratio) 2019-20 of</b>							
General Category States	15.15	36.73	28.69	65.42	12.97	15.91	5.21
Chhattisgarh State	24.94	34.85	40.29	75.14	10.43	19.85	5.69
AE: Average Expenditure, SSE: Social sector Expenditure, DE: Development Expenditure, CE: Capital Expenditure, Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure, development Loan and Advances disbursed.							

**Source: Data provided by Economic Advisor**

While the allocative priority accorded to social sector in general by the State Government during 2015-16 has been lower than the General Category States (GCS), in terms of outlay on capital expenditure and development expenditure, especially on health and education, the State fared better than the GCS. The relevant ratios vis-à-vis GCS continued in the same strain during 2019-20 as well, except for outlay on capital expenditure, which has seen a reduction in Chhattisgarh in comparison with GCS.

#### 2.4.5 Object head wise expenditure

Finance Accounts depict transactions only up to the Minor Head level. Therefore, a drill down view of budgetary allocation and extent of expenditure (above ₹1,000 crore) incurred on the actual items at the Object Head Level is given in **Table 2.24** below:

**Table 2.24: Object head wise expenditure (where the expenditure is ₹ 1,000 crore and above) vis-à-vis budget authorisation**

(₹ in crore)

Head	Original Budget Estimate	Expenditure	Utilisation Percentage
14- Grants-in-Aid	25,604.79	20,328.74	79.39
01- Salaries and Allowances	21,422.96	20,585.71	96.09
13- Financial Assistance	10,781.89	11,483.23	106.50
12- Pension and Retirement benefits	4,905.27	6,611.11	134.78
97- Construction Works	5,333.18	3,446.13	64.62
35- Interest / Loan Repayments	7,632.50	5,011.35	65.66
26- Major Construction Works	4,268.22	2,882.37	67.53
45- Construction of Capital Assets	1,822.96	1,939.61	106.40
25- Materials and Supplies	2,463.69	2,423.56	98.37
37- Inter Account Transactions	1,857.32	1,306.50	70.34
11- Scholarship/Stipend and other Benefits	1,079.97	1,031.95	95.55
<b>Total</b>	<b>87,172.75</b>	<b>77,050.26</b>	<b>88.39</b>

Source: Finance Accounts 2019-20

As can be seen from the above Table, out of a total budgetary allocation of ₹87,172.75 crore, the actual expenditure on various Object Heads during 2019-20 was only ₹77,050.26 crore (88.39 per cent). Out of the 11 Objects Heads mentioned above, three Object Heads utilised more than 100 per cent of their allocation.

## 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

The status of receipts and disbursement under Public Account are shown in Statement 21 of the Finance Accounts. Component-wise net balances in the Public Account of the State as of end of March 2020 are given in **Table 2.25** below:



**Table 2.25: Component-wise net balances in Public Account as of 31 March of the year**

(₹ in crore)

Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
<b>I. Small Savings, Provident Fund, etc.</b>	National Small Savings Fund, State Provident Funds and Other Accounts	<b>514.30</b>	<b>426.96</b>	<b>640.61</b>	<b>754.51</b>	<b>785.26</b>
<b>J. Reserve Funds</b>	(a) Reserve Funds bearing Interest	90.51	323.40	(-)517.65	197.87	701.07
	(b) Reserve Funds not bearing Interest	499.42	316.40	39.72	(-)33.08	5155.13
<b>K. Deposits and Advances</b>	(a) Deposits bearing Interest	1.33	(-)1.74	(-)21.02	(-)6.79	(-)5.62
	(b) Deposits not bearing Interest	(-)70.87	552.40	141.79	(-)224.60	(-)518.43
	(c) Advances	0.00	0.02	0.18	0.00	(-)0.09
<b>L. Suspense and Miscellaneous</b>	(a) Suspense	30.53	37.53	(-)72.83	(-)21.28	(-)6.30
	(b) Other Accounts	5.18	(-)159.01	22.10	1.70	(-)0.96
	(c) Accounts with Governments of Foreign Countries	0.00	0.00	0.00	0.00	0.00
	(d) Miscellaneous	0.00	0.00	0.00	0.00	0.00
<b>M. Remittances</b>	(a) Money Orders, and other Remittances	(-)6.68	67.54	54.39	(-)126.73	93.41
	(b) Inter-Governmental Adjustment Account	(-)5.26	(-)18.40	16.53	4.30	(-)12.62
<b>Total</b>		<b>1,058.46</b>	<b>1,545.10</b>	<b>303.82</b>	<b>545.90</b>	<b>6,190.85</b>

Source: Finance Accounts of respective years

Component-wise net balances in Public Account as of 31 March of the respective year increased from ₹1,058.46 crore in 2015-16 to ₹6,190.85 crore in 2019-20. The net balances in Public Account increased by ₹5,644.95 crore in 2019-20 over the previous year, mainly due to increase in Reserve Funds not bearing interest by ₹5,188.21 crore and Reserve Funds bearing interest by ₹503.20 crore, which was off-set by decrease in other accounts by ₹46.46 crore.

## 2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

There were 17 Reserve Funds earmarked for specific purposes in the State with effect from 2000-2001 (since the formation of the State), out of which, 14 funds were operative and three funds were in-operative as of 31 March 2021. The total accumulated balance at the end of 31 March 2020 in these funds was ₹9,697.04 crore (₹9,696.94 crore in operative funds and ₹0.10 crore in in-operative funds), out of which ₹7,232.27 crore (74.58 per cent) was invested.

A Reserve Fund viz, *Gramin Vikas Nidhi*, was constituted in 2001-02 for providing employment in rural areas. During 2019-20, ₹50.90 crore was transferred to the fund and the cumulative balance of the fund as on 31 March 2020 was ₹265.56 crore but no expenditure has been incurred out of this fund since its inception.

Transfers into reserve funds and disbursement therefrom are affected through debit and credit entries under the appropriate revenue and expenditure heads under the Consolidated Fund. These represent actual cash transfers only if they impact the Reserve Bank Deposits either directly or by way of investment. Since there was no actual cash outflow, these transactions depicted by GoCG against reserve fund are only book entries, which violate the spirit underlying the creation and operation of reserve funds.

### **2.5.3 Consolidated Sinking Fund**

Following the recommendations of the 12<sup>th</sup> Finance Commission, the State has created a Consolidated Sinking Fund for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds, *etc.* Further, as per recommendation of the 12<sup>th</sup> Finance Commission, a minimum annual contribution of 0.50 *per cent* of outstanding liabilities at the beginning of the year was required to be transferred to the fund.

During 2019-20, GoCG was required to transfer a minimum of ₹333.75 crore (0.50 *per cent* of outstanding liability of ₹66,749.51 crore at the beginning of the year) to the fund, against which only ₹265.00 crore was transferred. The balance in the CSF (investment account) from the year 2006-07 to 2019-20 was ₹2,311.94 crore.

### **2.5.4 State Disaster Response Fund**

In terms of the SDRF guidelines 2015, balances under funds are to be invested by the State Executive Committee in (a) Central Government dated securities (b) auctioned treasury bills and (c) interest earning deposits and certificates of deposits with Scheduled Commercial Banks and the interest earned should be credited to the concerned fund. It was further provided that upon receipt of GoI share, the State would immediately transfer the amount, along with its share, to the Public Account Head within 15 days of its receipt. Any delay will require the State Government to release the amount, with interest at bank rate of RBI, for the number of days of delay.

The SDRF had a closing balance of ₹491.88 crore as of March 2020. However, the details of investment of the balance in the fund was awaited (October 2020). Grants-in-Aid for State Disaster Response fund of ₹66.75 crore received from Government of India in March 2020 and corresponding State share of ₹22.25 crore was not transferred to the SDRF during 2019-20.

Details of expenditure charged to SDRF is given below in **Table 2.26**:

Table 2.26: Details of expenditure charged to SDRF

(₹ in crore)

Head	Minor Head of Account	Expenditure during 2019-20
<b>2245- Relief on Account of Natural Calamities</b>		
<b>01-Drought</b>		
101	Gratuitous Relief	1.09
102	Drinking Water Supply	0.18
<b>02-Floods, Cyclones, etc.</b>		
101	Gratuitous Relief	5.05
110	Assistance for repair and restoration of damaged Water Supply, Drainage and Sewerage Works	0.40
111	Ex-gratia Payments to bereaved families	17.53
112	Evacuation of population	2.65
113	Assistance for repair and construction of Houses	9.54
114	Assistance to Farmers for purchase of Agriculture Input	6.16
116	Assistance to Farmers for repairs of damaged tube wells and Pump sets	0.00
117	Assistance to Farmers for purchase of livestock	6.26
<b>80-General</b>		
101	Centre for Training to Disaster Preparedness	0.21
102	Management of Natural Disasters, Contingency Plans in disaster prone areas	0.21
800	Other Expenditure	204.43
<b>Total SDRF Expenditure</b>		<b>253.71</b>
<b>05-State Disaster Response Fund</b>		
901	<b>Deduct-</b> Amount met from State Disaster Response Fund	<b>(-) 252.00</b>

Source: Finance Accounts

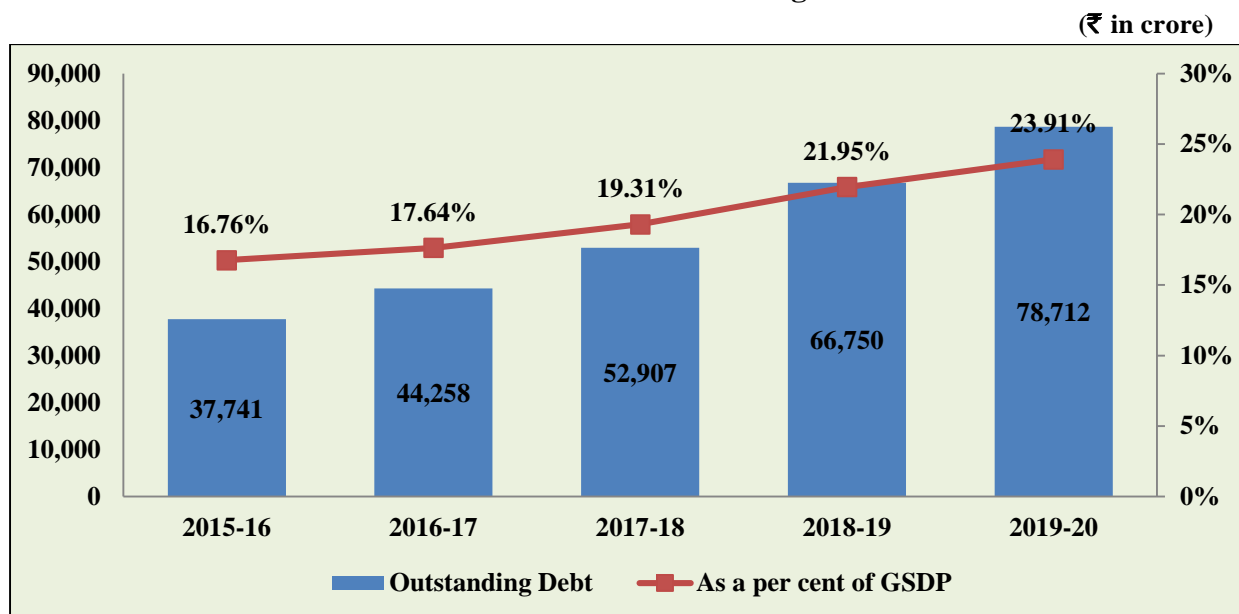
### 2.5.5 Guarantee Redemption Fund

As per the recommendation of the 12<sup>th</sup> Finance commission, the Government of Chhattisgarh was required to constitute a Guarantee Redemption Fund (GRF) with minimum annual contribution of 0.50 *per cent* of outstanding guarantee at the beginning of the year. Accordingly, the State Government was required to create a GRF and transfer ₹57.79 crore to the Fund in 2019-20. Contrary to the Finance Commission recommendations, the State Government has decided not to form the GRF as maximum guarantees sanctioned by the State Government were of “medium and low risk”.

## 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 trend of overall Debt between 2015-16 and 2019-20 may be seen in **Chart 2.12** below:

Chart 2.12: Status of Outstanding Debt



Source: Finance Accounts of respective years

### 2.6.1 Debt profile: Components

As per Chhattisgarh FRBM act, Public Debt comprises internal debt of the State Government and Loans and Advances from Central Government. Internal debt consists of Market Loans, Ways and Means advances from RBI, Compensation and other Bonds, Loans from Financial Institutions and Special Securities issued to National Small Savings Fund of Central Government.

The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2015-20 are given in **Table 2.27:**

Table 2.27: Component wise debt trends

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20	
Outstanding Debt	37,741.14	44,258.28	52,907.08	66,749.51	78,712.46	
Public Debt	Internal Debt	24,214.56	28,330.29	36,690.44	49,553.83	60,382.67
	Loans from GoI	1,835.59	2,047.16	2,339.57	2,700.39	2,764.05
Liabilities on Public Account	11,690.99	13,880.83	13,877.07	14,495.29	15,565.74	
Rate of growth of outstanding overall debt (percentage)	21.82	17.27	19.54	26.16	17.92	
Gross State Domestic Product (GSDP)	2,25,163	2,50,882	2,74,042	3,04,063	3,29,180	
Debt/GSDP (per cent)	16.76	17.64	19.31	21.95	23.92	
<b>Total Debt Receipts</b>	<b>7,251.15</b>	<b>5,479.93</b>	<b>9,652.44</b>	<b>14,370.10</b>	<b>19,587.53</b>	
<b>Total Debt Repayments</b>	<b>1,250.18</b>	<b>999.88</b>	<b>1,152.63</b>	<b>1,145.89</b>	<b>8,695.03</b>	
<b>Total Debt Available</b>	<b>6,000.97</b>	<b>4,480.05</b>	<b>8,499.81</b>	<b>13,224.21</b>	<b>10,892.50</b>	

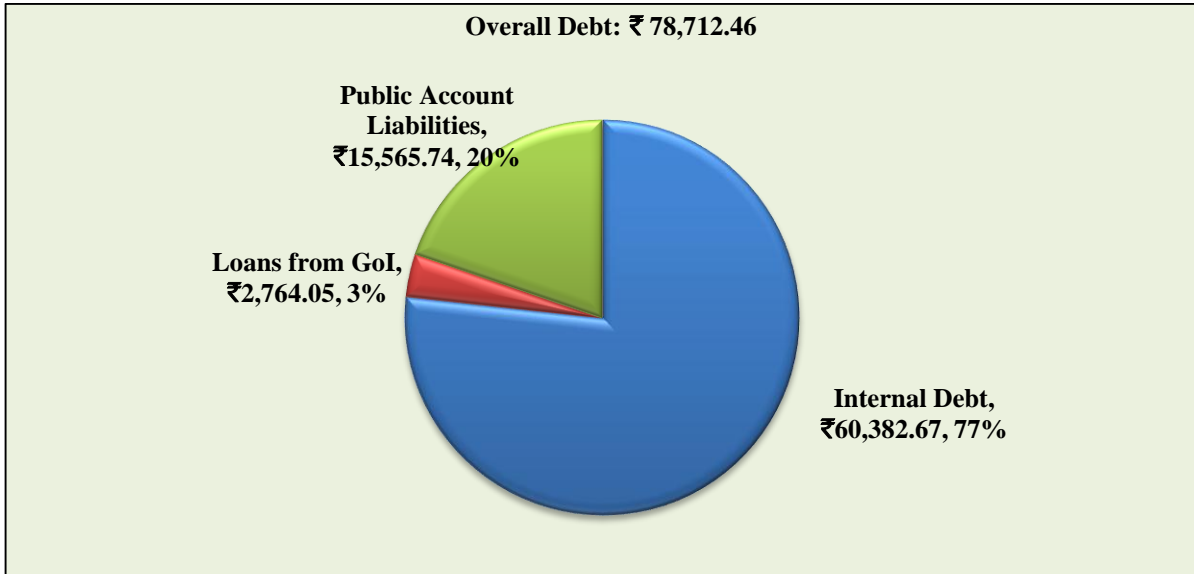
Source: Finance Accounts of respective years

Debt repayment increased significantly in 2019-20 as compared to 2018-19 and total debt receipts also increased by ₹5,217.43 crore (36.31 per cent) when compared to 2018-19. The total outstanding debt of the State Government at the end of 2019-20 was ₹78,712 crore.

Component-wise break-up of debt is shown below in **Chart 2.13**:

**Chart 2.13: Break up of Outstanding Overall Debt at the end of 2019-20**

(₹ in crore)



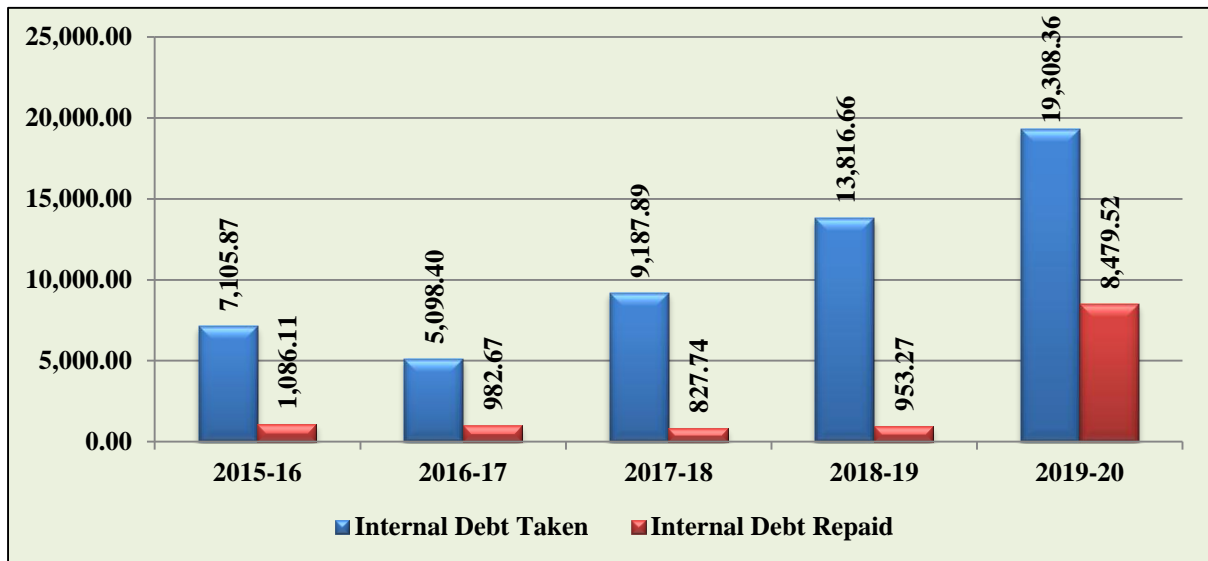
Source: Finance Accounts-2019-20

Internal debt, which is primarily market borrowings through issue of State Development Loans (SDLs), accounts for 77 per cent of the total outstanding debt.

**Chart 2.14** depicts Internal Debt taken by the State Government and repayment for the same period.

**Chart 2.14: Internal debt taken vis-a-vis repaid**

(₹ in crore)



Source: Finance Accounts of the respective years

During 2019-20, the outstanding debt to GSDP ratio stood at 23.91 *per cent* which is more than the target prescribed in the FRBM Act (21.23 *per cent*) as the State Government raised market borrowings of ₹11,680 crore.

## 2.6.2 Components of fiscal deficit and its financing pattern

Fiscal Deficit represents the total financing that the State requires (predominantly by drawing on its cash and investment balances with the RBI and by borrowing) to meet the excess of the Revenue and Capital Expenditure (including loans and advances) over Revenue and Non-debt Receipts. Financing pattern of fiscal deficit is reflected in **Table 2.28**.

**Table 2.28: Components of fiscal deficit and its financing pattern**

(₹ in crore)					
Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Composition of Fiscal Deficit</b>					
Revenue Deficit (-)/ Surplus(+)	2,366.65	5,520.65	3,417.32	683.76	(-)9,608.61
Net Capital Expenditure	(-)7,942.17	(-)9,468.14	(-)9,997.64	(-)8,898.19	(-)8,561.69
Net Loans and Advances	131.69	(-)99.78	(-)230.00	(-)77.80	200.75
Excluded expenditure under UDAY	870.12	0.00	0.00	0.00	0.00
<b>Total</b>	<b>(-)4,573.71</b>	<b>(-)4,047.27</b>	<b>(-)6,810.32</b>	<b>(-)82,92.23</b>	<b>(-)17,969.55</b>
<b>Financing pattern of Fiscal Deficit</b>					
Market borrowings	4,666.75	3,897.68	8,100.00	12,899.99	10,980.00
Loans from GOI	(-)18.79	211.57	292.41	360.82	63.66
Special securities issued to NSSF	389.09	(-)420.53	(-)431.13	(-)443.74	(-)455.88
Loans from financial institutions (NABARD)	525.92	638.58	691.28	407.14	304.72
Ways and Means advances from RBI	(-)383.80	0.00	0.00	0.00	0.00
Small Savings, PF etc.	514.3	426.96	640.61	754.51	785.26
Deposits and Advances	(-)69.54	550.68	120.95	(-)231.39	(-)524.14
Suspense and Miscellaneous	(-)1,823.27	(-)629.98	(-)1,611.16	(-)5,709.95	4,505.27
Remittances	11.94	49.14	70.92	(-)122.43	80.79
Others	389.93	639.8	(-)765.14	60.40	814.16
<b>Total</b>	<b>4,202.53</b>	<b>5,363.90</b>	<b>7,108.74</b>	<b>7,975.35</b>	<b>16,553.84</b>
Overall Surplus(+)/Deficit(-)	(-)371.18	1,316.63	298.42	(-)316.88	(-)1,415.71
<b>Total</b>	<b>4,573.71</b>	<b>4,047.27</b>	<b>6,810.32</b>	<b>8,292.23</b>	<b>17,969.55</b>

Source: Finance Accounts of respective years

During 2019-20, Market borrowing raised by the State Government continued to finance a major portion of fiscal deficit and its share in financing fiscal deficit was 61 *per cent*.

Receipts and Disbursements under different components financing the Fiscal Deficit are shown in **Table 2.29**:

**Table 2.29: Receipts and Disbursements under components financing the fiscal deficit**

(₹ in crore)

Particulars		Receipt	Disbursement	Net
1	Market Borrowings	11,680	700	10,980
2	Loans from GOI	279.17	215.51	63.66
3	Special Securities issued to NSSF	0.00	455.88	(-)455.88
4	Loans from Financial Institutions	969.68	664.96	304.72
5	Small Savings, PF, etc.	2013	1,227.74	785.26
6	Deposits and Advances	3,823.53	4,347.67	(-)524.14
7	Suspense and Miscellaneous	1,52,357.5	1,47,852.23	4,505.27
8	Remittances	9,010.7	8,929.91	80.79
9	Reserve Fund	7,007.85	6,198.61	809.24
10	Contingency fund	4.92	0.00	4.92
11	Overall Deficit	1,87,146.35	1,70,592.51	16,553.84
12	Increase/Decrease in cash balance	0.00	1415.71	(-)1,415.71
13	Gross Fiscal Deficit	1,87,146.35	1,69,176.8	17,969.55

Source: Finance Accounts

### 2.6.3 Debt Profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Table 2.30 and Chart 2.15 below shows the debt maturity profile of the State.

**Table 2.30: Maturity profile of repayment of State debt**

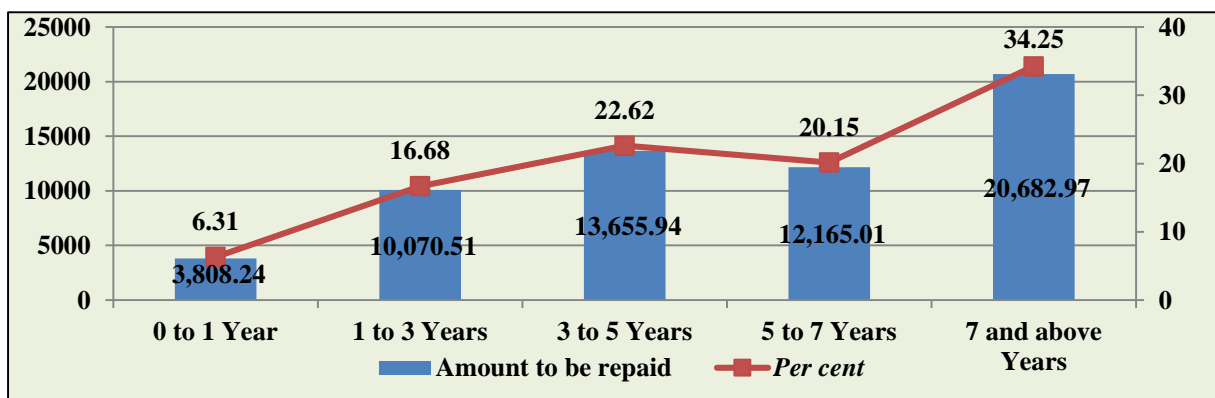
(₹ in crore)

Period of repayment (Years)	Amount	Percentage (w.r.t Public debt)
0 to 1	3,808.24	6.31
1 to 3	10,070.51	16.68
3 to 5	13,655.94	22.62
5 to 7	12,165.01	20.15
7 and above	20,682.97	34.25
<b>Total</b>	<b>60,382.67</b>	<b>100.00</b>

Source: Finance Accounts 2019-20

**Chart 2.15: Debt Maturity Profile**

(₹ in crore)



Source: Finance Accounts 2019-20

The maturity profile of the State debt as on 31 March 2020 indicates that the State has to pay more than 65.75 per cent of the debt within the next seven years. The liability of the State to repay the debt would be ₹13,655.94 crore (22.62 per cent) during the next three to five years i.e. 2022 to 2025.

## 2.7 Debt Sustainability Analysis (DSA)

Fiscal liabilities are considered sustainable if the State Government is able to service the stock of these liabilities over the foreseeable future and the debt-GSDP ratio does not grow to unmanageable proportions. During the years 2015-16 to 2019-20, debt-GSDP ratio and burden of interest payment continued to rise exceeding the target limit prescribed by the Finance Commission, as discussed below.

### 2.7.1 Fiscal Deficit and Debt Sustainability

In the context of fiscal sustainability, the Thirteenth Finance Commission defined debt sustainability in terms of debt-GDP ratio and also in terms of interest payments relative to revenue receipts. The XIV FC recommended fiscal consolidation for the Central and State Government and provided limits for fiscal deficit and debt stock as a percentage of GSDP.

Status of debt stock *vis-à-vis* XIVFC targets are given in **Table 2.31**

**Table 2.31: Debt sustainability – FRBM indicator based analysis**

Year	Fiscal Deficit to GSDP		Debt Stock to GSDP		Interest Payment to Revenue Receipts	
	<i>( in per cent )</i>					
	14 <sup>th</sup> FC targets	Achievement	14 <sup>th</sup> FC targets	Achievement	14 <sup>th</sup> FC targets	Achievement
2015-16	3.50	2.03	13.73	16.76	3.33	4.66
2016-17	3.50	1.61	15.50	17.64	3.76	5.00
2017-18	3.50	2.49	17.05	19.31	4.07	5.19
2018-19	3.50	2.73	18.40	21.95	4.30	5.61
2019-20	3.50	5.46	19.58	23.91	4.46	7.78

Source: Finance Accounts of the respective years and Fourteenth Finance Commission Report

The State Government was able to contain the fiscal deficit below the FC targets since 2015-16 to 2018-19. However, during 2019-20 it was significantly more than the target and the targets relating to the ratio of interest payment to revenue receipts (burden of interest payment) were not achieved. The debt-GSDP ratio was also not within the targets; besides it spiked from 16.60 per cent to 23.91 per cent during 2015-2020. Thus, the movement in interest payment and fiscal liabilities relative to GSDP does not seem to be on the path anticipated by the XIVFC for fiscal consolidation at the targeted level by the year 2019-20.

### 2.7.2 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. **Table 2.32** and **Chart 2.16** below shows the utilisation and trends of utilisation of borrowed funds.

**Table 2.32: Utilisation of borrowed funds**

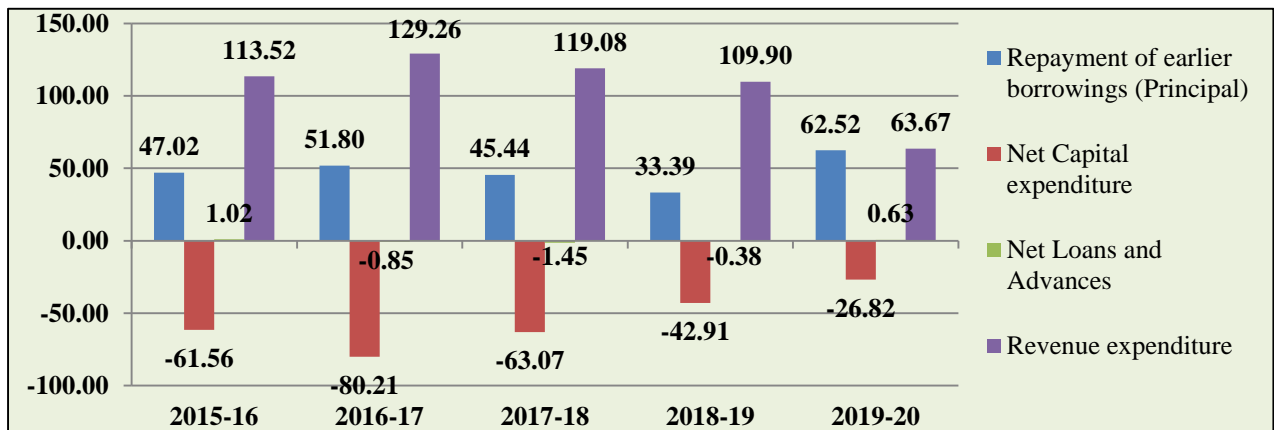
(₹ in crore)

Sl No	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1	Total Borrowings <sup>2</sup>	12,902.17	11,803.64	15,851.32	20,736.52	31,921.72
2	Repayment of earlier borrowings (Principal)	6,066.51	6,113.92	7,202.52	6,923.87	19,958.77
3	Balance available after borrowing repayments	6,835.66	5,689.72	8,648.80	13,812.65	11,962.95
4	Net Capital expenditure	(-7,942.17)	(-9,468.14)	(-9,997.64)	(-8,898.19)	(-8,561.69)
5	Net Loans and Advances	131.69	(-99.78)	(-230)	(-77.8)	200.75
6	Portion of Revenue expenditure met out of net available borrowings	NIL	NIL	NIL	NIL	3,602.01
7	Cash Balances	NIL	NIL	NIL	4,836.66	NIL

Source: Finance Accounts of the respective years

**Chart 2.16: Trends of Utilisation of borrowed funds**

(in per cent)



Source: Finance Accounts of the respective years

### 2.7.3 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

As per Chhattisgarh State Government Guarantees Rules, 2003 framed by legislature under Article 293 of the Constitution, the total outstanding guarantees in a financial year shall not exceed seventy *per cent* of the State Revenue Receipts in the preceding year as reflected in the books of the Accountant General. The maximum amount for which guarantee were given by the State Government and outstanding guarantees at the end of the financial year for the last five years are given in **Table 2.33**.

<sup>2</sup> Total Borrowing including Other liabilities

**Table 2.33: Guarantees given by the Government of Chhattisgarh**

(₹ in crore)

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Ceiling applicable to the outstanding amount of guarantees	14,883.41	12,641.13	6,549.89	19,573.79	27,994.79
Outstanding amount of guarantees	1,988.24	3,982.97	3,881.92	10,769.42	18,459.36

Source: Finance Accounts of the respective years

As of 31 March 2019, State Government guaranteed the loans of various entities amounting to ₹11,558.91 crore. During the year 2019-20, it guaranteed a further amount of ₹8,372.40 crore. An amount of ₹1,471.95 crore was repaid during the year, leaving the outstanding guarantees at the end of March 2020 at ₹18,459.36 crore. The outstanding amount of guarantees were about 28.90 per cent of the total revenue receipts (₹63,868.70 crore) of the State. During the year 2019-20, against the guarantee fees receivable of ₹80.21 crore, ₹34.71 crore was received, primarily due to short receipt from guarantees given to Chhattisgarh State Marketing Federation, Raipur (₹44 crore) and Atal Nagar Vikas Pradhikaran (₹1.50 crore).

#### 2.7.4 Management of Cash Balances

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'.

It is not desirable that State Government takes recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use.

Table 2.34 depicts the cash balances and the investments made out of these by the State Government during the year.

**Table 2.34: Status of Cash Balances**

(₹ in crore)

	Opening balance as on 01 April 2019	Closing balance as on 31 March 2020
<b>A. General Cash Balances</b>		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank	320.72	(-)1,094.99
Deposits with other Banks	0.00	0.00
Remittances in transit	0.00	0.00
<b>Total</b>	<b>320.72</b>	<b>(-)1,094.99</b>
Investment held in 'Cash Balance Investment Account'	9,759.02	5,246.81
<b>Total A</b>	<b>10,079.74</b>	<b>4,151.82</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with the Departmental Officers viz. Forest, Public Works Departments, Military Secretary to the Governor	12.49	12.17
Permanent advances for contingent expenditure with Departmental Officers	0.33	0.34
Investment of Earmarked Funds	2,185.32	7,232.27
<b>Total B</b>	<b>2,198.14</b>	<b>7,244.78</b>
<b>Total A and B</b>	<b>12,277.88</b>	<b>11,396.60</b>
<b>Interest realised</b>	144.33	196.10

Source: Finance Accounts of 2019-20

Cash Balances of the State Government at the end of the current year decreased by ₹881.28 crore from ₹12,277.88 crore in 2018-19 to ₹11,396.60 crore in 2019-20. Under an agreement with the Reserve Bank of India (RBI) the Government of Chhattisgarh has to maintain the required minimum cash balance of ₹0.72 crore with the RBI. If the balance falls below the agreed minimum balance on any day, the shortfall is made good by taking Ordinary and Special Ways and Means Advance or Ordinary Ways and Means Advance. While the State Government has not availed of any Ways and Means Advances during 2019-20, it availed of Special Drawing facility of ₹6,658.68 crore from RBI and paid an interest of ₹7.33 crore in this regard during 2019-20.

The cash balance investments of the State during the five-year period 2015-16 to 2019-20 are given below in the **Table 2.35**:

**Table 2.35: Cash Balance Investment Account (Major Head-8673)**

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase(+)/ decrease(-)	Interest earned	Market Loan availed
2015-16	(-)1.26	1,856.17	1,857.43	52.96	4,850.00
2016-17	1,856.17	2,512.00	655.83	126.78	4,200.00
2017-18	2,512.00	4,070.85	1,558.85	140.20	8,100.00
2018-19	4,070.85	9,759.02	5,688.17	144.33	12,899.99
2019-20	9,759.02	5,246.81	(-)4,512.21	196.10	11,680.00

Source: Finance Accounts of respective years

The position of closing cash balance during last five years indicates a growing trend from ₹2,833.72 crore (as of March 2016) to ₹12,277.88 crore (as of March 2019) although it decreased by ₹881.28 crore over the previous year. The surplus cash balance was invested in Government of India treasury bills.

The surplus cash balance held in investment account was ₹5,246.81 crore while State Government raised market loan of ₹11,680 crore during 2019-20. The State Government had a surplus cash balance mainly due to raising of Market loans under public debt. During March 2020 the State Government availed Market Loan of ₹5,680 crore of which ₹2,680 crore was availed on 31 March 2020. The buildup of large cash balances increases the interest cost burden for the State Government. The State Government could have lowered its borrowings and burden of interest by utilizing surplus cash balance available with it.

Further, the interest realized on cash balance investment was at an average rate of 2.61 per cent whereas the State Government was paying at an average interest rate of 6.83 per cent on Government borrowings.

## **2.8 Conclusion**

*The State Government registered a nominal decrease of 1.88 per cent in its Revenue Receipts during 2019-20 compared to the previous year. The Own tax revenue and non-tax revenue increased by 3.22 and 3.00 per cent respectively and could not achieve the level anticipated in budgetary projections. The State continued to be dependent on Government of India with 53 per cent of the revenue coming from State Share of Union Taxes and Duties and Grants-in-aid. The Revenue expenditure increased by 14.08 per cent during 2019-20 compared to the previous year, whereas the Capital Expenditure decreased by 3.79 per cent during the same period.*

*Debt repayment increased significantly in 2019-20 as compared to 2018-19 and total debt receipts also increased by ₹5,217.43 crore (36.31 per cent) when compared to 2018-19. The total outstanding debt of the State Government at the end of 2019-20 was ₹78,712 crore. 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 in the long run and would impact creation of assets.*

## **2.9 Recommendations**

- i.** State Government should explore various measures to mobilise additional resources to improve its fiscal parameters in line with the targets specified by the Finance Commission and its own FRBM projections.
- ii.** Capital expenditure needs to be enhanced and borrowed funds should be utilised to create assets to stimulate growth. Government should review and analyse the reasons for delays in completion of capital projects and initiate expeditious measures to enable the departments involved, to overcome the hurdles in this regard.
- iii.** It is imperative that the State Government undertake a rigorous exercise to arrive at its liability for NPS including short contribution and interest on the funds yet to be transferred to NSDL.