

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

Introduction

This chapter provides an audit perspective on finances of the State Government during 2018-19 and analyses changes in major fiscal aggregates relative to 2017-18 keeping in view overall trends during the preceding five years.

The analysis is based on details contained in the Finance Accounts of the Government of Chhattisgarh (GoCG). The profile of the State is given in *Appendix 1.1 (Part-A)*.

1.1 Gross State Domestic Product (GSDP)¹

The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices and constant prices (Base year 2011-12) are given in **Table 1.1**.

Table 1.1: GDP of India and GSDP of the State

Year	2014-15	2015-16	2016-17	2017-18	2018-19
India's GDP at current prices (₹ in crore)	1,24,67,959	1,37,71,874	1,53,62,386	1,70,95,005	1,90,10,164
Growth rate of India's GDP at current prices (in per cent)	10.99	10.46	11.55	11.28	11.20
State's GSDP at current prices (₹ in crore)	2,21,118	2,27,383	2,54,722	2,84,194	3,11,660
Growth rate of GSDP at current prices (in per cent)	6.91	2.83	12.02	11.57	9.66
State's GSDP at constant prices (₹ in crore)	1,85,813	1,91,020	2,07,326	2,18,539	2,31,820
Growth rate of GSDP at constant prices (in per cent)	1.77	2.80	8.54	5.41	6.08

(Source: Website of the Ministry of Statistics and Programme Implementation, Government of India.)

The structure of Government accounts is explained in **Part B** and the layout of the Finance Accounts is depicted in **Part C** of *Appendix 1.1*.

1.1.1 Summary of fiscal transaction in 2018-19

The methodology adopted for assessment of the fiscal position of the State is given in *Appendix 1.2*.

Tables 1.2 and 1.3 present a summary of the State Government's fiscal transactions during 2014-19. *Appendix 1.3 (Part A and B)* provides an abstract of receipts and disbursements as well as the overall fiscal position during 2018-19 and the previous years.

¹ GDP and GSDP are the market value of all officially recognised final goods and services produced within the country and the State respectively in a given period and are important indicators of the National and State economy.

Table 1.2: Summary of Receipts

(₹ in crore)

Section-A-Revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Variation (per cent) during 2018-19 over 2017-18
Revenue Receipts	37,988.01	46,067.71	53,685.25	59,647.07	65,094.93	9.13
Own Tax Revenue	15,707.26	17,074.86	18,945.21	19,894.68	21,427.26	7.70
Non-Tax Revenue	4,929.91	5,214.79	5,669.25	6,340.42	7,703.02	21.49
State's own Receipts	20,637.17	22,289.65	24,614.46	26,235.10	29,130.28	11.04
Share of Union Taxes/Duties	8,363.03	15,716.67	18,809.16	20,754.81	23,458.69	13.03
Grants from GoI	8,987.81	8,061.59	10,261.63	12,657.16	12,505.96	(-) 1.19
Section-B- Capital and Others						
Miscellaneous Capital Receipts	3.03	2.84	2.37	3.32	5.26	58.43
Recoveries of Loans and Advances	194.86	296.39	172.99	138.59	162.32	17.12
Inter-State Settlement	0.91	0.52	0.38	1.24	0.57	(-) 54.03
Public Debt Receipts	6,439.67	7,251.15	5,479.93	9,652.44	14,370.10	48.88
Contingency Fund	0.00	0.00	60.00	0.00	0.00	0.00
Public Account Receipts	51,321.89	55,059.09	62,693.95	72,057.56	76,902.76	6.72
Opening Cash Balance	2,735.29	1,218.38	2,833.72	4,658.85	6,804.91	46.06
Total	98,683.66	1,09,896.08	1,24,928.59	1,46,159.07	1,63,340.85	11.76

(Source: Finance Accounts of the respective years)

In 2018-19, the share of Union Taxes/Duties (13.03 per cent) grew at a faster pace as compared to the growth of the State's own receipts (11.04 per cent). The public debt receipts kept increasing though at a lesser rate of 48.88 per cent compared to 76.14 per cent increase in 2017-18.

Table 1.3: Summary of Expenditure

(₹ in crore)

Section-A- Revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Variation (per cent) during 2018-19 over 2017-18
Revenue Expenditure	39,561.29	43,701.06	48,164.60	56,229.75	64,411.17	14.55
General Services	9,041.58	10,408.76	11,496.23	12,870.41	15,280.28	18.72
Social Services	15,388.85	16,339.35	21,341.61	24,371.59	23,454.94	(-) 3.76
Economic Services	14,152.22	16,052.54	14,176.21	17,623.09	24,780.79	40.62
Grants-in-Aid Contribution	978.64	900.41	1,150.55	1,364.66	895.16	(-) 34.40
Section-B- Capital and Others						
Capital Expenditure	6,544.25	7,945.01	9,470.51	10,000.96	8,903.45	(-) 10.97
Loans and Advances Disbursed	88.32	164.73	272.71	368.76	240.44	(-) 34.80
Inter-State Settlement	1.22	0.49	0.44	1.07	0.25	(-) 76.64
Repayment of Public Debt	1,336.73	1,250.18	1,152.63	999.88	1,145.89	14.60
Appropriation to Contingency Fund	0.00	0.00	60.00	0.00	0.00	0.00
Contingency Fund	0.00	0.00	0.00	0.00	4.92	100.00
Public Account Disbursements	49,933.47	54,000.89	61,148.85	71,753.74	76,356.85	6.42
Closing Cash Balance	1,218.38	2,833.72	4,658.85	6,804.91	12,277.88	80.43
Total	98,683.66	1,09,896.08	1,24,928.59	1,46,159.07	1,63,340.85	11.76

(Source: Finance Accounts of the respective years)

- Revenue expenditure under General Services increased by 18.72 *per cent* over the previous year mainly due to increase under Pension and Other Retirement Benefits (₹ 1,504 crore), Police (₹ 475.54 crore) and Elections (₹ 144.45 crore).
- Grants-in-Aid and Contribution under revenue expenditure decreased by 34.40 *per cent* over the previous year mainly due to decrease under Assistance to Urban Local Bodies.

The trends in revenue receipts (RR)/revenue expenditure (RE) and capital expenditure (CE) relative to GSDP are presented in **Table 1.4:**

Table 1.4: Revenue receipts (RR)/revenue expenditure (RE)/ capital expenditure (CE) relative to GSDP

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19	Average
Revenue receipts relative to GSDP						
RR at current prices (₹ in crore)	37,988	46,068	53,685	59,647	65,095	
Rate of growth of RR at current prices (<i>per cent</i>)	18.53	21.27	16.53	11.11	9.13	15.31
RR at constant prices (₹ in crore)	31,923	38,701	43,696	45,867	48,419	
Rate of growth of RR at constant prices (<i>per cent</i>)	12.83	21.23	12.91	4.97	5.56	11.50
RR/GSDP at constant as well as current price (<i>per cent</i>)	17.18	20.26	21.08	20.99	20.89	20.08
Revenue expenditure relative to GSDP						
RE at current prices (₹ in crore)	39,561	43,701	48,165	56,230	64,411	
Rate of growth of RE at current prices (<i>per cent</i>)	20.40	10.46	10.21	16.74	14.55	14.47
RE at constant prices (₹ in crore)	33,245	36,712	39,203	43,240	47,911	
Rate of growth of RE at constant prices (<i>per cent</i>)	14.61	10.42	6.79	10.30	10.80	10.58
RE/GSDP at constant as well as current price (<i>per cent</i>)	17.89	19.22	18.91	19.79	20.67	19.29
Capital expenditure relative to GSDP						
CE at current prices (₹ in crore)	6,544	7,945	9,471	10,001	8,903	
Rate of growth of CE at current prices (<i>per cent</i>)	43.07	21.41	19.21	5.60	(-)10.98	15.66
CE at constant prices (₹ in crore)	5,499	6,674	7,709	7,691	6,623	
Rate of growth of CE at constant prices (<i>per cent</i>)	36.18	21.38	15.51	(-) 0.23	(-)13.89	11.79
CE/GSDP at constant as well as current price (<i>per cent</i>)	2.96	3.49	3.72	3.52	2.86	3.31

As evident from the above table, RR and RE have been increasing from 2014-15 to 2018-19 but CE has decreased during 2018-19. However, RR and CE as a percentage of GSDP have decreased marginally during 2018-19 as compared to 2017-18, whereas RE has increased even after adjusting for inflation during the same period.

Revenue expenditure increased from ₹ 56,230 crore in 2017-18 to ₹ 64,411 crore in 2018-19 (₹ 8,181 crore), mainly due to increase in Crop Husbandry (₹ 5,588 crore), Co-operation (₹ 2,960 crore), and Pensions and Other Retirement Benefits (₹ 1,504 crore).

Capital expenditure decreased from ₹ 10,001 crore in 2017-18 to ₹ 8,903 crore in 2018-19 (₹ 1,098 crore). The decrease was mainly due to reduction of CE in Urban Development (₹ 357 crore) and Medical and Public Health (₹ 187 crore).

1.1.2 Review of fiscal position

Table 1.5 depicts the performance of the State during 2018-19 under major variables provided in the budget, based on recommendations of the Fourteenth Finance Commission (14th FC) and targeted in the Mid-Term Fiscal Policy (MTFP) statement placed in the legislature under the Fiscal Responsibility and Budget Management (FRBM) Act.

Table 1.5: Major fiscal variables for 2018-19

Fiscal variables	2018-19			
	14 th FC Targets	Targets prescribed in MTFP (2018-19) under FRBM Act	Targets as per Budget	Actuals
Revenue Deficit (-) / Surplus (+)	Revenue surplus	Revenue surplus	Surplus of ₹ 4,445.35 crore	Surplus of ₹ 683.76 crore (0.22 per cent of GSDP at current prices)
Fiscal Deficit	To maintain fiscal deficit of maximum 3.50 per cent of GSDP	To maintain fiscal deficit of maximum 3.50 per cent of GSDP	₹ 9,997.27 crore	₹ 8,292.23 crore (2.66 per cent of GSDP at current prices)
Ratio of total outstanding debt to GSDP (in per cent)	18.40	18.06	18.68	21.42

The fiscal deficit (₹ 8,292.23 crore) was less than the budget estimates (BE) (₹ 9,997.27 crore) mainly due to decrease in capital expenditure (₹ 5,551 crore) and revenue surplus (₹ 3,762 crore) against the budget estimates. As such, on these two parameters, viz., revenue surplus and fiscal deficit as percentage of GSDP, the State was FRBM compliant.

The ratio of total outstanding debt to GSDP (21.42 per cent) was higher than the prescribed target of 14th FC (18.40 per cent), as the State Government has raised borrowing from market loan (Chhattisgarh State Development Loan) of ₹ 12,900 crore during 2018-19.

1.1.2.1 Composition of fiscal deficit and its financing pattern

Fiscal deficit represents the total financing 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 capital receipts. The financing pattern of the fiscal deficit is reflected in **Table 1.6**.

Table 1.6: Components of fiscal deficit and its financing pattern

Particulars	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Composition of Fiscal Deficit					
Revenue Deficit (-)/Surplus (+)	(-)1,573.28	2,366.65	5,520.65	3,417.32	683.76
Net Capital Expenditure ²	(-)6,541.22	(-)7,942.17	(-)9,468.14	(-)9,997.64	(-)8,898.19
Net Loans and Advances ³	106.23	131.69	(-)99.78	(-)230.00	(-)77.80
Expenditure under UDAY	0.00	870.12	0.00	0.00	0.00
Total	(-)8,008.27	(-)4,573.71	(-)4,047.27	(-)6,810.32	(-)8,292.23

² Net Capital Expenditure = Capital Receipt *minus* Capital Expenditure; minus figure indicate that the capital expenditure was more than the capital receipt during the year.

³ Net Loans and advances = Recoveries of Loans and Advances *minus* disbursement of loans and advances; minus figure indicate that disbursement of loans and advances was more than the recovery during the year.

Financing pattern of Fiscal Deficit*					
Market borrowings	3,807.65	4,666.75	3,897.68	8,100.00	12,899.99
Loans from GOI	(-148.49)	(-18.79)	211.57	292.41	360.82
Special securities issued to NSSF	414.18	389.09	(-) 420.53	(-) 431.13	(-)443.74
Loans from financial institutions (NABARD)	645.80	525.92	638.58	691.28	407.14
Ways and Means advances from RBI	383.80	(-)383.80	0.00	0.00	0.00
Small Savings, PF etc.	443.83	514.3	426.96	640.61	754.51
Deposits and Advances	466.62	(-)69.54	550.68	120.95	(-)231.39
Suspense and Miscellaneous	1,449.74	(-)1,823.27	(-) 629.98	(-) 1,611.16	(-)5,709.95
Remittances	193.52	11.94	49.14	70.92	(-)122.43
Others ⁴	264.02	389.93	639.8	(-) 765.14	60.40
Total	7,920.67	4,202.53	5,363.90	7,108.74	7,975.35
Overall Surplus (+)/Deficit (-)	(-) 87.60	(-)371.18	1,316.63	298.42	(-) 316.88
Total	8,008.27	4,573.71	4,047.27	6,810.32	8,292.23

* All figures are net of disbursement/outflows during the year
(Source: Finance Accounts of the respective years)

1.1.2.2 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit⁵ and capital expenditure (including loans and advances) indicate the quality of deficit in the State's finances. The bifurcation of the primary deficit (Table 1.7) indicates the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the Government.

Table 1.7: Components of Primary deficit/surplus in the State

(₹ in crore)								
Year	Non-debt receipts	Primary revenue expenditure ⁶	Capital expenditure	Loans and advances disbursed	Primary expenditure ⁷	Primary revenue deficit (-)/surplus (+)	Primary deficit (-) / surplus (+)	Ratio of Primary deficit to GSDP (in per cent)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)	9
2014-15	38,187	37,835	6,544	88	44,467	352	(-) 6,281	2.84
2015-16	46,367	41,552	7,075*	165	49,662	4,815	(-) 2,425	1.07
2016-17	53,861	45,478	9,471	273	55,222	8,383	(-)1,361	0.53
2017-18	59,790	53,131	10,001	370	63,502	6,659	(-)3,712	1.31
2018-19	65,263	60,759	8,903	241	69,903	4,504	(-)4,640	1.49

(Source: Finance Accounts of the respective years)

* Excludes expenditure of ₹ 870.12 crore under UDAY.

The primary deficit of the Government of Chhattisgarh ranged between ₹ 1,361 crore and ₹ 6,281 crore during 2014-19. During 2018-19, non-debt receipts increased by ₹ 5,473 crore (9.15 per cent) from ₹ 59,790 crore in 2017-18 to ₹ 65,263 crore in 2018-19, whereas primary expenditure increased by ₹ 6,401 crore (10.08 per cent) from ₹ 63,502 crore in 2017-18 to ₹ 69,903

⁴ Includes Contingency Fund and Reserve Funds.

⁵ Primary revenue deficit is defined as the gap between non-interest revenue expenditure of the State and its non-debt receipts. This indicates the extent to which the non-debt receipts of the State are sufficient to meet the primary expenditure incurred under revenue account.

⁶ Revenue expenditure minus interest payments is called Primary Revenue Expenditure.

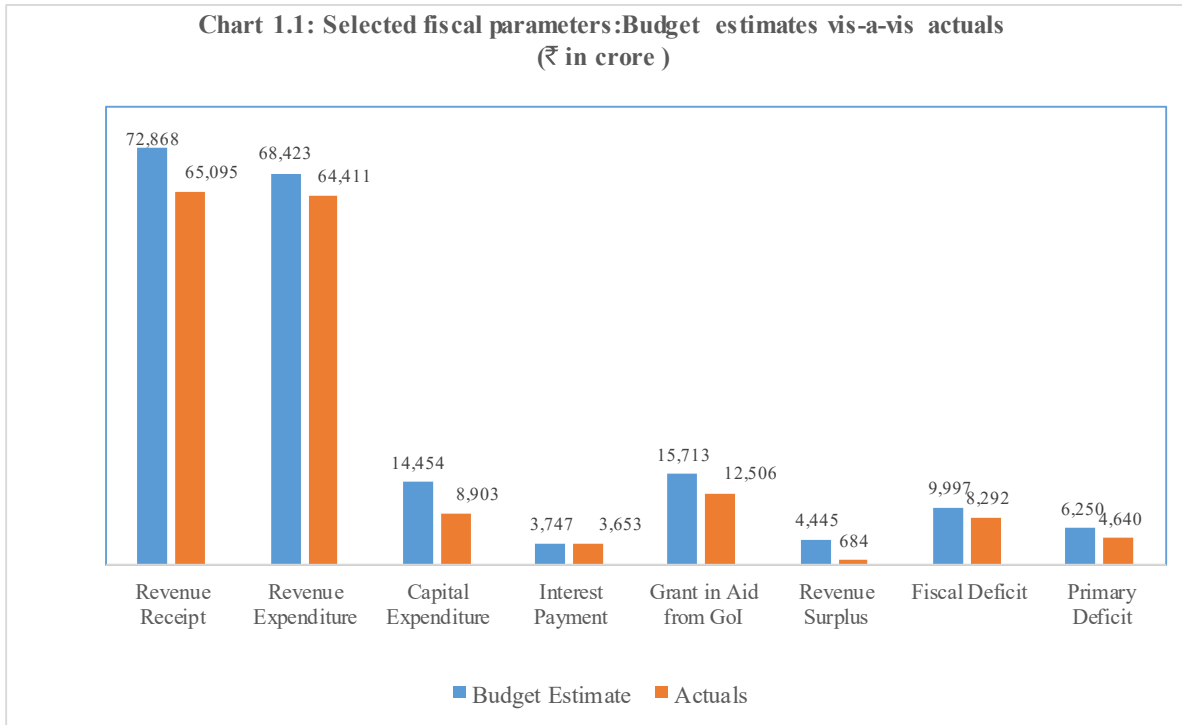
⁷ Primary expenditure includes revenue, capital and loans and advances but not interest payments.

crore in 2018-19 (14.36 per cent) resulting in an increase in primary deficit by ₹ 928 crore from ₹ 3,712 crore in 2017-18 to ₹ 4,640 crore in 2018-19. Thus, the primary deficit indicates that non-debt receipts are not sufficient to meet the primary expenditure of the State Government.

1.1.3 Budget estimates and actuals

Shortfalls of actual receipts and expenditure against budget estimates, either due to unanticipated and unforeseen events or under/over estimation of expenditure or revenue at the stage of budget preparation, adversely impact the desired fiscal objectives.

Actual *vis-à-vis* budget estimates of selected fiscal parameters for 2018-19 are shown in **Chart 1.1** and **Appendix 1.4**.



(Source: Finance Accounts of the State Government 2018-19 and Budget Estimate 2018-19 of the State)

During 2018-19, shortfall in revenue receipts (₹ 7,773 crore) vis-à-vis budget estimates were due to shortfall in own tax revenue (₹ 4,603 crore) and grants-in-aid from GoI (₹ 3,207 crore). Further, the State Government could achieve revenue surplus (₹ 684 crore) due to significantly lower revenue expenditure (₹ 4,011 crore) in comparison to budget estimates, mainly under General Services (₹ 1,340 crore) and Social Services (₹ 4,653 crore). Consequently, the State achieved the target of fiscal deficit. Further, the lower capital expenditure (₹ 5,551 crore) was mainly under Social Services (₹ 2,137 crore) and Economic Services (₹ 3,135 crore). The nature of expenditure is discussed in **Para 1.7**.

Recommendation: The Finance Department should rationalise the budget preparation exercise, so that the persisting gaps between the budget estimates and actuals are bridged.

1.1.4 Gender Budgeting

The gender budget of the State is part of the overall budget and is designed to benefit women. As per the gender budget document, schemes relating to women were bifurcated into two categories- (1) Schemes in which 100 *per cent* budget provisions related to women, and (2) Schemes in which at least 30 *per cent* of budget provision related to women.

During scrutiny of records it was noticed that based on the Finance Ministry proposal (Budget speech 2006-07), the State had created the gender budget cell (June 2012). The gender budget cell was entrusted with implementing the gender budget by coordinating between various departments and the Department of Women and Child Development and was entrusted with monitoring the impact analysis. However, the Department did not provide any information regarding the functioning of the gender budget cell.

Further it was noticed that the State Government made budget provisions of ₹ 5,266.46 crore (original budget of ₹ 3,887.31 crore and supplementary budget of ₹ 1,379.15 crore) for 25 schemes which are 100 *per cent* women centric (*Appendix 1.5*) during 2018-19. Out of total budget of ₹ 5,266.46 crore, expenditure of ₹ 3,256.82 crore (61.84 *per cent*) only was incurred and ₹ 2,010.62 crore (38.16 *per cent*) was either surrendered or re-appropriated. Expenditure of ₹ 0.98 crore (0.02 *per cent*) was incurred in excess of available budget after surrender.

The budget provision of ₹ 11,002.18 crore for 104 schemes in which a part of the budget (minimum 30 *per cent*) was to be spent on women-centric works, was made without distinct sub-heads or object heads. Thus, the actual amount spent on women under these schemes could not be verified in audit.

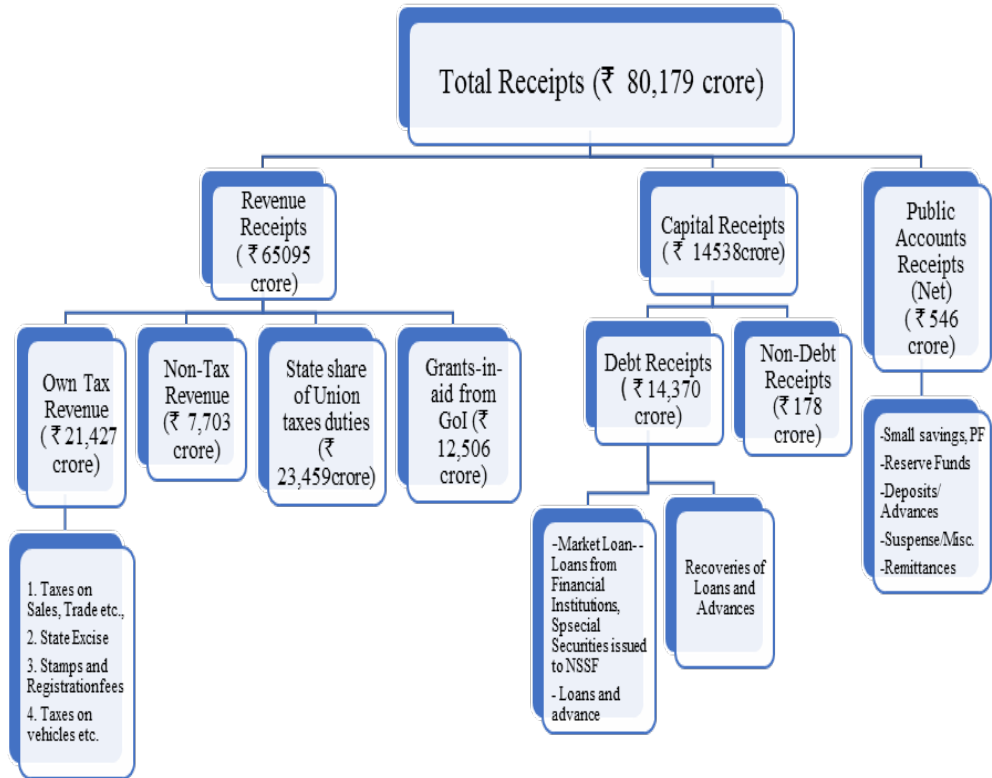
Recommendation: *The Finance Department should review the functioning of the Gender Budget Cell and the gender budget schemes periodically, so that provisions for women-centric works are fully utilised and also open distinct sub-heads or object heads to ascertain actual expenditure.*

1.2 Resources of the State

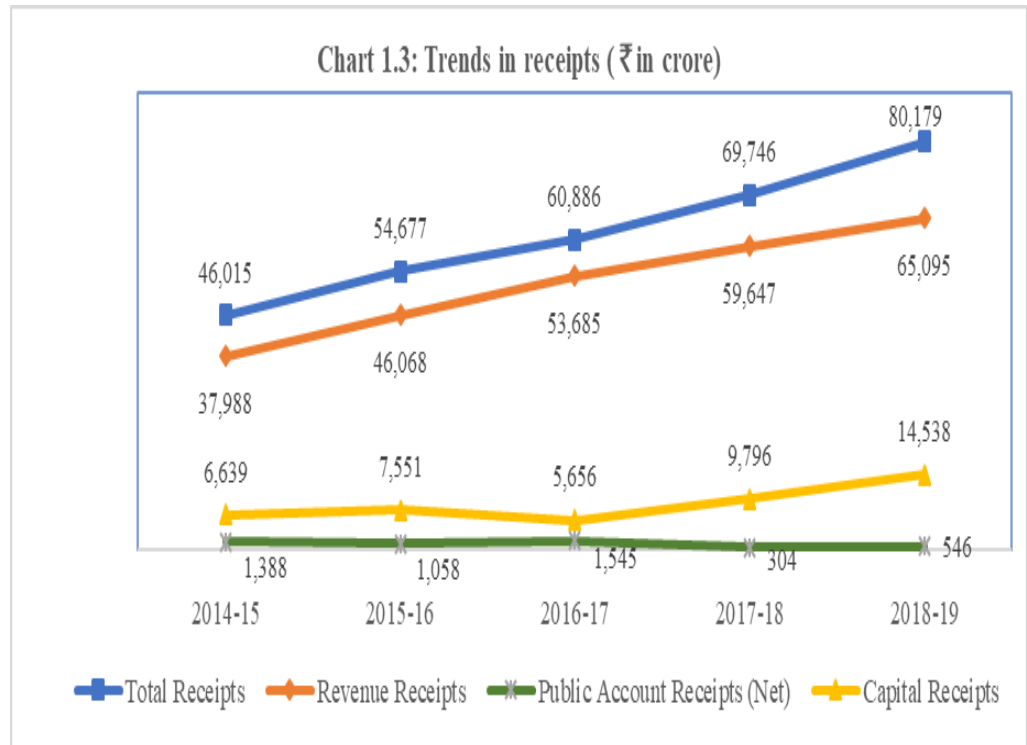
1.2.1 Resources of the State as per Annual Finance Accounts

Chart 1.2, 1.3 and 1.4 present different perspectives of the financial resources of the State as depicted in the Finance Accounts.

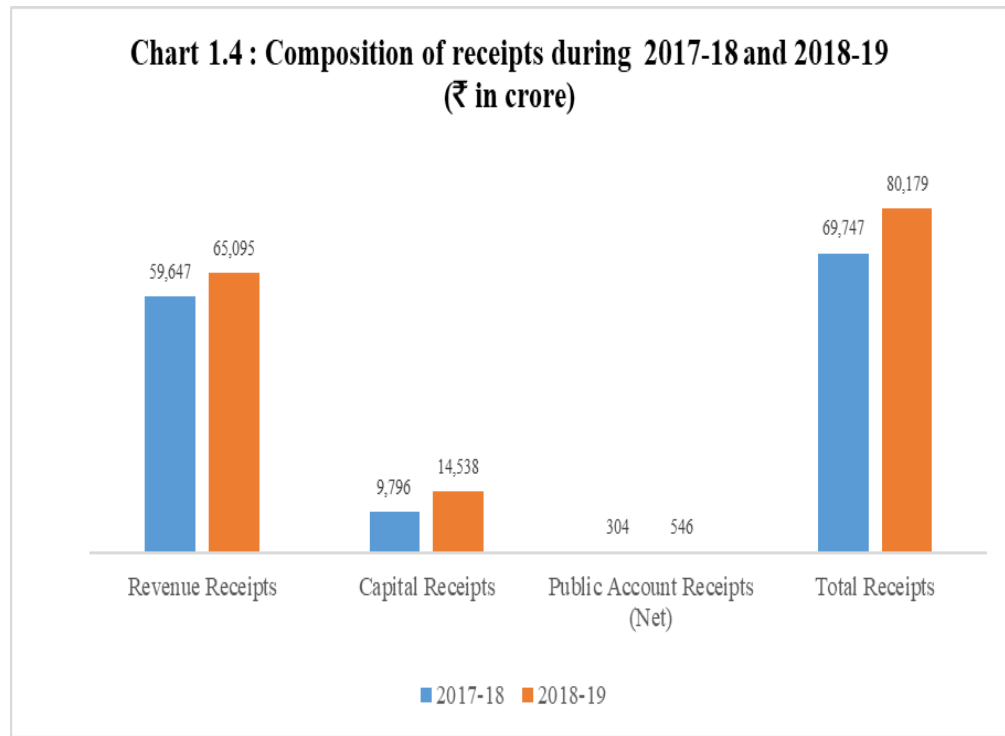
Chart 1.2: Composition and sub-components of resources



(Source: Finance Accounts of the State Government 2018-19)



(Source: Finance Accounts of the State Government 2018-19)



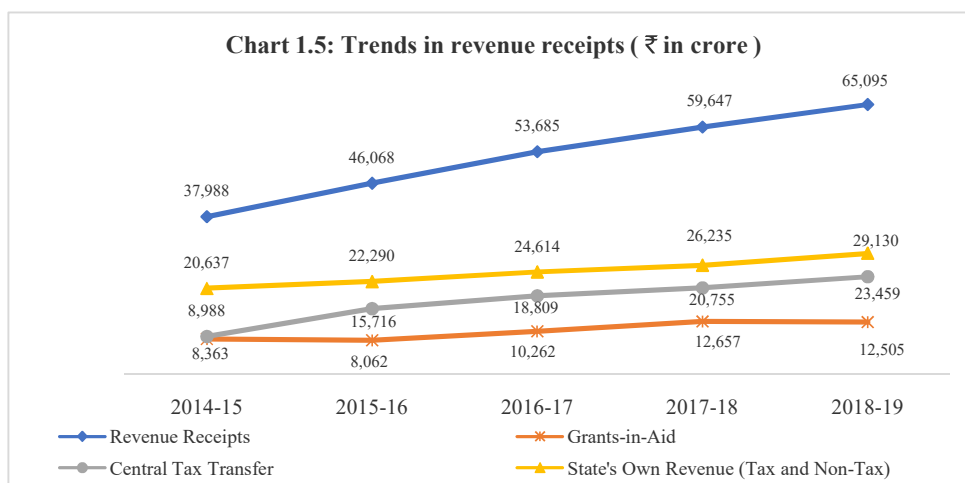
(Source: Finance Accounts of the State Government 2018-19)

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

With effect from 1 April 2014, GoI decided to release all assistance pertaining to Centrally Sponsored Schemes/Additional Central Assistance through the State Government. However, during 2018-19, GoI released ₹ 6,381.79 crore directly to the State implementing agencies as against ₹ 6,490.81 crore in 2017-18, a decrease in direct transfer of funds of ₹ 109.02 crore (1.68 per cent) over the previous year. The funds were transferred mainly to those agencies which implement schemes i.e. Food Subsidy for decentralised procurement of Food Grains under National Food Security Mission, Mahatma Gandhi National Rural Employment Guarantee Programme, Solar Power-off Grid, Member of Parliament Local Area Development Scheme etc. Since these funds were not routed through the State Budget/State treasury system, expenditure thereon was not included in the Finance Accounts of the State.

1.3 Revenue receipts

The trend and composition of revenue receipts during 2014-19 are presented in *Appendix 1.6* and in **Chart 1.5**.



(Source: Finance Accounts of the respective years)

The increase in revenue receipts (₹ 5,448 crore; 9.13 per cent) during 2018-19 was mainly due to more receipts in tax revenue (₹ 1,533 crore), non-tax revenue (₹ 1,363 crore) and share of Union taxes (₹ 2,704 crore).

The trend of State's own tax revenue receipts relative to GSDP and revenue receipts is presented in **Table 1.8**.

Table 1.8: Trends in State's own tax revenue receipts relative to GSDP and Revenue Receipt

	2014-15	2015-16	2016-17	2017-18	2018-19
State's own tax (₹ in crore)	15,707	17,075	18,945	19,895	21,427
State's own tax / GSDP (in per cent)	7.10	7.51	7.44	7.00	6.88
State's own tax / Revenue receipts (in per cent)	41.35	37.07	35.39	33.35	32.92

While the State's own tax revenue receipts increased in real terms from ₹ 15,707 crore in 2014-15 to ₹ 21,427 crore in 2018-19, the proportion of State's own tax with respect to GSDP decreased to 6.88 per cent in 2018-19 from 7.00 per cent in 2017-18.

1.3.1 State's own resources

Details of the State's actual own tax and non-tax revenues for 2018-19 in comparison to the 14th Finance Commission assessment and budget estimates are given in **Table 1.9**.

Table 1.9: Tax revenues and non-tax revenues

	14 th FC projections	Budget estimates	MTFP/FRBM projections	Actuals
Own Tax Revenues	31,862	26,030	26,030	21,427
Non-Tax Revenues	6,116	8,170	8,170	7,703

(Source: Finance Accounts 2018-19, FRBM documents, Budget books and 14thFC report).

1.3.1.1 Tax revenues

Details of tax revenue during 2014-19 are given in **Table 1.10**.

Table 1.10: Components of tax revenue

Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19	Variation (<i>per cent</i>) during 2018-19 over 2017-18
Taxes on sales, trades etc.	8,429	8,908	9,927	6,450	4,088	(-)36.62
State Goods and Service Tax ⁸	-	-	-	4,387	8,203	86.99
State Excise	2,892	3,338	3,444	4,054	4,489	10.73
Taxes on vehicles	703	829	985	1,180	1,205	2.11
Stamps and Registration fees	1,023	1,185	1,211	1,197	1,108	(-) 7.40
Land Revenue	332	364	504	446	488	9.32
Taxes on Goods and Passengers	982	1,040	1,340	478	55	(-) 88.60
Taxes and duties on electricity	1313	1373	1495	1689	1790	5.98
Other taxes ⁹	33	38	39	14	2	(-) 85.00
Total	15,707	17,075	18,945	19,895	21,427	7.70
Growth Rate (in <i>per cent</i>)	9.51	8.71	10.95	5.01	7.70	

(Source: Finance Accounts of the respective years)

- The overall growth of 7.70 *per cent* in own-tax revenue during 2018-19 was mainly due to increase in State Excise (by ₹ 435 crore), Land revenue (by ₹ 42 crore) and Taxes and Duties on Electricity (by ₹ 101 crore).
- The tax revenue on State Excise grew by 10.73 *per cent* over the previous year and during 2018-19 an increase of ₹ 435.03 crore was noticed. The reason for growth was increase in countervailing duty (CVD) and taking over of retail sale of liquor by the Chhattisgarh Beverages Corporation Ltd.
- Increase in receipt (₹ 101 crore) under Taxes and Duties on Electricity was due to collection of arrears from the consumers.
- Taxes on Sales, Trade etc. and taxes on Goods and Passengers decreased by ₹ 2,362 crore and by ₹ 423 crore respectively during 2018-19 in comparison to the previous year, as the taxes were subsumed in Goods and Services Tax (GST) which was implemented from 1 July 2017. State GST (SGST) collection during the year in comparison to previous year increased by ₹ 3,816 crore.

1.3.1.2 Non-tax revenues

Details of receipts from non-tax revenues (NTR) during 2014-19 are given in **Table 1.11**.

⁸ SGST started after introduction of GST in July 2017,

⁹ Other taxes- hotel receipts, taxes on income and expenditure and taxes and duties on services and commodities.

Table 1.11: Components of Non-Tax Revenue

(₹ in crore)

Revenue head	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage increase/ decrease during 2018-19 with respect to 2017-18
Non-ferrous Mining and Metallurgical Industries	3,572.68	3,709.52	4,141.47	4,911.44	6,110.24	24.41
Major Irrigation	410.95	502.17	437.35	461.23	521.81	13.13
Forestry and Wild Life	348.72	409.75	405.15	291.17	236.73	(-) 18.70
Interest receipts	171.89	108.23	157.24	180.44	189.55	5.05
Other non-tax receipts ¹⁰	425.67	485.12	528.04	496.14	644.69	29.94
Total	4,929.91	5,214.79	5,669.25	6,340.42	7,703.02	21.49

(Source: Finance Accounts of the respective years)

The share of NTR in revenue receipts during 2018-19 increased to 11.83 per cent as compared to 10.63 per cent during 2017-18. NTR increased (₹ 1,363 crore; 21.49 per cent) during 2018-19 over the previous year mainly due to increase in receipts under non-ferrous mining and metallurgical industries by ₹ 1,199 crore (24.41 per cent), Other non-tax receipts by ₹ 149 crore (29.94 per cent) and major irrigation by ₹ 61 crore (13.13 per cent). The increase in receipts under non-ferrous mining and metallurgical industries was mainly due to increase in production of coal and limestone minerals.

1.3.2 Cost of collection of taxes

Details of collection and cost thereof in respect of major revenue receipts during 2018-19 are given in Table 1.12.

Table 1.12: Cost of collection of taxes and duties

Heads of revenue	Year	Gross collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All-India average percentage of previous year
		(₹ in crore)		(in per cent)	
VAT/ Taxes on sales, trade etc.	2014-15	8428.61	48.55	0.58	0.88
	2015-16	8908.36	50.81	0.57	0.91
	2016-17	9927.21	56.72	0.57	0.66
	2017-18	6449.60	67.24	1.04	0.69
	2018-19	4,087.72	62.73	1.53	0.69
Taxes on vehicles	2014-15	703.48	12.42	1.77	6.25
	2015-16	829.22	12.86	1.55	6.08
	2016-17	985.27	14.96	1.52	4.99
	2017-18	1180.01	15.51	1.31	2.01
	2018-19	1,204.85	18.86	1.57	2.61
State Excise	2014-15	2892.45	59.74	2.07	1.81
	2015-16	3338.40	58.79	1.76	2.09
	2016-17	3443.51	131.46	3.82	3.21
	2017-18	4054.00	171.67	4.23	2.61
	2018-19	4,489.03	71.66	1.60	1.83
Stamps and Registration fees	2014-15	1023.33	27.00	2.64	3.37
	2015-16	1185.22	25.14	2.12	3.59
	2016-17	1211.35	24.78	2.05	2.87
	2017-18	1197.47	22.27	1.86	2.99
	2018-19	1,108.46	18.38	1.66	2.96

(Source: Information compiled by the Revenue Audit wing of the AG (Audit))

¹⁰ Minor irrigation, Public works, Medical and Public Health, dividends (given by Chhattisgarh State Warehousing Corporation, Chhattisgarh State Forest Development Corporation, etc.), etc.

In 2018-19, the cost of collection of taxes on sales, trade etc., in Chhattisgarh (1.53 per cent) was significantly higher than the all-India average for the previous year. However, the cost of collection of Taxes on Vehicles (1.57 per cent), State Excise (1.60 per cent) and Stamps and Registration fees (1.66 per cent) was lower than the all-India average.

1.3.3 Grants-in-Aid from Government of India

The State Government receives Grants-in-Aid and share of Union taxes and duties, based on the recommendations of the Finance Commission. Details of Grants-in-Aid from GoI are given in **Table 1.13**.

Table 1.13: Grants-in-Aid released by Government of India

Particulars	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Non-Plan Grants	1568.28	2328.79	2013.42		
Grant for State Plan Scheme	6435.44	4775.83	7785.03		
Grant for Central Plan Scheme (including Centrally Sponsored Plan Scheme)	984.08	956.97	463.18		
Grants for Centrally Sponsored Schemes				9,275.76	8,214.77
Finance Commission Grants				1,460.23	1,679.48
Other Transfers/Grants to State				1,921.17	2,611.70
Total	8,987.80	8,061.59	10,261.63	12,657.16	12,505.95
Revenue Receipts	37,988	46,068	53,685	59,647.07	65,094.93
Total grants-in-aid as a percentage of Revenue Receipts of the State	23.66	17.50	19.11	21.22	19.21

(Source: Finance Accounts of the respective years)

Due to modification of accounting sub-heads after merger of plan and non-plan expenditure, sub-heads '01 Non-plan grants', '02 Grants for State plan schemes', '03 Grants for Central plan schemes', '04 Grants for Centrally sponsored plan schemes' were discontinued with effect from 1 April 2017. The State Government received grants-in-aid under different sub-major heads 'Grants for Centrally Sponsored Scheme' (₹ 8,214.77 crore), 'Finance Commission Grants' (₹ 1,679.48 crore) and other Transfers/Grants (₹ 2,611.70 crore) during 2018-19.

1.3.3.1 Short Transfer of Central Road Fund

The list of Major and Minor Heads prescribes the accounting procedure relating to Central Road Fund (CRF). In terms of the extant accounting procedure, the grants are to be initially booked as revenue receipts under Major Head "1601 Grants-in-Aid", and an equivalent amount is to be transferred to the Public Account under Major Head "8449- Other Deposits-103 Subvention from Central Road Fund", by per contra debit to revenue expenditure Major Head "3054 Roads and Bridges".

As against the aforesaid procedure prescribed by the Central Government, the Government of India released ₹ 214.02 crore from Central Road Fund during 2018-19, out of which only ₹ 200.00 crore was transferred by the State Government to "8449- Other Deposits-103 Subvention from Central Road Fund" in the Public Account which resulted in overstatement of revenue surplus and understatement of fiscal deficit to the tune of ₹ 14.02 crore.

1.3.4 Central Tax Transfers (CTT)

Details of GoI tax transfers to the State Government during 2014-19 are given in **Table 1.14**.

Table 1.14: Trend in Central tax transfers

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Central Goods and Service Tax	--	--	--	291.44	5,789.33
Integrated Goods and Service Tax	--	--	--	2,094.36	462.00
Corporation Tax	2,920.41	4,950.08	6,019.53	6,352.98	8,157.09
Taxes on Income other than Corporation Tax	2,085.45	3,455.09	4,183.59	5,364.62	6,007.35
Other Taxes on Income and Expenditure	0.07	0.09	0.00	0.00	42.48
Taxes on wealth	7.88	0.92	13.78	(-)0.19	2.98
Customs	1,352.54	2,504.03	2,589.37	2,093.70	1,662.66
Union Excise Duties	763.73	2,069.99	2,956.84	2,188.50	1,104.93
Service Tax	1,232.95	2,727.11	3,045.99	2,369.40	217.76
Other Taxes and Duties on Commodities and Services	--	9.16	0.06	0.00	12.11
Total - Central tax transfer	8,363.03	15,716.47	18,809.16	20,754.81	23,458.69
CTT as share of RR	22.01	34.12	35.04	34.80	36.04

(Source: Finance Accounts of the respective years)

The increase of CTT in 2018-19 over the previous year was mainly under Central Goods and Service Tax (₹ 5,789 crore), Corporation tax (₹ 8,157 crore) and Taxes on income other than Corporation tax (₹ 6,007 crore). However, collection of taxes was less mainly under Service Tax (₹ 218 crore), Integrated Goods and Service Tax (₹ 462 crore), Union Excise Duties (₹ 1,105 crore) and Customs (₹ 1,663 crore).

1.3.5 Goods and Services Tax

The State Government implemented the Goods and Services Tax (GST) Act, which became effective from 1 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. In case of Chhattisgarh, the revenue was ₹ 7,357.43 crore during the base year 2015-16. The projected revenue for any year in the State shall be calculated by applying the projected growth rate (14 per cent per annum) over the base year revenue of the State.

The projected revenue for the year 2018-19 in accordance with the base year figure was ₹ 10,900.32 crore. Revenue figure under GST for the year 2018-19 has been depicted in the Finance Accounts as per nature of receipts i.e. State Goods and Services Tax (SGST), Input Tax Credit cross utilisation of SGST and IGST (Integrated Goods and Services Tax), Apportionment of IGST-transfer-in of Tax component to SGST and Advance apportionment from IGST. Against the projected revenue of ₹ 10,900.32 crore, the revenue receipt of the State Government under GST was ₹ 8,203.40 crore during the year

2018-19. The State Government also received compensation of ₹ 2,261 crore from GoI for loss of revenue arising out of implementation of GST.

1.3.5.1 Access to GST data

With automation of the collection of Goods and Services Tax (GST) having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfill the CAG's Constitutional mandate of certifying the Accounts. The required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2018-19 are, therefore, certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

Recommendation: Government should provide access to data for comprehensive check of all transactions to audit.

1.3.6 Arrears of revenue

Details of arrears of revenue are given in **Table 1.15**.

Table 1.15: Arrears of revenue

(₹ in crore)

Head of revenue	Total amount outstanding		Amount outstanding for more than five years	
	as on 31 March 2018	as on 31 March 2019	as on 31 March 2018	as on 31 March 2019
Taxes on sales, trade etc.	2,459.64	2,969.00	1,074.29	1,231.99
Taxes on vehicles	27.72	9.77	8.06	8.06
State Excise	51.20	52.50	26.49	27.84
Stamps and Registration fees	54.17	126.84	15.37	0.00

The Land Revenue department, Electricity department, Non-ferrous Mining and Metallurgical Industries and Forestry and Wildlife department did not furnish the requisite information on arrears of revenue.

Recommendation: The Finance Department should evolve a mechanism to ensure that arrears of revenue are expeditiously collected.

1.4 Receipts under Capital Section

Trends of receipts under the Capital section during 2014-19 are given in **Table 1.16** and *Appendix 1.6*.

Table 1.16: Trends in growth and composition of receipts under capital section

Sources of State's Receipts under capital section	2014-15	2015-16	2016-17	2017-18	2018-19
Miscellaneous Capital Receipts (₹ in crore)	3.03	2.84	2.37	3.32	5.26
Recovery of Loans and Advances (₹ in crore)	194.86	296.39	172.99	138.59	162.32
Inter-State Settlement (₹ in crore)	0.91	0.52	0.38	1.24	0.56
(A) Non-Debt Capital Receipts (₹ in crore)	198.8	299.75	175.74	143.15	168.14
Rate of growth of non-debt Capital Receipts (<i>per cent</i>)	(-87.95)	50.78	(-41.37)	(-18.54)	17.46
Internal Debt (₹ in crore)	6,430.98	7,105.87	5,098.40	9,187.89	13,816.66
Loans and advances from the Central Government (₹ in crore)	8.69	145.28	381.53	464.55	553.44

Sources of State's Receipts under capital section	2014-15	2015-16	2016-17	2017-18	2018-19
(B) Public Debt Receipts (₹ in crore)	6,439.67	7,251.15	5,479.93	9,652.44	14,370.10
Receipts under capital section (A+B) (₹ in crore)	6,638.47	7,550.90	5,655.67	9,795.59	14,538.24
Rate of growth of Public Debt receipts under capital section (<i>per cent</i>)	63.78	12.6	(-)24.43	76.14	48.88
Rate of growth of GSDP at current price (<i>per cent</i>)	6.91	2.83	12.02	11.57	9.66
Rate of growth of receipts under capital section (<i>per cent</i>)	18.93	13.74	(-)25.10	73.2	48.42

(Source: Finance Accounts of the respective years)

There was no disinvestment during 2018-19 and miscellaneous capital receipt was on account of refund of share capital investment by the co-operative institutes.

Increase in public debt receipts was on account of 50.38 *per cent* increase in Internal Debt receipts attributable to market loans as detailed in **Table 1.17**.

1.4.1 Recoveries of Loans and Advances

During 2018-19, ₹ 162.32 crore of loan was recovered mainly from Water Supply and Sanitation (₹ 91 crore), Urban Development (₹ 42 crore) and Food Storage and Warehousing (₹ 28 crore).

1.4.2 Debt receipts from internal sources

Details of debt receipts from internal sources during 2014-15 to 2018-19 are given in **Table 1.17**.

Table 1.17: Composition of internal debt of State Government

Particulars	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Market loans	4,200.00	4,850.00	4,200.00	8,100.00	12,899.99
Compensation and other bonds	0.00	870.12	0.00	0.00	0.00
Loans from financial institutions	796.13	673.52	898.40	1,087.89	916.67
Special securities issued to National Small Savings Fund	658.81	712.23	0.00	0.00	0.00
Ways and means advances, from Reserve Bank of India	776.04	0.00	0.00	0.00	0.00
Total	6,430.98	7,105.87	5,098.40	9,187.89	13,816.66

(Source: Finance Accounts of the respective years)

The impact of borrowing at a higher rate of interest than received on investment and loans and advances by the State Government is discussed in **Paras 1.8.3 & 1.8.4**.

1.4.3 Loans and advances from Government of India

Loans and advances of ₹ 553.44 crore from GoI were received during 2018-19 mainly for Chhattisgarh Road Sector Development Project Phase II (₹ 549.23 crore) and Sustainable Urban Transport Project (₹ 3.73 crore).

1.5 Public Account balances

Receipts and disbursements under small savings, provident funds, reserve funds, deposits, suspense, remittances, etc., which do not form part of the

Consolidated Fund of the State 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 or trustee. The status of receipts and disbursement under Public Accounts are shown in Statement 21 of the Finance Accounts and the details of Public Account (net) are given in **Table 1.18**.

Table 1.18: Net Public Account Receipts and its composition during 2018-19

(₹ in crore)

S. N.	Public Account Receipts	Receipts	Disbursement	Net Public Receipts
1	Small Savings, Provident Funds, etc.	1,649.09	894.58	754.51
2	Reserve Funds	814.87	650.08	164.79
3	Deposits and Advances	4,118.33	4,349.72	(-)231.39
4	Suspense and Miscellaneous	1,59,728.76	1,65,438.71	(-) 5,709.95
	Less-- Departmental Balances	3.30	5.51	(-) 2.21
	Less- Permanent Cash Imprest	0.00	0.00	0.00
	Less-Cash Balance Investment Account	99,263.06	1,04,951.22	(-) 5,688.16
	Total- Suspense and Miscellaneous	60,462.40	60,481.97	(-) 19.58
5	Remittances	9,858.07	9,980.50	(-) 122.43
Total- 1 to 5		76,902.76	76,356.85	545.90

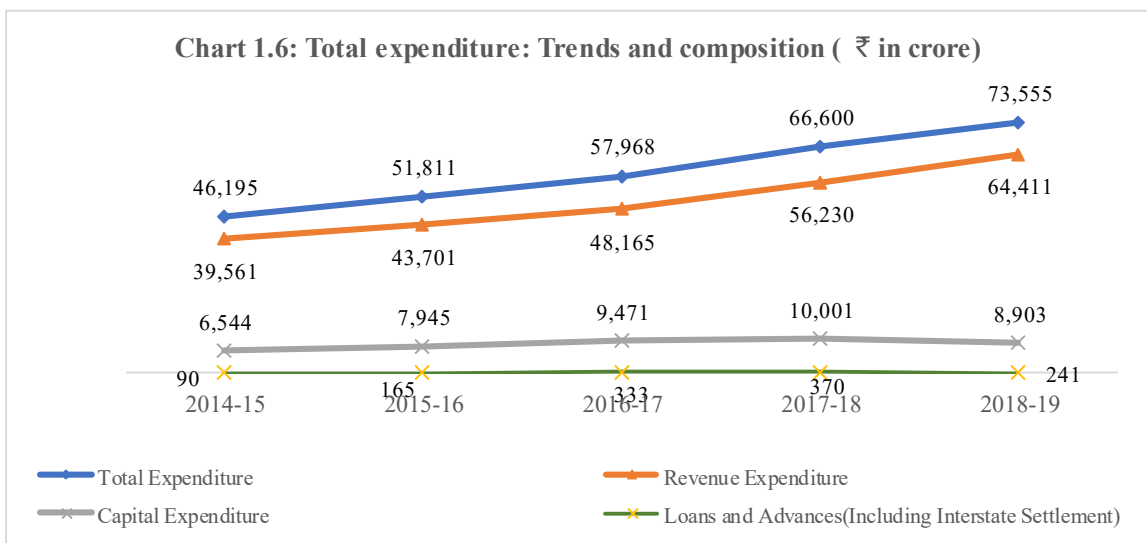
(Source: Finance Accounts of the years 2018-19)

The net availability of funds under Small Savings and Reserve Funds have a predominant share in financing the fiscal deficit. Further, net disbursement under cash balance investment account indicates increase in investment (₹ 5,688.16 crore) held under cash balance investment account during the year 2018-19 due to availability of surplus cash balance as discussed in **para 1.8.5**.

1.6 Application of resources

Growth and composition of expenditure

Chart 1.6 presents the trends and composition of total expenditure during 2014-19 respectively.



(Source: Finance Accounts of the respective years)

1.6.1 Capital expenditure (CE)

The ratio of capital expenditure to GSDP during 2014-19 is shown in **Table 1.19**.

Table 1.19: Ratio of Capital expenditure to GSDP

	2014-15	2015-16	2016-17	2017-18	2018-19
Capital expenditure (₹ in crore)	6,544	7,945	9,471	10,001	8,903
Ratio of CE to GSDP (in per cent)	2.96	3.49	3.72	3.52	2.86

CE decreased (₹ 1,098 crore; 10.97 per cent) during 2018-19 over the previous year mainly due to decrease in expenditure under capital outlays on Water Supply, Sanitation, Housing and Urban Development (₹ 404 crore) and on Energy (₹ 230 crore).

CE under capital outlays on Water Supply, Sanitation, Housing and Urban Development decreased mainly due to less expenditure on “Atal Nagar Vikas Pradhikaran”, Global Environment Fund assisted State Urban Transport Project and Infrastructure Development in ULBs. CE under Energy decreased mainly due to less expenditure on Rural electrification under “Mukhyamantri Mazra Tola Vidhyutikaran Yojna”. However, during the same year CE under Communication increased by ₹ 206 crore.

1.6.2 Revenue expenditure

Revenue expenditure constituted 88 per cent of total expenditure during 2018-19 against 84 per cent in 2017-18. During 2018-19, revenue expenditure was 21 per cent of GSDP. As compared to the previous year, revenue expenditure increased from ₹ 56,230 crore in 2017-18 to ₹ 64,411 crore in 2018-19 (₹ 8,181 crore; 14.55 per cent) mainly due to increase in Economic Services by ₹ 7,158 crore.

1.6.3 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of expenditure on salaries and wages, subsidies, pension and interest payments. Table 1.20 presents the trend in expenditure on these components during 2014-19.

Table 1.20: Components of committed expenditure

Components	2014-15	2015-16	2016-17	2017-18	2018-19	
					BE	Actual
Salaries & Wages	10,003 (26)	10,865 (24)	11,424 (21)	13,184 (22)	16,444	17,808 (27)
Salaries paid through Grants-in-Aid	2,010 (5)	2,305 (5)	2,868 (5)	3,447 (6)	N.A.	1,593 (2)
Interest Payments	1,727 (5)	2,149 (5)	2,687 (5)	3,098 (5)	3,747	3,653 (6)
Pensions	3,249 (9)	3,519 (8)	3,487 (6)	3,898 (7)	5,335	5,429 (8)
Subsidies	3,747 (10)	7,397 (16)	4,189 (8)	5,005 (8)	5,989	8,323 (13)
Total	20,736 (55)	26,235 (57)	24,655 (46)	28,632 (48)	31,515	36,806 (57)

(Source: Finance Accounts of the respective years)

Figures in Brackets indicates percentage to Revenue Receipts, N.A - Not Available

Salaries & wages (₹ 17,808 crore), Subsidies (₹ 8,323 crore) and Pension (₹ 5,429 crore) together accounted for 49 *per cent* of the revenue expenditure and consumed 48 *per cent* of the revenue receipts during the year.

Salary and Wages

The expenditure on salaries and wages during the year 2018-19 increased by 35 *per cent* (₹ 4,624 crore) from ₹ 13,184 crore in 2017-18 to ₹ 17,808 crore in 2018-19 mainly due to payment of installments of Pay Commission arrears. The salary paid out of Grants-in-Aid decreased (₹ 1,854 crore) from ₹ 3,447 crore in 2017-18 to ₹ 1,593 crore in 2018-19.

Interest payments

The growth rate of interest payments was 18 *per cent* over the previous year, mainly due to sharp increase of interest payments on market loans by ₹ 566.51 crore (34 *per cent*) over the previous year. Interest payments were six *per cent* of revenue receipts during 2018-19. Major components of interest payments during 2017-18 and 2018-19 are given in **Table 1.21**.

Table 1.21: Components of interest payments

(₹ in crore)

Components	2017-18			2018-19		
	Outstanding liabilities	Interest paid	Interest paid as percentage of outstanding balance	Outstanding liabilities	Interest paid	Interest paid as percentage of outstanding balance
1	2	3	4	5	6	7
Internal debt	36,690.44	2,474.18	6.74	49,553.83	2,958.53	5.97
Loans & Advances from GoI	2,339.57	133.83	5.72	2,700.39	139.48	5.17
Small Savings, Provident fund etc.	6,075.40	419.55	6.91	6,832.42	488.85	7.15
Others	7,801.67	70.77	0.91	7,662.87	65.68	0.86
Total	52,907.08	3,098.33	5.86	66,749.51	3,652.54	5.47

(Source: Finance Accounts of the respective years)

Pension payments

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.

Deductions of New Pension Scheme contributions from the employees commenced from March 2006 along with arrears of contribution for the period December 2004 to February 2006. During 2006-19 against employee's contribution of ₹ 2,457.90 crore, the State Government contributed ₹ 2,445.26 crore resulting in short contribution of ₹ 12.64 crore.

As on 31 March 2019, ₹ 17.14 crore (including contribution of employees on deputation of ₹ 3.10 crore) remained in the Public Account, pending transfer to NSDL/Trustee Bank. Short contribution of ₹ 12.64 crore and non-transfer of ₹ 17.14 crore resulted in unnecessary creation of liability of ₹ 29.78 crore to the State Government. Further, the State Government has created interest

liability on the amount not transferred to NSDL, leading to possible uncertainty in the rate of return to the employees /avoidable financial liability to the Government in future, and, thus leading to possible failure of the scheme itself.

Recommendation: *The State Government should ensure that employees' contributions along with the matching employer's share are transferred to NSDL immediately.*

Subsidies

Subsidies amounted to ₹ 8,323.01 crore in 2018-19 consuming 12.73 per cent of the revenue receipts (₹ 65,095 crore). Such subsidies were mainly due to major activities under Short Term Agricultural Loan Waiver Scheme (₹ 3,000 crore), Chief Minister's Food Assistance Scheme (₹ 2,770 crore), Grant for free supply of electricity to Agriculture Pumps up to five horsepower (₹ 827 crore) and State Co-operative Marketing Federation for meeting Losses on Food Procurement (₹ 500 crore).

Some of the subsidies given as Grants-in-Aid (in kind) during 2018-19 are given in **Table 1.22**.

Table 1.22: Grants-in-Aid (in kind) provided by the State Government

		(₹ in crore)	
Name of the Department	Scheme Name	2017-18	2018-19
School Education	Free cycle distribution to High School girls	59.41	22.79
School Education	Free supply of text books to students	88.14	0.49
School Education	Free distribution of books and stationary to tribal students	0.68	0.45
Agriculture	Free supply of electricity to agriculture pumps of 5 HP	849.67	818.23
Communication	Free supply of laptops/ tablets to students of technical education, medical education and higher education.	47.07	29.14
Total		1,044.97	871.10

(Source: Finance Accounts of respective years)

1.7 Quality of Expenditure

Developmental expenditure (expenditure on social and economic services) constituted 78 per cent of total expenditure. This was despite reduction of revenue and capital expenditure in Social Sector.

1.7.1 Adequacy of public expenditure

The fiscal priorities of the State Government with regard to development expenditure, social services expenditure and capital expenditure during 2018-19 were analysed taking 2014-15 as the base year, and are shown in **Table 1.23**.

Table 1.23: Fiscal priority of the State in 2014-15 and 2018-19

(in per cent)

Fiscal Priority by the State	AE/ GSDP	DE/ AE	SSE/ AE	CE/ AE	ESE/ AE	Education / AE	Health / AE
Average (Ratio) 2014-15 of							
General Category States	15.99	68.51	36.15	14.02	32.36	16.54	4.92
Chhattisgarh	20.89	77.73	36.74	14.36	40.99	20.60	5.05
Average (Ratio) 2018-19 of							
General Category States	16.05	67.04	36.59	14.28	30.45	14.99	5.07
Chhattisgarh	23.60	77.66	34.42	12.10	43.24	17.68	5.11
AE : Aggregate Expenditure, DE : Development Expenditure, SSE : Social Sector Expenditure, CE : Capital Expenditure, # Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure, Development Loans and Advances disbursed.							

The ratio depicting the adequacy of public expenditure of Chhattisgarh in 2018-19 was higher than the average of General category States except in the area of social sector expenditure and capital expenditure, where the State lagged behind General category States.

1.7.2 Efficiency of expenditure use

Table 1.24 presents the trends in development expenditure relative to the aggregate expenditure of the State during 2018-19 *vis-à-vis* the budgeted amount and expenditure in the previous year.

Table 1.24: Development expenditure

(₹ in crore)

Components	2014-15	2015-16	2016-17	2017-18	2018-19	
					B.E.	Actuals
Development Revenue Expenditure	29,541 (64)	32,392 (63)	35,518 (61)	41,995 (63)	50,652	48,236
Development Capital Expenditure	6,287 (14)	7,582 (15)	9,283 (16)	9,698 (15)	13,920	8,648
Development Loans and Advances	78	164	273	169	303	240
Total Development Expenditure	35,906 (78)	40,138 (77)	45,074 (78)	51,862 (78)	64,875	57,124 (78)
Aggregate Expenditure (RE+CE+L&A)	46,195	51,811	57,968	66,600		73,555
Figures in brackets indicate percentage to aggregate expenditure.						

(Source: Finance Accounts of the respective years)

1.7.3 Expenditure on selected social and economic services

Table 1.25 provides details of capital expenditure and the components of revenue expenditure on the maintenance of selected social and economic services.

**Table 1.25: Efficiency of expenditure use in selected social and economic services
(in per cent)**

Social/Economic Infrastructure	2017-18			2018-19		
	Ratio of CE to TE	In RE the share of		Ratio of CE to TE	In RE the share of	
		ME	S & W		ME	S & W
Total Social Services, of which	3.98	0.34	28.13	2.41	0.32	44.96
General Education	1.00	0.12	36.56	0.67	0.11	63.84
Public Health and Family Welfare	0.6	0.65	43.10	0.29	0.59	47.47
Water Supply Sanitation and Housing and Urban Development	1.64	0.66	2.57	0.94	0.21	3.68
Total Economic Services, of which	10.58	2.44	12.72	9.35	1.96	9.42
Agriculture and Allied Activities	0.13	0.48	16.61	0.12	0.15	8.43
Irrigation and Flood Control	2.52	11.63	51.70	2.16	15.87	50.81

(Source: Finance Accounts of respective years)

TE: Total Expenditure in the concerned sector; CE: Capital Expenditure in the concerned sector; ME: Maintenance Expenditure; RE: Revenue Expenditure in the concerned sector; S&W: Salaries and Wages

1.8 Financial analysis of Government expenditure and investments

This section presents a broad financial analysis of investment and other capital expenditure of the Government.

1.8.1 Financial result of irrigation projects

The 13th and 14th Finance Commission had prescribed cost recovery rate on irrigation projects (revenue receipts as compared to revenue expenditure) for assessing commercial viability of these projects. The position of irrigation projects in the State for the period 2014-19 is depicted in **Table 1.26**.

Table 1.26: Cost recovery position of irrigation projects

Year	Revenue expenditure	Revenue receipts	Cost recovery assessment of 13 th and 14 th FC	Revenue receipts to revenue expenditure	Gap in cost recovery
	₹ in crore		In per cent		
2014-15	448.12	544.85	75	122	(-) 47
2015-16	486.45	630.18	35	130	(-) 95
2016-17	508.63	624.47	35	123	(-) 88
2017-18	531.51	588.88	35	111	(-) 76
2018-19	564.84	697.19	35	123	(-) 88

The favorable cost recovery position is despite the fact that the State Government had not declared any irrigation scheme as commercial under the Finance Commission guidelines.

Recommendation: The State Government may initiate measures to declare irrigation projects as commercial for assessing cost recovery as per Finance Commission recommendation.

1.8.2 Incomplete projects

The details of incomplete projects costing ₹ 10 crore and above which were to be completed on or before 31 March 2019 are given in Table 1.27.

Table 1.27: Department-wise profile of incomplete projects

(₹ in crore)

Department	Number of incomplete projects	Estimated cost	Incomplete Projects				Cumulative expenditure of all 107 incomplete projects as on 31 March 2019
			Initial cost of 40 incomplete projects whose cost was revised	estimated cost of 40 incomplete projects	Revised cost of 40 incomplete projects	Cost overrun of 40 incomplete projects which were revised	
			No.	Amount			
Public Works	10	307.69	2	151.61	551.20	399.59	496.65
Water Resources	97	3,379.91	38	1,486.88	4,051.26	2,564.38	3,868.34
Total	107	3,687.60	40	1,638.49	4,602.46	2,963.97	4,364.99

(Source: Finance Accounts 2018-19)

Blocking of funds on incomplete works impinge negatively on the quality of expenditure. Delay in completion of project works increases the risk of cost escalation. Since the State Government has not evaluated the cost of 67 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.

Recommendation: The Public Works Department and Water Resource Department may reevaluate the cost of all incomplete projects and evolve a mechanism for timely completion of projects.

1.8.3 Investment and returns

The position of dividend/interest received on investment during 2014-19 is given in Table 1.28.

Table 1.28: Dividend/interest received on investment

Investment/Return/Cost of borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Investment at the end of the year (₹ in crore)	1,872.53	6,192.22	6,778.60	6,866.37	7,268.04
Return on investment (₹ in crore)	0.86	5.73	0.55	4.80	1.49
Return on investment (per cent)	0.05	0.09	0.01	0.07	0.02
Average rate of interest on Government borrowing (per cent)	6.16	6.25	6.62	6.38	6.10
Difference between interest rate and return (per cent)	6.11	6.16	6.61	6.31	6.08
Loss due to difference between interest rate of market borrowing and interest received on the returns (₹ in crore)	114.41	381.44	448.07	433.27	441.90

Over the past five years the State Government has incurred a notional loss of ₹ 1,819.09 crore on account of difference between the interest on Government's borrowing cost and the return on investment. It was of specific interest to observe that in spite of the poor return on investment, the Finance Department has regularly provided budgetary support by way of infusion of

equity, loans, grants-in-aid/ subsidies to these PSUs including those that had not even finalised their accounts timely.

Recommendation: *The State Government should review investment in companies/corporations/banks whose financial performance do not generate resources to meet the borrowing cost of capital.*

1.8.4 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisations. Details are given in **Table 1.29**.

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

	(₹ in crore)				
Quantum of loans/interest receipts/cost of borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Opening balance of loans & advance	1,545.99	1,395.41	1,273.96	941.98	1,519.63 ¹¹
Amount advanced during the year	88.32	164.73	272.71	368.76	240.44
Amount repaid during the year	194.86	296.39	172.99	138.59	162.32
Closing Balance	1,439.45	1,263.75	1,373.69	1,172.16	1597.75
Net addition	(-)106.54	(-)131.66	99.72	230.17	78.12
Interest receipts	47.30	47.02	30.19	27.61	28.32
Interest receipts as a percentage to outstanding loans and advances	3.17	3.54	2.28	2.36	1.82
Interest payments as a percentage to outstanding fiscal liabilities of the State Government.	6.16	6.25	6.62	6.38	6.10
Difference between interest receipts and interest payments (per cent)	(-) 2.99	(-) 2.71	(-) 4.34	(-) 4.02	(-) 4.28
Loss due to the difference between interest rate of market borrowing and interest received on loans	2.64	4.46	11.89	14.82	10.29

(Source: Finance Accounts 2018-19)

Over the past five years the State Government has incurred a loss of ₹ 44.10 crore towards interest on account of difference in the interest received on the loans advanced and that paid by the Government on its borrowings.

Details of loans and advances by the Government are given in section 1 of Statement 18 of Finance Accounts and details of entities that were in arrears of repayment of loans are given in section 2 of Statement 18 of Finance Accounts.

Recommendation: *In the interest of prudent financial management, the State Government should attempt to ensure that loans are advanced to various entities at interest rate equal to or greater than the interest rate which Government pays on borrowed funds.*

¹¹ Opening Balance changed due to proforma corrections

1.8.5 Cash balances and investment of cash balances

Details of the cash balances and investments by the State Government during the year are shown in **Table 1.30**.

Table 1.30: Cash balances and investment of cash balances

(₹ in crore)

Particulars	Opening balance as on 01 April 2018	Closing balance as on 31 March 2019
(a) General Cash Balances		
(1) Cash in treasuries	0.00	0
(2) Deposits with Reserve Bank	637.60	320.72
(3) Remittances in transit	0.00	0
Total (1+2+3)	637.60	320.72
(4) Investment held in 'Cash Balance Investment Account'	4,070.85	9,759.02
Total (a)- General Cash Balances (1+2+3+4)	4,708.45	10,079.74
(b) Other Cash Balances and Investments		
(1) Cash with the Departmental Officers viz. Forest, Public Works Departments, Military Secretary to the Governor	10.28	12.49
(2) Permanent advances for contingent expenditure with Departmental Officers	0.34	0.34
(3) Investment of Earmarked Funds	2,085.84	2185.31
Total (b) Other Cash Balances and Investments (1+2+3)	2,096.46	2,198.14
Total (a) and (b)	6,804.91	12,277.88

(Source: Finance Accounts 2018-19)

The position of closing cash balance during the last five years (**Table-1.3**) indicates a growing trend from ₹ 1,218.38 crore (as on March 2015) to ₹ 12,277.88 crore (as on March 2019). During 2018-19, the cash balance increased by ₹ 5,472.97 crore from opening cash balance of ₹ 6,804.91 crore to closing cash balance of ₹ 12,277.88 crore. The cash balance investment increased from ₹ 2,512 crore (as on March 2017) to ₹ 9,759.02 crore which constituted 19.69 per cent of internal debt (₹ 49,553.83 crore) of the State Government as on March 2019. The surplus cash balance was invested in Government of India treasury bills.

The surplus cash balance held in investment account was ₹ 9,759.02 crore while the State Government raised market loan of ₹ 12,900 crore during 2018-19. The State Government had a surplus cash balance mainly due to raising of market loans under public debt. The build-up of large cash balances increases the interest cost burden for the State Government. The State Government could have lowered its borrowings and the burden of interest by utilising the surplus cash balance available with it.

Recommendation: The State Government should utilise its existing cash balance before resorting to fresh borrowings.

1.8.6 Variance in Cash Balance Figures between Finance Accounts and Reserve Bank of India

As on 31 March 2019, there was a net difference of ₹ 401.87¹² crore between the Cash balance of the State Government, as reported by the RBI and Cash balance arrived at by the Accountant General (A&E). This difference is mainly due to payment of ₹ 399.82 crore of pension by nine banks which was included in the RBI balance reported by RBI but not accounted for in the Accounts of the Treasury.

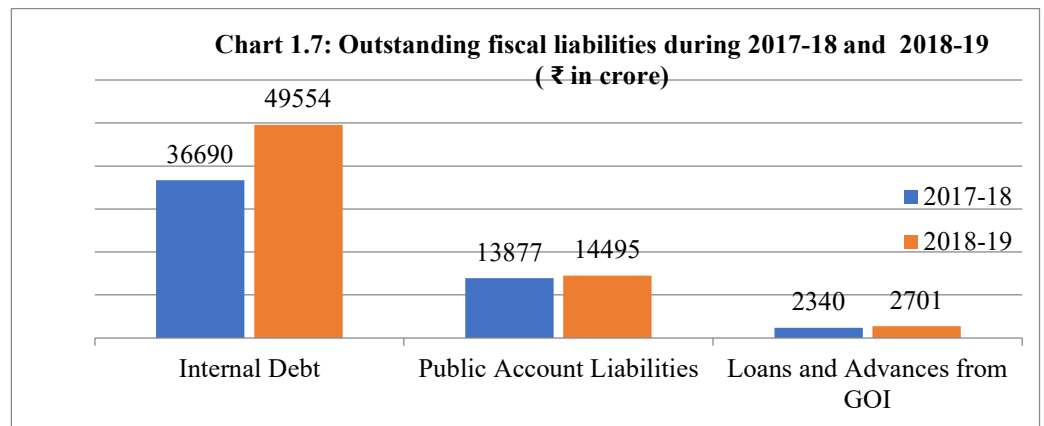
1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

While the Government accounting system does not provide for comprehensive accounting of fixed assets like land and buildings owned by the Government, these details can be derived from the accounting of financial liabilities and assets created out of expenditure incurred. *Appendix 1.3 (Part B)* gives an abstract of such liabilities and assets, as on 31 March 2019, compared with the corresponding position on 31 March 2018. While the liabilities consist mainly of internal borrowings, loans and advances from GoI, and receipts from public accounts and reserve funds, the assets comprise mainly of capital outlay and loans and advances given by the State Government and the cash balances.

1.9.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in *Appendix 1.3 (Part B)* and the comparison of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Chart 1.7**.



(Source: Finance Accounts 2017-18 and 2018-19)

The fiscal liabilities of the State, the ratio of these liabilities to GSDP and revenue receipts are brought out in **Table 1.31**.

¹² ₹ 320.72 crore (debit) in the finance accounts and ₹ 81.15 crore (debit) intimated by RBI.

Table 1.31: Fiscal Liabilities – basic parameters

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
Public Debt					
Internal debt	18,195	24,214	28,330	36,690	49,554
Loans and advances from GOI	1,854	1,836	2,047	2,340	2,701
Total Public Debt (A)	20,049	26,050	30,377	39,030	52,255
Small Savings, Provident Funds etc.	3,649	4,166	5,435	6,078	6,832
Reserve Fund	1,646	1,958	2,328	1,590	1,656
Deposits	5,637	5,567	6,118	6,239	6,007
Other Public Accounts liabilities (B)	10,932	11,691	13,881	13,907	14,495
Total Fiscal liabilities (A+B)	30,981	37,741	44,258	52,907	66,750
Rate of growth of fiscal liabilities (in per cent)	24.40	21.82	17.27	19.54	26.16
Fiscal liabilities/GSDP (in per cent)	14.01	16.60	17.38	18.62	21.42
Fiscal liabilities/ Revenue receipts (in per cent)	81.55	81.93	82.44	88.70	102.54

(Source: Finance Accounts of respective years)

During 2018-19, the rate of growth of fiscal liabilities was 26.16 per cent and the ratio of outstanding debt to GSDP stood at 21.42 per cent, which was higher than the normative projection made by the FRBM (18.06 per cent), the prescribed targets of 14th Finance Commission (18.40 per cent) and the budget estimates (18.68 per cent). The overall burden of interest payments also increased at a rate of 18 per cent from ₹ 3,098 crore (2017-18) to ₹ 3,653 crore (2018-19) due to accretion in the fiscal liabilities.

1.9.3 Transactions under Reserve Funds

There are 16 Reserve Funds in the Public Accounts of the State Government, which have been created for specific purposes. Details are given in table 1.32.

Table 1.32: Position of Reserve Funds during 2018-19

(₹ in crore)

Head of Account	Opening balance as on 1 April 2018 Credit (+), Debit (-)	Receipts during 2018-19	Disbursement during 2018-19	Closing balance as on 31 March 2019 Credit (+), Debit (-)
(a) Reserve Funds bearing Interest				
8121- General and Other Reserve Funds	202.83	540.68	342.81	400.70
Total -Reserve Funds bearing Interest	202.83	540.68	342.81	400.70
(b) Reserve Funds not bearing Interest				
8222- Sinking funds	1,946.94	100.00	0.00	2,046.94
8223-Famine Relief Fund	3.78	0.23	0.00	4.01
8228- Revenue Reserve Funds	4.63	0.00	0.00	4.63
8229-Development and Welfare Funds	1,517.87	383.23	516.54	1,384.56
8235- General and Other Reserve Funds	0.01	0	0	0.01
Total -(b)- Reserve Funds not bearing Interest	3,473.23	463.46	516.54	3,440.15
Total Reserve Funds (a) and (b)	3,676.06	1,024.14	859.35	3,840.85
Reserve Funds Investment Account	(-2,085.84)	209.95	309.43	(-2,185.32)

(Source: Finance Accounts 2018-19)

Out of 16 reserve funds (with a closing balance of ₹ 3,840.85 crore), 12 were operative and four reserve funds (with a closing balance of ₹ 18.99 crore) were not operated for more than seven years. The State Government had invested ₹ 2,185.32 crore (56.90 per cent) upto 31 March 2019. Details of inoperative funds are given in the **Table 1.33**:

Table 1.33: Details of inoperative Reserve Funds

Name of Reserve Fund	Balance as on 31 March 2019 (₹ in crore)	Year from which inoperative
8229-Development and Welfare Funds		
Development Fund for Agriculture Purposes	0.06 (credit)	2000-01
Compensatory Afforestation Fund	18.89 (Credit)	2008-09
Development Fund for Educational Purposes	0.03 (Credit)	2011-12
8235-General and Other Reserve Fund		
Other Funds	0.01 (Credit)	2000-01
Total	18.99 (Credit)	

Further, the Reserve Fund *Gramin Vikas Nidhi* which was constituted in 2001-02 for providing employment in rural areas, had a cumulative balance of ₹ 214.76 crore as on 31 March 2019 but no expenditure has been made from this fund since its inception.

On this being pointed out (May 2019) the Panchayat and Rural Development Department stated (July 2019) that no fund related to *Gramin Vikas Nidhi* was transferred to this Department by the Finance Department. However, the Finance Department informed (August 2019) that the concerned Department would be asked to prepare an expenditure plan for *Gramin Vikas Nidhi*.

Recommendation: *The State Government is also require to initiate action to close inoperative funds and remit the balances into the Consolidated Fund.*

1.9.4 State Disaster Response Fund (SDRF)

The SDRF had a closing balance of ₹ 400.70 crore as of March 2019. 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 receipts 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.

Grants-in-Aid for State Disaster Response fund of ₹ 125.10 crore received from Government of India in December 2018 and corresponding State share of ₹ 13.90 crore was not transferred to the SDRF during 2018-19, resulting in overstatement of revenue surplus and understatement of fiscal deficit. As per the SDRF guidelines the State Government was required to pay interest of ₹ 2.24 crore calculated at rate of RBI¹³ on the amount not transferred to the SDRF.

¹³ 6.75% up to February 2019 and 6.50% from 8 February to March 2019.

As per the notification on SDRF, the balance of the fund is to be invested in Government of India securities, auctioned treasury bills, interest earning deposits and certificate of deposits with Scheduled Commercial Banks. During 2018-19 an amount of ₹ 209.28 crore was invested for 182 days in treasury bills and interest of ₹ 7.25 crore on these investments was credited to the fund.

Recommendation: *The State Government should ensure timely transfer of the Central share received from GoI along with the State share to the SDRF and invest balances lying under this fund as per the guidelines.*

1.9.5 Consolidated Sinking Fund (CSF)

Following the recommendations of the 12th 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 12th 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 in the fund.

During 2018-19, GoCG was required to transfer a minimum of ₹ 264.54 crore (0.50 *per cent* of outstanding liability of ₹ 52,907.08 crore at the beginning of the year) to the fund, against which only ₹ 100 crore was transferred. The State Government made short contribution of ₹ 164.54 crore resulting in over statement of revenue surplus and understatement of fiscal deficit. The balance in the CSF (investment account) from the years 2006-07 to 2018-19 was ₹ 2,046.94 crore.

Recommendation: *GoCG should follow the recommendation of the 12th Finance Commission and transfer the required amount to the Consolidated Sinking Fund for amortisation of debt.*

1.9.6 Status of guarantees – contingent liabilities

The maximum amount for which guarantee was given by the State and outstanding guarantees for the last five years are given in **Table 1.34**.

Table 1.34: Guarantees given by the Government of Chhattisgarh

<i>(₹ in crore)</i>					
Guarantees	2014-15	2015-16	2016-17	2017-18	2018-19
Maximum amount guaranteed	9,080.06	14,883.41	12,641.13	6,549.89	19,573.79
Outstanding amount of guarantees (31-03-2019)	2,314.47	1,988.24	3,982.97	3,881.92	10,769.42

(Source: Finance Accounts of the respective years)

Guarantees of ₹ 10,769.42 crore was outstanding at the end of March 2019. The outstanding amount of guarantees in the nature of contingent liabilities was about 16.54 *per cent* of the total revenue receipts of the State. The new guarantees were ₹ 7,359.15 crore during 2018-19.

As per the recommendation of the 12th 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 ₹ 151.92 crore to the fund from 2005-06 to 2018-19, out of which ₹ 19.41 crore pertains to 2018-19 alone. 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”.

During the year 2018-19, a sum of ₹ 5.00 crore was recovered as guarantee fees against receivable amount of ₹ 41.11 crore mainly due to short receipt from guarantees given to Co-operative institutions for repayment of principal and payment of interest (₹ 36.00 crore).

Recommendation: *The State Government should create and operate the Guarantee Redemption Fund as per the recommendations of the 12th Finance Commission.*

1.9.6.1 Off-budget borrowing

Chhattisgarh Housing Board (CHB) availed loan of ₹ 401.64 crore from Canara Bank and ₹ 195 crore from Allahabad Bank for construction of 6,424 residential houses for Government officials in various districts of Chhattisgarh and for purchase of 728 flats respectively. Government of Chhattisgarh (GoCG) undertook to repay the principal and interest accruing on this loan. Similarly, Chhattisgarh Police Housing Corporation Limited (CPHCL) availed loans of ₹ 143.76 crore from Allahabad Bank and ₹ 60.95 crore from Canara Bank for construction of 10,000 residential houses for police officials.

Thus, in effect liability on the loans entirely vested with GoCG and not with CHB and CPHCL, though not reflected in the accounts of GoCG. Consequently, the liability of GoCG was understated by ₹ 801.35 crore. Further, fiscal deficit would have been higher after adding these off-budget borrowings.

During 2018-19, the State Government had not made any repayment of principal amount. Further, CPHCL and CHB paid interest of ₹ 22.53 crore and ₹ 33.61 crore respectively during the year 2018-19. The State Government paid ₹ 23.60 crore towards interest to CPHCL and no amount was paid by the State Government to CHB. Further it was noticed that CHB and CPHCL raised loan at one year/six-month Marginal Cost of Fund based Lending Rate (MCLR) from banks ranging from 7.9 per cent to 8.70 per cent and the State Government raised market loans (Chhattisgarh State Development Loans) at the rate of 7.43 per cent to 8.18 per cent during 2018-19. Had the State Government raised market loan against these off-budget borrowings during 2018-19 at 8.18 per cent interest (i.e., maximum interest of market loan during 2018-19), the extra interest burden of ₹ 1.06 crore could have been avoided.

Recommendation: *The State Government should disclose the details of off-budget borrowings through disclosure statements in the Budget.*

1.10 Debt Management

The position of total public debts of State Government (Internal Debt, Loans and advance from Government of India and other liabilities including Small Savings, Provident Fund etc., Reserve Fund bearing and not bearing interest and Deposits bearing and not bearing interest) during the last five years is provided in **Table 1.32** under fiscal liabilities.

1.10.1 Maturity Profile

The maturity profile of State debt during 2018-19, is shown in **Table 1.35**.

Table 1.35: Maturity Profile of the State debts

Year	Amount (₹ in crore)	Percentage
0 to 1	1,846.88	3.73
1 to 3	8,200.45	16.55
3 to 5	11,582.52	23.37
5 to 7	13,342.90	26.93
7 to 9	13,041.05	26.32
9 and above	1,540.03	3.11
Total	49,553.83	

(Source: Finance Accounts of the year 2018-19)

The maturity profile of the State debt as on 31 March 2019 indicates that the State has to pay more than 96.89 *per cent* of the debt within nine years. It further indicates that the liability of the State to repay the debt would be ₹ 13,041.05 crore (26.32 *per cent* of total liabilities) during the next seven to nine years i.e. financial years 2026 to 2028.

1.10.2 Net fund available on account of Public Debt and Public Account liabilities

Details of net funds available on account of Public Debt and Public Account liabilities during 2014-19 are given in **Table 1.36**

Table 1.36: Net funds available on account of public debt and other obligations

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Receipts under public debt and other obligations ¹⁴ (₹ in crore)	11,914	12,902	11,804	15,851	20,737
Repayment (principal and interest) under public debt and other obligations ¹⁵ (₹ in crore)	7,363	8,215	8,801	10,301	10,577
Net fund available (₹ in crore)	4,551	4,687	3,003	5,550	10,160
Percentage of net fund available to receipts under public debt and other obligations (<i>in per cent</i>)	38.20	36.33	25.44	35.01	48.99

As evident from the above table, 51 *per cent* of borrowed funds were used for discharging existing liabilities and could not be used for capital formation/development activities of the State.

1.10.3 Debt Sustainability

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. The Domar model is one of the models for analysis of public debts, which lays down that the debt-GDP ratio is likely to be stable if the rate of growth of the economy exceeds the rate of interest on the debt. **Table 1.37** provides the Domar stability condition.

¹⁴ Total Receipts of ₹ 20,737 crore = internal debt ₹ 13,817 crore, GOI loans of ₹ 554 crore and other obligation of ₹ 6,366 crore

¹⁵ Total Repayment of ₹ 10,577 crore = principal and interest on account of internal debt of ₹ 3,912 crore, GoI loans of ₹ 332 crore and also discharged other obligations of ₹ 6,333 crore

Table 1.37: Debt sustainability criteria under Domar model		
g= real economic growth rate: r=real interest growth rate: g-r represents the Domar gap	s< 0 (primary deficit)	s>0 (primary surplus)
g-r>0 (strong economic growth)	Public debt will converge to a stable level greater than zero	Public debt will converge to a stable level less than zero leading to public savings
g-r<0 (slow economic growth)	Public debt will increase indefinitely, without converging to a stable level	Undefined situation

Applying the analysis to Chhattisgarh showed that fiscal liabilities should converge to a stable level, as shown in **Table 1.38**.

Table 1.38: Sustainability of the debt stock of the State during 2014-19

Year	Real Growth Rate (g)	Real Interest Rate (r)	g-r > 0	Primary Deficit (-) / Surplus (+)
	(in per cent)			(₹ in crore)
2014-15	1.77	(-) 0.29	2.06	(-) 6,281
2015-16	2.80	(-) 0.52	3.32	(-) 2,425
2016-17	8.54	3.10	5.44	(-)1,361
2017-18	5.41	3.67	1.74	(-)3,712
2018-19	6.08	3.67	2.41	(-)4,640

- Real Growth Rate has been calculated for Real GSDP of the State.
- Real Interest rate calculated as average interest rate on fiscal liabilities minus inflation. Average inflation has been computed with reference to current series (2012) monthly inflation rates for Chhattisgarh available on the website of MoSPI.

During all five years (2014 to 2019) there was primary deficit that decreased from 2014-15 to 2016-17 but again increased during 2017-18 to 2018-19. In view of the debt sustainability conditions under Domar model as detailed in **Table 1.38**, the fiscal liabilities of the State Government satisfied the condition of debt sustainability (g-r>0). It is, however, noteworthy that the Domar gap (g-r) has not been registering a stable or steadily rising trend. The Domar gap should further be viewed with the fact that 58 per cent of internal debt (₹ 49,553.84 crore) was borrowed at the interest rate of eight or more than eight per cent (real interest rate 5.57 per cent) against average interest rate of 6.10 per cent (real interest rate of 3.67 per cent) during 2018-19. Moreover, other factors such as Public Account liabilities, off-budget borrowings, *force majeure* events¹⁶ and/or any other un-inventoried losses of revenue also have to be reckoned in assessing the debt sustainability/stability of the State. Further, during the years 2014-15 to 2018-19, debt-GSDP ratio and burden of interest payment continued to rise exceeding the target limit prescribed by the Finance Commission, as discussed below.

¹⁶ Like current coronavirus crisis and its effect on GSDP

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 Fourteenth Finance Commission (FFC) recommended for 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 the FFC targets were as provided in **Table 1.39**.

Table 1.39: 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 th FC targets	Achievement	14 th FC targets	Achievement	14 th FC targets	Achievement
2015-16	3.50	2.01	13.73	16.60	3.33	4.66
2016-17	3.50	1.58	15.50	17.38	3.76	5.00
2017-18	3.50	2.33	17.05	18.62	4.07	5.19
2018-19	3.50	2.66	18.40	21.42	4.30	5.61

(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. However, targets for 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 21.42 *per cent* during 2015-2019. Thus, despite achieving the targets for fiscal deficit to GSDP, the movements in interest payment and fiscal liabilities relative to GSDP do not seem to be on the path anticipated by the FFC for fiscal consolidation at the targeted level by the year 2019-20.