

Chapter I

Finances of the State Government

Introduction

This chapter provides a broad perspective of the finances of the Government of Haryana during 2018-19 and analyses changes observed in the movement of major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last five years. The structure and form of Government accounts have been explained in *Appendix 1.2 Part A* and the layout of the Finance Accounts is depicted in *Appendix 1.2 Part B*. The methodologies adopted for assessment of the fiscal position are given in *Appendix 1.3*.

1.1 Profile of State

Haryana is an agrarian State with 22 districts, 14 of which are part of the National Capital Region. The State is located near the national capital. It is the 21st largest State in terms of geographical area (44,212 sq km) and 18th by population (as per 2011 census). The State's population increased from 2.11 crore in 2001 to 2.54 crore in 2011 recording a growth of 20.38 *per cent*. The percentage of population below the poverty line was 11.20 which is lower than the all-India average of 21.90. The State's Gross State Domestic Product (GSDP) in 2018-19 at current prices was ₹ 7,07,126 crore. The State's literacy rate increased from 67.91 *per cent* (as per 2001 census) to 75.60 *per cent* (as per 2011 census) (*Appendix 1.1*). The per capita income of the State for 2018-19 is ₹ 2,26,644¹.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP is an important indicator of standard of living of the State's population. The trends in the annual growth of India's GDP and GSDP of Haryana at current prices and constant prices are indicated in *Table 1.1*.

¹ Source: Economic Survey of Haryana, 2018-19

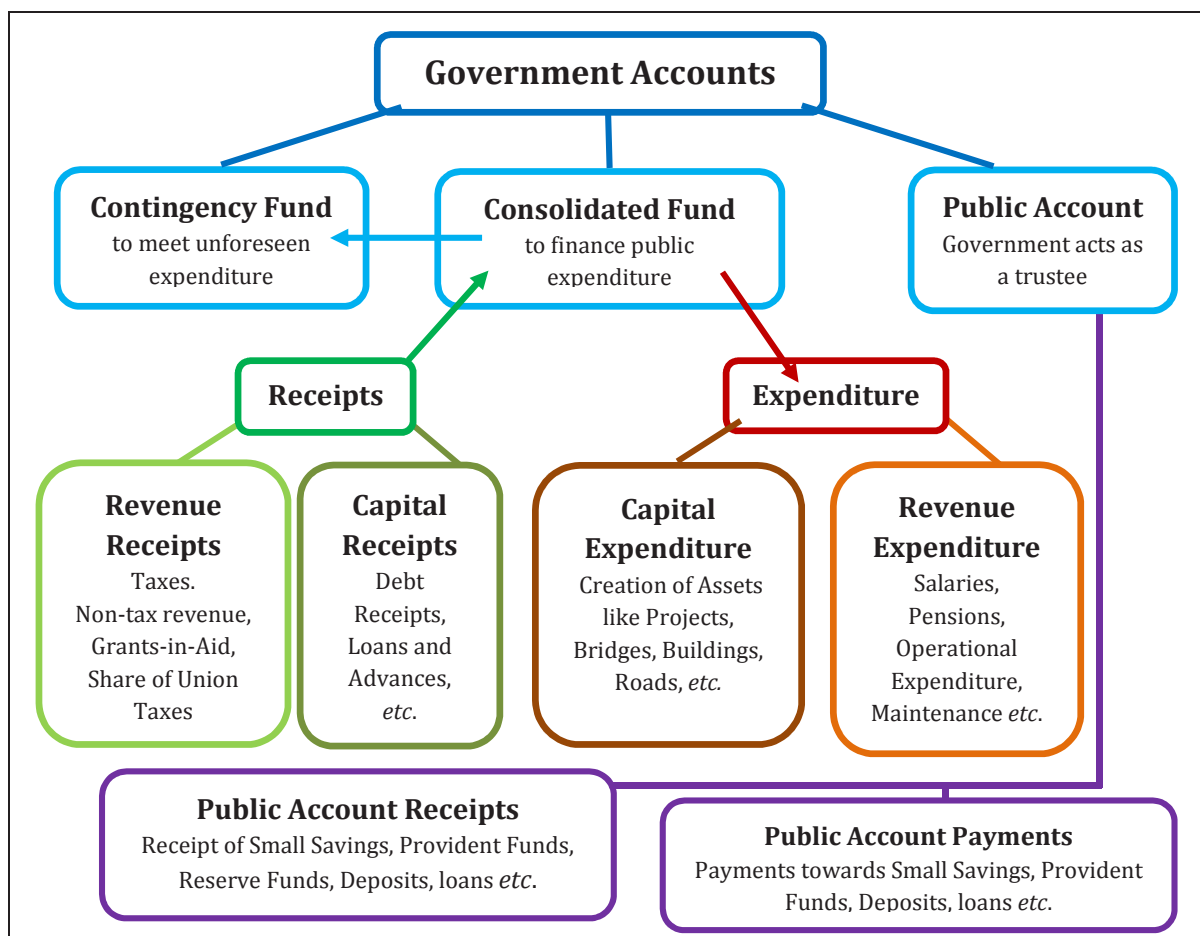
Table 1.1: Comparative statement of GDP vis-à-vis GSDP

Year	2014-15	2015-16	2016-17	2017-18	2018-19
Current Prices					
India's GDP (₹ 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 GDP (Percentage)	10.99	10.46	11.55	11.28	11.20
State's GSDP (₹ in crore)	4,37,145	4,95,249	5,56,325	6,26,054	7,07,126
Growth rate of GSDP (Percentage)	9.49	13.29	12.33	12.53	12.95
Growth rate of Neighbouring States					
Punjab	6.91	9.85	9.46	12.21	8.92
Uttarakhand	8.29	9.74	10.14	14.20	10.35
Constant Prices (Base year 2011-12)					
India's GDP (₹ in crore)	1,05,27,674	1,13,69,493	1,22,98,327	1,31,78,857	1,40,77,586
Growth rate of GDP (Percentage)	7.41	8.00	8.17	7.17	6.81
State's GSDP (₹ in crore)	3,70,535	4,13,175	4,50,668	4,86,239	5,26,055
Growth rate of GSDP (Percentage)	6.63	11.51	9.07	7.89	8.19

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

1.1.1 Summary of Fiscal Transactions

Government finances comprise the following:

Chart 1.1: Structure of Government Accounts

Source: Based on Budget Manual

The summary of the State Government's fiscal transactions during the current year (2018-19) *vis-à-vis* the previous year (2017-18) is given in **Table 1.2**.

Table 1.2: Summary of Fiscal operations in 2018-19

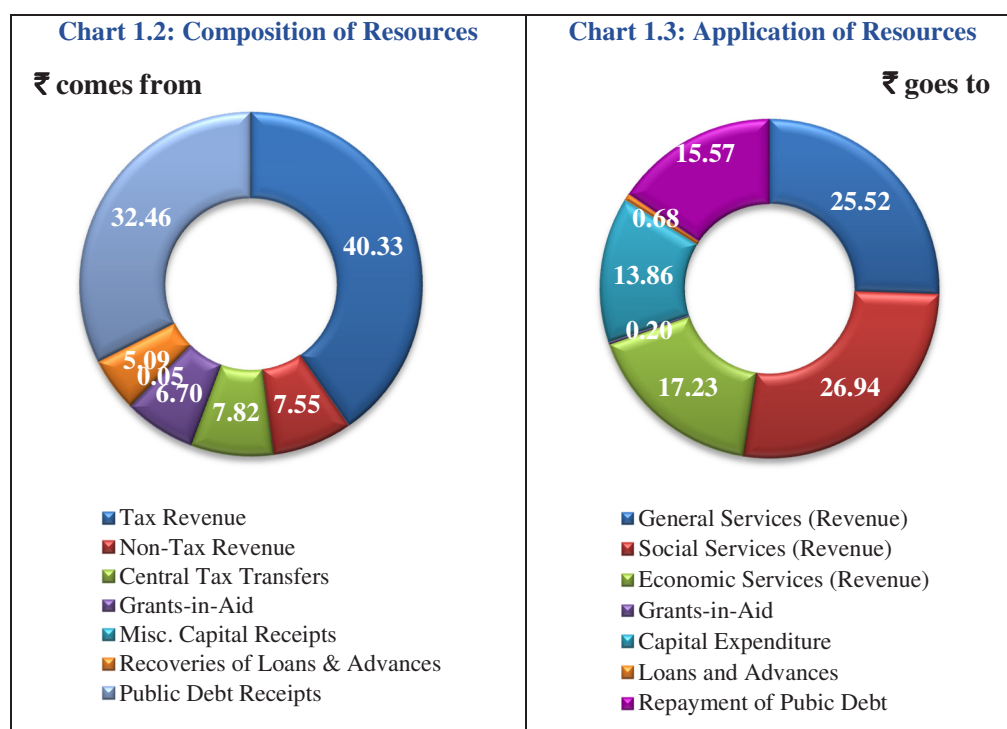
(₹ in crore)

Receipts	2017-18	2018-19	Disbursements	2017-18	2018-19
Section-A: Revenue					
Revenue receipts	62,694.87	65,885.12	Revenue expenditure	73,257.36	77,155.54
Tax revenue	41,099.38	42,581.34	General Services	26,698.68	28,168.97
Non-tax revenue	9,112.85	7,975.64	Social Services	28,061.34	29,743.19
Share of Union Taxes/ Duties	7,297.52	8,254.60	Economic Services	18,106.82	19,021.58
Grants from Government of India	5,185.12	7,073.54	Grants-in-aid and Contributions	390.52	221.80
Section-B: Capital and others					
Misc. Capital Receipts	39.87	49.01	Capital Outlay	13,537.90	15,306.60
Recoveries of Loans and Advances	6,340.93	5,371.90	Loans and Advances disbursed	1,394.89	755.64
Public Debt Receipts	21,489.76	34,264.97	Repayment of Public Debt	6,338.85	17,183.87
Contingency Fund	26.77	12.18	Contingency Fund	26.77	12.18
Public Account Receipts	33,894.25	40,785.09	Public Account disbursements	31,171.48	37,386.35
Opening Cash Balance	5,658.26	4,417.46	Closing Cash Balance	4,417.46	2,985.55
Total	1,30,144.71	1,50,785.73	Total	1,30,144.71	1,50,785.73

(Source: Finance Accounts for the respective years)

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

Composition of sources and application of funds in the Consolidated Fund of the State during 2018-19 is given in **Chart 1.2** and **Chart 1.3**.



Source: Finance Accounts

Comparison of key elements of State Finances in 2018-19 (*Chart 1.2 and 1.3*) with that of the previous year 2017-18 is summarized below:

Table 1.3: Key parameters

Positive Indicators	Parameters requiring close watch
↑ Increase in Public Debt Repayments by 171 <i>per cent</i>	↑ Increase in Tax Revenue by only four <i>per cent</i>
↑ Increase in share of Union Taxes/Duties by 13.12 <i>per cent</i>	↓ Decrease in Non-Tax Revenue Receipts by 12.48 <i>per cent</i>
↑ Increase in GIA by 36.42 <i>per cent</i>	↓ Decrease in recoveries of Loans and Advances by ₹ 969.03 crore (15.28 <i>per cent</i>)
	↓ Increase in Public Debt Receipts by 59.45 <i>per cent</i>
	↓ Decrease in Cash Balance by ₹ 1,431.91 crore (32.41 <i>per cent</i>)

1.1.2 Review of the fiscal situation

Fiscal reforms path in Haryana

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

The Fourteenth Finance Commission (FFC) has projected an average annual growth rate of 15.73 *per cent* for GSDP at current prices for the State for the period 2015-16 to 2019-20. Major fiscal variables provided in the budget, based on the recommendations of the FFC and as projected by the State in Medium Term Fiscal Policy Statement (MTFPS) are shown in *Table 1.4*.

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

Fiscal variables		2018-19						
		Targets as prescribed by FFC	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	Actuals	Variation of actuals from projections		
						Targets prescribed by FFC	Targets of Budget	Projections of Five year fiscal plan/ MTFP
Revenue Deficit(-)/ Surplus (+)		(+) 1.03	(-) 1.20	(-) 1.20	(-) 1.59	(-) 2.62	(-) 0.39	(-) 0.39
Fiscal Deficit/ GSDP		(-) 3.25	(-) 2.82	(-) 2.82	(-) 3.10	(+) 0.15	(-) 0.28	(-) 0.28
Ratio of total outstanding debt to GSDP	Including UDAY	20.92	23.44	23.44	26.05	(-) 5.13	(-) 2.61	(-) 2.61
	Excluding UDAY	--	19.66	19.66	22.38	-	(-) 2.72	(-) 2.72

- FFC recommended that the State should be revenue surplus and projected the revenue surplus for the year 2018-19 to be ₹ 7,253 crore (1.03 *per cent* of GSDP) against which, in actual, there was revenue deficit of ₹ 11,270

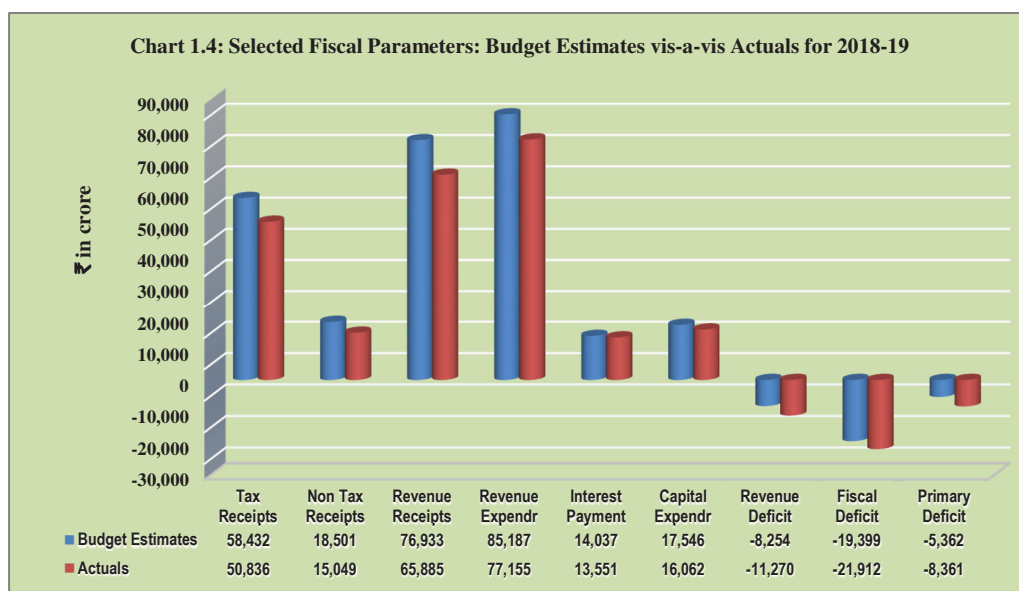
crore (1.59 *per cent* of GSDP). The revenue deficit of the State was higher than the projection made in the budget and MTFPS (*Appendix 1.6*).

- The fiscal deficit was within the recommendations of FFC but higher than the projections made in budget and MTFPS. The ratio of outstanding liabilities to GSDP at 26.05 *per cent* was higher than the recommendations of FFC as well as projections made in budget and MTFPS.

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

1.1.3 Budget estimates and actual

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



- As against the targeted revenue receipt of ₹ 76,933 crore, the actual revenue receipts were ₹ 65,885 crore (85.64 *per cent*).
- The collection under tax receipts was only ₹ 50,836 crore against the anticipated receipt of ₹ 58,432 crore mainly due to lesser receipts under Taxes on sales, trades, etc. and SGST which were ₹ 8,998 crore and ₹ 18,613 crore against the anticipation of ₹ 11,440 crore and ₹ 23,760 crore respectively.
- The non-tax receipts were only ₹ 15,049 crore (81.34 *per cent*) against the anticipated receipt of ₹ 18,501 crore mainly due to lesser receipts under Urban Development (₹ 1,684 crore), Education (₹ 901 crore) and Road Transport (₹ 803 crore) than the estimated projections.

- The actual revenue expenditure was lesser by ₹ 8,032 crore than the budget estimates due to lower revenue expenditure in social services ₹ 4,433 crore, in economic services ₹ 1,895 crore, in general services ₹ 1,620 crore and in grants-in-aid ₹ 84 crore.
- During the year, the State made capital expenditure of ₹ 16,062 crore against the budget estimate of ₹ 17,546 crore because of lesser expenditure in social services (₹ 1,065 crore), general services (₹ 119 crore) and disbursement of loans and advances (₹ 1,011 crore). However, capital expenditure in economic services was excess by ₹ 711 crore than the budget provisions.
- The actual revenue, fiscal and primary deficits were more than projections in budget estimates.

In relation to GSDP, the Revenue Deficit at 1.59 *per cent* and Fiscal Deficit at 3.10 *per cent* of GSDP were more than as projected at 1.20 *per cent* and 2.82 *per cent* in annual budget as well as MTFPS. The assessment of FFC of revenue surplus State could not be achieved.

1.1.4 Buoyancy Ratios

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

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

	2014-15	2015-16	2016-17	2017-18	2018-19
GSDP (₹ in crore)	4,37,145	4,95,249	5,56,325	6,26,054	7,07,126
Rate of Growth of GSDP (in <i>per cent</i>)	9.49	13.29	12.33	12.53	12.95
Revenue Receipts (RR)					
RR during the year (₹ in crore)	40,799	47,557	5,2497	62,695	65,885
Rate of growth of RR (in <i>per cent</i>)	7.33	16.56	10.39	19.43	5.09
Buoyancy of RR with respect to GSDP	0.77	1.25	0.84	1.55	0.39
State's Own Tax Revenue (SOTR)					
SOTR during the year (₹ in crore)	27,635	30,929	34,026	41,099	42,581
Rate of Growth of SOTR (in <i>per cent</i>)	8.09	11.92	10.01	20.79	3.61
Buoyancy of SOTR with GSDP	0.85	0.90	0.81	1.66	0.28
Total Expenditure (TE)					
TE during the year (₹ in crore)	53,677	79,394	79,781	88,190	93,218
Rate of Growth of TE (in <i>per cent</i>)	15.19	47.91	0.49	10.54	5.70
Buoyancy of TE with GSDP	1.60	3.60	0.04	0.84	0.44
Fiscal Liabilities (FL)					
FL at the end of the year (₹ in crore)	88,446	1,20,718	1,46,371	1,64,076	1,84,216
Rate of Growth of FL (<i>per cent</i>)	15.97	36.49	21.25	12.10	12.27
Buoyancy of FL with GSDP	1.68	2.75	1.72	0.97	0.95

Source: Finance Accounts of respective years

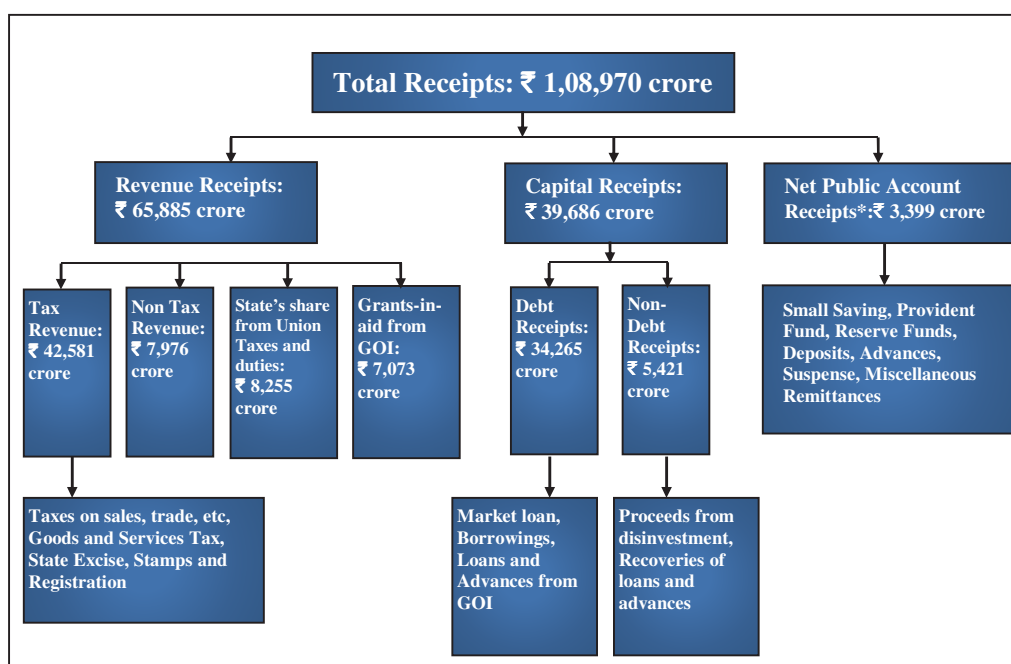
It can be seen that the Buoyancy of RR and SOTR with reference to GSDP was lesser than one during 2018-19. This indicates that during 2018-19 the

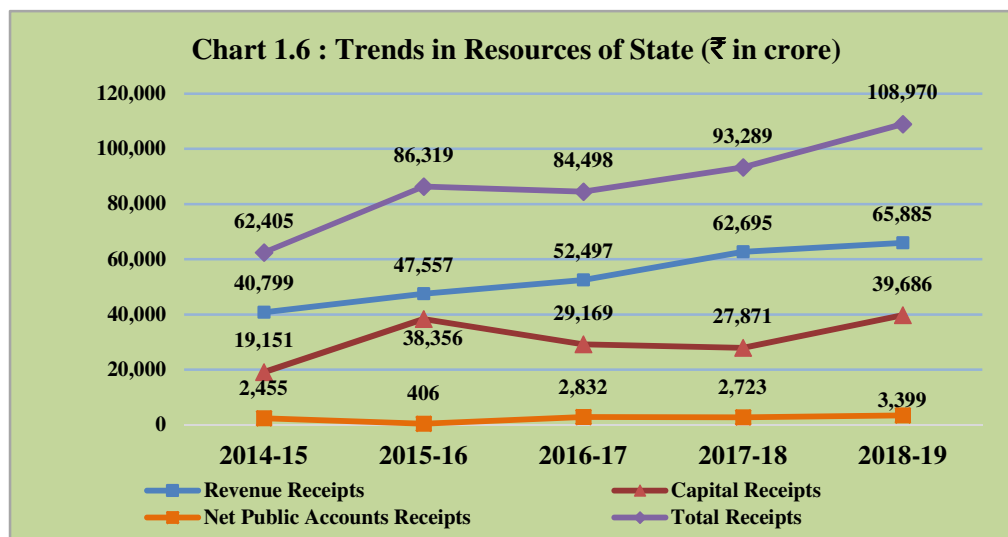
growth rate of RR was less than the growth rate of GSDP. The growth rate of SOTR was very less than the growth rate of GSDP. The growth rate of fiscal liabilities was almost equal to the growth rate of GSDP.

1.2 Resources of the State as per Finance Accounts 2018-19

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI as well as accruals from Public Account. **Table 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.6** depicts the trends in various components of the receipts of the State during 2014-19, the **Chart 1.5** and **Chart 1.7** depict the composition of resources of the State during the current year.

Chart 1.5: Components and sub component of the resources

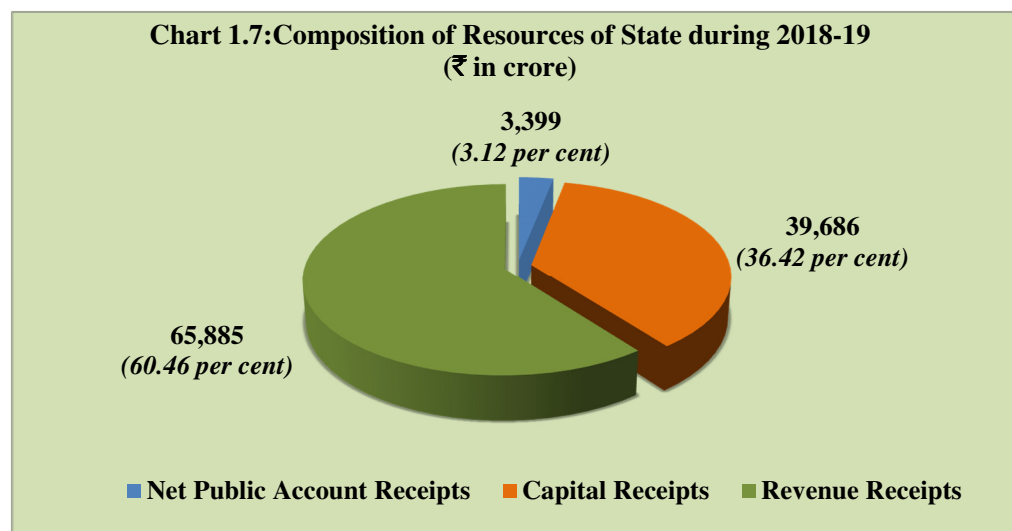




(Source: State Finance Accounts of the respective years)

- Net Public Account Receipts (₹ 3,399 crore) = Public Account Receipts (₹ 40,785 crore) less Public Accounts Disbursements (₹ 37,386 crore)

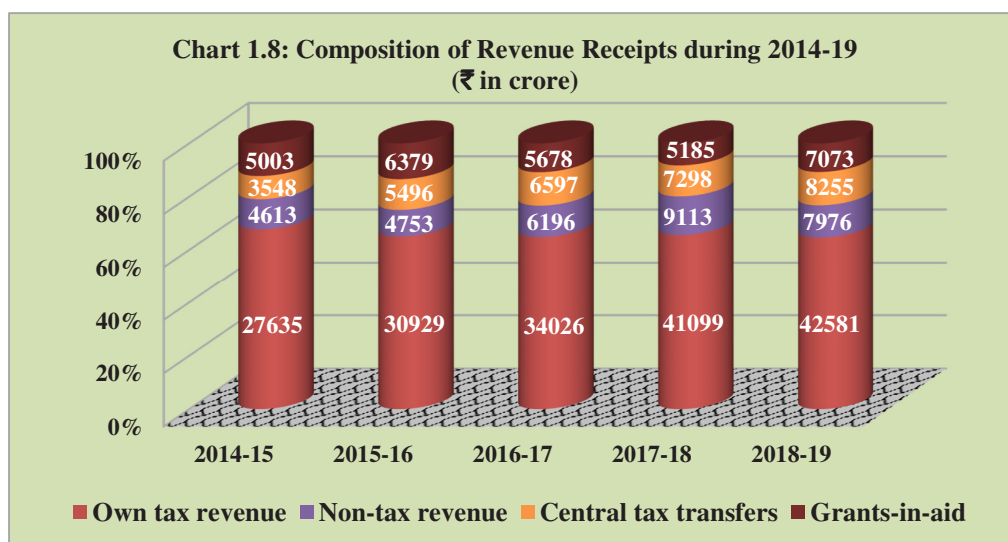
The total receipts of the Government increased by ₹ 46,565 crore (74.62 per cent) during 2014-19. Revenue receipts increased by ₹ 25,086 crore (61.49 per cent), Capital receipts, which includes recovery of loans and advances and public debt, increased by ₹ 20,535 crore (107.23 per cent) and Net Public Account receipts increased by ₹ 944 crore (38.45 per cent) during the same period.



The share of revenue receipts in the total receipts decreased from 65.38 per cent in 2014-15 to 60.46 per cent in 2018-19. The share of net Public Accounts receipts slightly decreased from 3.93 to 3.12 per cent and share of capital receipts including public debt increased from 30.69 per cent to 36.42 per cent during 2014-19, which shows higher dependency on borrowings.

1.3 Revenue Receipts

The trends and composition of revenue receipts over the period 2014-19 are presented in *Appendix 1.4* and also depicted in *Chart 1.8*.



(Source: State Finance Accounts of respective years)

The revenue receipts of the State increased by 61.49 *per cent* during the period from 2014-15 to 2018-19. The State's own tax revenue increased by 54.08 *per cent*, the grants-in-aid from GoI increased by 41.38 *per cent* and the central tax transfers increased by 132.67 *per cent* during the same period. The share of the State's own revenue (tax revenue and non-tax revenue) in the total revenue decreased from 79.04 *per cent* in 2014-15 to 76.74 *per cent* in 2018-19. The share of grants-in-aid from GoI decreased from 12.26 *per cent* in 2014-15 to 10.74 *per cent* in 2018-19. The share of central tax transfers increased from 8.70 *per cent* to 12.53 *per cent* during 2014-15 to 2018-19.

The revenue receipts of the State during the current year grew by only 5.09 *per cent* over the previous year, that too because of increase in share of Union taxes and duties by ₹ 957 crore (13.11 *per cent*) and grants-in-aid from GoI by ₹ 1,888 crore (36.41 *per cent*). State's own tax and non-tax revenue increased by only ₹ 345 crore (0.69 *per cent*). The increase in State's tax revenue ₹ 1,482 crore, largely counter balanced by the decrease in non-tax revenue (₹ 1,137 crore). The trends in annual growth in revenue receipts and SOTR are given in **Table 1.6**.

Table 1.6: Trends in annual growth in Revenue Receipts and SOTR

	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Receipts (RR) (₹ in crore)	40,799	47,557	52,497	62,695	65,885
Rate of growth of RR (<i>per cent</i>)	7.33	16.56	10.39	19.43	5.09
SOTR (₹ in crore)	27,635	30,929	34,026	41,099	42,581
Rate of growth of SOTR (<i>per cent</i>)	8.09	11.92	10.01	20.79	3.61

The growth rate of revenue receipts in the current year was 5.09 *per cent* which was lower than the growth rate of 12.77 *per cent* in General Category States (**Appendix 1.1**).

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's

performance in mobilization of resources is assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2018-19 vis-à-vis assessment made by FFC and MTFPS are given in the **Table 1.7**.

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

	FFC projection	Budget estimates	MTFPS projection	Actual	Percentage variation of actual over		
					FFC projection	Budget estimates	MTFPS projection
Tax revenue	66,779	49,132 ²	49,132	42,581	(-) 36.24	(-) 13.33	(-) 13.33
Non-tax revenue	4,814	11,303 ³	11,303	7,976	65.68	(-) 29.43	(-) 29.43

The actual collection under State's own tax revenue fell short by 36.24 *per cent* of the projections made by FFC and 13.33 *per cent* of budget estimates and MTFPS projection. The actual receipts under non-tax revenue were more by 65.68 *per cent* of the projections made by FFC but fell short by 29.43 *per cent* of budget estimates and MTFPS.

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

1.3.1.1 Tax revenue

The gross collection in respect of major taxes and duties are given in **Table 1.8** which also depicts the trends in various components of own tax revenue of the State during 2014-19.

Table 1.8: Components of State's own resources

(₹ in crore)

Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19
Taxes on sales, trade, etc.	18,993.25 (13)	21,060.23 (11)	23,488.41 (12)	15,608.92 (-34)	8,998.00 (-42)
GST	-	-	-	10,833.43	18,612.72 ⁴
State excise	3,470.45 (-6)	4,371.08 (26)	4,613.13 (6)	4,966.21 (8)	6,041.87 (22)
Taxes on vehicles	1,191.50 (9)	1,400.38 (18)	1,583.06 (13)	2,777.57 (75)	2,908.29 (5)
Stamp duty and Registration fees	3,108.70 (-3)	3,191.21 (3)	3,282.63 (3)	4,192.49 (28)	5,636.17 (34)
Land revenue	15.28 (23)	14.97 (-2)	16.09 (7)	18.07 (12)	19.19 (6)
Taxes on goods and passengers	527.07 (6)	554.25 (5)	594.59 (7)	2,317.47 (290)	20.70 (-99)
Other taxes ⁵	328.32 (14)	336.97 (3)	4,47.77 (33)	385.22 (-14)	344.40 (-11)
Total	27,634.57 (8)	30,929.09 (12)	34,025.68 (10)	41,099.38 (21)	42,581.34 (4)

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

(Source: Finance Accounts for the respective years)

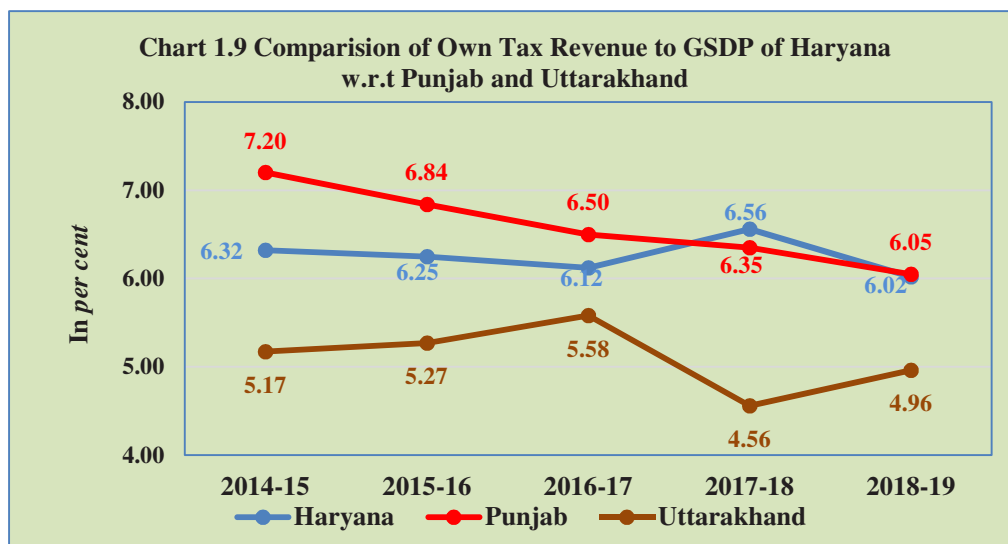
Tax revenue increased by ₹ 14,946.77 crore (54.09 *per cent*) during 2014-19. All the major taxes and duties recorded increasing trend. However, the taxes subsumed in GST i.e. Taxes on sales, trade, etc. and taxes on goods and passengers (Tax on Entry of goods into local areas) and other taxes decreased in 2018-19 as compared to 2017-18.

² Excluding Share of Central Taxes.

³ Excluding share of GIA.

⁴ The GST figure for the year 2017-18 is only for nine months and 2018-19 is for 12 months. Hence comparison cannot be done.

⁵ Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity.



Own tax-GSDP ratio of Haryana was lower than Punjab during 2014-17. However, during 2017-18 the Own tax-GSDP ratio of Haryana was marginally higher at 6.56 per cent as compared to Punjab (6.35 per cent) but slightly lower than Punjab during 2018-19.

Goods and Services Tax

State Government implemented the Goods & Services Tax (GST) Act which came into force from 1st July 2017. According to GST (Compensation to the States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG of India. A base year (2015-16) revenue figure was finalized under GST Act. In case of Haryana, the revenue was ₹ 15,230.59 crore during the base year (2015-16). The projected revenue for any year in a State shall be calculated by applying the projected growth rate (14 per cent per annum) over the base year revenue of that State.

The projected revenue for the year 2018-19 in accordance with base year figure stands at ₹ 22,564.79⁶ crore. Revenue figure under GST for the year 2018-19 has been depicted in Finance Accounts as per nature of receipt i.e. State Goods & Services (SGST) Tax, cross utilization of Input Tax Credit between SGST and IGST (Integrated Goods & Services Tax), Apportionment of IGST and Advance apportionment from IGST. Against the projected revenue of ₹ 22,564.79 crore, the revenue receipt of the State Government under GST during the year 2018-19 remained at ₹ 18,597.93 crore and compensation received ₹ 2,820 crore, as detailed in **Table 1.9**. Thus, there was overall shortfall of ₹ 1,146.86 crore in receipt of compensation as on 31 March 2019.

⁶ ₹ 15,230.59 x (1 + 14/100)³ = ₹ 22,564.79 crore for 2018-19

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

(₹ in crore)

Month	Monthly revenue to be protected	Pre-GST taxes collected [#]	SGST collected	Provisional apportionment of IGST	Total Amount	Compensation received	Deficit (+)/ Surplus (-)
	1	2	3	4	5 (2+3+4)	6	7 (1-(5+6))
April 2018	1,880.40	(-)13.54	1,088.81	375.42	1,450.69	0.00	429.71
May 2018	1,880.40	2.40	966.73	312.43	1,281.56	262.00	336.84
June 2018	1,880.40	(-)8.00	1,061.10	309.65	1,362.75	0.00	517.65
July 2018	1,880.40	(-)3.38	953.07	1,353.47	2,303.16	0.00	(-)422.76
August 2018	1,880.40	16.34	1,043.37	229.16	1,288.87	0.00	591.53
September 2018	1,880.40	(-)3.72	999.74	439.14	1,435.16	588.00	(-)142.76
October 2018	1,880.40	21.16	1,035.59	282.25	1,339.00	0.00	541.40
November 2018	1,880.40	13.83	1,031.79	885.64	1,931.26	555.00	(-)605.86
December 2018	1,880.40	(-)97.31	946.68	754.22	1,603.59	0.00	276.81
January 2019	1,880.40	10.12	1,015.15	397.40	1,422.67	882.00	(-)424.27
February 2019	1,880.40	19.51	1,037.18	364.23	1,420.92	0.00	459.48
March 2019	1,880.39	27.80	1,080.76	649.74	1,758.30	533.00	(-)410.91
Total	22,564.79	(-)14.79	12,259.97	6,352.75	18,597.93	2,820.00	(+)1,146.86

Source: Information from PAG (A&E) Haryana and Excise & Taxation Department, Haryana[#] includes VAT and CST (net of refunds) and revenue from taxes subsumed in GST by excluding VAT and CST on petroleum products and liquor.**Advance apportionment from IGST**

IGST is to be apportioned to State Governments under section 17 of the IGST Act, 2017. The State Tax Division, Ministry of Finance, Department of Revenue (GoI) sanctioned provisional/advance settlement of apportionment of ₹ 2,476.10 crore in the year 2018-19. However, the GoI adjusted amount of ₹ 133.40 crore (two instalments of ₹ 66.70 crore each) against these advance apportionment during the year 2018-19 resulting in net amount of ₹ 2,342.70 crore for the year 2018-19.

Audit of GST Receipts

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 fulfil 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.

Cost of tax collection

The collection of major taxes, expenditure incurred on their collection and the percentage of such expenditure to collection during the years 2016-17 to 2018-19 are given in **Table 1.10** which shows that cost of collection is less in the State than the All India Average.

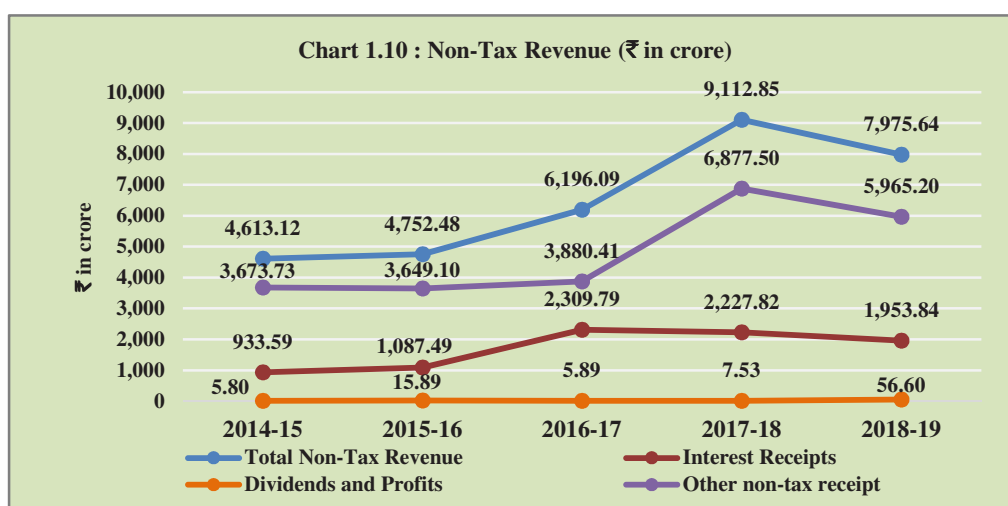
Table 1.10: Cost of collection of taxes

Head	Year	Collection	Expenditure on collection	Percentage of expenditure on collection	All India average
		(₹ in crore)			
Taxes on Sales, trades, etc.	2016-17	23,488.41	141.80	0.60	0.69
	2017-18	15,608.92	147.94	0.95	0.69
	2018-19	8,998.00	151.08	1.68	NA
Taxes on Vehicles	2016-17	1,583.06	28.57	1.80	2.61
	2017-18	2,777.57	38.23	1.38	2.61
	2018-19	2,908.29	55.79	1.92	NA
State Excise	2016-17	4,613.13	34.63	0.75	2.01
	2017-18	4,966.21	42.33	0.85	1.83
	2018-19	6,041.87	38.08	0.63	NA
Stamp and Registration	2016-17	3,282.63	10.50	0.32	2.99
	2017-18	4,192.49	9.82	0.23	2.96
	2018-19	5,636.17	9.41	0.17	NA

(Source: Finance Accounts for the respective years)

1.3.1.2 Non tax revenue

Growth of non-tax revenue during five years (2014-19) given in **Chart 1.10** and **Table 1.11** depicts the trends in various components of non-tax revenue of the State during 2014-19.



Source: Finance Accounts of years concerned

Table 1.11: Growth of non-tax revenue during 2014-19

Revenue Head	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Interest receipts	933.59 (-14)	1,087.49 (16)	2,309.79 (112)	2,227.82 (-4)	1,953.84 (-12)
Dividends and Profits	5.80 (-11)	15.89 (174)	5.89 (-63)	7.53 (28)	56.60 (652)
Other non-tax receipts	3,673.73(-5)	3,649.10 (-1)	3,880.41 (6)	6,877.50 (77)	5,965.20 (-13)
a) Major and medium Irrigation	129	110	113	132	164
b) Road Transport	1,235	1,255	1,265	1,280	1,197
c) Urban Development	861	422	599	2,861	2,316
d) Education	564	637	640	674	272
e) Non-ferrous mining and metallurgical industries	43	272	497	713	583
Total	4,613.12 (-7)	4,752.48 (3)	6,196.09 (30)	9,112.85 (47)	7,975.64 (-12)

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

(Source: Finance Accounts for the respective years)

The actual receipts under non-tax revenue increased by ₹ 3,362.52 crore (72.89 per cent) during 2014-19. Non-Tax revenue (₹ 7,975.64 crore)

constituted 12.11 *per cent* of the revenue receipt during 2018-19 registering decrease of ₹ 1,137.21 crore (12.48 *per cent*) over the previous year mainly due to decrease in receipt under Urban Development Department (Other Receipts: ₹ 550 crore), Education (Elementary Education: ₹ 465 crore) and Non-ferrous mining and metallurgical industries (Mineral concession fee, rents and royalties).

1.3.2 Grants in aid from GoI

The GIA from GoI increased by ₹ 1,888.42 crore in 2018-19 over the previous year as shown in *Table 1.12*.

Table 1.12: Grants-in-aid received from GoI

(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Non-Plan Grants	1,723.20	3,744.39	3,078.49	-	-
Grants for State Plan Schemes	2,815.36	2,268.18	2,327.52	-	-
Grants for Central Plan Schemes	24.57	27.53	34.50	-	-
Grants for Centrally Sponsored Schemes	439.75	338.66	237.07	2,326.62	2,843.09
Finance Commission Grants	-	-	-	1,316.68	1,274.26
Compensation for Loss of Revenue arising out of implementation of GST				1,199.00	2,820.00
Other Transfer/Grants to States	-	-	-	342.82	136.19
Total	5,002.88 (21)	6,378.76 (28)	5,677.58 (-11)	5,185.12 (-9)	7,073.54 (36)

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

(Source: Finance Accounts for respective years)

The GIA from GoI increased from ₹ 5,185.12 crore (2017-18) to ₹ 7,073.54 crore (2018-19) which also included compensation of ₹ 2,820 crore in lieu of loss of revenue arising out of implementation of GST.

1.3.3 Funds transferred directly to State implementing agencies

The GoI has been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. GoI decided to route these funds through State Budget from 2014-15 onwards. However, during 2018-19, the GoI transferred ₹ 4,226.45 crore directly to various implementing agencies/Non-Governmental Organisations of the State as detailed in *Table 1.13*.

Table 1.13: Funds transferred directly to State implementing agencies

(₹ in crore)			
Sr. No.	Government of India Scheme	Implementing Agency	Amount
1	Autonomous Research & Development Institution	(i) Registered Societies (ii) Statutory Bodies	120.86
2	Mahatma Gandhi National Rural Employment Guarantee Scheme	MNREGA	224.72
3	National Handicapped Finance and Development Corporation	National Handicapped Finance and Development Corporation	20.75
4	Market Access initiative	Apparel Export Promotion Council	0.87
5	MPs Local Area Development Scheme MPLADS	Deputy Commissioners	82.50
6	National Aids Control Programme III	Haryana State AIDS Control Societies	17.92

Sr. No.	Government of India Scheme	Implementing Agency	Amount
7	Research and Development Department of Biotechnology	(i) Registered Societies (ii) Statutory Bodies (iii) State Govt. PSUs (iv) Govt. Autonomous Bodies (v) Govt. Institutions	88.86
8	Support to National institute of Technology (NIT) including Ghani Khan institute	NIT, Kurukshetra	131.86
9	Mission for Horticulture Development	National Horticulture Board, Gurugram, Haryana	262.19
10	Schemes arising out of the implementation of The Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995	National Handicapped Finance and Development Corporation	21.92
11	Seekho Aur Kamao- Skill Development Initiatives	Mass Infotech Society	8.79
12	Project Based Support to Autonomous Institutions	National Council for Cement & Building Materials	30.00
13	National Mission on Food Processing (SAMPDA)	National Horticulture Board, Gurugram, Haryana	26.15
14	National Power Training Institute	National Power Training Institute	100.55
15	Support To Indian Institutes of Management (IIMs)	Indian Institute of Management, Rohtak	25.45
16	Swadesh Darshan - Integrated development of theme based tourism circuits	Haryana Tourism Corporation Ltd	101.82
17	Payment for Urea Freight Subsidy	Yara Fertilisers India Pvt. Ltd.	1,427.70
18	Payment for Imported Phosphorus and Potassium Fertilizers	Mosaic India Private Limited	658.11
19	Nai Manjil- The integrated education and livelihood initiative	Mass Infotech Society	8.83
20	Works under Road Wing	Jhandu, Dhatarwal Construction	465.69
21	Pardhan Mantri Matru Vandana Yojna	Women and Child Development Department	33.00
22	Rashtriya Gokul Mission	Haryana Livestock Development Board	25.05
23	Agriculture Marketing	Haryana State Agricultural Marketing Board	32.40
24	Pradhan Mantri Kisan Samman Nidhi	Department of Agriculture, Haryana	188.87
25	Other Schemes	-	121.59
		Total	4,226.45

Source: Finance Accounts – Appendix VI

The GoI had transferred ₹ 11,639.82 crore to various implementing agencies which existed in the State. Out of which, ₹ 4,226.45 crore were released to the State implementing agencies which was more by 31 *per cent* than the amount released in 2017-18 (₹ 3,226.60 crore). Balance funds were released to Central Bodies and other organisations outside the purview of the State Government.

1.3.4 Central tax transfers

Central tax transfers increased from ₹ 7,297.52 crore in 2017-18 to ₹ 8,254.60 crore in 2018-19 as given in *Table 1.14*.

Table 1.14: Central tax transfers during 2017-18 and 2018-19

(₹ in crore)				
Name of Tax	Recommendation of FFC	Actual for 2017-18	Actual for 2018-19	Variation
Corporation Tax	42 <i>per cent</i> of the sharable amount of Central taxes to states compared to 32 <i>per cent</i> of Th FC	2,235.92	2,870.86	634.94
Income Tax		1,888.08	2,114.27	226.19
Wealth Tax		-0.07	1.05	1.12
Customs		736.90	585.17	(-) 151.73
Union Excise Duty		770.20	388.87	(-) 381.33
Service Tax		825.05	75.03	(-) 750.02
Other Taxes and Duties on Commodities and Services		-	19.21	19.21
Central Goods and Service Tax (CGST)		104.36	2,037.54	1,933.18
Integrated Goods and Services Tax (IGST)		737.08	162.60	(-) 574.48
Total		7,297.52	8,254.60	957.08

(Source: Finance Accounts for respective years)

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

The share of Union Taxes received during 2018-19 (₹ 8,254.60 crore) was more by ₹ 957.08 crore as compared to 2017-18 but less by ₹ 1,045.40 crore than the projections made in the budget estimates 2018-19 (₹ 9,300 crore).

1.3.5 Funds created by levying Cess

Article 266(1) of the Constitution of India provides that all revenues received by the State Government, all loans raised by the Government by issue of treasury bills, loans or ways and means advances and all moneys received by the Government in repayment of loans shall form one Consolidated Fund to be called "the Consolidated Fund of the State".

Building and Other Construction Workers' Welfare Cess

The State Government collects cess on the cost of construction incurred by employers under the Building and Other Construction Workers' Welfare Cess Act, 1996. The collected cess is to be spent on welfare schemes for construction workers. For this purpose, Building and Other Construction Workers' Welfare Board has been constituted. As per accounts of the Board, the total funds available with the Board as on 31 March 2017 were ₹ 2,407.16 crore, The Board received ₹ 491.92 crore during 2017-18 as labour cess, interest, etc. and spent ₹ 154.74 crore including ₹ 148.31 crore on labour welfare schemes during the year. As on 31 March 2018, the Board had funds of ₹ 2,744.34 crore.

Haryana Rural Development Fund

The State Government constituted the Haryana Rural Development Fund Administration Board under the Haryana Rural Development Act, 1986 for augmenting agricultural production and improving its marketing and sale. Under Section 5(1) of this Act, a fee (cess) is levied on *ad-valorem* basis at the rate of two *per cent* of the sale proceeds of the agriculture produce bought or sold or brought for processing in the notified market area. The amount so collected is spent by the Board in the rural areas mainly in connection with the development of roads, establishment of dispensaries, making arrangement for water supplies and sanitation and construction of godowns. During 2011-18, the receipts under the fund were ₹ 3,766.64 crore and expenditure incurred was ₹ 3,122.68 crore.

Both the Acts provide for creation of separate funds for crediting the cess collected. Government departments transfer the cess collected by them to the Haryana Building and Other Construction Workers Welfare Board/ Haryana Rural Development Fund Administration Board without routing these through the Consolidated Fund of the State which is against the provisions of Rule 7(1)

of the Punjab Treasury Rules and Subsidiary Treasury Rules issued thereunder read with Article 266(1) of the Constitution of India according to which all money received by or tendered to the State government shall without delay be paid in full to the treasury and shall be included in the Consolidated Fund of the State.

These funds are outside the Consolidated Fund of the state and hence there is no legislative oversight over collection and utilization of money in these funds. The Thirteenth Finance Commission also expressed concern over the tendency to divert public expenditure from the budget to nominated funds which are operated outside the authority of the legislature and the audit of the Comptroller and Auditor General of India.

In the case of Building and Other Construction Workers Welfare Fund, the Act provides for audit by CAG and the Fund is being audited. However, the Haryana Rural Development Act does not provide for audit by CAG.

In addition to the above concerns, in case of Building and Other Construction Workers Welfare cess, there is lack of proper accounting procedure. The State Government has not operated a distinct sub-head for classifying the receipts on account of labour cess. As a result, it is not possible to ascertain the total amount of labour cess collected by the State Government in a particular year from the accounts rendered by the Treasuries. Although the matter has been taken up repeatedly by AG (A&E), Haryana, no action has been taken by the State Government in this regard. This issue has been highlighted in the Notes to Finance Accounts of the State as well.

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

The budget allocation made for fulfillment of Fourteenth Finance Commission recommendations for the year 2017-18 and 2018-19 vis-à-vis Government releases and actual expenditure incurred are given in **Table 1.15**.

Table 1.15: Budget allocation, Government releases and actual expenditure against recommendations of 14th Finance Commission for the year 2017-18 and 2018-19

(₹ in crore)

Name of Scheme/ Department	2017-18			2018-19		
	Budget	Government releases	Actual expenditure	Budget	Government releases	Actual expenditure
Urban Development	536.84	305.45	433.28	474.26	177.87	177.87
Relief on Account of National Calamities- SDRF	254.25	254.25	254.25	320.40	320.40	320.40
Other Rural Development Programme	756.98	756.98	756.98	873.86	775.99	775.99
Total	1,548.07	1,316.68	1,444.51	1,668.52	1,274.26	1,274.26

(Source: Figures obtained from Finance Department of Haryana)

As per recommendations of the 14th Finance Commission, GoI released only basic grants for local bodies (Rural and Urban Development) and State Disaster Response Fund during the year 2017-18 and 2018-19.

1.4 Capital Receipts

Capital receipts include recoveries of loans and advances, receipts through debt i.e. internal and from GoI and miscellaneous capital receipts. The capital receipts during five years (2014-19) are detailed in **Table 1.16**.

Table 1.16: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Capital Receipts	2014-15	2015-16	2016-17	2017-18	2018-19
Capital Receipts (CR)	19,150.31	38,356.69	29,169.02	27,870.56	39,685.88
Miscellaneous Capital Receipts by disinvestment in Co-operative Banks and Societies	18.74	29.98	26.27	39.87	49.01
Recovery of Loans and Advances	272.82	328.28	973.23	6,340.93	5,371.90
Public Debt Receipts	18,858.75	37,998.43	28,169.52	21,489.76	34,264.97
Market Loans	13,200.00	14,099.99	15,800.00	16,639.49	21,265.00
Bonds	0.00	17,300.00	8,650.00	0.00	0.00
Loans from Financial Institutions	4,102.79	4,641.45	3,412.39	4,525.43	12,344.13
Special Securities issued to National Small Saving Fund	1,251.31	1,721.40	-	-	-
Other Loans	173.89	138.36	183.87	104.35	25.98
Loans from GoI	130.76	97.23	123.26	141.01	124.83
Ways and Means Advances	--	--	--	79.48	505.03
Percentage of Market Loan to Public Debt Receipt	69.99	37.11	56.09	77.43	62.06
Rate of growth over the previous year (per cent)					
Of debt capital receipts	7	101	(-) 26	(-) 24	59
Of non-debt capital receipts	7	23	179	538	(-) 15
Of GSDP	9.49	13.29	12.33	12.53	12.95
of Capital Receipts	7	100	(-) 24	(-) 4	42

(Source: Finance Accounts of respective years)

Share of Market Loans in Public Debt receipts decreased to 62.06 *per cent* in 2018-19 from 77.43 *per cent* in 2017-18, due to more loans raised from Financial Institutions. The recovery of loans and advances includes conversion of ₹ 5,190 crore of DISCOMs loans into equity during 2018-19. The State Government had issued Power bonds of ₹ 17,300 crore in 2015-16 and ₹ 8,650 crore in 2016-17 by taking over the loans of ₹ 25,950 crore (75 *per cent* of total DISCOMs liability as on 30 September 2015 under UDAY scheme) and treated the financial package as grant-in-aid (₹ 7,785 crore), Equity Capital (₹ 2,595 crore) and Loans to DISCOMs (₹ 15,570 crore). Out of total loans of ₹ 15,570 crore, ₹ 10,380 crore (₹ 5,190 crore in 2017-18 and ₹ 5,190 crore in 2018-19) have been converted into equity.

1.4.1 Proceeds from disinvestment

During the year 2018-19, net proceeds from capital disinvestment of 13 Cooperative Banks and Societies were ₹ 49.01 crore which is 22.92 *per cent* more than the previous year (₹ 39.87 crore).

1.4.2 Recoveries of loans and advances

The details of loans and advances disbursed and recovery made during 2014-19 are given in **Table 1.17**.

Table 1.17: Quantum of loans disbursed and recovered during 2014-19

(₹ in crore)

Quantum of loans disbursed and recovered	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Balance	4,002	4,572	17,494	21,036	16,090
Amount advanced during the year	843	13,250	4,515	1,395	756
Amount recovered during the year	273	328	973	6,341	5,372
Closing Balance	4,572	17,494	21,036	16,090	11,474
Net addition	570	12,922	3,542	(-)4,946	(-) 4,616
Quantum of loans disbursed and recovered from Co-operative Sugar Mills					
Opening Balance	1,029	1,213	1,859	2,111	2,304
Amount advanced during the year	190	646	252	200	344
Amount recovered during the year	6	-	-	7	-
Closing Balance	1,213	1,859	2,111	2,304	2,648

During the year, loans and advances amounting to ₹ 5,371.90 crore were recovered mainly from Power Sector Companies (₹ 5,271.09 crore). Out of which, ₹ 5,190 crore were recovered by converting loans to equity by State Government. Actual recovery of loans and advances of ₹ 181.90 crore was only a fraction (1.13 *per cent*) of outstanding loans.

There were outstanding loans of ₹ 2,304 crore against Co-operative Sugar Mills as on 31 March 2018. The State Government disbursed new loans ₹ 344 crore and no recovery was made during 2018-19 resulting in total outstanding loans of ₹ 2,648 crore as on 31 March 2019. All the loans to Co-operative Sugar Mills were disbursed with the condition that the loan would be repaid in five years in equal installments after twelve months of sanction with nine *per cent* per annum interest and no loan would be disbursed in case of failure in repayment of earlier loans. However, loans were sanctioned/ disbursed to sugar mills without ensuring the fulfillment of conditions of earlier loans as depicted in the *Table 1.18*.

Table 1.18: Quantum of loans disbursed to and recovered from Co-operative Sugar Mills during 2011-12 to 2018-19

(₹ in crore)

Year	Opening loan outstanding	Loan Disbursed	Loan Recovered	Closing loan outstanding
2009-10	618.40	72.50	--	690.90
2010-11	690.90	50.00	--	740.90
2011-12	740.90	88.88	--	829.78
2012-13	829.78	92.00	40.00	881.78
2013-14	881.78	150.00	2.88	1,028.90
2014-15	1,028.90	190.00	6.00	1,212.90
2015-16	1,212.90	646.00	--	1,858.90
2016-17	1,858.90	252.00	--	2,110.90
2017-18	2,110.90	200.00	7.00	2,303.90
2018-19	2,303.90	343.96	--	2,647.86
Total		2,085.34	55.88	

(Source: Finance accounts of respective years)

Loans of ₹ 618.40 crore were outstanding against the Co-operative Sugar Mills on 1st April 2009. During 2009-10 to 2018-19, the State Government disbursed loans of ₹ 2,085.34 crore and recovered only ₹ 55.88 crore, resulting in accumulation of outstanding loans to ₹ 2,647.86 crore as on 31 March 2019.

Since recovery of loans has been poor, State Government may consider treating these loans and advances as grants and booking them as revenue expenditure for ensuring that accounts reflect the correct position.

1.4.3 Debt receipts from internal sources

An amount of ₹ 34,140.14 crore was received as internal debt receipts during 2018-19 which was ₹ 12,791.39 crore (60 *per cent*) excess than previous year (₹ 21,348.75 crore). The State Government raised ₹ 21,265 crore as market loans and ₹ 12,344.13 crore from financial institutions.

Trends in market borrowings are detailed in *paragraph 1.10*.

1.4.4 Loans and Advances from GoI

Total outstanding loans and advances from GoI decreased by ₹ 74.33 crore from ₹ 1,941.27 crore in 2017-18 to ₹ 1,866.94 crore in 2018-19. Loans of ₹ 124.83 crore were received from GoI and repayment of ₹ 199.16 crore was made during the year.

1.5 Public Account Receipts

Receipts and disbursements in respect of transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund, are kept in Public Account set up under Article 266(2) of the Constitution of India and are not subject to vote by the State Legislature. Trends of receipts and disbursements under various segments of Public Account are given in *Table 1.19*.

Table 1.19: Trends in Public Account Receipts and Disbursements during 2017-18 and 2018-19

Sources of State's Receipts	Public Account Receipts		Disbursement from Public Account		Excess of Receipts over disbursements	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
a. Small Savings, Provident Fund, etc.	3,342.50	3,512.08	2,116.18	2,344.37	1,226.32	1,167.71
b. Reserve Fund	973.29	944.98	153.65	156.46	819.64	788.52
c. Deposits	20,577.88	26,504.71	19,924.33	25,167.19	653.55	1,337.52
d. Advances	1.99	(-) 0.02	1.99	-	-	(-) 0.02
e. Suspense and Miscellaneous	900.54	912.33	852.20	978.04	48.34	(-) 65.71
f. Remittances	8,098.05	8,911.01	8,123.14	8,740.29	(-) 25.09	170.72
Total	33,894.25	40,785.09	31,171.49	37,386.35	2,722.76	3,398.74

(Source: Finance accounts of respective years)

Net public account receipts in 2018-19 increased by 24.83 *per cent* over the previous year mainly due to increase in Small Savings, Provident Fund, etc. (₹ 1,167.71 crore), Reserve Funds (₹ 788.52 crore), deposits (₹ 1,337.52 crore) and remittances (₹ 170.72 crore).

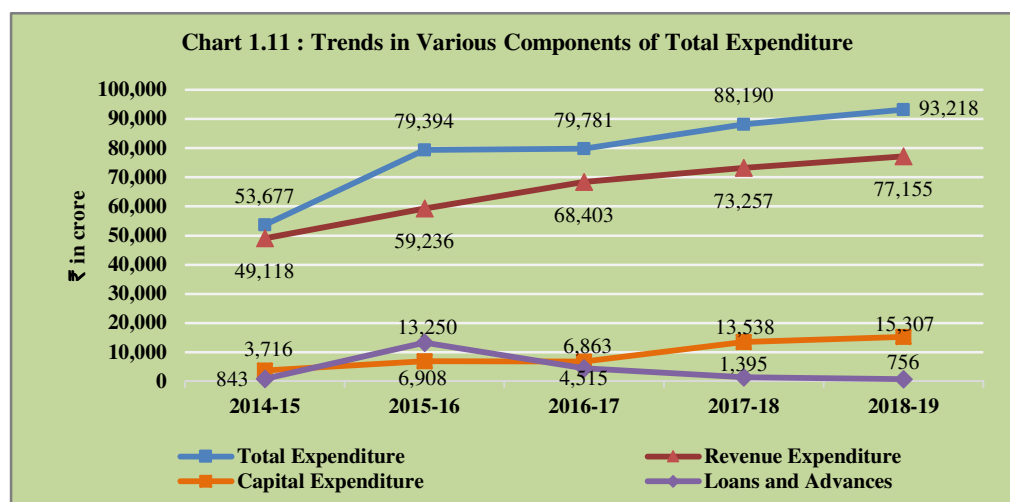
1.6 Application of Resources

The application of resources are analysed under various headings such as growth and composition of expenditure, revenue expenditure, committed

expenditure, expenditure on salaries, interest payments, subsidies, pension payments and expenditure on flagship schemes in the succeeding paragraphs.

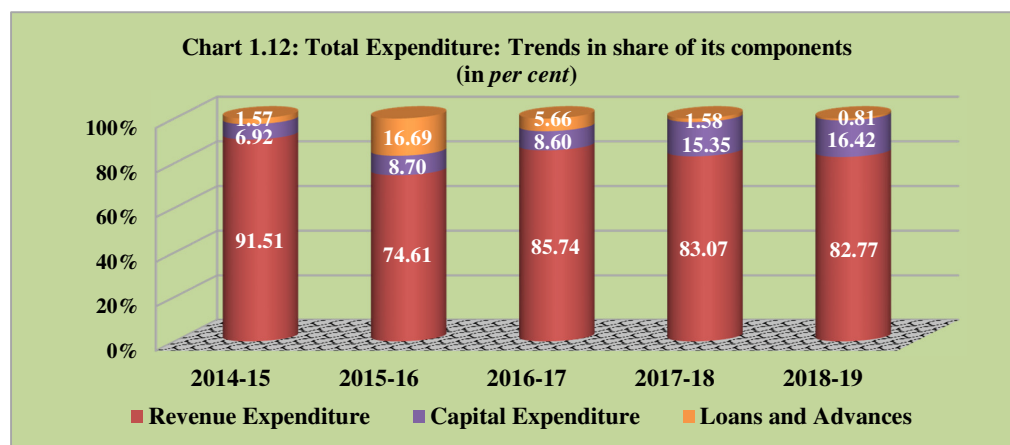
1.6.1 Growth and Composition of Expenditure

Trend and composition of total expenditure over the last five years (2014-19) are shown in charts below:



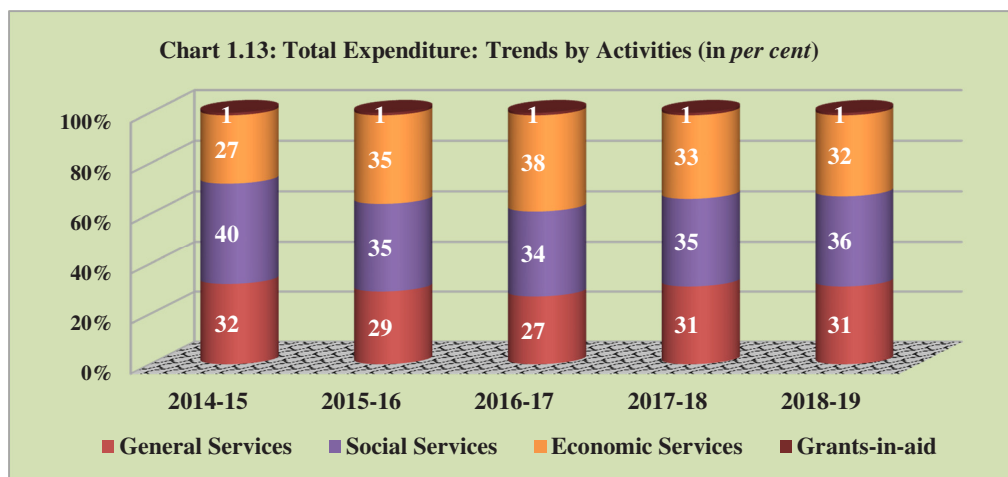
(Source: Finance accounts of respective years)

Total expenditure increased by 73.66 per cent over a period of five years (2014-19). The Revenue Expenditure increased by 57.08 per cent during 2014-19 while the capital expenditure increased by 311.92 per cent during the same period due to conversion of ₹ 5,190 crore loans and advances of DISCOMs into equity in the year 2018-19.



(Source: Finance Accounts of respective years)

The share of revenue expenditure in total expenditure decreased from 91.51 per cent in 2014-15 to 82.77 per cent in 2018-19, while the share of capital expenditure in total expenditure increased from 6.92 per cent in 2014-15 to 16.42 per cent in 2018-19. The share of loans and advances decreased from 1.57 per cent in 2014-15 to 0.81 per cent in 2018-19.



The share of general services including interest payments remained at 31 *per cent* during 2017-18 to 2018-19 while share of social services was on increasing trend since 2016-17 and was 36 *per cent* in 2018-19. Economic services decreased from 33 *per cent* in 2017-18 to 32 *per cent* in 2018-19. Share of grants-in-aid remained at around one *per cent* during the period of five years. The combined share of social and economic services which represent development expenditure increased from 67 *per cent* in 2014-15 to 68 *per cent* in 2018-19.

1.6.2 Revenue expenditure

Table 1.20 presents the growth of revenue expenditure over five years (2014-19).

Table 1.20: Growth of Revenue Expenditure

	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue expenditure	49,118	59,236	68,403	73,257	77,155
Growth rate (<i>per cent</i>)	17	21	15	7	5
Revenue expenditure as percentage to GSDP	11	12	12	12	11

Revenue expenditure during 2014-19 increased by ₹ 28,037 crore (57 *per cent*). Its percentage to GSDP remained at 11 *per cent* in 2014-15 and 2018-19.

Revenue expenditure increased by 5 *per cent* from ₹ 73,257 crore in 2017-18 to ₹ 77,155 crore in 2018-19. Revenue expenditure on General services increased by ₹ 1,470.29 crore on account of more expenditure mainly on Police services (₹ 299.87 crore) and interest payments (₹ 1,590.19 crore) offset by less expenditure on pension (₹ 643.31 crore). The expenditure on Social services also increased by ₹ 1,681.85 crore over the previous year due to more expenditure mainly on education, sports, art and culture (₹ 888.75 crore), health and family welfare (₹ 604.08 crore) and social welfare and nutrition (₹ 919.75 crore) offset by less expenditure on water supply, sanitation, housing and urban development (₹ 965.92 crore). Expenditure on Economic services increased by ₹ 914.76 crore mainly on account of more expenditure on agriculture and allied activities (₹ 657.32 crore) and rural development (₹ 436.76 crore) offset by less expenditure on energy sector (₹ 184.10 crore).

Revenue expenditure in 2018-19 at ₹ 77,155 crore was less than the projections made in MTFPS (₹ 85,187 crore). The State could not cap the Revenue

Expenditure within the normative assessment of FFC (₹ 64,340 crore) which held up the State from becoming a Revenue Surplus State.

1.6.3 Committed Expenditure

The committed expenditure on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.21** and **Chart 1.14** present the trends in the expenditure on these components during 2014-19.

Table 1.21: Components of committed expenditure

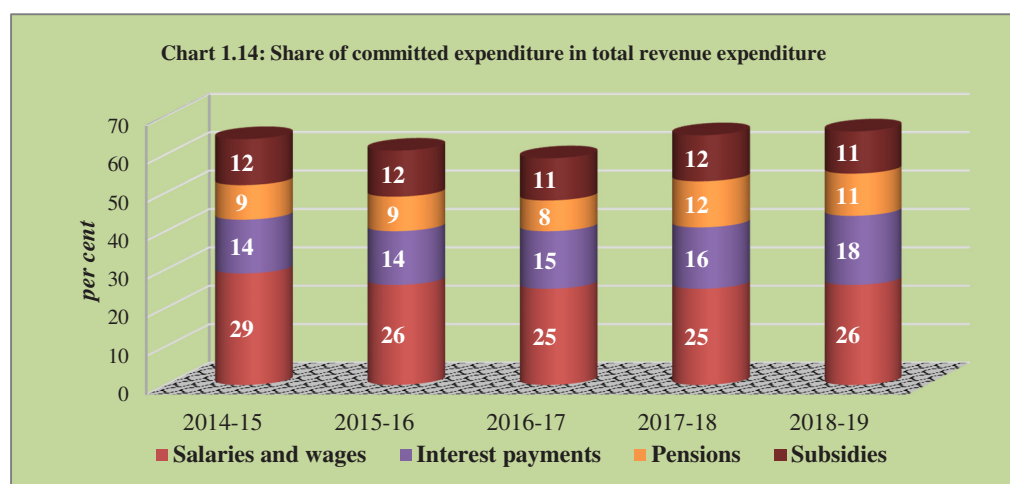
(₹ in crore)

Components of Committed Expenditure	2014-15	2015-16	2016-17	2017-18	2018-19	
					Budget Estimate	Actual
Salaries and wages	14,359 (35)	15,294 (32)	17,321 (33)	18,632 (30)	22,495	19,763* (30)
Interest Payments	6,928 (17)	8,284 (17)	10,542 (20)	11,961 (19)	14,037	13,551 (21)
Pensions	4,602 (11)	5,413 (11)	5,659 (11)	8,783 (14)	8,301	8,140 (12)
Subsidies	5,693 (14)	6,899 (15)	7,654 (15)	8,446 (13)	9,811	8,549 (13)
Total Committed Expenditure	31,582	35,890	41,176	47,822	54,644	50,003
Revenue Expenditure	49,118	59,236	68,403	73,257		77,155
Percentage of Committed Expenditure to Revenue Expenditure	64	61	60	65		65
Percentage of Committed Expenditure to Revenue Receipts	77	75	78	76		76

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

* Includes wages of ₹ 351.95 crore

Note: Figures in parentheses indicate percentage to revenue receipts



The total expenditure (₹ 41,102 crore) on salary, interest and pension payments was less by ₹ 1,833 crore (4.27 per cent) than the projections by the Government in MTFPS (₹ 42,935 crore) and consumed 62 per cent of the revenue receipts.

Committed expenditure on account of salary and wages, interest, pensions and subsidies constituted about 65 per cent of the Revenue expenditure during 2018-19 and was same as in the previous year.

Expenditure on Salaries

The expenditure on salaries and wages (₹ 19,763 crore) increased by 37.63 per cent during the period from 2014-15 to 2018-19. During 2009-10 to

2017-18, the CAGR of expenditure on salaries and wages was 10.41 *per cent* which was lower than GCS (11.72 *per cent*). The increase over the previous year was 6.07 *per cent* which was lower than the average increase of 11.03 *per cent* in GCS (*Appendix 1.1*). The expenditure on salaries (₹ 19,411 crore) was below the projections made in MTFPS (₹ 20,597 crore) (*Appendix 1.6*).

Interest payment

Interest payments (₹ 13,551 crore) increased by 95.60 *per cent* over a period of five years (2014-19). During 2018-19, there was an increase of ₹ 1,590 crore (13.29 *per cent*) over the previous year. The percentage of interest payments to revenue receipts increased from 16.98 *per cent* in 2014-15 to 20.57 *per cent* in 2018-19. Interest payments during 2018-19 were higher than the assessment made by FFC (₹ 12,310 crore) but less than the projections of MTFPS (₹ 14,037 crore) (*Appendix 1.6*).

Subsidies

Expenditure on subsidies increased by ₹ 2,856 crore (50.17 *per cent*) from ₹ 5,693 crore in 2014-15 to ₹ 8,549 crore in 2018-19, which was 12.98 *per cent* of the revenue receipts. Out of the total subsidies of ₹ 8,549 crore, ₹ 7,414.56 crore (86.73 *per cent*) were for the power and energy sector. The total subsidy to the power and energy sector was higher than the projection in MTFPS (₹ 6,478 crore) (*Appendix 1.6*).

The subsidies here present a partial picture as these are exclusive of the implicit subsidies. In some cases, the State Government has given interest free loans or at lower rates than borrowing rates. By not charging interest, indirect or implicit subsidy was provided as detailed in the *Table 1.22*.

Table 1.22: Details of some implicit subsidies

(₹ in crore)

Sr. No.	Scheme/Subsidy	Budget Estimate	Expenditure
1.	Loan to Haryana Warehousing Co-operative for construction of Rural Godowns	10.00	8.15
2.	Interest free loans to Village Panchayat for Revenue Earning Schemes	1.80	1.48
3.	Interest free loans to small scale industries in lieu of deferred Sales Tax/Vat	70.00	70.00

(Source: Detailed Appropriation Accounts)

Pensions

Pensions (₹ 8,140 crore) increased by 76.88 *per cent* during the period from 2014-15 to 2018-19 which was 12.35 *per cent* of revenue receipts. The expenditure on pensions in 2018-19 was higher than the assessments made by FFC (₹ 6,588 crore) but less than the projections made by the MTFPS (₹ 8,301 crore) (*Appendix 1.6*). To meet the increasing pension liabilities, a new Contributory Pension Scheme was introduced by the State with effect from 1 January 2006.

New Pension Scheme

State Government employees recruited on or after 1 January 2006 come into the ambit of the New Pension Scheme. In terms of the scheme, the employee contributes 10 *per cent* of basic pay and dearness allowance, which is matched by the State Government and the entire amount is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank.

As of 31 March 2019, as against the total employees' contribution of ₹ 565.88 crore under Defined Contribution Pension Scheme (DCPS), the State Government contributed only ₹ 534.30 crore. Thus, the State Government did not discharge its statutory liability as it failed to contribute ₹ 31.58 crore as Government's matching share under DCPS. Further, out of the total collection of ₹ 1,114.71 crore under DCPS up to 31 March 2019, the State Government has transferred only ₹ 1,086.15 crore to National Securities Depository Limited (NSDL) for further investment as per provision of DCPS; thereby, leaving a balance of ₹ 28.56 crore. Thus, there was a short transfer of ₹ 60.14 crore (short contribution of ₹ 31.58 crore *plus* ₹ 28.56 crore not transferred) to the NSDL and current liability stands deferred to future year(s). Further, the State Government has also created an interest liability on this amount not transferred to NSDL; incorrectly used the funds that belong to its employees and created uncertainty in respect of benefits due to the employees affected/ avoidable financial liability to Government in future, and, thus leading to possible failure of the scheme itself.

Development schemes/ Programmes: Position of expenditure

Development schemes/Programmes are an integral and critical part of Government of India's commitment towards inclusive development of the nation. The amounts shown in **Table 1.23** were released for the development schemes by the Central Government to the State Government, its functionaries and various implementing agencies/NGOs during 2018-19.

Table 1.23: Budget and Expenditure under development schemes/programmes implemented in Haryana

(₹ in crore)				
Sr. No.	Name of the scheme/ programmes	Budget Estimates	Expenditure	Percentage of expenditure
1	Rashtriya Krishi Vikas Yojana (RKVY)	666.15	446.13	66.97
2	National Horticulture Mission (NHM)	115.72	117.95	101.93
3	Indira Awaas Yojana (IAY)	200.00	51.70	25.85
4	National Rural Employment Guarantee Scheme (NREGS)	295.00	172.37	58.43
5	Swachh Bharat	189.00	117.06	61.94
6	Sarva Shiksha Abhiyan	889.65	523.67	58.86
7	Mid-Day Meal	340.00	297.02	87.36
8	National Rural Health Mission	510.00	611.54	119.91
9	Accelerated Rural Water Supply Programme	336.00	168.84	50.25
10	AMRUT formerly known as JNNURM	700.00	310.87	44.41
11	National Social Assistance Programme	4,215.34	4,296.18	101.92
12	Integrated Child Development Services Scheme	503.55	281.45	55.89
	Total	8,960.41	7,394.78	82.53

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

Out of budget estimates of ₹ 8,960.41 crore for 2018-19 for implementation of development schemes, the State utilized ₹ 7,394.78 crore (83 *per cent*). In eight out of 12 development schemes utilisation of budget was less than 70 *per cent*.

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

Table 1.24: Financial assistance to local bodies and other institutions

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19		
					Budget estimate	Actual	Percentage of variation
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,809.77	1,984.67	2,130.56	2,102.96	2,980.29	2,093.14	(-) 29.77
Municipal Corporations and Municipalities	744.63	1,045.99	1,585.77	2,466.82	3,799.62	2092.31	(-) 44.93
Zila Parishads and Other Panchayati Raj Institutions	1,192.04	1,261.94	2,263.80	2,283.43	3,078.86	2547.17	(-) 17.27
Development Agencies	723.72	878.09	757.94	868.04	1,633.70	865.54	(-) 47.02
Hospitals and other Charitable Institutions	979.70	1,010.97	1,117.68	1,101.14	1,439.54	1350.08	(-) 6.21
Other Institutions	656.14	4,584.31	4,791.39	1,021.92	1,976.28	1129.59	(-) 42.84
Total	6,106.00	10,765.97	12,647.14	9,844.31	14,908.29	10,077.83	(-) 32.40
Assistance as percentage of Revenue Expenditure	12	18	18	13		13	

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

Table 1.24 indicates that the financial assistance to local bodies and other institutions increased from ₹ 6,106 crore in 2014-15 to ₹ 10,077.83 crore, constituting 13.06 *per cent* of the revenue expenditure during 2018-19. It increased by ₹ 233.52 crore (2.37 *per cent*) over the previous year due to increase in disbursements to Zila Parishads & Other Panchayati Raj Institutions and Hospitals and other Charitable Institutions. Against the estimated provision of ₹ 14,908.29 crore, financial assistance of ₹ 10,077.83 crore was released. The decrease in the actual release vis-à-vis the budget estimate for financial assistance to local bodies and other institutions was 32.40 *per cent*.

1.7 Quality of Expenditure

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

1.7.1 Adequacy of Public Expenditure

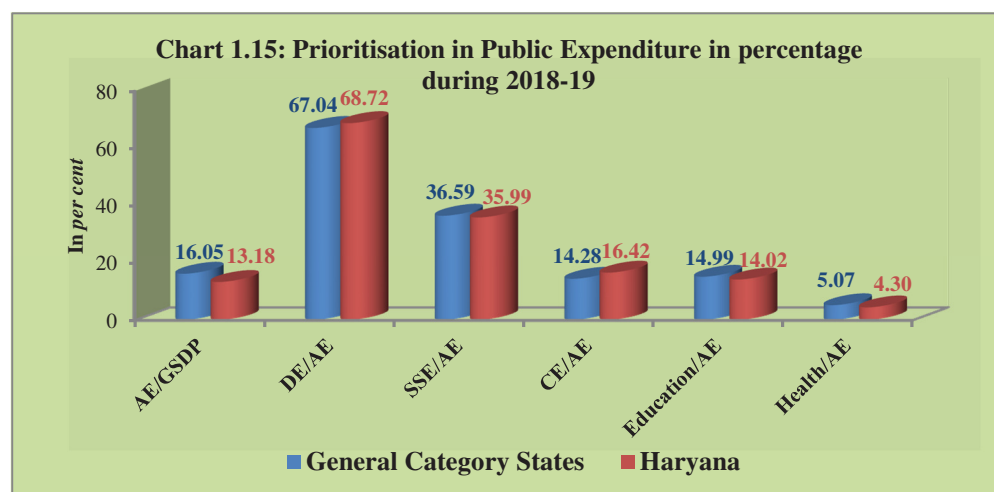
To enhance human development, the State is required to step up their expenditure on key social services like education, health, etc. **Table 1.25** and **Chart 1.15** analyses the fiscal priority and fiscal capacity of the Government with regard to

development expenditure, social sector expenditure and capital expenditure during 2018-19.

Table 1.25: Fiscal Priority and Fiscal Capacity of the State in 2014-15 and 2018-19

Fiscal Priority of the State	AE/GSDP	DE#/AE	SSE/AE	CE/AE	Education/AE	Health/AE
Haryana Average (Ratio) 2014-15	12.28	67.40	39.16	6.92	17.66	4.17
General Category States Average (Ratio) 2014-15	15.99	68.51	36.15	14.02	16.54	4.92
Haryana Average (Ratio) 2018-19	13.18	68.72	35.99	16.42	14.02	4.30
General Category States Average (Ratio) 2018-19	16.05	67.04	36.59	14.28	14.99	5.07

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



Fiscal Priority:

Aggregate expenditure as a ratio of GSDP in Haryana increased to 13.18 *per cent* in 2018-19 from 12.28 *per cent* 2014-15 but was still lesser as compared to GCS. Priority on Development Expenditure was higher than GCS. However, ratio of SSE to AE decreased in 2018-19 as compared to 2014-15 and was lower than the GCS average. The ratio of expenditure on education decreased in 2018-19 as compared to 2014-15 and was lower than GCS average. Expenditure on health was also lower than the GCS average.

The ratio of CE to AE has increased in 2018-19 primarily due to conversion of loan to DISCOMs into equity.

1.7.2 Efficiency of Expenditure Use

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

GSDP) and the proportion of revenue expenditure being made on operation and maintenance of the existing social and economic services. The higher the ratio of these components to the total expenditure (and/or GSDP), the better would be the quality of expenditure. Development expenditure comprised revenue and capital expenditure including loans and advances in socio-economic services. While **Table 1.26** presents the expenditure incurred in various sectors during the year 2018-19, **Table 1.27** presents the trends in development expenditure relative to the aggregate expenditure of the State during the period 2014-15 to 2018-19.

Table 1.26: Expenditure incurred in various sectors

(₹ in crore)

Sector	Total expenditure	Amount of capital expenditure	Per cent spent on capital expenditure
General services	28,883.52	714.55	2.47
Social services	33,547.84	3,804.65	11.34
Economic services	30,509.81*	10,787.40	35.36

(Source: Calculated on the basis of Finance Account)

* includes ₹ 5,190 crore on UDAY Bond which have been converted into equity.

Table 1.28 provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services.

Table 1.27: Development expenditure

(₹ in crore)

Component of development expenditure	2014-15	2015-16	2016-17	2017-18	2018-19	
					Budget Estimate	Actual
Development expenditure (a to c)	36,180 (67)	59,652 (75)	57,258 (72)	60,499 (69)	71,718	64,058 (69)
a. Development revenue expenditure	32,208 (60)	40,229 (51)	46,348 (58)	46,168 (52)	55,092	48,765 (52)
b. Development capital expenditure	3,425 (6)	6,448 (8)	6,464 (8)	13,057 (15)	14,946	14,592 (16)
c. Development loans and Advances	547 (1)	12,975 (16)	4,446 (6)	1,274 (1)	1,680	701 (1)

(Source: State Finance Accounts of the respective years)

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

Development expenditure increased by 77.05 per cent during the period from 2014-15 to 2018-19. This expenditure, which constituted 69 per cent of the total expenditure, increased by ₹ 3,559 crore (5.88 per cent) from ₹ 60,499 crore in 2017-18 to ₹ 64,058 crore in 2018-19. Development Revenue expenditure constituted 76 per cent of development expenditure whereas the share of capital expenditure was 23 per cent. The Loans and Advances decreased by ₹ 573 crore over previous year due to less loans disbursed to Power Projects as compared to previous year. Against the budget provision of ₹ 71,718 crore, the actual development expenditure was ₹ 64,058 crore, which is 89.32 per cent of BE.

Table 1.28: Efficiency of expenditure use in selected Social and Economic Services

Socio-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	
		S&W	O&M		S&W	O&M
Social Services (SS)						
General Education	0.028	71.68	-*	0.025	72.14	-*
Health and Family Welfare	0.090	46.82	0.18	0.083	44.33	0.22
Water Supply, Sanitation, Housing and Urban Development	0.278	11.10	5.47	0.373	13.65	9.04
Total (SS)	0.124	50.40	1.61	0.146	53.41	2.16
Economic Services (ES)						
Agriculture and Allied Activities	0.331	32.00	1.18	0.349	27.08	1.07
Irrigation and Flood Control	0.400	4.97	10.65	0.464	35.16	10.01
Power and Energy	0.417	0.02	-*	0.425	0.03	-*
Transport	0.380	45.68	3.04	0.388	47.00	3.01
Total (ES)	0.394	15.45	1.87	0.407	18.21	1.77
Total (SS + ES)	0.263	35.58	1.72	0.280	38.46	2.00

(Source: State Finance Accounts of the respective years)

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

The ratio of capital expenditure on Social Services with reference to the total expenditure increased from 0.124 in 2017-18 to 0.146 in 2018-19. Ratio of capital expenditure on social and economic sectors to total expenditure increased from 0.263 in 2017-18 to 0.280 in 2018-19 mainly due to more capital expenditure in water supply, sanitation, housing, urban development, irrigation and flood control.

The share of expenditure on salaries and wages under Social services increased from 50.40 *per cent* in 2017-18 to 53.41 *per cent* in 2018-19. The share of expenditure on O&M also increased from 1.61 *per cent* in 2017-18 to 2.16 *per cent* in 2018-19. The share of salaries and wages under Economic services, increased from 15.45 *per cent* in 2017-18 to 18.21 *per cent* in 2018-19. The share of O&M decreased from 1.87 *per cent* in 2017-18 to 1.77 *per cent* in 2018-19. Under Social Services and Economic Services combined, the share of salary and wages increased from 35.58 *per cent* in 2017-18 to 38.46 *per cent* in 2018-19 and the share of O&M also increased from 1.72 *per cent* in 2017-18 to two *per cent* in 2018-19.

1.8 Financial Analysis of Government Expenditure and Investments

In the post-FRBM Act 2005 framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet capital expenditure/investment (including loans and advances) requirements. In addition, the Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on the budget in the form of implicit subsidies and take requisite steps to infuse transparency in financial operations. This section presents a broad financial analysis of investments and other capital expenditure undertaken by the Government during 2018-19 vis-à-vis the previous year.

1.8.1 Financial results of irrigation works

The financial results of eight irrigation projects with a capital outlay of ₹ 623.33 crore at the end of March 2019 showed that revenue realized from these projects during 2018-19 (₹ 115.26 crore) was 18 *per cent* of the capital outlay. After meeting the working and maintenance expenditure (₹ 366.99 crore) and interest charges (₹ 31.17 crore), there was loss of ₹ 282.89 crore.

1.8.2 Incomplete projects

Department-wise information pertaining to incomplete projects as on 31 March 2019 is given in **Table 1.29**. Only those projects where the scheduled dates for completion were already over as of 31 March 2019 have been included under incomplete projects.

Table 1.29: Department-wise profile of incomplete projects

(₹ in crore)

Department	Number of incomplete projects	Initial budgeted cost	Revised total cost of projects	Total expenditure upto March 2019
Irrigation and Water Resources Department	4	31.64	-	18.17
Public Works (Buildings and Roads) Department	19	269.17	-	109.13
	23	300.81	-	127.30

(Source: State Finance Accounts)

The scheduled dates of completion of 23 projects of two departments were between April 2017 and March 2019, but these were incomplete as on March 2019, resulting in non-derivation of desired benefits from the investment of ₹ 127.30 crore.

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

1.8.3 Investments and returns

The Government as of 31 March 2019, had invested ₹ 30,747.91 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.30**). The average return on these investments was 0.104 *per cent* in the last five years while the Government paid an average interest rate of 8.58 *per cent* on its borrowings during 2014-19.

Table 1.30: Return on investments

Investment/return/cost of borrowings	2014-15	2015-16	2016-17	2017-18	2018-19	
					Budget estimate	Actual
Investment at the end of the year (₹ in crore)	7,500.22	9,372.44	11,371.42	17,374.35	23,026.05	30,747.91
Return (₹ in crore)	5.80	15.89	5.89	7.53	9.00	56.60
Return (per cent)	0.08	0.17	0.05	0.04	0.04	0.18
Average rate of interest on Government borrowings (per cent)	9.33	8.64	8.00	8.10	8.78	8.81
Difference between interest rate and return (per cent)	9.25	8.47	7.95	8.06	8.74	8.63
Difference between interest on Government borrowings and return on investments (₹ in crore)	693.77	793.85	904.03	1,400.37		2,653.54

(Source: State Finance Accounts of the respective years)

Over the past five years, the difference in cost of Government borrowings and return on investments in PSUs was to the tune of ₹ 6,445.56 crore. Therefore, the Government needs to formulate a strategy for revival of the PSUs.

While the Government investments increased by 309.96 *per cent* over a period of five years from 2014-15 to 2018-19, the return from investments increased from ₹ 5.80 crore in 2014-15 only to ₹ 56.60 crore in 2018-19. The Government paid interest at an average rate of 8 to 9.33 *per cent* on its borrowings during 2014-19, whereas, the percentage of return from investments (at historical cost) ranged between 0.04 and 0.18 during the same period. The State has a policy for receiving four *per cent* of paid up share capital as dividend from profit earning Government companies. A dividend of ₹ 266.44 crore was required to be paid by 13 profit earning Government companies during 2018-19, but ₹ 2.15 crore dividend was received from only Haryana State Warehousing Corporation.

The State Government has made investment of ₹ 13,373.56 crore during 2018-19. Out of this, ₹ 13,285.25 crore were invested in the equity capital of four power companies, out of which ₹ 12,651.72 crore were invested in three⁷ loss incurring companies. The total investment became ₹ 29,286.24 crore (95 *per cent* of total investment) in these four power companies.

Twelve Government Companies with an aggregate investment of ₹ 26,071.92 crore were incurring losses and their accumulated losses amounted to ₹ 30,093.48 crore as per the accounts furnished by these Companies (*Appendix 1.7*). Out of total twelve loss incurring Government companies, losses of ₹ 29,453.04 crore in three⁸ power generation and distribution companies constituted 98 *per cent* of the total losses of Government Companies.

⁷ UHBVN, DHBVN and HPGCL.

⁸ Accumulated losses upto 2017-18: UHBVN (₹ 15,614.12 crore), DHBVN (₹ 13,790.39 crore) and HPGCL (₹ 48.53 crore).

The State Government invested ₹ 12,653.99 crore during 2018-19 in four⁹ loss making companies. The State Government may consider reviewing the working of State PSUs which are incurring huge losses, formulate a strategic plan for their revival or closure, as the case may be.

Financial turnaround of Power Distribution Companies (DISCOMs) through UDAY

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

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

Upto the year 2018-19, out of total loans of ₹ 15,570 crore, the State Government had converted the loans of ₹ 10,380 crore (₹ 5,190 crore in 2017-18 and ₹ 5,190 crore in 2018-19) into equity resulting in substantial increase in capital expenditure as well as recovery of loans and advances. During 2018-19, the State Government paid ₹ 2,126.85 crore towards interest on bonds issued under UDAY scheme.

1.8.4 Departmentally managed Commercial Undertakings

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

As per proforma accounts, capital of ₹ 8,113.30 crore had been deployed by the Government in four departmental undertakings¹⁰ upto the end of financial year upto which proforma accounts had been finalized.

⁹ Haryana BC&EWS Kalyan Nigam Limited (₹ 2.27 crore), HPGCL (₹ 15.63 crore), UHBVNL (₹ 6,521.24 crore) and DHBVNL (₹ 6,114.85 crore)

¹⁰ (i) Food and Supply (Grain Supply Scheme): ₹ 6,908.27 crore, (ii) Transport Department (Haryana Roadways): ₹ 1,186.24 crore, (iii) Agriculture Department (Purchase and Distribution of Pesticides): ₹ 0.82 crore, (iv) Printing and Stationary (National Text Book Scheme): ₹ 17.97 crore.

Two¹¹ departmental undertakings in which capital of ₹ 8,094.51 crore was deployed by the State Government had accumulated losses of ₹ 780.88 crore upto financial year for which proforma accounts had been finalized.

The State Government may consider reviewing the working of departmentally managed commercial under and formulate a strategic plan for their revival.

1.8.5 Investment in Public Private Partnerships

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

Out of 14 PPP projects (*Appendix 1.9*), four projects were completed and 10 projects with a total estimated cost of ₹ 6,170.52 crore were under implementation as on 31 March 2019.

1.8.6 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the Government had also been providing loans and advances to many institutions/organizations. *Table 1.31* presents the outstanding loans and advances as on 31 March 2019 and interest receipts vis-à-vis interest payments during the last three years.

Table 1.31: Average interest received on loans advanced by the State Government

Quantum of loans / interest receipts / cost of borrowings	2016-17	2017-18	2018-19	
			Budget Estimate	Actual
Opening Balance	17,494	21,036		16,090
Amount advanced during the year	4,515	1,395	1,766	756
Amount received back during the year	973	6,341	5,360	5,372
Closing Balance	21,036	16,090		11,474
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	4,667	16,090		11,474
Net addition	3,542	(-)4,946	(-) 3,594	(-)4,616
Interest receipts	1,213	1,163	811	720
Interest receipts as percentage of outstanding loans and advances	6.30	6.27	5.34	5.22
Interest payments as percentage of outstanding fiscal liabilities of the State Government	7.20	7.29	8.72	7.35
Difference between interest payments and interest receipts (<i>per cent</i>)	0.90	1.02	3.38	2.13

(Source: State Finance Accounts of the respective years)

Outstanding loans and advances as on 31 March 2019 declined by 28.69 *per cent* due to conversion of DISCOM loans amounting to ₹ 5,190 crore into equity during the year. Loans amounting to ₹ 2,303.90 crore were outstanding at the beginning of the year 2018-19 against co-operative sugar mills. Further, loans totaling ₹ 343.96 crore were given to these sugar mills.

¹¹ Haryana Roadways: ₹ 517.04 crore and Food and Supply (Grain Supply Scheme): ₹ 263.84 crore.

New loans of ₹ 52.84 crore were given to power projects for transmission and distribution services during the year 2018-19. Interest payment of ₹ 2,126.85 crore during the year 2018-19 has been made against bonds issued under UDAY scheme in 2015-16 and 2016-17.

1.8.7 Cash Balances and Investment of Cash Balances

Comparative figures of cash balances and investment of cash balance for the years 2017-18 and 2018-19 are given in **Table 1.32**.

Table 1.32: Detail of cash balances and investment of cash balances

(₹ in crore)

	Opening balance 01 April 2018	Closing Balance 31 March 2019
(a) General Cash Balance		
Deposit with Reserve Bank	(-)490.11	(-) 795.10
Remittances in transit local	0.54	0.54
Total	(-)489.57	(-) 794.56
Investment held in cash Balance Investment Account	2,084.53	721.57
Total (a)	1,594.96	(-) 72.99
(b) Other Cash Balances and Investment		
Cash with departmental officers viz. public works department officers, Forest department officers, District collectors	2.81	3.79
Permanent advances for contingent expenditure with departmental officers	0.12	0.12
Investment of earmarked funds	2,819.57	3,054.63
Total (b)	2,822.50	3,058.54
Grand Total (a)+(b)	4,417.46	2,985.55

(Source: State Finance Accounts of the respective years)

The closing Cash balances (CB) at the current year (₹ 2,985.55 crore) decreased by ₹ 1,431.91 crore over the previous year (₹ 4,417.46 crore).

The Cash Balance included investment of ₹ 3,054.63 crore from earmarked funds. The said investment consisting of Sinking Fund Investment Account (₹ 1,924.04 crore) and Guarantee Redemption Fund Investment Account (₹ 1,128.28 crore) was invested by the RBI. The Government was able to maintain a minimum cash balance of ₹ 1.14 crore for 361 days during 2018-19. The Government had maintained the minimum balance by taking ordinary ways and means advance (WMA) for four days. The State had to pay ₹ 0.29 crore as interest on WMA during the year 2018-19.

During 2018-19, the State had an opening general cash balance of ₹ 1,594.96 crore at the beginning of the year and Government borrowed ₹ 21,265 crore from the market for meeting its obligations. The general cash balance at the close of the year was ₹ (-) 72.99 crore. The closing Cash balance (₹ 2,985.55 crore) for the year 2018-19 was not even equal to the earmarked reserve funds of ₹ 6,315.60 crore which means that reserve funds to the extent of ₹ 3,330.05 crore (₹ 6,315.60 crore less ₹ 2,985.55 crore) were used for other than intended purpose.

1.8.8 Outstanding balances under the head ‘cheques and bills’

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

1.9 Assets and Liabilities**1.9.1 Growth and composition of Assets and Liabilities**

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.5 (Part A and B)** give an abstract of such liabilities and assets as on 31 March 2019, compared with the corresponding position of previous year. While the liabilities mainly consist of internal borrowings, loans and advances from GoI, receipts in the Public Account and Reserve Funds, the assets mainly comprise the capital outlay, loans and advances given by the Government and cash balances.

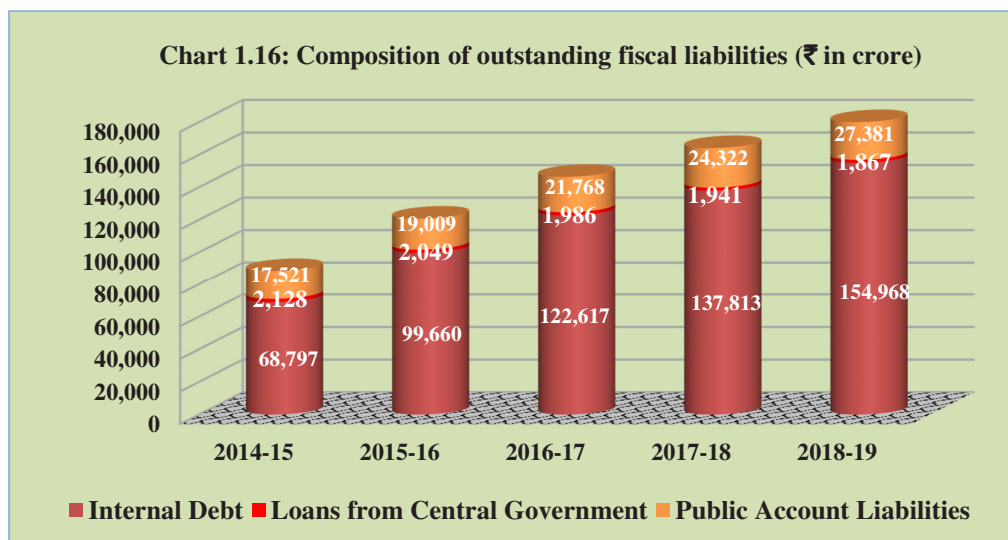
1.9.2 Fiscal Liabilities

The outstanding fiscal liabilities of the State are presented in **Appendix 1.5 Part B**. The compositions of fiscal liabilities during 2014-19 are presented in **Table 1.33** and **Chart 1.16**.

Table 1.33: Trends in fiscal liabilities from 2014-15 to 2018-19

(₹ in crore)					
Components of fiscal liability	2014-15	2015-16	2016-17	2017-18	2018-19
Internal debt	68,797	99,660	1,22,617	1,37,813	1,54,968
Loans from Central Government	2,128	2,049	1,986	1,941	1,867
Public Account Liabilities	17,521	19,009	21,768	24,322	27,381
Total	88,446	1,20,718	1,46,371	1,64,076	1,84,216
Growth rate	15.97	36.49	21.25	12.10	12.27
Interest payment	6,928	8,284	10,542	11,961	13,551
Percentage of revenue receipts	216.78	253.84	278.82	261.71	279.60
Buoyancy with revenue receipt growth	2.18	2.20	2.05	0.62	2.41
Ratio of fiscal liabilities to GSDP	20.23	24.38	26.31	26.21	26.05

(Source: State Finance Accounts of the respective years)



(Source: State Finance Accounts of the respective years)

The overall fiscal liabilities of the State increased from ₹ 88,446 crore in 2014-15 to ₹ 1,84,216 crore in 2018-19 registering an increase of 108.28 *per cent* mainly due to increase in internal debt (₹ 86,171 crore) and public account liabilities (₹ 9,860 crore). The ratio of fiscal liabilities to GSDP showed increasing trend and increased from 20.23 *per cent* in 2014-15 to 26.05 *per cent* in 2018-19. These liabilities were 2.80 times the revenue receipts and 3.64 times the State's own resources as at the end of 2018-19. Payment of interest on the fiscal liabilities was ₹ 13,551 crore (7.36 *per cent* of fiscal liabilities) during the year 2018-19. It is significant to note that fiscal liabilities at ₹ 1,84,216 crore were higher than the limit of ₹ 1,61,014 crore projected in the MTFPS for the year 2018-19.

The fiscal liabilities to GSDP ratio at 26.05 *per cent* after including debt taken over under UDAY scheme was higher against the normative assessment of 20.92 *per cent* under FFC.

1.9.3 Reserve fund

There were nine Reserve Funds (four interest bearing and five non-interest bearing) earmarked for specific purposes. Out of five non-interest bearing Reserve Funds, two Funds namely "Fund for development Schemes" and "Fund for Village Reconstructions for Harijan Uplift" are in-operative for the last four years.

At the beginning of 2018-19, total Reserve Fund was ₹ 5,527.08 crore. During 2018-19, there was addition of ₹ 944.98 crore and disbursement of ₹ 156.46 crore leading to a closing balance of ₹ 6,315.60 crore.

1.9.3.1 State Disaster Response Fund

As per guidelines of the fund, the Centre and the States are required to contribute to the fund in proportion of 75:25. However, on the recommendations of 14th Finance Commission, the GoI has decided to share the State Disaster Response

Fund (SDRF) contribution between Centre and States in the ratio of 90:10 with effect from 1 April 2018 for two years i.e. during 2018-19 and 2019-20.

The SDRF, being one of the major reserve funds, had an opening balance of ₹ 2,155.09 crore. During the year 2018-19, the GoI released ₹ 320.40 crore and State Government was required to contribute ₹ 35.60 crore as State share (in the ratio of 90:10). The State Government during the year, transferred an amount of ₹ 557.03 crore which included contribution of ₹ 356 crore, unpaid balance of ₹ 31.43 crore with the departmental authorities and interest ₹ 169.60 crore on un-invested balance in the Fund. Against the due interest of ₹ 179.52 crore, the State Government has allowed interest of ₹ 169.60 crore during the year on un-invested balance in the fund, i.e. lesser by ₹ 9.92 crore. Expenditure of ₹ 96 crore was incurred from the fund during the year 2018-19 and closing balance was ₹ 2,616.12 crore at the end of 2018-19.

As per Section 18 of GoI guidelines on constitution and administration of the 'State Disaster Response Fund', the State Executive Committee will take decision regarding investment of the SDRF. However, no amount was invested which was in violation of GoI guidelines despite the fact that amount was contributed to the fund in the ratio of 90:10 by GoI and State Government.

1.9.3.2 Mines and Minerals Development, Restoration and Rehabilitation Fund

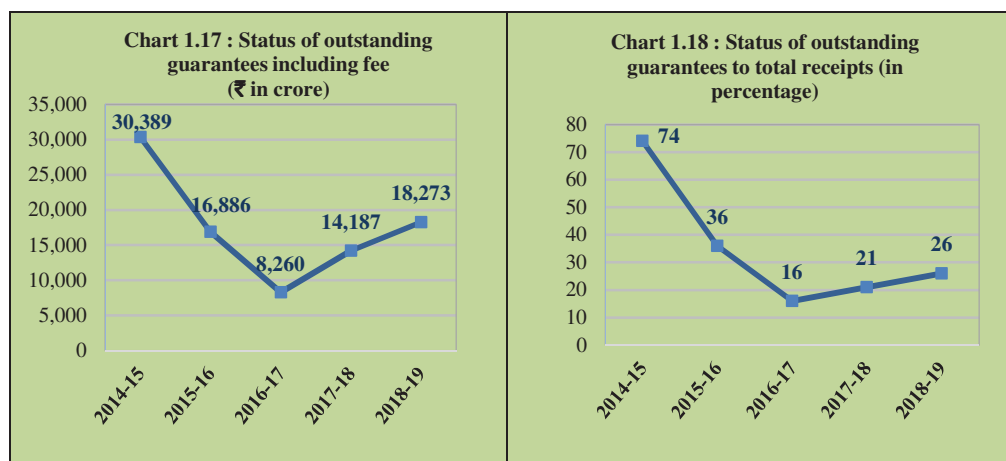
The Fund was established vide Haryana Government notification dated 10th July 2015 for environmentally sustainable growth of the Mining sector, protection, preservation, rehabilitation and restoration of the mining sites in the State and to undertake other related works in the overall interest of protection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

The fund had an opening balance of ₹ 110.66 crore as on 1st April 2018. During the year, State Government received an amount of ₹ 500.60 crore from contractors towards Dead Rent/Royalty/Contract money and ₹ 46.72 crore on account of 'other charges' from the concession holders. State Government has to contribute five *per cent* of the amount received from contractors in a financial year. Against the requisite transfer of ₹ 71.75 crore i.e. ₹ 25.03 crore (five *per cent* of ₹ 500.60 crore) and ₹ 46.72 crore 'other charges', the State Government transferred ₹ 56.48 crore to the fund during the year 2018-19. Besides ₹ 3.39 crore was also credited towards interest to the fund. No expenditure was incurred from the fund towards development restoration and rehabilitation of the mining sites since its inception i.e. July 2015 to March 2019. The balance in the fund was ₹ 170.52 crore at the close of the year 2018-19. No investment was made by State Government during the year.

1.9.4 Status of Guarantees-Contingent Liabilities

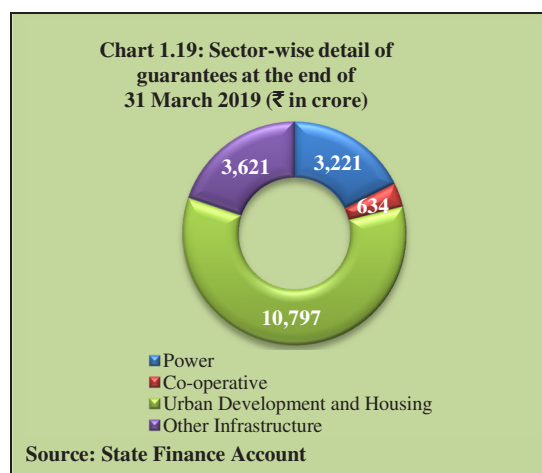
Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of defaults by borrowers for whom the guarantees have been extended. The State Government has not passed a law under Article 293 of the Constitution for laying down the limit within which the Government may give guarantees on the security of the Consolidated Fund of the State.

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



(Source: State Finance Accounts of the respective years)

No amount was paid by the Government towards guarantees during 2018-19. The outstanding amount of ₹ 18,273 crore of guarantees including guarantee fee, as on 31 March 2019, was in respect of Power (₹ 3,221 crore), Co-operative Banks and Societies (₹ 634 crore) and Corporations, Boards and Government Companies (₹ 14,418 crore).



The outstanding guarantees at the close of 2018-19 accounted for 26 *per cent* of total receipts of the State which was much higher than that of other States like Uttarakhand (1.6 *per cent*) and Maharashtra (six *per cent*). Audit is of the opinion that the State may consider fixing a limit as required under FRBM Act.

1.10 Debt Management

Table 1.34 gives a time series analysis of internal debt profile of the State Government for the last five years.

Table 1.34: Internal Debt profile of State Government

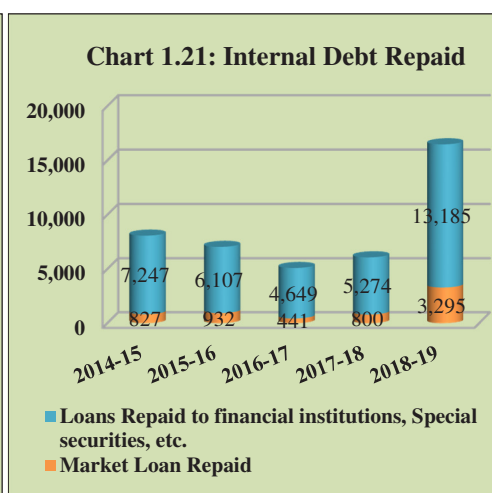
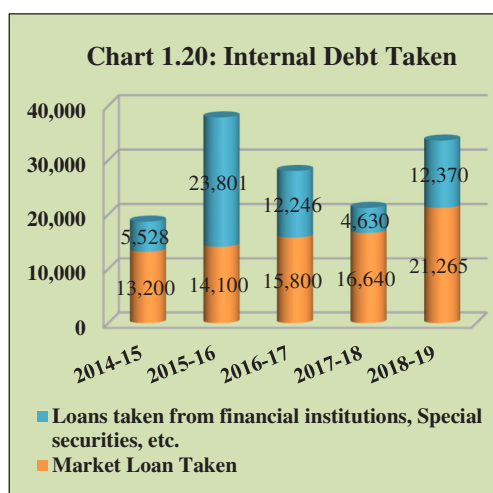
(₹ in crore)

Year	Opening Balance	Debt Receipts	Repayment during the year	Closing Balance	Increase/Decrease	Percentage of increase over previous year	Interest Paid on Internal debt
2014-15	58,143.15	18,727.99	8,073.67	68,797.47	10,654.32	18.32	5,887.22
2015-16	68,797.47	37,901.20	7,038.54	99,660.13	30,862.66	44.86	6,465.94
2016-17	99,660.13	28,046.26	5,089.52	1,22,616.87	22,956.74	23.04	9,139.51
2017-18	1,22,616.87	21,348.75	6,153.25	1,37,812.37	15,195.50	12.39	10,577.71
2018-19	1,37,812.37	34,140.14 ¹²	16,984.71 ¹³	1,54,967.80	17,155.43	12.45	11,987.56

(Source: State Finance Accounts of respective years)

(Receipts and Repayments include Internal Debt + Ways and Means Advances for the respective years.)

Market borrowings form a major portion of the internal debt of the State Government, with interest rates ranging from 7.80 and 9.89 *per cent*. In 2018-19, the State Government borrowed fresh market loans of ₹ 21,265 crore (out of total internal debt receipts of ₹ 33,635 crore). Market loans repaid was ₹ 3,295 crore (out of total internal debt re-payments of ₹ 16,480 crore). The outstanding market borrowings as of 31 March 2019 were ₹ 1,14,990 crore out of total internal debt of ₹ 1,54,968 crore. The net increase of market borrowings during the year was 18.52 *per cent* (₹ 17,970 crore).



Source: Finance Accounts

Internal debt of the State Government increased by ₹ 96,825 crore (167 *per cent*) from ₹ 58,143 crore in 2014-15 to ₹ 1,54,968 crore in 2018-19. An interest of ₹ 11,988 crore was paid on internal debt during 2018-19.

Debt Sustainability

Apart from the magnitude of the debt of the Government, it is important to analyse the various parameters that determine the debt sustainability of the State and indicate ability of the State to service its debt obligation in future. This section assesses the sustainability of the debt of the Government in terms of rate of growth of outstanding debt; ratio of interest payment and revenue receipt, debt repayment and debt receipt; net debt available to the State. **Table 1.35** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2014-15.

¹² Internal debt ₹ 33,635.11 crore + Ways and Means Advance ₹ 505.03 crore

¹³ Internal debt ₹ 16,479.68 crore + Ways and Means Advance ₹ 505.03 crore

Table 1.35: Debt sustainability

(₹ in crore)

Debt Sustainability	2014-15	2015-16	2016-17	2017-18	2018-19
Outstanding Public Debt	70,925.30	1,01,709.05	1,24,602.73	1,39,753.64	1,56,834.74
Rate of increase of Outstanding Public Debt	17.63	43.40	22.51	12.16	12.22
GSDP	4,37,145	4,95,249	5,56,325	6,26,054	7,07,126
Rate of Growth of GSDP	9.49	13.29	12.33	12.53	12.95
Debt as <i>per cent</i> of GSDP	16.22	20.54	22.40	22.32	22.18
Average interest rate on Outstanding Debt (Interest paid/OB of Public Debt + CB of Public Debt/2)	9.14	7.61	8.17	8.08	8.16
Percentage of Interest to Revenue Receipt	14.70	13.81	17.61	17.04	18.37
Percentage of Debt Payment to Debt Receipt	43.62	18.99	18.73	29.50	50.15
Net Debt available to the State#	4,633	24,217	13,647	4,469	4,981
Net debt available as <i>per cent</i> of debt receipts	24.57	63.73	48.45	20.80	14.54

(Source: State Finance Accounts of the respective years)

Net Debt available to the State is public debt receipts minus public debt repayment and interest payment on public debt

Public Debt of the State Government increased from ₹ 70,925 crore in 2014-15 to ₹ 1,56,835 crore in 2018-19 registering an increase of 121.13 *per cent* during the period 2014-19. The annual rate of increase ranged between 12.16 *per cent* and 43.40 *per cent* over the period 2014-15 to 2018-19. Public Debt increased at the rate of 12.22 *per cent* in 2018-19 as compared to 12.16 *per cent* in the previous year.

An analysis on debt sustainability was carried out based on a study by E.D Domar [Domar, 1944]. The Domar model states that the necessary premise for ensuring stability of public indebtedness is that the interest rates for government loans should not exceed the growth rate of GDP.

The dynamics of public debt depending on the interest rate, growth rate of GDP and the primary budget balance are as follows:

g-r (g - real economic growth rate; r - real interest rate)	s<0 (primary deficit)	s>0 (primary surplus)
g-r>0 (strong economic growth)	Public debt as percentage of GSDP should converge to a stable level greater than zero.	Public debt as percentage of GSDP should converge to a stable level less than zero leading to public savings.
g-r<0 (slow economic growth)	Public debt as percentage of GSDP should increase indefinitely without converging to a stable level.	Undefined situation.

The results of applying the analysis to Haryana is shown in the table below:

Year	Real Growth Rate (g)	Real Interest Rate (r)	g-r	Primary Deficit/Surplus (₹ in crore)	Remarks
2014-15	6.63	3.66	2.97	-5,658	g-r>0 and s<0: public debt will converge to a stable level greater than zero.
2015-16	11.51	2.11	9.40	-23,195	
2016-17	9.07	5.13	3.94	-15,743	
2017-18	7.89	4.99	2.90	-7,153	
2018-19	8.19	3.52	4.67	-8,361	
Real growth rate calculated for Real GDP Real interest rate is the nominal interest rate adjusted for inflation.					

Further, Debt to GSDP ratio stood at 26.05 *per cent* and the Fiscal Deficit to GSDP ratio at 3.10 *per cent* in 2018-19. The corresponding Fourteenth Finance Commission (FFC) Fiscal target of Debt limit was 20.92, and Fiscal Deficit ceiling was 3.25 *per cent* of GSDP. The capital expenditure of the State has hovered between 7 and 16 *per cent* during 2014-19.

In each of the five years (2014-15 to 2018-19) the State had primary deficit and the Domar gap (g-r) is positive during the period. Therefore, as per Domar model, the public debt will converge to a stable level greater than zero. However, other factors such as public account liabilities and *force majeure* events like current Corona virus crisis & its effect on GSDP and/or any other un-inventoried losses of revenue also have to be reckoned in assessing the debt sustainability/stability of the State. As these cannot be anticipated or determined statistically, they have not been factored in the analysis.

The detail of utilisation of borrowed funds for repayment of earlier borrowings, capital expenditure and revenue expenditure during the period in 2014-19 is given below:

Table 1.36: Utilisation of borrowed funds

(₹ in crore)

Year	Total Borrowings	Repayment of earlier borrowing (Principal) (Percentage)	Net Capital expenditure*# (Percentage)	Net loans and advances disbursed (Percentage)	Portion of Revenue expenditure met out of total borrowings (Percentage)
2014-15	18,858.75	8,227.41 (44)	3,696.79 (20)	570.05 (3)	6,364.50 (33)
2015-16	37,998.43	7,214.68 (19)	6,878.35 (18)	12,922.01 (34)	10,983.39 (29)
2016-17	28,169.52	5,275.84 (19)	6,836.83 (24)	3,541.68 (13)	12,515.17 (44)
2017-18	21,489.76	6,338.85 (29)	8,308.03 (39)	243.96 (1)	6,598.92 (31)
2018-19	34,264.97	17,183.87 (50)	10,067.59 (29)	573.74 (2)	6,439.77 (19)
Total	140,781.43	44,240.65 (31)	35,787.59 (25)	17,851.44 (13)	42,901.75 (31)

(Source: State Finance Accounts of the respective years)

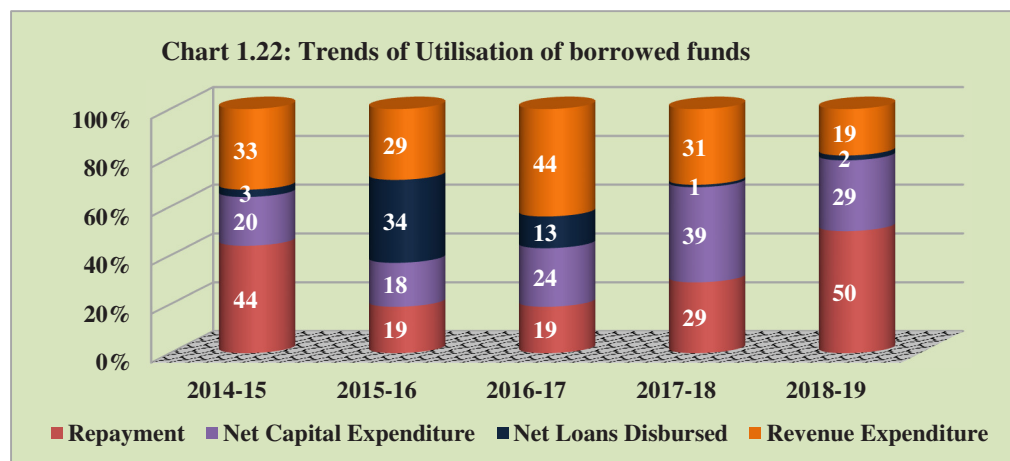
Figures in parenthesis indicate percentage to the total borrowings.

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

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

The Revenue Receipts of the State Government were not sufficient for meeting the Revenue Expenditure. Hence, the Government remained dependent upon borrowings for meeting Revenue Expenditure. During 2018-19, revenue expenditure of ₹ 6,440 crore was met from borrowed funds which constitutes 19 *per cent* of borrowed funds.

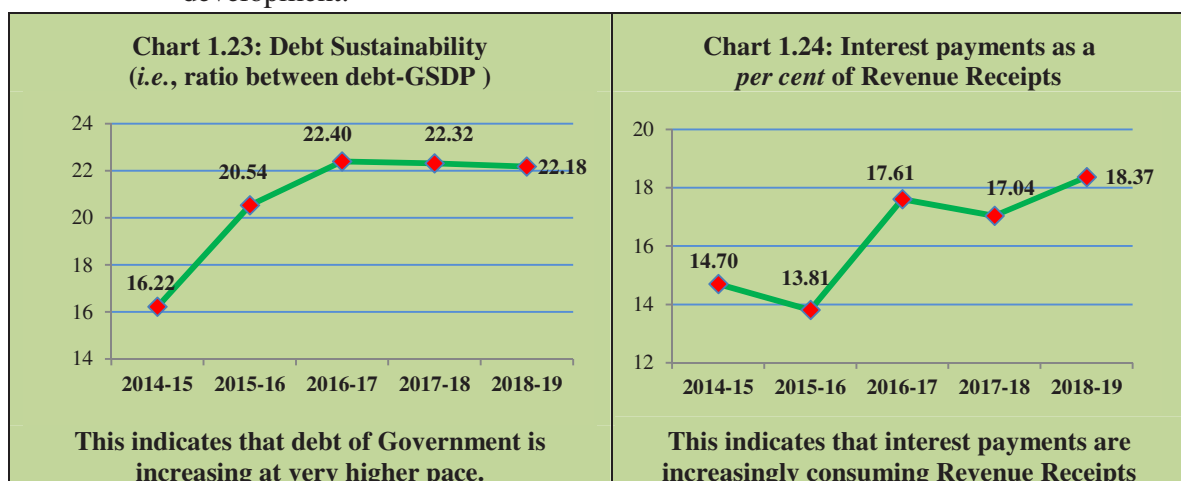
Trend of utilization of borrowed funds during the period 2014-19 is depicted in **Chart 1.22**.



(Source: State Finance Accounts of the respective years)

The ratio of public debt to GSDP increased during 2014-15, 2015-16 and 2016-17 and gradually decreased during 2017-19 as shown in **Chart 1.23**.

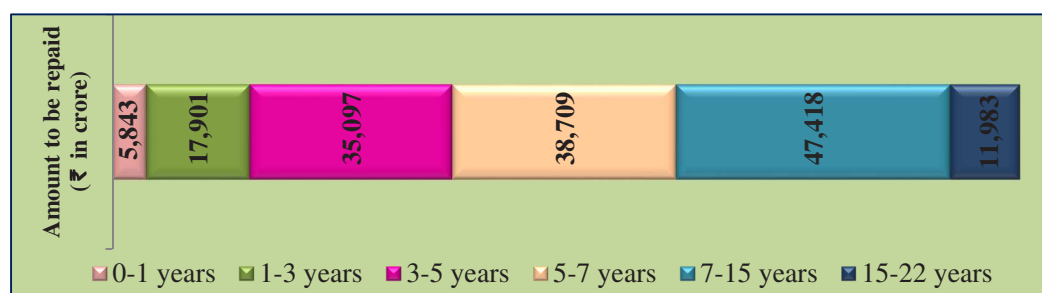
Interest payment as a percentage of revenue receipt increased from 14.70 *per cent* in 2014-15 to 18.37 *per cent* in 2018-19 (**Chart 1.24**) which shows that the interest payment on public debt was increasing resulting in less availability of funds for development.



Debt repayment schedule

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

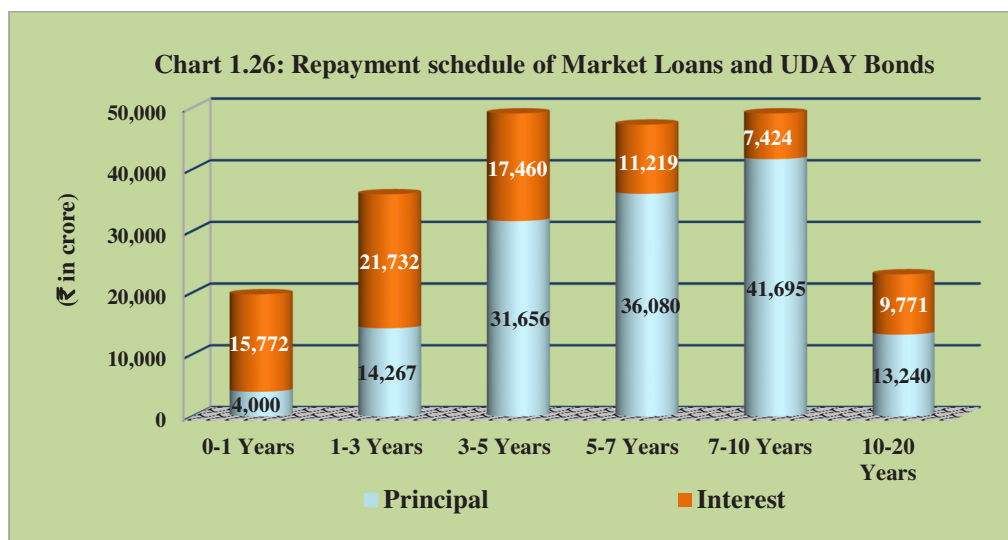
Chart 1.25: Debt Maturity profile



Source: Finance Accounts

As of March 2019, total outstanding debt was ₹ 1,56,950.31¹⁴ crore. The maturity profile of outstanding stock of public debt as on 31 March 2019 showed that 62 per cent (₹ 97,549 crore) of the total outstanding debt was in the maturity bucket of up to seven years and the balance of ₹ 59,401 crore (38 per cent) from seventh year onwards as depicted in **Chart 1.25**.

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



Note: The maturity profile has been evolved for outstanding market loans and UDAY Bonds as on 31 March 2019 and interest has been calculated upto the financial year in which the loans are going to retire.

The State will have to repay ₹ 18,267 crore of market loans and UDAY bonds and pay interest of ₹ 37,504 crore in next three financial years i.e. upto 2021-22. In next two years upto 2023-24, ₹ 31,656 crore principal and interest of ₹ 17,460 crore will be payable. Annual outgo in shape of loan repayment and interest will be approximately ₹ 20,997 crore during next five years upto 2023-24.

In the period 2024-25 to 2028-29, loans of ₹ 77,775 crore and interest of ₹ 18,643 crore will be payable. As such the State will have to repay approximately ₹ 19,283 crore annually during the period 2024-25 to 2028-29.

Revenue Receipts and Revenue Expenditure have grown at an annual average rate of 12.30 per cent and 11.42 per cent respectively in the past five years. Applying these growth rates, and assuming that RR and RE will continue to grow at these rates, the Revenue Deficit of the State will increase upto ₹ 14,814 crore in 2023-24 and ₹ 17,331 crore by the year 2028-29.

Thus, the State will have to raise more loans for discharging debt liability of market loans as well as UDAY bonds and for filling the increased resource gap.

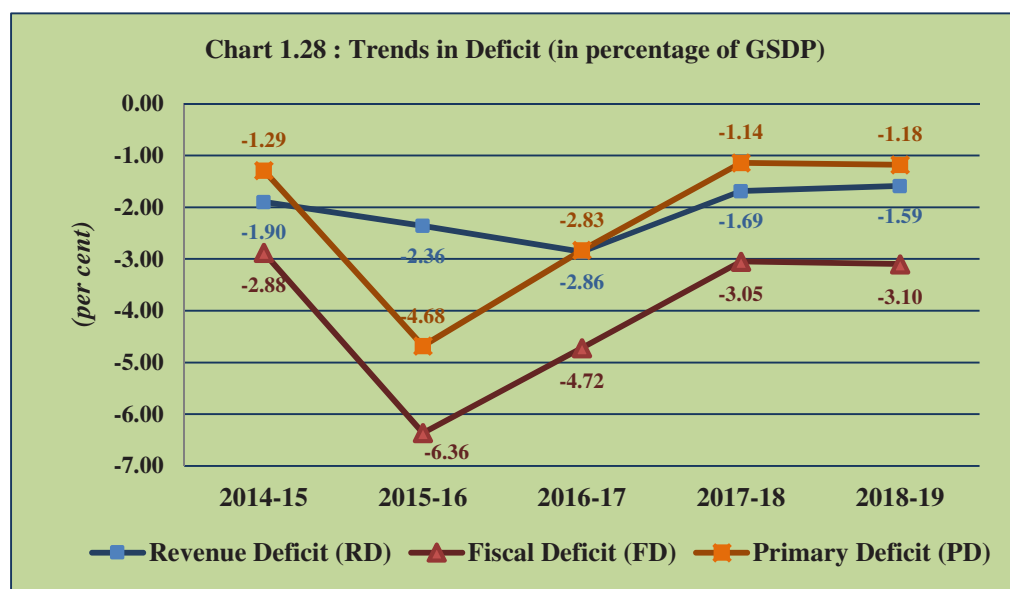
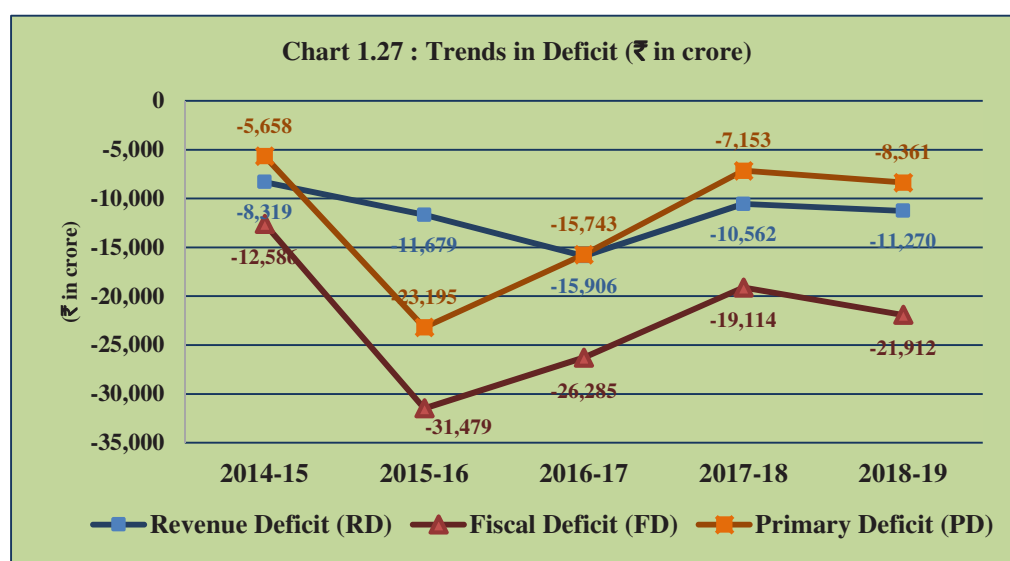
¹⁴ There is a difference of ₹ 115.57 crore between maturity profile and balances which was under reconciliation.

1.11 Fiscal Imbalances

Three key fiscal parameters i.e. revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the Government during a specified period. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2018-19.

1.11.1 Trends of deficits

Chart 1.27 and **Chart 1.28** presents the trends in deficit indicators over the period 2014-19.



(Source: State Finance Accounts of the respective years)

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

deficit which was ₹ 10,562 crore during 2017-18 increased to ₹ 11,270 crore. The revenue deficit of ₹ 11,270 crore during 2018-19 was higher than the budget projections of ₹ 8,254 crore and was 17 *per cent* of revenue receipts.

The revenue deficit at ₹ 11,270 crore indicates that revenue receipts of the State Government were not sufficient for meeting the revenue expenditure and borrowed funds were used for meeting current consumption instead of capital creation.

- **Fiscal Deficit** which was ₹ 19,114 crore in 2017-18 increased to ₹ 21,912 crore during 2018-19. Fiscal deficit was 3.10 *per cent* of GSDP against the target of 2.82 *per cent* set out in MTFPS (*Appendix 1.6*).
- **Primary Deficit** which was ₹ 5,658 crore in 2014-15 increased upto ₹ 23,195 crore in 2015-16 and declined to ₹ 15,743 crore in 2016-17 (having effect of issuance of bonds of ₹ 17,300 crore in 2015-16 and ₹ 8,650 crore in 2016-17 for taking over power loans under UDAY) decreased to ₹ 7,153 crore during 2017-18 but increased to ₹ 8,361 crore in 2018-19. Existence of primary deficit indicates that the State would need to borrow money even for making interest payments on its borrowed funds.
- **Primary Revenue Balance** denotes the gap between Revenue Receipts of the State and its non-interest Revenue Expenditure. It indicates the extent to which Revenue receipts of the State were able to meet the interest charges. In 2018-19, the State registered a Primary Revenue Surplus of ₹ 2,281 crore.

Impact on Revenue and Fiscal Deficit

Audit observed that the Revenue and Fiscal Deficit was understated by ₹ 207.91 crore and ₹ 3,537.96 crore, respectively on account of short-contribution to new pension scheme, short contribution/short adjustment of interest on Mines and Mineral Development Restoration and Rehabilitation Fund, non-transfer of guarantee fee receipts to public account, short adjustment of interest on balances in SDRF and Utilisation of earmarked funds for expenditure as shown in *Table 1.37*.

Table 1.37: Effective Revenue and Fiscal Deficit

(₹ in crore)

Particulars	Impact on Revenue Deficit (Understated)	Impact on Fiscal Deficit (Understated)	Ratio before taking the net impact (in per cent)		Ratio after taking the net impact (in per cent)	
			RD/GSDP	FD/GSDP	RD/GSDP	FD/GSDP
Short contribution to New Pension Scheme	31.58	31.58	1.59	3.10	1.62	3.60
Short contribution to Mines and Mineral Development Restoration and Rehabilitation Fund	15.27	15.27				
Short adjustment of interest on balances in Mines and Mineral Development Restoration and Rehabilitation Fund	3.25	3.25				
Non-transfer of guarantee fee receipts to public account	147.89	147.89				
Short adjustment of interest on balances in State Disaster Response Fund	9.92	9.92				
Utilisation of earmarked funds for expenditure	0	3,330.05				
Total	207.91	3,537.96				

Source: Finance Accounts

Above impacted the Revenue and Fiscal Deficit of the State Government. The Revenue Deficit to GSDP ratio has been understated by 0.03 percentage points while the Fiscal Deficit by 0.50 percentage point.

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.38**. Receipts and disbursements under the components of financing the fiscal deficit during 2018-19 are given in **Table 1.39**.

Table 1.38: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Components of fiscal deficit		(-) 12,586	(-) 31,479	(-)26,285	(-)19,114	(-) 21,912
1	Revenue deficit(-)/surplus (+)	(-) 8,319	(-) 11,679	(-)15,906	(-)10,562	(-) 11,270
2	Net Capital Expenditure	(-) 3,697	(-) 6,878	(-)6,837	(-)13,498	(-) 15,258
3	Net loans and advances	(-) 570	(-) 12,922	(-)3,542	4,946	4,616
Financing pattern of fiscal deficit						
1	Market Borrowing	12,372.99	13,168.29	15,358.98	15,839.49	17970.00
2	Loans from GoI	(-) 22.98	(-) 78.91	(-)63.06	(-)44.59	(-)74.33
3	Special securities issued to National Small Savings Fund	707.45	1,012.11	(-)947.05	(-)954.14	(-) 980.58
4	Loans from financial institutions	(-)2,426.12	16,682.26	8,544.81	310.15	165.99
5	Small Savings, Provident Funds, etc.	1,041.05	1,048.64	1,114.88	1,226.32	1,167.71
6	Reserve Fund	38.97	70.72	1,646.31	673.72	553.47
7	Deposits and advances	471.42	369.27	(-)2.12	653.55	1,337.50
8	Suspense and Miscellaneous	1,145.54	(-) 1,583.19	1,734.84	518.78	1,296.28
9	Remittances	(-) 13.89	(-) 19.15	57.66	(-)25.09	170.72
10	Overall surplus (-) deficit (+)	13,314.43	30,670.04	27,445.25	18,198.19	21,606.76
11	Increase (-) decrease (+) in cash balance*	(-) 728.38	(+) 809.47	(-)1,160.13	916.30	304.99
12	Gross Fiscal Deficit	12,586.05	31,479.51	26,285.12	19,114.49	21,911.75

(Source: State Finance Accounts of the respective years)* **8999-Cash balance (Deposits with Reserve bank and remittance in treasury)**

Table 1.39: Receipts and Disbursements under components financing the fiscal deficit
(₹ in crore)

	Particulars	Receipt	Disbursement	Net
1	Market Borrowing	21,265.00	3,295.00	17,970.00
2	Loans from GoI	124.83	199.16	-74.33
3	Special securities issued to National Small Savings Fund	-	980.58	-980.58
4	Loans from financial institutions	12,370.10	12,204.11	165.99
5	Small Savings, Provident Funds, etc.	3,512.08	2,344.37	1,167.71
6	Deposits and advances	26,504.69	25,167.19	1,337.50
7	Reserve Funds	944.98	391.51	553.47
8	Suspense and Miscellaneous	80,205.71	78,909.43	1,296.28
9	Remittances	8,911.01	8,740.29	170.72
10	Overall surplus (-) deficit (+)	1,53,838.40	1,32,231.64	21,606.76
11	Increase (-) decrease (+) in cash balance	Cr.489.57	Cr.794.56	304.99
12	Gross Fiscal Deficit	1,53,348.83	1,31,437.08	21,911.75

(Source: State Finance Accounts)

The fiscal deficit in 2018-19 was largely managed by market borrowings (82 *per cent*), State provident fund (five *per cent*) and balance from other sources.

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the components of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The bifurcation of the primary deficit (**Table 1.40**) would indicate the extent to which the deficit was on account of enhancement in capital expenditure, which may have been desirable to improve the productive capacity of the State's economy.

Table 1.40: Primary deficit/surplus–bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Revenue Receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure	Primary revenue deficit (-) /surplus (+)	Primary deficit(-)/surplus (+)
1	2	3	4	5	6	7= (4+5+6)	8=(3-4)	9=(2-7)
2014-15	41,091	40,799	42,190	3,716 (7.95)	843	46,749	(-) 1,391	(-) 5,658
2015-16	47,915	47,557	50,952	6,908 (9.71)	13,250	71,110	(-) 3,395	(-) 23,195
2016-17	53,496	52,497	57,861	6,863 (9.91)	4,515	69,239	(-) 5,364	(-) 15,743
2017-18	69,076	62,695	61,296	13,538 (17.76)	1,395	76,229	1,399	(-)7,153
2018-19	71,306	65,885	63,604	15,307 (19.21)	756	79,667	2,281	(-)8,361

(Source: State Finance Accounts of the respective years)

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

- Revenue Receipts of the State increased by 61.49 *per cent* from 2014-15 to 2018-19. During 2018-19, Revenue receipts were sufficient to meet the primary revenue expenditure.
- The primary revenue deficit increased from ₹ 1,391 crore in 2014-15 to ₹ 5,364 crore in 2016-17 and converted in revenue surplus in 2017-18 and 2018-19. During 2018-19, there was primary revenue surplus of ₹ 2,281 crore.
- Primary deficit which was ₹ 5,658 crore in 2014-15 increased upto ₹ 23,195 crore in 2015-16 and after that decreased to ₹ 7,153 crore in 2017-18. However, primary deficit increased from 7,153 crore in 2017-18 to ₹ 8,361 crore in 2018-19.

Table 1.41 Components of Fiscal Deficit

(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue deficit(-)/surplus (+)	(-) 8,319 (66)	(-) 11,679 (37)	(-)15,906 (61)	(-)10,562 (55)	(-) 11,270 (51)
Net Capital Expenditure	(-) 3,697 (29)	(-) 6,878 (22)	(-)6,837 (26)	(-)13,498 (71)	(-) 15,258 (70)
Net loans and advances	(-) 570 (5)	(-) 12,922 (41)	(-)3,542 (13)	(+) 4,946	(+) 4,616
Fiscal Deficit	(-) 12,586	(-) 31,479	(-)26,285	(-)19,114	(-) 21,912

Figures in parentheses indicate percentage to Fiscal Deficit

The Fiscal Deficit increased from ₹ 19,114 crore in 2017-18 to ₹ 21,912 crore in 2018-19. The contribution of Revenue Deficit in the Fiscal Deficit was 51 *per cent* in 2018-19. Net capital expenditure and net loans and advances collectively contributed 49 *per cent* to the Fiscal Deficit. A higher proportion of Revenue Deficit in Fiscal Deficit indicates that a large proportion of current expenditure is being met from borrowed funds.

The fiscal deficit during the current year was 3.10 *per cent* of GSDP.

1.12 Conclusions

The State passed FRBM Act, 2005 to ensure prudence in fiscal management and fiscal stability by progressive elimination of Revenue Deficit. However, the FRBM Act has not been amended as per the recommendations of 14th Finance Commission. The State continued to be a revenue deficit State. The revenue deficit was 17 *per cent* of revenue receipts during 2017-18 and 2018-19 as compare to 30 *per cent* of revenue receipts during 2016-17.

The primary deficit of the State increased from 1.14 *per cent* of GSDP in 2017-18 to 1.18 *per cent* in the current year.

Receipts of ₹ 3,766.64 crore collected under Haryana Rural Development fund were not credited to Consolidated Fund of the State during 2011-18. Similarly, Government departments transferred cess collected under the Building and Other Construction Worker's Welfare Cess Act, 1996 to the Haryana Building and Other Construction Workers Welfare Board without routing these through the Consolidated Fund of the State. As on 31 March 2018, the Board had funds of ₹ 2744.34 crore.

Revenue expenditure during the year constituted 83 *per cent* of the total expenditure. Total expenditure on four components i.e. salary and wages, pension liabilities, interest payments and subsidies constituted 65 *per cent* of the revenue expenditure during 2018-19. Moreover, 87 *per cent* (₹ 7,415 crore) of total subsidies (₹ 8,549 crore) were only for the Energy Sector.

Capital expenditure of ₹ 15,307 crore (16.42 *per cent* of TE) during 2018-19 included conversion of power sector loans amounting to ₹ 5,190 crore under UDAY scheme into equity. The accumulated losses upto 2017-18 of three DISCOMs were ₹ 29,453 crore.

The revenue deficit increased from ₹ 10,562 crore in 2017-18 to ₹ 11,270 crore in 2018-19. The trends in other fiscal parameters, i.e. fiscal and primary deficit which stood at ₹ 19,114 crore and ₹ 7,153 crore in 2017-18, increased to ₹ 21,912 crore (15 *per cent*) and ₹ 8,361 crore (17 *per cent*) respectively in 2018-19.

Overall fiscal liabilities of the State were ₹ 1,84,216 crore as on 31 March 2019. Fiscal liabilities were 26.05 *per cent* of GSDP as compared to 26.20 *per cent* of GSDP as on 31 March 2018. Fiscal liabilities as on 31 March 2019 were 2.80 times of revenue receipts as compared to 2.62 times on 31 March 2018.

Cash balance of ₹ 2,985.55 crore at the close of 2018-19 was lesser than the earmarked reserve funds of ₹ 6,315.60 crore which indicates that reserve funds to the extent of ₹ 3,330.05 crore were used for other than intended purposes.

The State Government had not invested funds of ₹ 2,787 crore available under SDRF and Restoration and rehabilitation of mines and minerals. ₹ 2,744 crore under Building and other construction workers welfare cess fund were lying unutilized as on 31 March 2018.

Internal debt of the Government increased to ₹ 1,54,968 crore (12.45 *per cent*) during 2018-19 from ₹ 1,37,812 crore in 2017-18. An interest of ₹ 11,988 crore was paid on internal debt during 2018-19. The resource gap remained negative during the year 2018-19 and the primary expenditure was met partially from the borrowed funds.