

# Chapter I

## Finances of the State Government

### *Social Indicators of the State*

Rajasthan is the largest State of India in terms of geographical area (342.24 thousand square kilometres) and eighth in terms of population. The population of the State increased from 6.63 crore in 2009 to 7.64 crore in 2019, recording a decadal growth of 15.19 *per cent*, as against the average growth rate of General Category States<sup>1</sup> at 12.46 *per cent*. The percentage of population below the poverty line was 14.7 *per cent* which was less than the All India average of 21.9 *per cent*. The literacy rate increased from 60.4 *per cent* (2001 census) to 66.1 *per cent* (2011 census), however, it was 6.9 percentage points below All India average of 73 *per cent* during the corresponding period. During 2018-19, per capita income of the State stood at ₹ 1,21,581 which was lower than the average per capita income of ₹ 1,43,002 of the General Category States. The Economic and Social indicators of the State are given in *Appendix 1.1(A)*. A comparison has been done among 18 General Category States as shown in *Appendix 1.1(B)*.

### *Economic Indicators of State*

The growth of Gross State Domestic Product (GSDP)<sup>2</sup> of the State is an important indicator of the State's economy, as it denotes the standard of living of the State's population. The trends in the annual growth rate of the State's GSDP as compared to India's Gross Domestic Product (GDP) at current as well as constant prices are indicated in **Table 1.1**.

**Table 1.1: Annual growth rate of GDP vis-a-vis GSDP**

Year	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Current Prices</b>					
India's GDP <sup>#</sup> (₹ in crore)	1,24,67,959	1,37,71,874 <sup>#</sup>	1,53,62,386 <sup>##</sup>	1,70,95,005 <sup>&amp;</sup>	1,90,10,164 <sup>£</sup>
Growth rate of GDP (percentage)	10.99	10.46	11.55	11.28	11.20
State's GSDP <sup>@</sup> (₹ in crore)	6,15,642	6,81,485	7,58,809 <sup>#</sup>	8,35,558 <sup>##</sup>	9,29,124 <sup>\$</sup>
Growth rate of GSDP (percentage)	11.73	10.70	11.35	10.11	11.20
State contribution to GDP	4.94	4.95	4.94	4.89	4.89

<sup>1</sup> General Category States: (i) Andhra Pradesh, (ii) Bihar, (iii) Chhattisgarh, (iv) Goa, (v) Gujarat, (vi) Haryana, (vii) Jharkhand, (viii) Karnataka, (ix) Kerala, (x) Madhya Pradesh, (xi) Maharashtra, (xii) Orissa, (xiii) Punjab, (xiv) Rajasthan, (xv) Tamil Nadu, (xvi) Telangana, (xvii) Uttar Pradesh and (xviii) West Bengal.

<sup>2</sup> Gross State Domestic Product (GSDP) is the market value of all officially recognised final goods and services produced within the State in a given period of time.

<sup>#</sup> Revised Estimate- III.

<sup>##</sup> Revised Estimate- II.

<sup>&</sup> Revised Estimate- I.

<sup>£</sup> Provisional Estimate.

<sup>\$</sup> Second Advance Estimate.

Year	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Constant Prices (Base year 2011-12)</b>					
India's GDP <sup>@</sup> (₹ in crore)	1,05,27,674	1,13,69,493 <sup>#</sup>	1,22,98,327 <sup>##</sup>	1,31,79,857 <sup>&amp;</sup>	1,40,77,586 <sup>£</sup>
Growth rate of GDP (percentage)	7.41	8.00	8.17	7.17	6.81
State's GSDP <sup>@</sup> (₹ in crore)	5,21,509	5,63,340	5,95,100 <sup>#</sup>	6,32,921 <sup>##</sup>	6,79,314 <sup>\$</sup>
Growth rate of GSDP (percentage)	7.26	8.02	5.64	6.36	7.33
State contribution to GDP	4.95	4.95	4.84	4.80	4.83

<sup>@</sup> Directorate of Economics and Statistics, Government of Rajasthan

Sources: #GSDP figures from Ministry of Statistics and Programme Implementation, Government of India on 01.08.2019

During 2018-19, GSDP growth rate (7.33 *per cent*) at constant price was higher as compared to India's GDP growth rate (6.81 *per cent*). However, growth rate (11.20 *per cent*) of GSDP and India's GDP at current prices were same. State contribution to the national GDP consistently remained under 5 *per cent* during last five years.

## 1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Rajasthan (GoR) during 2018-19 and analyses the changes observed in the major fiscal aggregates in relation to that of the previous year, keeping in view the overall trends during last five years. The annual accounts of GoR consist of Finance Accounts and Appropriation Accounts. The formats of Finance Accounts are divided into two volumes (Volume I contains the summarised financial statements and Volume II presents detailed financial statements). The structure and form of Government Accounts is depicted in **Appendix 1.2 (Part A)** and layout of the Finance accounts is depicted in **Appendix 1.2 (Part B)**.

This chapter is structured into four parts.

- Summary and review of Fiscal Operations.

*(Paragraph 1.2)*

- Resources of the State covering details regarding revenue receipts, capital receipts and public account receipts.

*(Paragraphs 1.3 to 1.6)*

- Application of Resources dealing with quality of expenditure and financial analysis of Government expenditure and investment.

*(Paragraphs 1.7 to 1.9)*

- Financial position including assets and liabilities, fiscal imbalances and debt management.

*(Paragraphs 1.10 to 1.12)*

<sup>#</sup> Revised Estimate- III.

<sup>##</sup> Revised Estimate- II.

<sup>&</sup> Revised Estimate- I.

<sup>£</sup> Provisional Estimate.

<sup>\$</sup> Second Advance Estimate.

## 1.2 Summary of Fiscal Operations in 2018-19

Summary of Fiscal Operations gives an overview of the Fiscal position, comparison of budget estimates with actuals achieved, review of Gender Responsive Budgeting and Major project/policy initiatives and status of action taken on Budget Speech (2018-19) as given in detail in *sub paragraphs 1.2.1 to 1.2.4*.

**Table 1.2** presents the summary of the State Government's fiscal operations during current year (2018-19) *vis-à-vis* previous year (2017-18), while *Appendix 1.3* provides an abstract of receipts and disbursements as well as overall fiscal position during the current year.

**Table 1.2: Summary of Fiscal Operations in 2018-19**

(₹ in crore)					
Receipts			Disbursements		
	2017-18	2018-19		2017-18	2018-19
<b>Section-A: Revenue Account</b>					
Tax Revenue	50,605.41	57,380.34	General Services	43,450.36	54,364.06
Non-Tax Revenue	15,733.72	18,603.01	Social Services	53,064.07	65,686.92
Share of Union Taxes/Duties	37,028.01	41,852.35	Economic Services	49,326.98	46,722.12
Grants-in-aid from Government of India	23,940.04	20,037.32	Grants-in-aid and Contributions	0.11	0.09
<b>Total Section-A Revenue Receipts</b>	<b>1,27,307.18</b>	<b>1,37,873.02</b>	<b>Total Section-A Revenue Expenditure</b>	<b>1,45,841.52</b>	<b>1,66,773.19</b>
<b>Section-B: Capital Account and others</b>					
Miscellaneous Capital Receipts	16.61	20.13	Capital Outlay	20,623.28	19,638.20
Recoveries of Loans and Advances	15,133.41	15,158.41	Loans and Advances disbursed	1,334.02	1,113.09
Public Debt Receipts*	28,556.57	37,846.82	Repayment of Public Debt*	11,673.66	16,914.80
Contingency Fund	-	-	Contingency Fund	-	-
Public Account Receipts#	1,56,811.26	1,70,527.88	Public Account Disbursements#	1,47,088.02	1,60,570.22
Opening Cash Balance	8,112.46	9,376.99	Closing Cash Balance	9,376.99	5,793.75
<b>Total Section-B Receipts</b>	<b>2,08,630.31</b>	<b>2,32,930.23</b>	<b>Total Section-B Disbursements</b>	<b>1,90,095.97</b>	<b>2,04,030.06</b>
<b>Grand Total (A +B)</b>	<b>3,35,937.49</b>	<b>3,70,803.25</b>	<b>Grand Total (A+B)</b>	<b>3,35,937.49</b>	<b>3,70,803.25</b>

Source: Finance Accounts for the respective years

\* Excluding net transaction under Ways and Means advances and overdraft

# Figures of Public Account Receipts/Disbursements are shown on gross basis in **Table 1.2**, while in other tables/paragraphs, they are shown on net basis.

The salient features of fiscal operations in 2018-19 are given below:

- Revenue Receipts increased by 8.3 per cent (₹ 10,565.84 crore) over the previous year.
- Revenue Expenditure increased by 14.4 per cent (₹ 20,931.67 crore) over the previous year.

- Capital Outlay decreased by 4.8 *per cent* (₹ 985.08 crore) over the previous year.
- Public Debt Receipts and Repayment of Public Debt increased by 32.5 *per cent* (₹ 9,290.25 crore) and 44.9 *per cent* (₹ 5,241.14 crore) respectively over the previous year.
- Public Account Receipts and Public Account Disbursements increased by 8.7 *per cent* (₹ 13,716.62 crore) and 9.2 *per cent* (₹ 13,482.20 crore) over the previous year respectively.
- Cash balance decreased by 38.2 *per cent* (₹ 3,583.24 crore) over the previous year.

The trends of Revenue Receipts (RR)/Revenue Expenditure (RE)/Capital Expenditure (CE) relative to GSDP at current as well as constant prices<sup>3</sup> are given in **Table 1.3**.

**Table 1.3: Trends in RR/RE/CE relative to GSDP**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
GSDP at current prices (₹ in crore)	6,15,642	6,81,485	7,58,809	8,35,558	9,29,124
GSDP at constant prices (₹ in crore)	5,21,509	5,63,340	5,95,100	6,32,921	6,79,314
<b>Revenue Receipts relative to GSDP</b>					
RR at current prices (₹ in crore)	91,327	1,00,285	1,09,026	1,27,307	1,37,873
Rate of growth of RR at current prices ( <i>per cent</i> )	22.63	9.81	8.72	16.77	8.30
RR at constant prices (₹ in crore)	77,363	82,899	85,504	98,433	1,00,804
Rate of growth of RR at constant prices ( <i>per cent</i> )	17.73	7.16	3.14	15.12	2.41
<b>RR/GSDP at current prices</b>	<b>14.83</b>	<b>14.73</b>	<b>14.37</b>	<b>15.24</b>	<b>14.84</b>
<b>Revenue Expenditure relative to GSDP</b>					
RE at current prices (₹ in crore)	94,542	1,06,239	1,27,140	1,45,842	1,66,773
Rate of growth of RE at current prices ( <i>per cent</i> )	25.20	12.37	19.67	14.71	14.35
RE at constant prices (₹ in crore)	80,086	87,821	99,710	1,10,473	1,21,933
Rate of growth of RE at constant prices ( <i>per cent</i> )	20.20	9.66	13.54	10.79	10.37
<b>RE/GSDP at current prices</b>	<b>15.36</b>	<b>15.59</b>	<b>16.76</b>	<b>17.45</b>	<b>17.95</b>
<b>Capital Expenditure relative to GSDP</b>					
CE at current prices (₹ in crore)	16,103	21,986	16,980	20,623	19,638
Rate of growth of CE at current prices ( <i>per cent</i> )	17.85	36.53	(-) 22.77	21.45	(-) 4.78
CE at constant prices (₹ in crore)	13,641	18,174	13,317	15,622	14,358
Rate of growth of CE at constant prices ( <i>per cent</i> )	13.14	33.24	(-) 26.73	17.31	(-) 8.09
<b>CE/GSDP at current prices</b>	<b>2.62</b>	<b>3.23</b>	<b>2.24</b>	<b>2.47</b>	<b>2.11</b>

As evident from the table above, there has been fluctuating trend in growth of revenue receipts, revenue expenditure and capital expenditure during the period from 2014-15 to 2018-19. As a percentage of GSDP, Revenue Receipt and Capital Expenditure have decreased while Revenue Expenditure has marginally increased as compared to previous year.

<sup>3</sup> Constant prices figures for Revenue Receipts, Revenue Expenditure and Capital Expenditure are arrived by using a deflator i.e., ratio of GSDP at constant prices to GSDP at current prices for each year.

Status of fiscal indicators i.e. Fiscal Deficit, Revenue Deficit & Primary Deficit are discussed in *paragraphs 1.2.1 & 1.11*.

### 1.2.1 Review of fiscal position

In pursuance of recommendations of the Twelfth Finance Commission, the State Government had enacted its "Fiscal Responsibility and Budgetary Management (FRBM) Act 2005", with a view to ensure prudence in fiscal management and to maintain fiscal stability in the State. This was amended in the year 2011 and 2016. Besides this, the Fourteenth Finance Commission (XIV-FC) had also suggested fiscal consolidation roadmap for the state.

Review of fiscal situation of the state revealed the following:

(i) As per the provisions contained in Section 6(a) of FRBM Act, the State Government was to achieve Zero Revenue Deficit from the financial year 2011-12 and thereafter maintain it or attain revenue surplus. However, the State Government could maintain the revenue surplus only during the years 2011-12 and 2012-13 and thereafter there has been revenue deficit during last six consecutive years up to 2018-19.

The Budget Estimates (BE), Revised Estimates (RE) and Actual figures in respect of Revenue Deficit/Surplus during the last six years are summarised in **Table 1.4**.

**Table 1.4: BE, RE and Actuals of Revenue Deficit/Surplus**

	(₹ in crore)							
	2013-14	2014-15	2015-16*	2016-17*	2017-18		2018-19	
					With UDAY	Without UDAY	With UDAY	Without UDAY
<b>Budget Estimates</b>	(+)1,026	(+)738	(+) 557	(-) 8,802	(-)13,528	(-)1,528	(-)17,455	(-)5,455
<b>Revised Estimates</b>	(-)2,505	(-)4,220	(-) 5232	(-)17,838	(-)20,166	(-)8,166	(-)24,825	(-)12,825
<b>Actuals</b>	(-)1,039	(-)3,215	(-) 5,954	(-)18,114	(-)18,535	(-)6,535	(-)28,900	(-)16,900

\*with impact of UDAY<sup>4</sup>

As evident from the table above, during 2018-19 the revenue deficit stood at ₹ 28,900 crore which was higher than the projections made in BE (₹ 17,455 crore) and RE (₹ 24,825 crore). The above table also indicates that the formulation of BE for 2013-14 to 2018-19 was deficient as there was regular and significant fall in Revised estimates and Actuals in comparison to BE during these years.

State Government was unable to contain revenue deficit to budgeted estimates during 2018-19, as the actual revenue receipt declined to ₹ 1,37,873 crore against ₹ 1,51,663 crore in BE i.e. 9.09 *per cent* (₹ 13,790 crore), while the actual revenue expenditure also decreased to ₹ 1,66,773 crore against ₹ 1,69,118 crore in BE i.e. 1.39 *per cent* only (₹ 2,345 crore).

<sup>4</sup> Ujwal DISCOM Assurance Yojana (UDAY) is the financial turnaround and revival package for electricity distribution companies (DISCOMs) initiated by the Government of India with the intent to find a permanent solution to the financial mismanagement.

Thus, greater fall in revenue receipts than budgeted estimate and relatively less control over expenditure was the reason for the increase in revenue deficit.

*The above position indicates that the state has to make efforts to increase its revenue receipts and rationalize the revenue expenditure.*

(ii) Section 6 (b) of the FRBM Act, envisaged (as amended in 2011) to achieve fiscal deficit of 3 per cent of GSDP by the financial year 2011-12 and thereafter to maintain the said ratio or reduce it. The XIV-FC also recommended to maintain the fiscal deficit within 3 per cent of the GSDP. **Table 1.5** shows the fiscal deficit/GSDP ratio achieved during the last three years.

**Table 1.5: BE, RE and Actuals of Fiscal Deficit**

	Budget Estimates	Revised Estimates	Actual
2016-17	3.00 (excluding UDAY) 5.62 (including UDAY)	3.37 (excluding UDAY) 6.36 (including UDAY)	3.15 (excluding UDAY) 6.10 (including UDAY)
2017-18	2.99	3.46	3.03
2018-19	2.98	3.41	3.71

It is observed that during 2018-19, the fiscal deficit as percentage of GSDP ratio was higher than the target of 3 per cent as prescribed under the FRBM Act and XIV-Finance Commission. The fiscal deficit stood at ₹ 34,473 crore which was higher than the projected target in BE (₹ 28,011 crore) and RE (₹ 31,473 crore).

(iii) The State Government had amended (April 2016) the provisions of Section 6(c) of the FRBM Act to prescribe the limit for Debt-GSDP ratio for the financial year 2018-19 upto 35.0 per cent.

Although the Debt-GSDP ratio (33.5 per cent) during 2018-19 was within the limit fixed in FRBM Act, however, it was substantially higher than the limit (24.4 per cent) recommended by the XIV-FC. Even after excluding the borrowings under UDAY, the Debt-GSDP ratio comes to 28.0 per cent, which was higher than the limit prescribed by the XIV-FC.

### **1.2.2 Budget Estimates, Revised Estimates and Actual**

The budget presented by the State Government provides estimations of receipts and expenditure for a particular fiscal year. The importance of accuracy in the estimation of receipts and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from BE are indicative of non-attainment of the desired fiscal objectives due to various reasons, some within the control of the government and some beyond its control.

A comparison of Actual receipts/expenditure with BE and RE for the year 2018-19 is given in **Table 1.6** and further detailed comparison (major head wise) is given in **Appendix 1.6**.

**Table 1.6: Comparison of Actuals with BE and RE for the year 2018-19**

(₹ in crore)					
Fiscal parameters	Budget Estimates	Revised Estimates	Actuals	Difference between Actuals and BE	Difference between Actuals and RE
1	2	3	4	5 (4-2)	6(4-3)
Tax Revenue	58,099	61,907	57,380	(-) 719	(-) 4,527
Non-Tax Revenue	20,397	19,966	18,603	(-) 1,794	(-) 1,363
State's share of Union Taxes and Duties	43,310	41,853	41,853	(-) 1,457	0
Grants-in-aid from GoI	29,857	24,458	20,037	(-) 9,820	(-) 4,421
Total Revenue Receipts	1,51,663	1,48,184	1,37,873	(-) 13,790	(-) 10,311
Total Revenue Expenditure	1,69,118	1,73,009	1,66,773	(-) 2,345	(-) 6,236
Interest Payments	21,413	21,737	21,695	282	(-) 42
Capital Expenditure	25,740	21,061	19,638	(-) 6,102	(-) 1,423
Revenue Deficit (-) /Surplus (+)	(-) 17,455	(-) 24,825	(-) 28,900	(-) 11,445	(-) 4,075
Fiscal Deficit (-)/Surplus (+)	(-) 28,011	(-) 31,473	(-) 34,473	(-) 6,462	(-) 3,000
Primary Deficit <sup>5</sup> (-)/Surplus (+)	(-) 6,598	(-) 9,736	(-) 12,778	(-) 6,180	(-) 3,042

Source: Finance Accounts and Budget Documents

Analysis of revenue receipts, revenue expenditure and capital expenditure is given below:

### 1.2.2.1 Revenue Receipts

Revenue Receipts were lower than BE and RE by ₹ 13,790 crore (9.1 per cent) and ₹ 10,311 crore (7.0 per cent) respectively. The decrease was mainly due to substantial decline in receipts under Grants-in-aid from GoI: ₹ 4,421 crore (18.08 per cent); Taxes on Sales, Trade etc.: ₹ 1,709 crore (10.36 per cent); Stamps and Registration Fees: ₹ 864 crore (18.19 per cent); Non-ferrous Mining and Metallurgical Industries: ₹ 699 crore (11.65 per cent); State Excise: ₹ 606 crore (6.52 per cent) and State Goods and Services Tax: ₹ 562 crore (2.39 per cent) as compared to RE.

### 1.2.2.2 Revenue Expenditure

During 2018-19, the Revenue Expenditure was lower than BE and RE by ₹ 2,345 crore (1.4 per cent) and ₹ 6,236 crore (3.6 per cent) respectively. The decrease was mainly due to decline in expenditure under Other Rural Development Programme: ₹ 1,948 crore (24.04 per cent); General Education: ₹ 700 crore (2.01 per cent); Urban Development: ₹ 495 crore (10.65 per cent); Crop Husbandry: ₹ 490 crore (17.49 per cent); Nutrition: ₹ 488 crore (21.81 per cent) and Roads and Bridges: ₹ 296 crore (19.25 per cent) as compared to RE under each Major head.

### 1.2.2.3 Capital Expenditure

During 2018-19, the Capital Expenditure was lower than BE and RE by ₹ 6,102 crore (23.7 per cent) and ₹ 1,423 crore (6.8 per cent) respectively. The decrease, as compared to RE under each Major head, was mainly due to decline in expenditure on Water Supply and Sanitation: ₹ 418 crore (9.75 per cent); Other Rural Development Programmes: ₹ 131 crore (36.09

<sup>5</sup> Primary Deficit= Fiscal Deficit (-) Interest Payments.

*per cent*); Roads and Bridges: ₹ 107 crore (2.51 *per cent*); Medical and Public Health: ₹ 82 crore (14.11 *per cent*); Urban Development: ₹ 80 crore (5.81 *per cent*); Major Irrigation: ₹ 79 crore (4.35 *per cent*); Education, Sports Art and Culture: ₹ 76 crore (8.44 *per cent*) and Other Special Area Programmes: ₹ 64 crore (18.71 *per cent*).

**Recommendation 1:**

*The Government may rationalise the budget formulation to make the estimates included therein, more realistic so that parameters of fiscal deficit and revenue deficit are brought within the prescribed limit of the FRBM Act.*

**1.2.3 Gender Responsive Budgeting**

Gender Responsive Budgeting (GRB) is a means of ensuring that public resources are allocated in an equitable way so that the pressing needs of specific gender groups are satisfied. During the Budget speech of 2009-10, Government of Rajasthan (GoR) announced preparation of GRB which would enable gender based budget analysis of each department. Accordingly, a High Level Committee (HLC) was formed (August, 2009) under the chairmanship of the Chief Secretary and a Gender Cell was formed in September 2009 in the Department of Women and Child Development (WCD). One of the functions and objectives of GRB was consolidating budget schemes and facilitating integration of gender analysis in the Government Budget. Further, during August 2010, Gender Desks were also constituted in various departments for implementation of various GRB initiatives. Besides, GoR decided (August 2011) to include Gender Budget Statement in the new Integrated Financial Management System (IFMS) for preparation of BE from the financial year 2012-13.

Gender budgeting in the State is regulated as per provisions contained in paragraph 13.27 of the State Budget Manual (SBM) which provides that in order to prepare the annual Gender Budget Statement, Budget Controlling officers of specified departments are required to provide information in the format given in the budget circular issued by the Finance Department. This format requires classification of plan schemes/Programmes targeted at women into four categories. The details of categories are given below:

<b>A</b>	Schemes under which expenditure targeted at women is more than 70 <i>per cent</i> .
<b>B</b>	Schemes under which expenditure targeted at women lies between 70 <i>per cent</i> -30 <i>per cent</i> .
<b>C</b>	Schemes under which expenditure targeted at women lies between 30 <i>per cent</i> -10 <i>per cent</i> .
<b>D</b>	Schemes under which expenditure targeted at women is less than 10 <i>per cent</i> .

The category wise allocation during 2014-19 as per budget presented in the Rajasthan Legislative Assembly was as shown in **Table 1.7**.



**Table 1.7: Category wise BE and Actuals of Gender Budgeting**

(₹ in crore)

Year		Category 'A'	Category 'B'	Category 'C'	Category 'D'	Total
2014-15	BE	4,241.11	21,143.72	2,887.26	38.49	28,310.58
	Actual expenditure	5,767.98	18,329.41	1,093.63	1,315.92	26,506.94
	Actual in percent of BE	136.0	86.7	37.9	3418.9	93.6
2015-16	BE	5,963.18	30,381.26	2,264.05	42.63	38,651.12
	Actual expenditure	7,814.04	20,263.82	2,176.33	49.76	30,303.95
	Actual in percent of BE	131.0	66.7	96.1	116.7	78.4
2016-17	BE	5,771.71	37,876.75	3,251.84	40.64	46,940.94
	Actual expenditure	3,524.88	23,211.34	2,450.84	89.69	29,276.75
	Actual in percent of BE	61.1	61.3	75.4	220.7	62.4
2017-18	BE	5,870.89	44,428.87	2,372.26	118.19	52,790.21
	Actual expenditure	8138.65	36,910.61	2,225.33	34.06	47,308.65
	Actual in percent of BE	138.6	83.1	93.8	28.8	89.6
2018-19	BE	4,418.46	54,651.13	1,882.37	51.98	61,003.94
	Actual expenditure	4,745.99	42,577.04	1,994.14	44.45	49,361.62
	Actual in percent of BE	107.4	77.9	105.9	85.5	80.9

It is evident from the above table that the total expenditure against Gender Budgeting decreased from 93.6 per cent to 80.9 per cent during period from 2014-15 to 2018-19.

During the year 2018-19, there were 123 Budget Finalisation Committee (BFC) units falling in above categories which covered 1248 schemes/ programs. With a view to assess the extent of utilisation of the gender budget, test check was conducted in respect of 34 schemes which belonged to 'A' category with cent per cent allotment for women and in which the budget allotment exceeded ₹ 10 crore. The major irregularities noticed are summarized below:

**(1) Women and Child Development Department**

**(a)** The "Mission Gramya Shakti" (MGS) Scheme was developed to strengthen and stabilize women Self Help Groups (SHGs) and for their institutional development by providing them microfinance. It was observed that no expenditure was incurred during 2018-19 against budget provision of ₹ 10.70 crore.

The Department while accepting the facts stated that the scheme could not be implemented due to non approval of work plan by the Finance Department. This is worth mentioning that the fact regarding "Nil" expenditure in the scheme has been regularly featuring in last five CAG's Audit Reports on State Finances.

Thus, consistent non approval of work plan shows the reluctance of the Finance Department to issue funds for a scheme falling under category 'A'.

**(b)** Integrated Child Development Services (ICDS) System Strengthening and Nutrition Improvement Project (ISSNIP): This project was started by World Bank assistance for strengthening policy, systems, processes and capacity of ICDS and strengthening of convergent actions for improving nutrition results.

It was observed that only ₹ 42.95 crore (25 per cent) was incurred against Budget Estimate of ₹ 174.50 crore. Department stated that due to non procurement of ICT-Real Time Monitoring (RTM) devices and Growth Monitoring Devices, related activities such as ICT-RTM master training and monitoring through Common Application System (CAS) could not take place resulting in under utilisation of funds.

**(2) Rural Development and Panchayati Raj Department (RD &PRD)**

National Rural Livelihood Mission (NRLM) was being implemented since April, 2013 by Rajasthan *Grameen Aajeevika Vikas Parishad*–RAJEEVIKA (RGAVP). It is an autonomous society under the administrative control of Department of Rural Development established in October, 2010. The objective of the NRLM is to enhance income sources of the rural poor so as to bring them out of poverty by organizing rural women into SHGs and linking them to banks to leverage loan financing and making more money available for their livelihood. It was observed that a sum of only ₹ 115.84 crore (42 per cent) was spent against budget estimate of ₹ 279 crore under NRLM during 2018-19. Less expenditure on this scheme was attributed to non-receipt of funds from Government of India and corresponding less State Share.

*Thus, nil expenditure in one gender based scheme and expenditure of 25 and 42 per cent in two other schemes shows lack of emphasis on part of the State Government in implementation of gender responsive budgeting.*

**1.2.4 Major project/policy initiatives and the status of action taken on Budget Speech 2018-19**

While presenting budget for the year 2018-19, the State Governments had announced several schemes/policies. The concerned Departments had intimated (June-September 2019) the status of action taken on these major policy initiatives. However, Audit observed that in respect of following project/policy initiatives, limited or no progress has been made:

Para No. of Budget Speech	Name of Department	Brief of announcements made in Budget Speech	Status of Follow Up action taken by the Department
25	Transport	State Level Road Safety Training Centre will be established at a cost of ₹ 10 crore for capacity building to reduce road accidents and fatality.	No budget was allotted in 2018-19. Even land has also not been allotted so far (August 2019).
28	Water Resources	To increase the inward flow of water in the Bisalpur Dam Brahmani Banas, project costing ₹ 6,000 crore was proposed. Jaipur, Ajmer and Tonk districts were to be benefitted from this project.	Department stated that Expression of Interest (EOI) for preparation of Detailed Project Report (DPR) is yet to be called for (July 2019) due to non-receipt of Administrative and Financial Sanction.
31		Work of irrigation projects of ₹ 1,658 crore sponsored by JICA, World Bank and New Development Bank (NDB) in 26 districts will be commenced in ensuing year.	Department stated that work order for 31 works amounting ₹ 814 crore (49 per cent), against ₹ 1,658 crore, has been issued so far (July 2019).

Para No. of Budget Speech	Name of Department	Brief of announcements made in Budget Speech	Status of Follow Up action taken by the Department
33		Expenses of ₹ 220 crore in ensuing year is proposed through Irrigated Area Development Department for Chambal, Bisalpur, Gang Canal, Bhakhra Canal, Sidhmukh Nohar and Amar Singh sub-branch project.	Only nominal amount of ₹ 2.00 crore was allotted against ₹ 220 crore out of which expenditure of ₹ 1.91 crore (0.87 per cent) was incurred in 2018-19.
42	Public Health and Engineering	Implementation of Pokran- Falsoond-Balotar- Siwana drinking water project will be expedited with target to complete it by September 2018.	Project is still under progress and is expected to be completed by March, 2020.
86 and 87	Medical Education	In view of increased patient load in associated hospitals of SMS Hospital, it is proposed to install a new Cath Lab at a cost of ₹ 6 crore.	No expenditure was incurred in 2018-19. Due to delay in administrative process, purchase of new Cath Lab could not be made.
		In view of the increased patient load in Medical College, Bikaner, it is proposed to install a new Cath Lab at a cost of ₹ 6 crore.	Tenders were invited but bids were rejected on technical grounds. Now tenders have to be invited afresh (August 2019).
98	Education	In second phase of developing one school as Model School in every Gram Panchayat, ₹ 360 crore in 2018-19 will be provided for construction of 3,379 additional classrooms and toilets in 1,163 model schools.	₹ 200 crore was allotted against ₹ 360 crore out of which only ₹ 107.80 crore (30 per cent) was spent during 2018-19. Work was completed only in 220 schools (19 per cent) out of 1,163 schools.
113	Minority Affairs	Adarsh Madrasa Scheme will be started for modernisation of Madrasas. Under this scheme ₹ 25.18 crore will be spent for modernisation of select 500 Madrasas registered under 'A' category Madrasas.	₹ 9.48 crore (37.65 per cent) was spent during 2018-19 against allotted budget of ₹ 25.18 crore.
115	Employment	Provision of ₹ 45 crore is being proposed to convert employment offices as Model Career Centre in 29 districts.	No budget was allocated.
121	Sports	₹ 5 crore will be spent for purchase of electronic targets in shooting range at Jagatpura, Jaipur so that it may be upgraded to international level.	Expenditure of only ₹ 97.38 lakh (19.48 per cent) was incurred against budget allotment of ₹ 5 crore (August, 2019).
156	Mining	An amount of ₹ 1,000 crore will be spent in ensuing year by District Mineral Foundation Trust on providing basic amenities for residents of State's mining affected areas.	Against ₹ 1,000 crore, expenditure of only ₹ 407.32 crore (40.73 per cent) was incurred in 2018-19.
185	Archaeology and Museum	Expenses of ₹ 33.25 crore is proposed to be incurred in ensuing year for protection and renovation of 19 memorials situated in Kota, Bhilwara, Ajmer, Jhalawar, Barmer, Jodhpur, Jaisalmer, Churu, Bikaner, Baran, Udaipur and Bharatpur.	Budget of ₹ 22.17 crore was allotted out of which ₹ 6.81 crore was spent in 2018-19.
187	Tourism	For Development of tourism in Banswara, 100 islands will be developed in Mahi Dam area at a cost of ₹ 10 crore.	No budget was allotted in 2018-19.

The slow pace in follow up action and laxity in starting the works as abridged above is indicative of lack of monitoring and pursuance of initiatives announced during budget speech. In most of the cases, works were not even started in the stipulated period.

**Recommendation 2:**

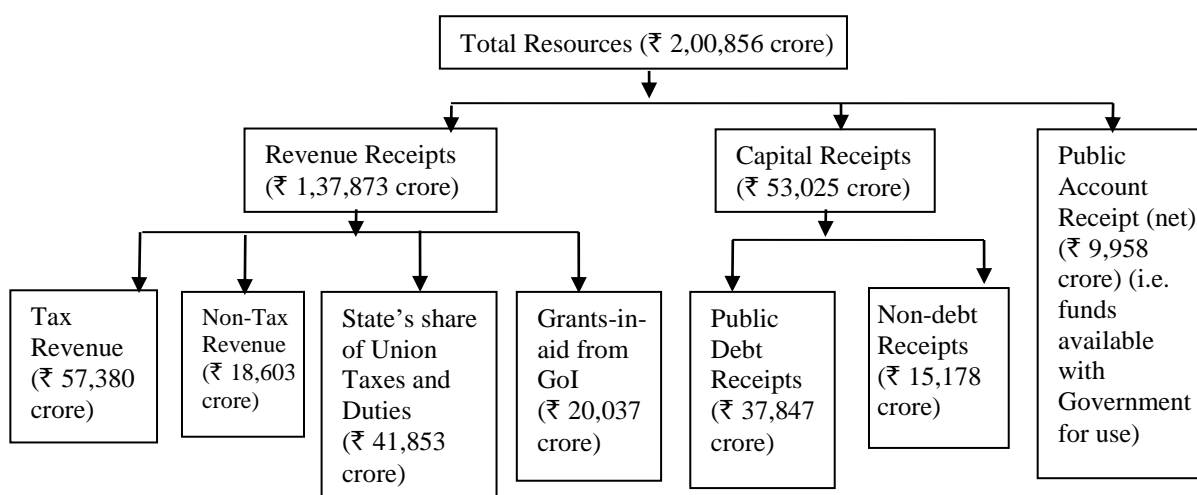
*Considering the importance of the announcements made in the budget speech every year and the repeated recommendations by the Public Accounts Committee, the concerned departments may ensure timely initiation and implementation of these schemes.*

**1.3 Financial Resources of the State**

**Financial Resources of the State as per Annual Finance Accounts**

Receipts of the State Government can be divided into two categories namely Revenue Receipts<sup>6</sup> and Capital Receipts<sup>7</sup>. Besides, the funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit. Following flowchart depicts the components and sub-components of the state’s financial resources:

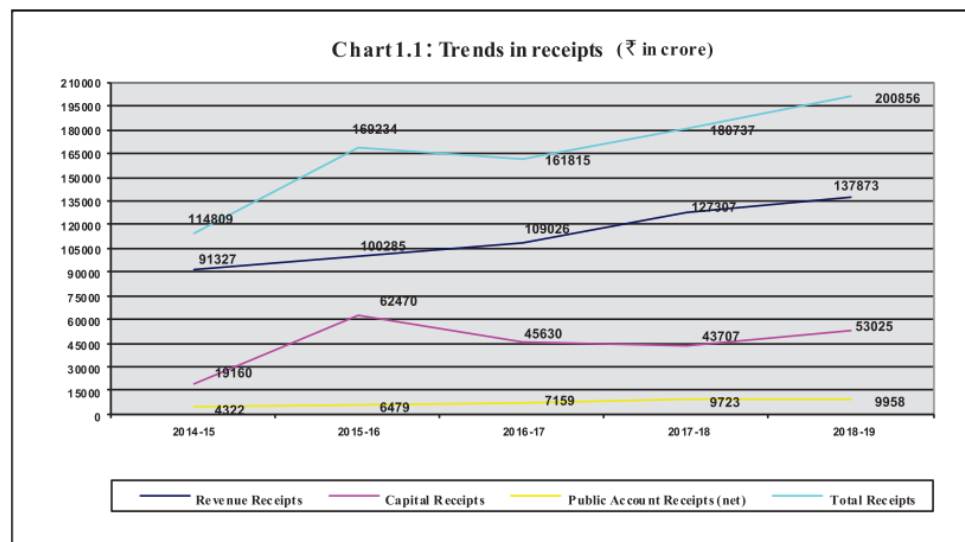
**Components and sub-components of financial resources**



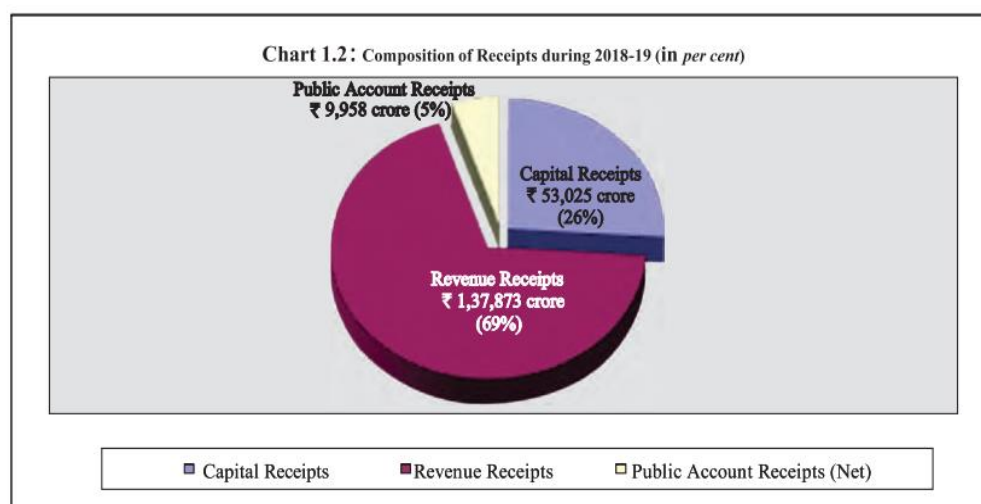
**Chart 1.1** depicts the trends in various components of the receipts of the State during 2014-19 and **Chart 1.2** depicts the composition of resources of the State during the current year.

<sup>6</sup> Revenue Receipts consist of Tax Revenues, Non-Tax Revenues, State’s share of Union Taxes and Duties and Grants-in-aid from GoI.

<sup>7</sup> Capital Receipts comprise of proceeds from disinvestments, recoveries of loans and advances, debt receipts (market loans, borrowings from financial institutions/ commercial banks) and Loans and Advances from GoI.



Source: Finance Accounts



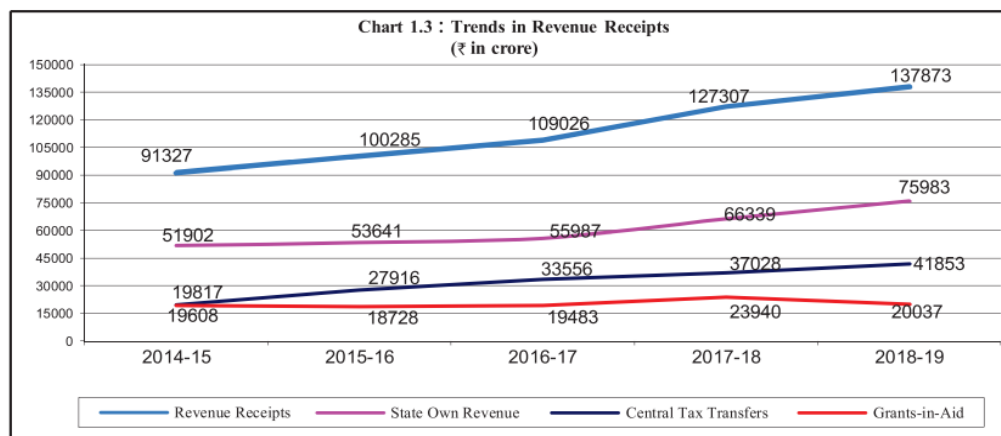
During 2014-19, total receipts (excluding Contingency Fund Receipts) increased from ₹ 1,14,809 crore in 2014-15 to ₹ 2,00,856 crore in 2018-19, recording average annual growth rate of 19 per cent and an increase of 11 per cent during 2018-19, in comparison to the previous year.

The revenue receipts remained the highest contributor of the total receipts (69 per cent) during the year 2018-19 and also over the period of five years. While Public Account Receipts accounted for 5 per cent of total receipts during 2018-19, Capital Receipts contributed 26 per cent of the total receipts. The components of Revenue Receipts, Public Account Receipts and Capital Receipts are discussed in *paragraph 1.4, 1.5 and 1.6*.

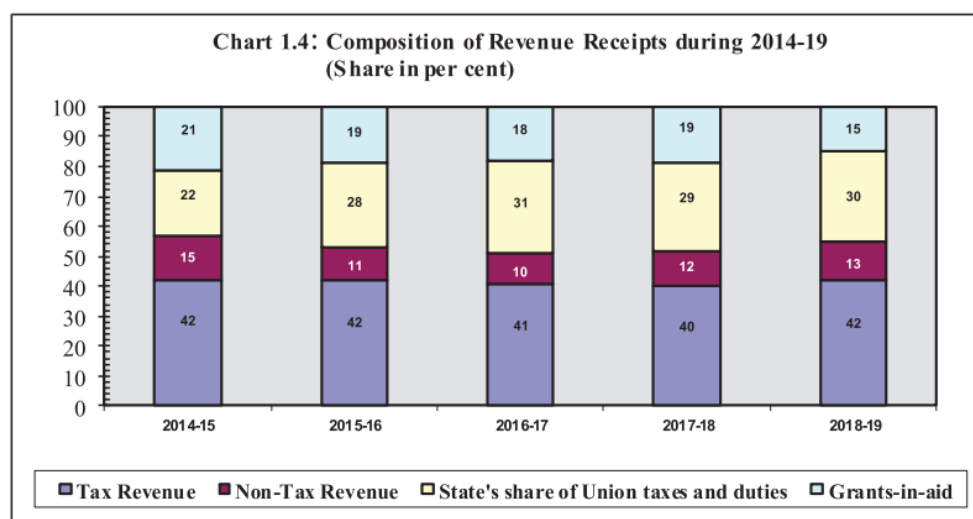
## 1.4 Revenue Receipts

Statement 14 of the Finance Accounts exhibits details of the Revenue Receipts of the Government. Revenue Receipts consist of State's own revenue (Tax and Non-Tax Revenues), State's share of Union taxes and duties and Grants-in-aid from GoI. The trends and composition of Revenue Receipts

over the period 2014-19 are presented in *Appendix 1.4* and also in **Chart 1.3** and **Chart 1.4**.



Source: Finance Accounts



Source: Finance Accounts

Revenue Receipts increased at an average annual growth rate of 13 per cent from ₹ 91,327 crore in 2014-15 to ₹ 1,37,873 crore in 2018-19. On an average, 54 per cent of the revenue came from the State's own resources during 2014-19 and the balance came from GoI as the State's share of Union Taxes and Duties and Grants-in-aid.

The share of Tax Revenue in Revenue Receipts ranged between 40 and 42 per cent, whereas the share of Non-Tax Revenue ranged between 10 and 15 per cent during 2014-19. The share of Tax Revenue in Revenue Receipts had increased from 40 per cent in 2017-18 to 42 per cent in 2018-19. The growth trends in Revenue Receipts and Tax Revenue are given in **Table 1.8**.

**Table 1.8: Trends in Revenue Receipts and Tax Revenue**

	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Receipts (RR) (₹ in crore)	91,327	1,00,285	1,09,026	1,27,307	1,37,873
Rate of growth of RR (per cent)	22.6	9.8	8.7	16.8	8.3
Rate of growth of Tax Revenue (per cent)	15.5	10.4	3.9	14.0	13.4

### **Buoyancy Ratio**

Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. The value more than 1 indicates high degree of responsiveness of the fiscal variable to the base variable. As GSDP grows, the ability of the Government to mobilise Revenue should also increase. **Table 1.9** shows the Buoyancy of revenue with respect to change in GSDP of State.

**Table 1.9: Buoyancy Ratios**

	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Buoyancy Ratios</b>					
GSDP at current prices (₹ in crore)	6,15,642	6,81,485	7,58,809	8,35,558	9,29,124
Growth rate of GSDP ( <i>per cent</i> )	11.7	10.7	11.3	10.1	11.2
RR/GSDP ( <i>per cent</i> )	14.8	14.7	14.4	15.2	14.8
Revenue receipts buoyancy with respect to GSDP	1.9	0.9	0.8	1.7	0.7
Tax revenue buoyancy with respect to GSDP	1.3	1.0	0.3	1.4	1.2
Non Tax revenue buoyancy with respect to GSDP	(-) 0.2	(-) 1.6	0.6	3.5	1.6
State's share of Union Taxes buoyancy with respect to GSDP	0.5	3.8	1.8	1.0	1.2
Grant-in aid from GoI buoyancy with respect to GSDP	10.6	(-) 0.4	0.4	2.3	(-) 1.5

Source: Finance Accounts

Revenue buoyancy measures the percentage change in the revenue receipts to the percentage change in GSDP. As can be seen from the table above, the Revenue buoyancy though it was 1.7 in 2017-18 has declined to 0.7 in 2018-19 due to sharp decline in the growth rate of Revenue Receipts from 16.8 per cent in 2017-18 to 8.3 per cent in 2018-19. There was a major decline in Non-Tax revenue buoyancy with respect to GSDP from 3.5 in 2017-18 to 1.6 in 2018-19 due to lower growth rate of Non-Tax revenue of 18.2 *per cent* as compared to 35.5 *per cent* in previous year. The decline in Revenue receipts buoyancy is attributable primarily to decline in buoyancy of Grant-in-aid with respect to GSDP to (-) 1.5 in 2018-19 from 2.3 in previous year. Thus, there was a slump in Grant-in-aid by 16.3 *per cent* during 2018-19, following a 22.9 *per cent* increase in the previous year. Further, ratio of Revenue receipts to GSDP decreased from 15.2 *per cent* in 2017-18 to 14.8 *per cent* in 2018-19.

#### **1.4.1 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 mobilisation of resources was assessed in terms of its own resources comprising Tax and Non-Tax sources.

The State's actual Tax and Non-Tax Revenue *vis-a-vis* assessment made by XIV-FC and Medium Term Fiscal Policy Statement (MTFPS) are given in **Table 1.10**.

**Table 1.10: Tax and Non-Tax Revenue projection and Actual for 2018-19**

	XIV-FC projections	BE/ MTFPS	Actual	(₹ in crore)	
				Difference between Actual and BE	
				Amount	<i>per cent</i>
<b>Tax Revenue</b>	90,241	58,099	57,380	(-) 719	1.24
<b>Non-Tax Revenue</b>	23,708	20,397	18,603	(-) 1,794	8.80

The Receipts under Tax Revenue and Non-Tax Revenue were less by 36.41 per cent (₹ 32,861 crore) and 21.53 per cent (₹ 5,105 crore) respectively as compared to the normative assessment made by XIV-FC. Actual Tax Revenue and Non-Tax Revenue were also lower than the BE.

#### 1.4.1.1 Tax Revenue

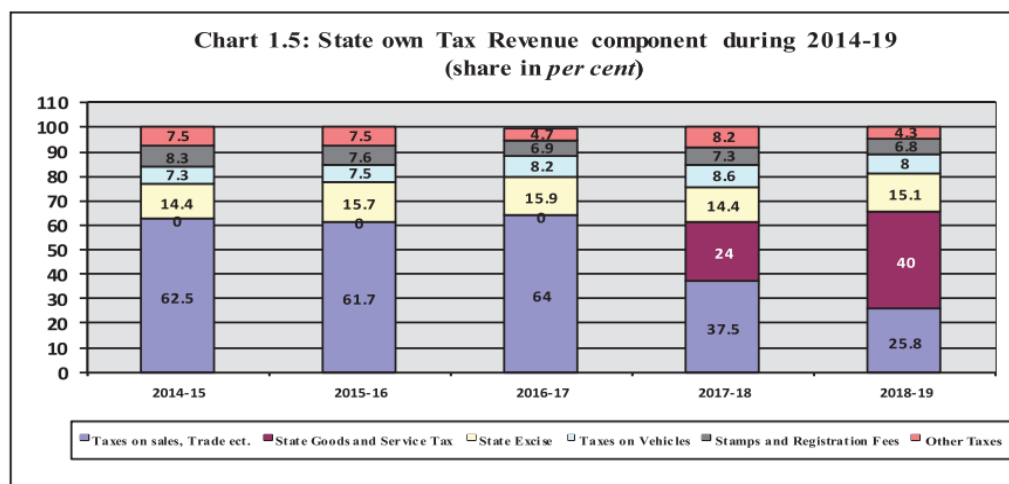
The component-wise position of gross collection in respect of major taxes and duties is given in **Table 1.11** and **Chart 1.5**.

**Table 1.11: Components of State's Own Tax Revenue**

(₹ in crore)						
Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19	Increase/ decrease during 2018-19 over previous year (in per cent)
Taxes on Sales, Trade etc.	24,170	26,345	28,558	19,008	14,791	(-) 22.2
Taxes on Goods and Passengers	956	848	803	341	51	(-) 85.0
Entertainment Tax and Luxury Tax (under other taxes and duties on Commodities and services)	114	171	220	64	5	(-) 92.2
State Goods and Service Tax	-	-	-	12,137	22,938*	89.0
<b>Total</b>	<b>25,240</b>	<b>27,364</b>	<b>29,581</b>	<b>31,550</b>	<b>37,785</b>	<b>19.8</b>
State Excise	5,586	6,713	7,054	7,276	8,694	19.5
Taxes on Vehicles	2,830	3,199	3,623	4,363	4,576	4.9
Stamps and Registration Fees	3,189	3,234	3,053	3,675	3,886	5.7
Land Revenue	289	272	315	364	290	(-) 20.3
Other Taxes <sup>8</sup>	1,539	1,931	746 <sup>9</sup>	3,377 <sup>10</sup>	2,149 <sup>11</sup>	(-) 36.4
<b>Grand Total</b>	<b>38,673</b>	<b>42,713</b>	<b>44,372</b>	<b>50,605</b>	<b>57,380</b>	<b>13.4</b>

Source: Finance Accounts for the respective years

\* Unaudited figure.



Source: Finance Accounts for the respective years

<sup>8</sup> Other Taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and other taxes and duties on Commodities and Services (excluding Entertainment Tax and Luxury Tax).

<sup>9</sup> It includes receipts ₹ 738 crore under Taxes and Duties on Electricity.

<sup>10</sup> It includes receipts ₹ 3,376 crore under Taxes and Duties on Electricity.

<sup>11</sup> It includes receipts ₹ 2,148 crore under Taxes and Duties on Electricity



During 2018-19, the Receipts from Taxes on Sales, Trade etc., and State Goods and Service Tax, contributed a major share of Tax Revenue in the proportion of 26 *per cent* and 40 *per cent* respectively despite 22.2 *per cent* decrease in Receipts from Taxes on Sales, Trade, etc., over the previous year due to implementation of GST from July 2017 by GoI. However, overall receipts from taxes (Taxes on Sales, Trade etc, Taxes on Goods and Passengers, Entertainment Tax and Luxury Tax and State Goods and Service Tax) increased 19.8 *per cent* over the previous year.

While Taxes and Duties on Electricity under the head ‘Other Taxes’ decreased from ₹ 3,376 crore in 2017-18 to ₹ 2,148 crore in 2018-19, State Excise which contributed 15 *per cent* of the Tax Revenue increased by 19 *per cent* over the previous year. Taxes on Stamps and Registration Fees (₹ 3,886 crore) increased in 2018-19 by 6 *per cent* as compared to the previous year (₹ 3,675 crore) and Taxes on Vehicles (₹ 4,576 crore) in 2018-19 also increased by 5 *per cent* as compared to previous year (₹ 4,363 crore).

#### **1.4.1.2 Status of Goods and Services Tax**

Goods and Services Tax (GST) was implemented w.e.f. 1 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. As per provisions of the Act, the projected revenue for Rajasthan was calculated at ₹ 25,421.25 crore for the year 2018-19 by applying the projected growth at the rate of 14 *per cent* per annum over the base year (2015-16) revenue of ₹ 17,158.62 crore.

During 2018-19, the State Government received ₹ 22,938.33 crore (including ₹ 2,638.85 crore on account of advance apportionment of IGST) as revenue under Major Head ‘0006 State Goods and Services Tax’. Further, during 2018-19, GoI released ₹ 1,875 crore (excluding ₹ 301 crore pertaining to previous year compensation received during 2018-19) as compensation for the loss of revenue arising out of implementation of GST. An amount of ₹ 405 crore on account of compensation pertaining to period 2018-19 was also received in May 2019. As per Section 7 of the Act, actual revenue collected by the State is to be audited/certified by Comptroller and Auditor General of India.

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

Therefore, revenue shown as SGST and IGST apportionment amounting to ₹ 22,938.33 crore should be considered as provisional and subject to be audited.

**Recommendation 3:**

*State Government may provide access of SGST data to the Accountant General (Audit-I) at the earliest for certification of revenue collection under SGST.*

**Cost of Collection**

The gross collection of taxes on motor vehicles, taxes on sales, trade etc., stamp and registration fees and state excise, expenditure incurred on their collection and its percentage to gross collection during the years 2016-17 to 2018-19 along with their All-India average cost of collection for the respective years are indicated in **Table 1.12**.

**Table 1.12: Cost of collection**

Receipt Head	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage
		(₹ in crore)			
Taxes on Sales, Trade etc. including Goods and Service Tax	2016-17	28,558	123	0.43	0.69
	2017-18	31,145	163	0.52	0.69
	2018-19	37,729	199	0.53	Not Available
State Excise	2016-17	7,054	131	1.86	2.01
	2017-18	7,276	142	1.95	1.83
	2018-19	8,694	160	1.84	Not Available
Taxes on Vehicles	2016-17	3,623	71	1.96	2.61
	2017-18	4,363	69	1.58	2.61
	2018-19	4,576	81	1.77	Not Available
Stamp and Registration Fees	2016-17	3,053	65	2.13	2.99
	2017-18	3,675	72	1.96	2.96
	2018-19	3,886	85	2.19	Not Available

*@The expenditure booked under the minor head, 101–Collection charges is considered as cost of collection except for State Excise, SGST and Stamp and Registration Fees.*

The percentage of cost of collection to the gross collection in the State was significantly less than the All India Average in all the receipt heads during the period 2016-19 except for State Excise during 2017-18.

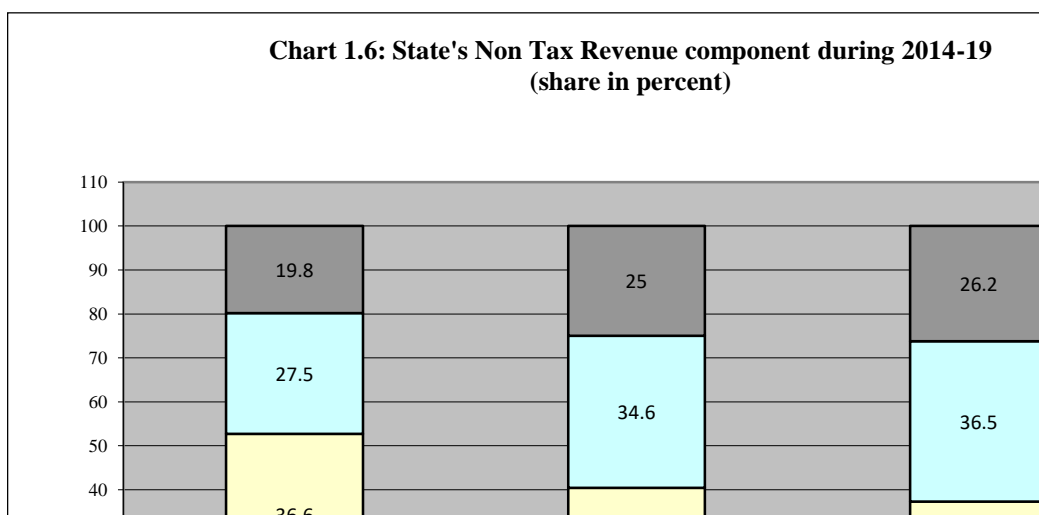
**1.4.1.3 Non-Tax Revenue**

The trends in major constituents of Non-Tax Revenue during the period 2014-19 are shown in **Table 1.13** and **Chart 1.6**.

**Table 1.13: Components of Non-Tax Revenue**

(₹ in crore)						
Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19	Increase/ decrease during 2018-19 over the previous year (in per cent)
Interest Receipts	2,065	1,982	1,933	4,859	5,791	19.2
Revenue from Petroleum <sup>12</sup>	4,850	2,342	2,332	2,579	3,883	50.6
Non-ferrous Mining and Metallurgical Industries	3,636	3,782	4,234	4,522	5,302	17.2
Dividends and Profits	63	97	68	67	56	(-) 16.4
Other Non-Tax Receipts	2,615	2,725	3,048	3,707	3,571	(-) 3.7
<b>Total</b>	<b>13,229</b>	<b>10,928</b>	<b>11,615</b>	<b>15,734</b>	<b>18,603</b>	<b>18.2</b>

Source: Finance Accounts

**Chart 1.6: State's Non Tax Revenue component during 2014-19 (share in percent)**

During 2018-19, Non-Tax Revenue (₹ 18,603 crore) constituted 13 per cent of Revenue Receipts, increased by 18 per cent (₹ 2,869 crore) as compared to the previous year due to significant increase in Revenue from Petroleum Receipts by ₹ 1,304 crore (51 per cent), interest receipts from Public Sector and other Undertakings by ₹ 932 crore (19 per cent) and non-ferrous mining and metallurgical industries by ₹ 780 crore (17 per cent).

#### 1.4.2 Transfers from Central Government including State's share of Union taxes and Grants-in-aid from GoI

XIV-FC recommended for an increase in the share of the States in Central Taxes from 32 per cent (recommended by XIII-FC) to 42 per cent. The share of the Rajasthan State in the net proceeds of Central Tax and net proceeds of Service Tax were fixed at 5.50 per cent and 5.65 per cent, respectively. Components of the State's share of Union taxes and duties and Grant-in-aid from GoI are given in **Table 1.14**.

<sup>12</sup> Revenue from royalties on crude oil produced in Barmer-Sanchor basin.

**Table 1.14: Transfer of different components of the State's share of Union taxes and duties and Grant-in-aid from GoI**

(₹ in crore)

Components of the State's share of Union taxes and duties and Grant-in-aid from GoI	2014-15	2015-16	2016-17	2017-18	2018-19
<b>(A) State's share of Union Taxes and duties</b>					
Customs	3,205	4,464	4,620	3,735	2,966
Union Excise Duties	1,810	3,731	5,275	3,905	1,971
Service Tax	2,921	4,864	5,433	4,227	389
Central Goods and Service Tax	-	-	-	520	10,329
Integrated Goods and Service Tax	-	-	-	3,736	824
Corporation Tax	6,920	8,760	10,739	11,334	14,553
Taxes on Income other than Corporation Tax	4,942	6,073	7,464	9,571	10,718
Taxes on Wealth	19	2	25	<sup>13</sup>	5
Other Taxes and Duties on Commodities and Services	-	22	<sup>14</sup>	<sup>15</sup>	22
Others	-	-	-	-	76
<b>Total (A)</b>	<b>19,817</b>	<b>27,916</b>	<b>33,556</b>	<b>37,028</b>	<b>41,853</b>
Non-Plan Grants	4,527	5,241	5,928	-	-
Grants for State Plan Schemes	14,885	12,957	13,462	-	-
Grants for Central Plan Schemes (including Centrally Sponsored Schemes)	196	530	93	-	-
Centrally Sponsored Schemes	-	-	-	16,104	13,317
Finance Commission Grants	-	-	-	4,262	3,121
Other transfer/ Grants to State/ Union Territories with Legislature	-	-	-	3,574	3,599
<b>Total (B)</b>	<b>19,608</b>	<b>18,728</b>	<b>19,483</b>	<b>23,940</b>	<b>20,037</b>
<b>Grand Total (A) + (B)</b>	<b>39,425</b>	<b>46,644</b>	<b>53,039</b>	<b>60,968</b>	<b>61,890</b>

Source: Finance Accounts

The above position reveals that during 2018-19, State's share of Union taxes and duties increased by ₹ 4,825 crore over the previous year and it constituted 30 *per cent* of Revenue Receipts. During 2018-19, total transfer from GoI (including State's share in taxes and Grant-in-aid) increased by 1.5 *per cent* (₹ 922 crore) over the previous year mainly on account of increased Corporation Tax.

### 1.4.3 Optimisation of Fourteenth Finance Commission grants

The Fourteenth Finance Commission (XIV-FC) had submitted its report in December 2014, for the five year period commencing from April 1, 2015. The Government of India (GoI) had to allocate grant-in-aid amounting to ₹ 24,240.75 crore (including state share of SDRF), on the recommendations of XIV-FC to the State Government during 2015-2020.

The State Government had constituted a High Level Monitoring Committee (HLMC) dated 11.01.2016 headed by the Chief Secretary to ensure proper utilisation of Grant-in-aid. During the period 2018-19, no such meeting was held of the constituted HLMC for monitoring or evaluating the grant utilisation.

The position of recommendations of XIV-FC, released by GoI and onwards transfers by the State Government is given in **Table 1.15**.

<sup>13</sup> ₹ (-) 0.34 crore.

<sup>14</sup> ₹ 0.09 crore.

<sup>15</sup> ₹ (-) 0.01 crore.

**Table1.15: Recommended amount, actual release and transfers of Grant-in-aid**

(₹ in crore)											
S. No.	Transfers	Recommendation of the XIV-FC 2015-20	Recommendation of the XIV-FC			Actual release by GoI			Release by GoR		
			2015-16 to 2017-18	2018-19	Total	2015-16 to 2017-18	2018-19 (% of column 5)	Total	2015-16 to 2017-18	2018-19	Total (% of column 9)
1	2	3	4	5	6	7	8	9	10	11	12
1	<b>Local Bodies</b>										
	(i) Grants to PRIs	13,633.63	6,434.94	3,067.80	9,502.74	6,434.94	1,362.11 (44.40)	7,797.05	6,434.94	1,362.11	7,797.05 (100.00)
	(a) General Basic Grant	12,270.27	5,865.04	2,724.22	8,589.26	5,865.04	1,362.11 (50.00)	7,227.15	5,865.04	1,362.11	7,227.15 (100.00)
	(b) General Performance Grants	1,363.36	569.90	343.58	913.48	569.90	- (0.00)	569.90	569.90	-	569.90 (100.00)
	(ii) Grants to ULBs	4,513.12	2,103.08	1,029.07	3,132.15	1,902.78	801.60 (77.90)	2,704.38	1,902.78	801.60	2,704.38 (100.00)
	(a) General Basic Grant	3,610.50	1,725.78	801.60	2,527.38	1,725.78	801.60 (100.00)	2,527.38	1,725.78	801.60	2,527.38 (100.00)
	(b) General Performance Grants	902.62	377.30	227.47	604.77	177.00	- (0.00)	177.00	177.00	-	177.00 (100.00)
	<b>Total (1)</b>	<b>18,146.75</b>	<b>8,538.02</b>	<b>4,096.87</b>	<b>12,634.89</b>	<b>8,337.72</b>	<b>2,163.71 (52.81)</b>	<b>10,501.43</b>	<b>8,337.72</b>	<b>2,163.71</b>	<b>10,501.43 (100.00)</b>
2	State Disaster Response Fund*	6,094.00	3,477.00	1,277.00	4,754.00	3,477.00	1,277.00 (100.00)	4,754.00	3,477.00	1,181.22	4,658.22 (97.99)
	<b>Grand Total (1 to 2)</b>	<b>24,240.75</b>	<b>12,015.02</b>	<b>5,373.87</b>	<b>17,388.89</b>	<b>11,814.72</b>	<b>3,440.71 (64.03)</b>	<b>15,255.43</b>	<b>11,814.72</b>	<b>3,344.93</b>	<b>15,159.65 (99.37)</b>

\* Including State share of 25 per cent of total grant.

Source: XIV-FC Report and Finance Accounts

### ***Transfer to Panchayati Raj Institutions (PRIs)***

1. During year 2018-19, second installment of General Basic Grant to Panchayati Raj Institutions (PRIs) amounting to ₹ 1,362.11 crore was not released by GoI due to delay in submission (06.03.2019) of Utilization Certificate (UC) of first installment. However, the same was released in the next financial year (April 2019).
2. GoI also did not release General Performance Grants to PRIs amounting to ₹ 343.58 crore for the year 2018-19 due to non-compliance of two mandatory conditions namely (i) submission of audited accounts and (ii) increase in Own Source Revenue (OSR) prescribed by GoI. Though, the requisite information was later submitted (20.06.2019) to GoI, the General Performance Grants were still awaited (August 2019).
3. The Local Bodies Grants was to be electronically transferred to the elected Local Bodies within 15 days of receipt of the Grant from the GoI. Though the State Government had received first installment of ₹ 1,362.11 crore of basic grant for PRI on dated 13.06.2018 but the same was transferred to Gram Panchayat on 11.07.2018 i.e. delayed by 14 days. Due to delayed transfer of grant, State Government had to pay ₹ 3.39 crore on account of penal interest payment as per condition of the XIV-FC.

### ***Transfer to Urban Local Bodies (ULBs)***

1. As per the recommendation of XIV-FC, GoI did not release the General Performance Grants of ₹ 200.30 crore for 2017-18 and ₹ 227.47 crore for 2018-19 to ULBs due to non-transfer of interest on the part of the

grant for 2016-17 which could not be distributed in the prescribed period.

2. It was also noticed that against ₹ 2,527.38 crore received by Local Self Government Department as Basic Grant during 2015-16 to 2018-19, UCs of only ₹ 1,496.22 crore (59.20 per cent) were received as on August 2019.

Similarly, UCs of only ₹ 122.03 crore (68.94 per cent) was received against performance grants of ₹ 177.00 crore received during 2016-17. This indicates that most of the grants received were lying un-utilised.

The details regarding transfer to State Disaster relief Fund (SDRF) is given at **Paragraph 1.10.4.1.**

***Due to non-submission of Utilization certificates of previous installment & non-compliance of conditions for Performance grant by GoR, XIV-FC grants amounting to ₹1,933.16 crore { 2<sup>nd</sup> installment of ₹1,362.11 crore of General Basic Grant to PRIs & ₹ 571.05 crore as Performance Grant to both ULBs & PRIs} were not released by GoI.***

**Recommendation 4:**

*State Government may strengthen the mechanism related to timely collection/submission of UCs and compliance of prescribed accounting and auditing system in PRIs and ULBs to ensure the full release of XIV-FC grants.*

## 1.5 Capital Receipts

The trends in growth and composition of Capital Receipts during 2014-19 were as shown in **Table 1.16.**

**Table 1.16: Trends in growth and composition of Capital Receipts**

	(₹ in crore)				
Sources of State's Receipts	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Capital Receipts (CR)</b>	<b>19,160</b>	<b>62,470</b>	<b>45,630</b>	<b>43,707</b>	<b>53,025</b>
Miscellaneous Capital Receipts	15	25	28	16	20
Recoveries of Loans and Advances	1,004	1,447	1,713	15,134	15,158
Public Debt Receipts	18,141	60,998	43,889	28,557	37,847
Rate of growth of Debt Receipts (per cent)	25.2	236.2	(-) 28.0	(-) 34.9	32.5
Rate of growth of Non-Debt Receipts (per cent)	212.6	44.5	18.3	770.2	0.2
Rate of growth of CR (per cent)	29.3	226.0	(-) 27.0	(-) 4.2	21.3

Source: Finance Accounts

### 1.5.1 Capital Receipts

Capital Receipts (debt and non-debt receipts) of the State increased at an average annual growth rate of 44 per cent from 2014-15 to 2018-19 and during 2018-19, it increased by 21 per cent as compared to the previous year.

### 1.5.2 Recovery of Loans and Advances

There has been an increase in recovery of Loans and Advances by ₹ 24 crore during 2018-19 from ₹ 15,134 crore in previous year to ₹ 15,158 crore in 2018-19. Out of ₹ 15,158 crore, ₹ 15,000 crore was on account of adjustment of loans given to DISCOMs under UDAY Scheme. The loans given during 2015-16 and 2016-17 to DISCOMS under UDAY Scheme have been converted into equity and subsidy during 2018-19.

### 1.5.3 Public Debt Receipts

It comprises mainly of internal debt receipts i.e. market loans, borrowings from financial institutions and Loans and Advances from GoI.

- **Debt Receipts from internal sources**

During 2018-19, the internal debt receipts i.e. market loans, borrowings from financial institutions, banks, etc., under Public Debt Receipts increased by 33 per cent (₹ 9,290 crore) over the previous year, of which market loan receipts increased by ₹ 8,264 crore over the previous year.

- **Loans and Advances from GoI**

During 2018-19, the receipt of loans and advances from GoI (₹ 2,642 crore) increased by 70 per cent (₹ 1,085 crore) over the previous year (₹ 1,557 crore) due to more receipts of block loans<sup>16</sup> for State.

## 1.6 Public Account

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account, set up under Article 266(2) of the Constitution and are not subject to vote by the State legislature. Here, the Government acts as a banker and utilises the balances remaining after disbursements. Details of Public Account Receipts and Disbursements during the last five years are given in **Table 1.17**.

**Table 1.17: Components of Public Account Receipts and Disbursements during the years**

(₹ in crore)

Resources under various heads	2014-15	2015-16	2016-17	2017-18	2018-19
<b>(A) Public Account Receipts</b>					
a. Small Savings, Provident Fund, etc.	7,082	7,967	8,620	9,346	12,849
b. Reserve Funds	1,724	3,678	3,068	3,466	4,150
c. Deposits and Advances	1,07,067	1,25,570	1,44,292	1,42,603	1,51,092
d. Suspense and Miscellaneous	22	78	(-) 67	51	08
e. Remittances	10,487	9,617	132	1,345	2,429 <sup>17</sup>
<b>Total (A)</b>	<b>1,26,382</b>	<b>1,46,910</b>	<b>1,56,045</b>	<b>1,56,811</b>	<b>1,70,528</b>

<sup>16</sup> 'Block Loan' is a minor head under major head '6004-loan from Government of India'.

<sup>17</sup> It included Cash Remittances between Treasuries and Currency Chests: ₹ 2,420.14 crore; Public Works Remittances: ₹ 9.28 crore and Forest Remittances: ₹ 0.02 crore.

<b>(B) Public Account Disbursements</b>					
a. Small Savings, Provident Fund, etc.	4,100	4,700	5,240	6,145	7,466
b. Reserve Funds	1,752	2,760	2,409	2,630	3,583
c. Deposits and Advances	1,05,658	1,23,315	1,41,050	1,36,900	1,47,036
d. Suspense and Miscellaneous	62	19	52	78	65
e. Remittances	10,488	9,637	135	1,335	2,420
<b>Total (B)</b>	<b>1,22,060</b>	<b>1,40,431</b>	<b>1,48,886</b>	<b>1,47,088</b>	<b>1,60,570</b>
<b>Public Account Receipts Net (A-B)</b>	<b>4,322</b>	<b>6,479</b>	<b>7,159</b>	<b>9,723</b>	<b>9,958</b>

Source: Finance Accounts

Public Account Receipts increased by ₹ 13,717 crore (8.7 *per cent*) during 2018-19 over the previous year. The increase was mainly under Deposits and Advances by ₹ 8,489 crore, Small Savings, Provident Fund etc., by ₹ 3,503 crore and Remittances by ₹ 1,084 crore.

The net Public Account Receipts of the State increased at average annual growth rate of 33 *per cent* during 2014-19 and increased from ₹ 4,322 crore in 2014-15 to ₹ 9,958 crore in 2018-19. However, during 2018-19 net Public Account Receipts increased only by 2.4 *per cent* over the previous year.

## 1.7 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance as responsibilities for major expenditure are entrusted with the State Government. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the state level is not done at the cost of expenditure, especially the expenditure directed towards development of social sector.

### 1.7.1 Total Expenditure

Below **table**, presents the trends in total expenditure over a period of five years (2014-19) and **Chart 1.7** depicts its composition in terms of 'economic classification'.

#### Components of total expenditure – relative share

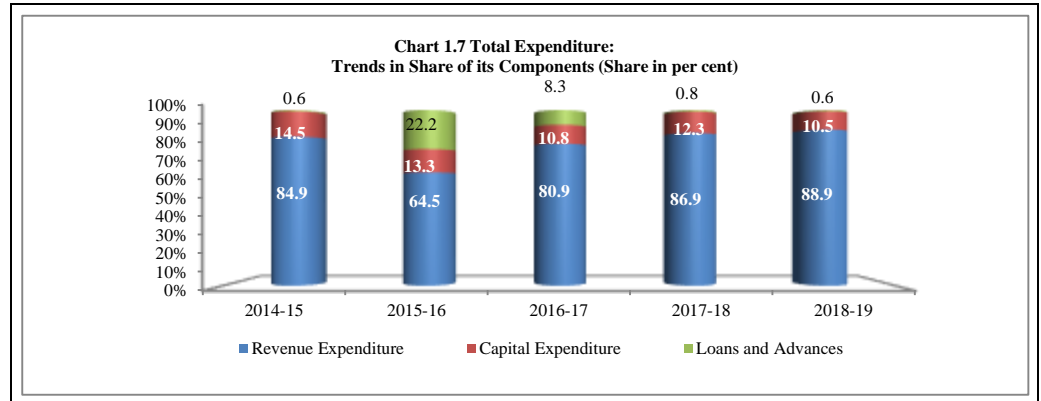
(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Expenditure	94,542	1,06,239	1,27,140	1,45,842	1,66,773
Capital Expenditure	16,103	21,986	16,980	20,623	19,638
Loans and Advances	701	36,602	12,965	1,334	1,113
Total Expenditure	1,11,346	1,64,827	1,57,085	1,67,799	1,87,524

Source: Finance Accounts of respective years

Total expenditure of the State increased at an average annual growth rate of 17 *per cent* during 2014-15 to 2018-19. During 2018-19, it increased by 11.8 *per cent* over the previous year. However, the percentage of Capital Expenditure to Total Expenditure decreased from 14.5 *per cent* in 2014-15 to 10.5 *per cent* in 2018-19.





**1.7.2 Trends in Total Expenditure in Terms of activities**

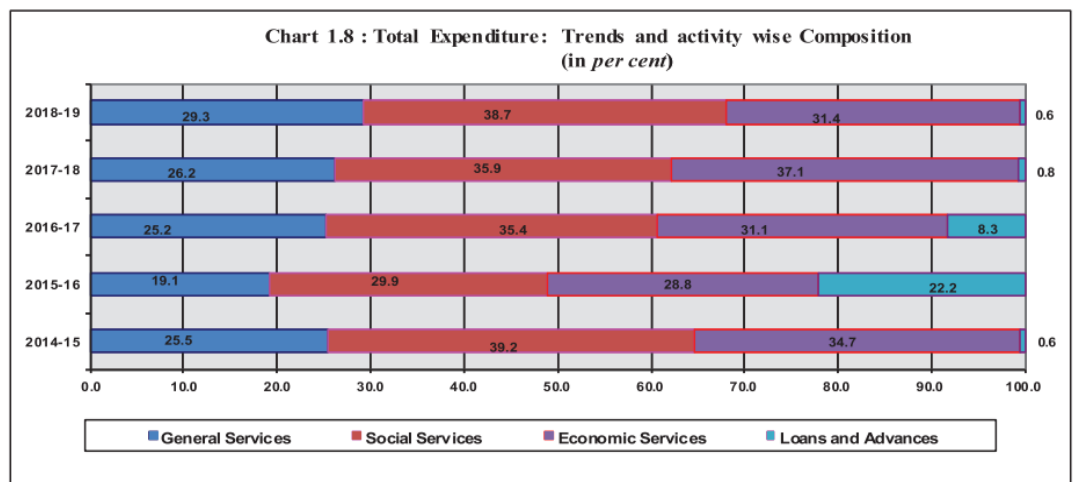
In terms of the activities, total expenditure could be considered as being composed of expenditure of General Services including interest payments, Social Services, Economic Services and Loans and Advances. Relative share of these component in the total expenditure are indicated in table below and **Chart 1.8**.

**Components of total expenditure – relative share**

(In per cent)

	2014-15	2015-16	2016-17	2017-18	2018-19
General Services	25.5	19.1	25.2	26.2	29.3
Of which, Interest Payments	9.4	7.3	11.3	11.8	11.6
Social Services	39.2	29.9	35.4	35.9	38.7
Economic Services	34.7	28.8	31.1	37.1	31.4
Loans and Advances	0.6	22.2	8.3	0.8	0.6

Source: Finance Accounts of respective years



Source: Finance Accounts

The above table reveals that:

- During 2018-19 as compared to 2017-18, relative share of General and Social Services in total expenditure increased due to increase in expenditure mainly under General Education, Pensions and Other Retirement Benefits, Interest Payments, Medical and Public Health, Police and Social Security and Welfare, however, relative share of Economic Service decreased due to decrease in expenditure under Other Rural Development Program, Power and Rural Employment.
- Relative share of Loans and Advances in total expenditure also decreased during 2018-19 due to decrease in release of Loans and Advances by the State Government under Power sector.

### ***Revenue Expenditure***

Revenue Expenditure is incurred to maintain the current level of services and make payment for past obligation and as such, does not result in any addition to the State's infrastructure and services' network.

Revenue Expenditure constituted 88.9 *per cent* of total expenditure during 2018-19. It increased at an average annual growth rate of 19 *per cent* from ₹ 94,542 crore in 2014-15 to ₹ 1,66,773 crore in 2018-19. During 2018-19, the revenue expenditure increased by 14.4 *per cent* (₹ 20,931 crore) over the previous year, mainly due to increase under General Education (₹ 7,870 crore), Pensions and Other Retirement Benefits (₹ 6,471 crore), Co-operation (₹ 3,222 crore), Interest Payments (₹ 1,975 crore), Medical and Public Health (₹ 1,862 crore), Police (₹ 1,445 crore), Social Security and Welfare (₹ 1,196 crore) and Census Surveys and Statistics (₹ 874 crore).

### ***Capital Expenditure***

During 2018-19, the capital expenditure was ₹ 19,638.20 crore. The percentage share of capital expenditure in the total expenditure decreased from 12.3 *per cent* in 2017-18 to 10.5 *per cent* during 2018-19. It increased at an average annual growth rate of 5 *per cent* from ₹ 16,103 crore in 2014-15 to ₹ 19,638 crore in 2018-19. During 2018-19, Capital expenditure decreased by 5 *per cent* (₹ 985 crore) over the previous year. This decrease was mainly under Capital Outlay on Water Supply and Sanitation (₹ 721 crore), Other Rural Development Programmes (₹ 422 crore) and Roads and Bridges (₹ 378 crore).

Further, out of Capital Expenditure of ₹ 19,638.20 crore, Government had invested ₹ 4,080.79 crore (21 *per cent* of Capital Expenditure) in Government Companies and Cooperatives/Banks/Societies during 2018-19. Out of this, Government had invested ₹ 3,822.30 crore (19.5 *per cent* of Capital Expenditure) in five power companies viz. Rajasthan Rajya Vidyut Prasaran Nigam Limited, Rajasthan Rajya Vidyut Utpadan Nigam Limited, Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited having accumulated losses of ₹ 95,506 crore and negative Net Worth of ₹ 59,097.74 crore (***Appendix 1.9***).

**Recommendation 5:**

*As the possibility of obtaining return on investments made in companies where the accumulated losses have resulted in erosion of the net-worth is remote, the State Government may consider making future payments to these companies in the form of Grants instead of Share Capital*

**1.7.3 Committed Expenditure**

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions payments and subsidies. During 2018-19, the committed expenditure amounted to ₹ 1,13,421 crore, which constituted 68 per cent of the total revenue expenditure. **Table 1.18** presents the trends in the expenditure on these components during 2014-19.

**Table 1.18: Components of Committed Expenditure**

(₹ in crore)					
Components of Committed Expenditure	2014-15	2015-16	2016-17	2017-18	2018-19
Salaries and Wages	23,498 (25.7)	25,871 (25.8)	30,016 (27.5)	37,611 (29.6)	49,790* (36.1)
Interest Payments	10,463 (11.5)	12,008 (12.0)	17,677 (16.2)	19,720 (15.5)	21,695 (15.7)
Expenditure on Pensions	9,629 (10.6)	10,864 (10.8)	12,296 (11.3)	13,925 (10.9)	20,396 (14.8)
Subsidies	8,626 (9.4)	10,461 (10.4)	17,208 (15.8)	23,674 (18.6)	21,540 (15.6)
<b>Total Committed Expenditure</b>	<b>52,216</b> <b>(57.2)</b>	<b>59,204</b> <b>(59.0)</b>	<b>77,197</b> <b>(70.8)</b>	<b>94,930</b> <b>(74.6)</b>	<b>1,13,421</b> <b>(82.2)</b>
Other Components	42,326 (46.3)	47,035 (46.9)	49,943 (45.8)	50,912 (40.0)	53,352** (38.7)
<b>Total Revenue Expenditure</b>	<b>94,542</b>	<b>1,06,239</b>	<b>1,27,140</b>	<b>1,45,842</b>	<b>1,66,773</b>
<b>Revenue Receipts</b>	<b>91,327</b>	<b>1,00,285</b>	<b>1,09,026</b>	<b>1,27,307</b>	<b>1,37,873</b>
Committed Expenditure as percentage of Revenue Expenditure	55.2	55.7	60.7	65.1	68.0
<b>Note:</b> Figures in parentheses indicate percentage to Revenue Receipts.					
* Salaries: ₹ 49,138 crore and Wages ₹ 652 crore.					
** Includes expenditure on financial assistance (Grants-in-aid): ₹ 29,171 crore; Grants-in-aid General (Salaries): ₹ 5,691 crore; Transfer of funds from Consolidated fund to Public Accounts: ₹ 4,485 crore; and Maintenance and Repairs: ₹ 717 crore.					

Source: Finance Accounts

The share of committed expenditure to revenue expenditure consistently increased from 55.2 per cent in 2014-15 to 68.0 per cent in 2018-19. The ratio of committed expenditure also increased to 82.2 per cent of revenue receipts in 2018-19 from 57.2 per cent in 2014-15.

**1.7.3.1 Salaries and Wages**

The expenditure on Salaries and Wages increased at an average annual growth rate of 28 per cent from ₹ 23,498 crore in 2014-15 to ₹ 49,790 crore in 2018-19. During 2018-19, the expenditure on Salaries and Wages increased by 32 per cent over the previous year, which was 25 per cent in 2017-18. It was higher than the assessment made by the State Government in MTFPS (₹ 48,949 crore) by ₹ 841 crore.

### 1.7.3.2 Pension payments

The expenditure on overall pension payments increased at an average annual growth rate of 28 *per cent* from ₹ 9,629 crore in 2014-15 to ₹ 20,396 crore<sup>18</sup> in 2018-19. During 2018-19, the expenditure on pension payments recorded a growth of 46 *per cent* over the previous year due to increase in total number of pensioners<sup>19</sup> by 10,852 (2.7 *per cent*). The expenditure on pension and other retirement benefits to the State Government employees was 12.2 *per cent* (9.5 *per cent* in 2017-18) of total revenue expenditure during 2018-19.

A comparative analysis of actual pension payments, with the assessment/projection made by XIV-FC and the State Government in MTFPS, shows that actual pension payment (₹ 20,396 crore) exceeded the normative assessment made by XIV-FC (₹ 13,233 crore) by 64.8 *per cent* and marginally higher than the assessment made by the State Government in MTFPS (₹ 19,712 crore) by 3.5 *per cent*.

It is to be noted that payment on Salaries and Pension alone constituted 42.1 *per cent* (previous year 35.33 *per cent*) of total Revenue Expenditure and 50.9 *per cent* (previous year 40.50 *per cent*) of the Revenue Receipts during 2018-19.

- ***New Contributory Pension Scheme<sup>20</sup>***

Defined Contribution Pension Scheme widely known as New Contributory Pension Scheme (NPS) has been implemented for all Government Servants appointed on or after 01.01.2004 in Rajasthan. As per the guidelines, it is mandatory for every employee to contribute 10 *per cent* of basic pay and dearness allowance every month from salary and equal contribution is to be made by the Government. The contribution details and corresponding amounts are to be transferred to the National Securities Depository Limited (NSDL) and to fund managers appointed by the National Pension System (NPS) Trust.

Government of Rajasthan has adopted the NPS architecture in toto as designed by the Pension Fund Regulatory Development Authority (PFRDA) and entered into agreements with NSDL on 09 November 2010 and NPS Trust on 02 December 2010. The contribution details and corresponding amounts are being transferred to the NSDL and Trustee Bank since November 2011. Prior to November 2011, the employee contribution to the pension account and matching contribution from the Government (from respective salary head of account up to 2011-12) were being deposited in the interest bearing Personal Deposit (PD) Account maintained by concerned Treasury Officers in the budget head 8011-106-103-01, also referred as legacy amount.

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<sup>18</sup> It includes a sum of ₹ 18,597.16 crore on account of expenditure on "pension and other retirement benefits" during the year to the State Government employees recruited on or before 31 December 2003 and Government contribution for Defined Contribution Pension Scheme of ₹ 1,799.10 crore.

<sup>19</sup> Number of pensioners in 2017-18: 4,02,444 and in 2018-19: 4,13,296.

<sup>20</sup> State Government introduced a pension scheme for employees recruited on or after 01.01.2004 is known as New Contributory Pension Scheme in Rajasthan.

As per information made available by the Directorate, State Insurance and Provided Fund (SIPF), a legacy amount<sup>21</sup> of ₹ 1,393.92 crore (employees contribution ₹ 620.34 crore, employer co-contribution ₹ 620.34 crore and interest ₹ 153.24 crore) was lying in the PD Account as on 31.10.2011. The detail of legacy amount transferred to the NSDL is given in **Table 1.19**.

**Table 1.19: Detail of legacy amount transferred to NSDL**

(₹ in crore)					
Year	Opening Balance of Legacy Amount	Total Amount transferred during the year	Un-transferred Legacy Amount	Interest on balance Legacy Amount	Balance Legacy Amount to be transferred
Upto 31/10/2011	1,393.92	0.00	1,393.92	0.00	1,393.92
01/11/2011 to 31/03/2012	1,393.92	0.00	1,393.92	97.41	1,491.33
2012-13	1,491.33	613.58	877.75	56.20	933.95
2013-14	933.95	363.97	569.98	60.00	629.98
2014-15	629.98	297.31	332.67	37.09	369.76
2015-16	369.76	131.66	238.10	34.97	273.07
2016-17	273.07	161.70	111.37	9.46	120.83
2017-18	120.83	65.04	55.79	7.34	63.13
2018-19	63.13	20.72	42.41	4.02	46.43

From the above table, it is evident that as on 31<sup>st</sup> March 2019, balance amount of ₹ 46.43 crore on account of legacy amount is pending for transfer. Further, it was observed that there were negative balances of ₹ 7.33 crore in nine District Treasury offices<sup>22</sup> due to non-tallying of outward and inward entries that need to be reconciled.

Directorate, SIPF intimated (November 2019) that as on 01.10.2019 only ₹ 40.65 crore of legacy amount was pending transfer due to reconciliation issues like mismatch of PRAN numbers, non-availability of deduction statements etc.

Since November 2011, Government of Rajasthan operates Major Head 8342-117 for contributions pertaining to All India Services (AIS) officers and Major Head 8011-106 for all other State Government employees. Employees' contribution is transferred in these respective head and government contribution from Major Head 2071-01-117-01-89 is being drawn by SIPF department for further transfer to NSDL and NPS Trust with effect from 01.04.2012.

It was observed that employees' contribution amounting to ₹ 105.75 crore was pending for transfer to NSDL as on March 2019. Department had replied (November 2019) that the transfer of regular contribution to NPS is pending due to procedural issues.

<sup>21</sup> Both employee and employer's contribution for the period from 01.01.2004 to 30.10.2011.

<sup>22</sup> Sawai Madhopur: ₹ 2.58 lakh, Bundi: ₹ 12.19 lakh, Kota: ₹ 25.45 lakh, Jhunjhunu: ₹ 48.33 lakh, Jhalawar: ₹ 58.56 lakh, Udaipur City: ₹ 76.35 lakh, Bhilwara: ₹ 106.46 lakh, Alwar: ₹ 117.53 lakh, and Karauli: ₹ 285.07 lakh.

Thus, an amount of ₹ 257.93 crore (legacy amount ₹ 46.43 crore, employees' contribution: ₹ 105.75 crore and matching employer's co-contribution: ₹ 105.75 crore) was pending for transfer to NSDL as on March 2019.

*The current liability stands deferred to future years. Further, the State Government has created interest liability on the amount not transferred to NSDL. It has incorrectly used the funds that belongs to its employees, leading to possible uncertainty in the rate of return to the employees/avoidable financial liability to the Government, and the eventual failure of the scheme itself.*

**Recommendation 6:**

*The State Government may identify the concerned NPS beneficiaries and transfer balance legacy amounts of NPS to NSDL so as to ensure that the beneficiaries are not denied their due benefits under the scheme.*

**1.7.3.3 Interest payments**

Interest payments increased at an average annual growth rate of 27 per cent from ₹ 10,463 crore in 2014-15 to ₹ 21,695 crore in 2018-19. Interest payments (₹ 21,695 crore) during 2018-19 increased by 10 per cent over the previous year (₹ 19,720 crore) mainly due to increase in market loan by ₹ 26,822 crore and corpus of State Provident Funds by ₹ 3,758 crore.

The ratio of Interest Payments to Revenue Receipts determines the debt sustainability of the State. The ratio of Interest Payments to Total Revenue Receipts of the State was 15.7 per cent during the year, which was marginally higher than the previous year (15.5 per cent).

Interest payments made during 2018-19 (₹ 21,695 crore) were also higher than the projections made in MTFPS (₹ 21,413 crore) and XIV-FC (₹ 17,363 crore).

**1.7.3.4 Subsidies**

In a welfare state, subsidies are forwarded to the disadvantaged sections of the society. Appendix II of Finance Accounts shows that an explicit subsidy of ₹ 21,540 crore was provided during 2018-19 mainly in the areas of Power: ₹ 21,204 crore and Crop Husbandry: ₹ 301 crore. Though payment on subsidies during 2018-19 (₹ 21,540 crore) decreased by 9 per cent from the previous year (₹ 23,674 crore), it still constituted 13 per cent of the Revenue Expenditure and consumed 16 per cent of the total Revenue Receipts during 2018-19.

Further, Subsidy to the Power Sector accounted for 98.4 per cent of the total subsidy. During 2018-19, the subsidy was given to the Power Sector mainly on account of Grant for Electric Fees (₹ 1,493 crore), Grant for non-increasing of Power Tariff (₹ 7,681 crore) and as assistance to Distribution Companies under UDAY Yojana (₹ 12,000 crore). Further, subsidy to Power Sector

ranged from 88 *per cent* to 99 *per cent* of the total subsidy provided by GoR during 2009-10 to 2018-19 (*Appendix 1.10*).

Power Sector subsidy (₹ 21, 204 crore) decreased by 9.3 *per cent* (₹ 2,187 crore) over the previous year (₹ 23,391 crore) mainly due to decrease of ₹ 1,077.82 crore<sup>23</sup> in ‘Grant for non-increasing of Power Tariff’ and by ₹ 1,119.88 crore<sup>24</sup> in ‘Grant for Electric Fees’.

However, Crop Husbandry Subsidy increased by 20 *per cent* from ₹ 251 crore in 2017-18 to ₹ 301 crore in 2018-19.

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

Financial assistance to the tune of ₹ 34,862.21 crore was provided by the State Government to Local bodies and other institution by way of grants and loans in 2018-19. There was a marginal dip (1.77 *per cent*) in the overall quantum of assistance in comparison to previous year (₹ 34,985.10 crore) mainly due to 20 *per cent* reduction in assistance to PRIs.

The quantum of assistance provided through grants and loans to Local Bodies and others during 2014-19 is given in **Table 1.20**.

**Table 1.20: Financial Assistance to Local Bodies etc.**

	(₹ in crore)				
Financial Assistance to Institutions	2014-15	2015-16	2016-17	2017-18	2018-19
<b>(A) Local Bodies</b>					
Municipal Corporations and Municipalities	2,450.65	3,063.89	3,839.93	3,695.48	3,811.13
<i>Panchayati Raj</i> Institutions	13,833.28	15,981.85	14,472.66	18,550.27	14,834.25
<b>Total (A)</b>	<b>16,283.93</b>	<b>19,045.74</b>	<b>18,312.59</b>	<b>22,245.75</b>	<b>18,645.38</b>
<b>(B) Others</b>					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,128.22	1,239.54	1,671.13	1,283.29	1,452.88
Development Authorities	6.93	6.19	7.61	11.68	13.65
Hospitals and Other Charitable Institutions	169.47	116.62	77.41	918.96	1,241.07
Other Institutions	10,740.54	11,316.72	12,823.46	10,525.42	13,509.23 <sup>25</sup>
<b>Total (B)</b>	<b>12,045.16</b>	<b>12,679.07</b>	<b>14,579.61</b>	<b>12,739.35</b>	<b>16,216.83</b>
<b>Total (A+B)</b>	<b>28,329.09</b>	<b>31,724.81</b>	<b>32,892.20</b>	<b>34,985.10</b>	<b>34,862.21</b>
Revenue Expenditure	94,542	1,06,239	1,27,140	1,45,842	1,66,773
Assistance as percentage of Revenue Expenditure	30	30	26	24	21

Source: Finance Accounts

<sup>23</sup> (i) Jaipur Vidyut Vitaran Nigam Limited: ₹ 234.67 crore, (ii) Ajmer Vidyut Vitaran Nigam Limited: ₹ 120.01 crore and (iii) Jodhpur Vidyut Vitaran Nigam Limited: ₹ 723.14 crore.

<sup>24</sup> (i) Jaipur Vidyut Vitaran Nigam Limited: ₹ 487.23 crore, (ii) Ajmer Vidyut Vitaran Nigam Limited: ₹ 332.64 crore and (iii) Jodhpur Vidyut Vitaran Nigam Limited: ₹ 300.01 crore).

<sup>25</sup> It included grants given for (i) Co-operative Institutions: ₹ 3,700 crore; (ii) Education: ₹ 2,214 crore; (iii) Family Welfare: ₹ 1,906 crore; (iv) Relief on account of Natural Calamities: ₹ 1,492 crore; and (v) Crop Husbandry ₹ 1,037 crore.

## 1.8 Quality of Expenditure

Availability of better social and physical infrastructure in the State reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects *viz.*, adequacy (adequate provisions for public services), efficiency and effectiveness (assessment of outlay-outcome relationships for selected services) of expenditure.

### 1.8.1 Adequacy of Public Expenditure

Expenditure responsibilities relating to the social sector and economic infrastructure assigned to the State Governments are largely state subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education and health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) in a particular sector makes it fall below the respective National average.

**Table 1.21**, analyses the fiscal priority of the State Government with regard to aggregate expenditure, development expenditure, social sector expenditure and capital expenditure *vis-à-vis* the average of General Category States (GCS) during 2014-15, 2017-18 and 2018-19.

**Table 1.21: Fiscal Priority of the State during 2014-15, 2017-18 and 2018-19**

Fiscal Priority by the State	Aggregate Expenditure/GSDP	Social Sector Expenditure/Aggregate Expenditure	Economic Sector Expenditure/Aggregate Expenditure	Development Expenditure <sup>#</sup> /Aggregate Expenditure	Capital Expenditure/Aggregate Expenditure	Education/Aggregate Expenditure	Health/Aggregate Expenditure
General Category States' Average (Ratio) 2014-15	16.0	36.2	32.3	68.5	14.0	16.5	4.9
Rajasthan (Ratio) 2014-15	18.1	39.4	35.1	74.5	14.5	17.4	5.8
General Category States' Average (Ratio) 2017-18	16.1	36.7	31.2	67.9	14.4	15.5	5.1
Rajasthan (Ratio) 2017-18	20.1	36.1	37.7	73.8	12.3	16.2	6.0
General Category States' Average (Ratio) 2018-19	16.1	36.6	30.4	67.0	14.3	15.0	5.1
Rajasthan (Ratio) 2018-19	20.2	38.8	31.9	70.7	10.5	18.9	6.3

<sup>#</sup> Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed. See glossary at page no. 150.

Source: (i) For GSDP of Rajasthan, the information was collected from the Directorate of Economics and Statistics, GoR and Finance Accounts.

**Table 1.21** indicates the following:

- The ratio of Aggregate Expenditure (AE) to GSDP in the State was higher (20.2 *per cent*) as compared to GCS (16.1 *per cent*) during 2018-19.
- The ratio of Social Sector Expenditure to Aggregate Expenditure, Economic Sector Expenditure to Aggregate Expenditure and Development Expenditure to Aggregate Expenditure in the State was higher than the GCS average during 2018-19.



- The ratio of Capital Expenditure to Aggregate Expenditure in the State was lower (10.5 *per cent*) as compared to GCS (14.3 *per cent*) during 2018-19.
- The ratio of Education Expenditure to Aggregate Expenditure and Health Expenditure to Aggregate Expenditure in the State was higher than the GCS average during 2018-19.

### 1.8.2 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 State Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public goods and merit goods<sup>26</sup>. Apart from improving the allocation towards development expenditure<sup>27</sup>, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent 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. **Table 1.22** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted for the year as well as actual in the previous years.

**Table 1.22: Development Expenditure**

(₹ in crore)					
Components of Development Expenditure (Social and Economic service)	2014-15	2015-16	2016-17	2017-18	2018-19
a. Development Revenue Expenditure	66,674 (59.9)	75,223 (45.6)	87,937 (56.0)	1,02,391 (61.0)	1,12,409 (59.9)
b. Development Capital Expenditure	15,569 (14.0)	21,545 (13.1)	16,543 (10.5)	20,096 (12.0)	19,050 (10.2)
c. Development Loans and Advances	701 (0.6)	36,602 (22.2)	12,965 (8.3)	1,334 (0.8)	1,113 (0.6)
<b>Development Expenditure (a to c) (Development Expenditure as a percentage of total expenditure)</b>	<b>82,944 (74.5)</b>	<b>1,33,370 (80.9)</b>	<b>1,17,445 (74.8)</b>	<b>1,23,821 (73.8)</b>	<b>1,32,572 (70.7)</b>
Rate of Growth of Development Expenditure over the previous year	25.6	60.8	(-) 11.9	5.4	7.1

Source: Finance Accounts and Budget Documents

Development expenditure comprises Revenue Expenditure, Capital Expenditure and Loans and Advances on Social and Economic Services. As a percentage of total expenditure, it decreased from 74.5 *per cent* during 2014-15 to 70.7 *per cent* during 2018-19.

**Table 1.23** gives details of Capital Expenditure and the components of Revenue Expenditure incurred on the selected Social and Economic services.

<sup>26</sup> See glossary at page 150.

<sup>27</sup> See glossary at page 150.

**Table 1.23: Efficiency of Expenditure Use in Selected Social and Economic Services**

(In per cent)

Sector	2017-18			2018-19		
	Capital Expenditure to Total Expenditure	Revenue Expenditure		Capital Expenditure to Total Expenditure	Revenue Expenditure	
		Salaries and Wages	Operation and Maintenance		Salaries and Wages	Operation and Maintenance
<b>(A) Social Services</b>						
General Education	1.70	77.48	0.01	2.30	80.26	0.01
Health and Family Welfare	6.57	52.18	0.12	4.21	60.00	0.12
Water Supply, Sanitation, Housing and Urban Development	43.32	19.85	0.97	40.50	23.24	1.51
<b>Total (A)</b>	<b>11.98</b>	<b>51.85</b>	<b>0.37</b>	<b>9.52</b>	<b>56.43</b>	<b>0.24</b>
<b>(B) Economic Services</b>						
Agriculture and Allied Activities	7.10	33.54	0.57	4.62	25.20	0.22
Irrigation and Flood Control	51.55	20.71	8.08	58.69	29.92	7.90
Power and Energy	14.31	0.01	-	15.77	0.01	-
Transport	67.58	5.95	24.49	69.50	8.35	19.19
<b>Total (B)</b>	<b>20.70</b>	<b>5.46</b>	<b>1.49</b>	<b>20.62</b>	<b>7.00</b>	<b>1.09</b>
<b>Total (A+B)</b>	<b>16.41*</b>	<b>29.50</b>	<b>0.91</b>	<b>14.49*</b>	<b>35.88</b>	<b>0.59</b>

Source: Finance Accounts

\* (Capital Expenditure on Social Services+ Capital Expenditure on Economic Services)/Total Expenditure (Revenue and Capital Expenditure)\*100)

From the above table it can be seen that:

- The share of expenditure on salary and wages in total revenue expenditure increased from 29.50 per cent in 2017-18 to 35.88 per cent in 2018-19.
- The ratio of Capital expenditure to total expenditure decreased from 16.41 per cent in 2017-18 to 14.49 per cent in 2018-19.
- The share of operation and maintenance of social services and economic services in revenue expenditure decreased to 0.59 per cent in 2018-19 from 0.91 per cent in 2017-18.

**Recommendation 7:**

*To improve the efficiency of expenditure and increase future revenue generation potential, the State Government may make efforts to improve proportion of the capital expenditure to total expenditure.*

**1.8.3 Central Assistance Schemes**

As per budget 2018-19 of the State Government, there are 68 Schemes existing under Central Assistance Schemes/Programmes for the State. The position of budget allocations and expenditure during 2018-19 under these 68 schemes is summarised in **Table 1.24**.

**Table 1.24: Central Assistance****(₹ in crore)**

No. of Central Assistance Schemes/ Programmes	Budget estimate for State	Central Assistance for state plan	Amount released by GoI	Expenditure
68	31,393.18	18,772.96	12,730.27	27,394.06

Expenditure incurred under Major Schemes both State as well as Central Sponsored schemes against their budget allotment (including Central and State Share) were analysed.

Out of aforesaid 68 schemes, seven major schemes had a shortfall of more than 30 *per cent* of expenditure against the budget provision as given in **Table 1.25**.

**Table 1.25: Details of shortfall in expenditure regarding Central Schemes****(₹ in crore)**

S. No	Name of Programme/Schemes	Budget Provision	Total Expenditure	Shortfall in Expenditure	Shortfall (in <i>per cent</i> )
1	Rashtriya Krishi Vikas Yojana (RKVY)	500.00	201.17	-298.83	60
2	Nirmal Bharat Abhiyan (NBA)	2,397.96	720.42	-1,677.54	70
3	National Rural Drinking Water Programme (NRDWP)	3,186.16	2,224.45	-961.71	30
4	Integrated Watershed Management Programme (IWMP)	560.85	350.61	-210.24	37
5	National Rural Livelihood Mission (NRLM)	448.96	144.90	-304.06	68
6	Human Resource in Health and Medical Education	794.98	426.19	-368.79	46
7	Pradhan Mantri Krishi Sinchai Yojana	333.39	148.53	-184.86	55
	<b>Total</b>	<b>8,222.30</b>	<b>4,216.27</b>	<b>-4,006.03</b>	<b>49</b>

Non-utilisation of substantial funds in major schemes not only indicates failure of the concerned Departments in achieving objectives and targets under the schemes but also deprive beneficiaries of their due benefits under the schemes.

## 1.9 Financial Analysis of Government Expenditure and Investment

In post-FRBM framework, the State is expected to keep its fiscal deficit at targeted levels and also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to reduce dependence on market resources, the State Government needs to initiate measures to earn adequate returns on its investments and recover the cost of borrowed funds rather than bearing the same in its budget in the form of implicit subsidy. Requisite steps have to be taken to infuse transparency in financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* the previous years.

### 1.9.1 Financial results of completed Irrigation Projects

The financial results of 6 major<sup>28</sup> and 11 medium<sup>29</sup> completed irrigation projects revealed that during 2018-19 revenue realised (₹ 77.98 crore) from these projects was only 1.03 *per cent* of the capital expenditure (₹ 7,541.44 crore). This was not even sufficient to cover the direct working expenses. After meeting working and maintenance expenditure (₹ 238.50 crore) and interest charges (₹ 535.08 crore), the projects suffered a net loss of ₹ 695.60 crore.

### 1.9.2 Incomplete projects

The department-wise information pertaining to incomplete projects (more than ₹ 10 crore each) as on 31 March 2019, is given in **Table 1.26**.

**Table 1.26: Department-wise profile of incomplete projects**

Department	Total no. of incomplete projects	Original sanctioned cost of all incomplete projects	Original estimated cost of 43 projects which were revised		Revised cost of 43 incomplete projects	Cost Overrun of 43 projects which were revised	Cumulative actual expenditure of all incomplete projects as on 31 March 2019
			No.	Amount			
Water Resources Department	77	8,403.00	25	3,849.77	13,027.62	9,177.85	7,508.74
Public Works Department	128	4,632.00	3	78.31	128.94	50.63	2,110.90
Public Health Engineering Department	74	22,038.61	15	5,763.12	9,044.37	3,281.25	16,789.32
<b>Total</b>	<b>279</b>	<b>35,073.61</b>	<b>43</b>	<b>9691.20</b>	<b>22,200.93</b>	<b>12,509.73</b>	<b>26,408.96</b>

Source: Finance Accounts

As per the information furnished by the State Government, there were 279 incomplete projects (more than ₹ 10 crore each) as on 31 March 2019, on which an amount of ₹ 26,409 crore was spent. 43 projects<sup>30</sup> out of 279 had cost overrun of ₹ 12,510 crore (129 *per cent*). Further, 88 projects (₹ 21,181.93 crore) were incomplete for the past 5 to 25 years.

An amount of ₹ 26,408.96 crore was spent on all these incomplete projects which was 14 *per cent* of the cumulative capital outlay (₹ 1,88,108.83 crore) of the State.

No expenditure was incurred during 2018-19 on 28 projects (Water Resources Department: 08, Public Works Department: 19 and Public Health Engineering Department: 01).

<sup>28</sup> (i) Bhakra Nangal Project; (ii) Chambal Project; (iii) Indira Gandhi Nahar Project; (iv) Gurgaon Canal; (v) Jakham Project and (vi) Gang Canal.

<sup>29</sup> (i) Jawai River Project Sei Diversion Scheme; (ii) Meja Project; (iii) Parbati Project; (iv) Gudha Project; (v) Morel Project; (vi) Alnia Project; (vii) West Banas Project; (viii) Vallabh Nagar Project; (ix) Badgaon Pal Project; (x) Orai Irrigation Project and (xi) Wagon Diversion Scheme.

<sup>30</sup> Substantial cost overruns in (i) Water Resources Department Project cost of Parwan Project increased by 212 *per cent* (₹ 4,994.80 crore) from ₹ 2360.43 crore to ₹ 7,355.23 crore whereas Narmada Jalore Project increased by 568 *per cent* (₹ 2,656.47 crore) from ₹ 467.53 crore to ₹ 3,124 crore, (ii) Public Works Department Project cost of ROB Sri Mahaveerji L. C. No. 195 WCR increased by 100 *per cent* (₹ 18.79 crore) from ₹ 18.77 crore to ₹ 37.56 crore and (iii) Public Health and Engineering Department Project cost of Aapni Yojana Phase II increased by 168 *per cent* (₹ 608.99 crore) from ₹ 362.22 crore to ₹ 971.21 crore.

***Due to non-completion of projects within the stipulated time, the expected benefits to society were delayed and the cost of the projects also increased over the years.***

### 1.9.3 Investment and returns

Statement 19 of Annual Finance Accounts of the State Government contains the details of investments of the Government. As per the statement, as on 31 March 2019, the total Government investment was ₹ 49,861.39 crore in 44 Government Companies (₹ 47,715.98 crore), seven Statutory Corporations (₹ 764.34 crore), two Rural Banks (₹ 73.69 crore), 10 Joint Venture Companies (₹ 546.37 crore), 23 Joint Stock Companies (₹ 139.66 crore), one partnership concern<sup>31</sup> and Cooperative Banks and Societies (₹ 621.35 crore). The above investment included ₹ 19.37 crore in three non-working Statutory Corporations and ₹ 0.27 crore in three non-working Government Companies. The average return on this investment was 0.1 to 0.3 *per cent* during 2014-19, while the Government paid an average interest of 6.7 to 7.6 *per cent* on its borrowings (Table 1.27) indicating that return on investment of the State Government is very low.

***Continued use of borrowed funds for investments which do not yield sufficient financial return would lead to an unsustainable financial position.***

**Table 1.27: Returns on Investment**

Investment>Returns/Cost of Borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Investment at the end of the year (₹ in crore)	27,909.59	37,417.62	41,733.94	45,780.60	49,861.39
Returns (₹ in crore)	63.33	97.41	67.80	66.76	55.80
Returns ( <i>per cent</i> )	0.2	0.3	0.2	0.1	0.1
Average rate <sup>32</sup> of interest on Government borrowings ( <i>per cent</i> )	7.5	6.7	7.6	7.3	7.3
Difference between interest rate and returns ( <i>per cent</i> )	7.3	6.4	7.4	7.2	7.2

Source: Finance Accounts

During the year 2018-19, net investment of the State Government in Government Companies, Rural Banks and Cooperative Banks and Societies was ₹ 4,080.79 crore. Out of this, ₹ 3,822.30 crore (94 *per cent*) was invested in five power companies having accumulated losses of ₹ 95,506 crore. The Government had invested ₹ 45,265.06 crore (91 *per cent* of total investment) in five power companies as on 31 March 2019.

The investment of the State Government included ₹ 47,711.58 crore in 40 working Government Companies, of which only eight companies had declared dividend aggregating to ₹ 44.72 crore against an investment of ₹ 290.77 crore.

Statement No 19 of the Finance Accounts of the State Government for the year 2018-19 revealed that the State Government had made investments of ₹ 5.99 crore in two statutory corporations, three government companies, 15 Joint Stock Companies (JSCs) and one Partnership Concern between the

<sup>31</sup> Only ₹ 20,833.

<sup>32</sup> See glossary at page 150 for method of calculation.

period from 1900-01 to 1997-98 but received no dividend. In most of these cases, the accounting information was not made available due to which the picture of updated status in respect of most JSCs is not clear. Moreover, the status of liquidation in most of these units could not be ascertained. This position needs to be reconciled and ratified by the State Government. The details are given in *Appendix 1.8*.

- ***Investment in Joint Stock Companies***

The State Government has invested ₹ 139.66 crore (only 0.3 per cent of total investment) in 23 JSCs out of total investment ₹ 49,861.39 crore as of 31 March 2019. The investment of State Government in JSCs included ₹ 137.50 crore (98 per cent) in Road Infrastructure Development Company of Rajasthan Limited, Jaipur. The State Government did not receive any dividend from JSCs during 2018-19. Further, nine JSCs were under liquidation where the State Government has invested ₹ 0.23 crore upto 1990-91.

- ***Erosion of capital due to losses***

As per latest finalised accounts of the State PSU's, the total paid up capital of 43 State PSUs (including 10 subsidiary companies) was ₹ 49,290.18 crore which included State Government investment of ₹ 48,402.59 crore (98.2 per cent). The aggregated accumulated losses of State PSUs was ₹ 97,773.89 crore (*Appendix 1.9*). A higher quantum of accumulated losses than the capital investment shows that the overall capital of the State PSUs had entirely been eroded and culminated into negative net worth of ₹ 48,483.71 crore. Further analysis of investment and accumulated losses disclosed that this erosion (₹ 64,464.69 crore) occurred in 16 out of 43 PSUs. PSUs of power sector mainly contributed to the erosion of investment. The accumulated losses of the power sector PSUs were ₹ 96,597.14 crore as against the capital investment of ₹ 45,700.40 crore.

***XIII-FC had recommended that the State Government should draw up a road map by March 2011 for closure of non-working companies. However, it was observed that no such road map was drawn by the Government in respect of six non-working Statutory Corporations/ Government Companies<sup>33</sup>.***

State Government has made investment of ₹ 152.12 crore in four working Public Sector Undertakings (Rajasthan Tourism Development Corporation Limited, Jaipur: ₹ 56.45 crore, Rajasthan State Food and Civil Supply Corporation Limited, Jaipur: ₹ 50.00 crore, Rajasthan Urban Drinking Water, Sewerage and Infrastructure Limited: ₹ 33.51 crore and Rajasthan State Hotels Corporation Limited, Jaipur: ₹ 12.16 crore) up to the end of 31 March 2019 in the form of equity and loans. However, these companies have not finalized

<sup>33</sup> (i) Rajasthan Land Development Corporation, Jaipur: (₹ 19.36 crore), (ii) Rajasthan State Mandi Development Corporation, Jaipur: (₹ 0.65 lakh), (iii) Rajasthan Water Supply and Sewerage Corporation, Jaipur: (₹ 0.08 lakh), (iv) Rajasthan *Rajya Van Vikas Nigam* Limited, Jaipur: (₹ 16.75 lakh), (v) Rajasthan State Electricity Corporation, Jaipur: (₹ 5.00 lakh) and (vi) Rajasthan State Vidhyut Vitran Finance Corporation, Jaipur: (₹ 5.00 lakh).

their accounts for last one to two years in gross violation of provisions of the Companies Act. Therefore, Audit was unable to discharge the responsibilities with regard to the accounts of these companies as required under the CAG's DPC Act, 1971 and the Companies Act.

**Recommendation 8:**

*In view of the huge losses of some of the State-owned Public Sector Undertakings, the State Government may consider reviewing their working so as to reduce losses and take proactive steps to strengthen these PSUs.*

**1.9.4 Loans and Advances by the State Government**

In addition to investments in Cooperative Societies, Corporations and Companies, the Government has also been providing loans and advances to many of these institutions/organisations. **Table 1.28** 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 1.28: Average interest received on loans advanced by Government**

	(₹ in crore)		
Quantum of Loans/Interest Receipts/ Cost of Borrowings	2016-17	2017-18	2018-19
<b>Opening Balance</b>	<b>39,856</b>	<b>51,108</b>	<b>37,308</b>
Amount advanced during the year	12,965	1,334	1,113
Amount repaid during the year	1,713	15,134	15,158
<b>Closing Balance</b>	<b>51,108</b>	<b>37,308</b>	<b>23,263</b>
Net addition	11,252	(-) 13,800	(-) 14,045
Interest Receipts	172	3,020	4,390
Interest Receipts as <i>per cent</i> to average of outstanding Loans and Advances	0.4	6.8	14.5
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	7.6	7.3	7.3
Difference between interest Receipts and interest Payments ( <i>per cent</i> )	(-) 7.2	(-) 0.5	(+) 7.2

Source: Finance Accounts

Total loans and advances (₹ 23,263 crore) included loans and advances of ₹ 18,677 crore (80 *per cent*) given to Power Projects. The amount of loans and advances disbursed during the year decreased from ₹ 1,334 crore in 2017-18 to ₹ 1,113 crore (Economic Services: ₹ 877 crore and Social Services: ₹ 236 crore) in 2018-19.

During the current year major portion of loan was advanced to Rajasthan State Cooperative Marketing Federation (RAJFED): ₹ 500 crore, Jaipur Metro Rail Corporation Limited: ₹ 185 crore, Rajasthan Rajya Vidyut Prasaran Nigam Limited: ₹ 177 crore and Rajasthan Infrastructure Transport Development Fund: ₹ 100 crore. Regarding repayment of loans, it was seen that loans amounting to ₹ 67 crore were outstanding (**Appendix 1.7**) for the last 16 years or more.

### 1.9.5 Implementation of Ujwal Discom Assurance Yojana (UDAY)

The Ministry of Power, Government of India (GoI) had launched (November 2015) the Ujwal Discom Assurance Yojana (UDAY) Scheme for the financial turnaround of Power Distribution Companies (DISCOMs).

Transmission and Distribution (T&D) losses of DISCOMs during the period 2009-10 to 2018-19 ranged between 24 *per cent* and 31 *per cent* wherein, the major portion of T&D losses were due to Distribution losses. As of March 2019, T&D losses stood at 26 *per cent*, 81 *per cent* of the same was on account of distribution losses. Further, the accumulated losses of DISCOMs increased to ₹ 89,853.85 crore in the last decade. Net profit for the year 2018-19 was ₹ 2,606.67 crore (*Appendix 1.10*).

With an objective to improve the operational and financial efficiency of the State DISCOMs, a tripartite Memorandum of Undertaking (MoU) was executed (27<sup>th</sup> January 2016) between Ministry of Power (GoI), Government of Rajasthan (GoR) and State Power Distribution Companies i.e. Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited under this scheme. This scheme facilitated GoR to take over 75 *per cent* of DISCOM's outstanding debt as on 30<sup>th</sup> September 2015 over a period of two years.

The outstanding debt of three DISCOMs was ₹ 83,230 crore as on 30 September 2015. The GoR had taken over debt of DISCOMs of ₹ 62,422 crore<sup>34</sup> (75 *per cent* of ₹ 83,230 crore) under UDAY in form of ₹ 8,700 crore as equity, ₹ 44,722 crore as loan and ₹ 9,000 crore as subsidy. It has been informed by the State Government to Ministry of Power, GoI that the loan extended (₹ 44,722 crore) to DISCOMs under UDAY scheme will be converted into grant and equity in the next three years i.e. upto 2019-20 as per relaxation given in UDAY. Accordingly, during 2017-18 and 2018-19 the GoR has converted loan of ₹ 30,000 crore into equity of ₹ 6,000 crore and subsidy of ₹ 24,000 crore, hence, leaving balance of outstanding loan of ₹ 14,721.96 crore. Details are given in **Table 1.29**.

**Table 1.29: Position of Equity/Loan/ Subsidy under UDAY**

(₹ in crore)				
Year	Equity Investment	Loan	Subsidy	Total
2015-16	5,700.00	34,349.77	-	40,049.77
2016-17	3,000.00	10,372.19	9,000.00	22,372.19
<b>Total</b>	<b>8,700.00</b>	<b>44,721.96</b>	<b>9,000.00</b>	<b>62,421.96</b>
2017-18	3,000.00	(-) 15,000.00	12,000.00	-
2018-19	3,000.00	(-) 15,000.00	12,000.00	-
Position as on 31-03-2019	14,700.00 (23.55%)	14,721.96 (23.58%)	33,000.00 (52.87%)	62,421.96

The above position indicates that on account of taking over debt of DISCOMs under UDAY, the GoR had made investment of ₹ 14,700 crore as Equity, ₹ 14,722 crore as Loans and ₹ 33,000 crore as Subsidy in these three DISCOMs upto March 2019. The GoR had raised borrowings of ₹ 62,422

<sup>34</sup> During 2015-16: ₹ 40,050 crore and 2016-17: ₹ 22,372 crore.



crore during 2015-16 and 2016-17 (₹ 40,050 crore during 2015-16 and ₹ 22,372 crore during 2016-17) to take over debt of DISCOMs under UDAY. At the end of March 2019, outstanding borrowings of the State on account of issue of Non Statutory Liquidity Ratio Bonds and forfeited Bonds under UDAY Yojana, was ₹ 51,636 crore.

### 1.9.6 Resource availability of the State under Public Private Partnership Projects

Public Private Partnership (PPP) is an arrangement between the government or statutory entity and a private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for infrastructure development. The PPP cell was established (July 2007) by the State Government under administrative control of the Planning Department. It acts as the nodal agency to coordinate and monitor all efforts of the State Government for public private partnership and serves as the repository of all information relating to PPP in the State.

As per information furnished (June 2019) by the PPP cell, 175 projects amounting to ₹ 14,706.46 crore were completed and 45 projects amounting to ₹ 4,906.00 crore were under progress as on 31 March 2019. Besides, 95 projects amounting to ₹ 24,825.05 crore relating to Roads, Urban Infrastructure, Power, Water, Social and Other Sectors are under planning or in pipeline. Sector-wise details of PPP projects completed, ongoing and to be taken up in future are shown in **Table 1.30**.

**Table 1.30: Sector-wise details of PPP Projects**

(₹ in crore)

S. No.	Sector	Completed		Ongoing		Planned for future	
		No.	Estimated Cost	No.	Estimated Cost	No.	Estimated Cost
1.	Road	63	6,300.10	12	2,878.64	67	9,029.77
2.	Urban Infrastructure	22	402.94	13	646.37	15	12,843.55
3.	Power	11	7,097.90	8	1,310.92	1	20.00
4.	Water	1	46.00	-	-	2	2,165.00
5.	IT	1	54.01	-	-	-	-
6.	Social	62	645.14	11	46.41	7	298.43
7.	Other	15	160.37	1	23.66	3	468.30
	<b>Total</b>	<b>175</b>	<b>14,706.46</b>	<b>45</b>	<b>4,906.00</b>	<b>95</b>	<b>24,825.05</b>

Scrutiny of the budget documents of 2018-19 revealed that the State Government did not provide the details of figures and information regarding investment made in PPP projects in the previous year. Further, the revenue generated against these projects of the State Government was not ascertainable (by the Private sector as well) in the budget document. For the current year the documents also do not reveal distinctively and separately, the estimated investment to be made by the Private and Government sectors in connection with PPP projects involving the State Government.

## 1.10 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* gives an abstract of such liabilities and the assets as on 31 March 2019, compared with the corresponding position on 31 March 2018. The liabilities in this Appendix consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

According to FRBM Act, 2005, the total liability means the explicit liabilities under the Consolidated Fund of the State and the Public Account of the State including General Provident Fund.

### 1.10.1 Growth and composition of Assets and Liabilities

The growth rate of components of assets and liabilities are summarised in **Table 1.31**.

**Table 1.31: Summarised position of Assets and Liabilities**

(₹ in crore)

Liabilities				Assets			
	2017-18	2018-19	Per cent increase		2017-18	2018-19	Per cent increase
<b>Consolidated Fund</b>	<b>2,12,306.86</b>	<b>2,33,238.88</b>	<b>9.9</b>	<b>Consolidated Fund</b>	<b>2,05,798.57</b>	<b>2,11,371.32</b>	<b>2.7</b>
A Internal Debt	2,00,243.86	2,19,311.48	9.5	a Gross Capital Outlay	1,68,490.76	1,88,108.83	11.6
B Loans and Advances from GoI	12,063.00	13,927.40	15.5	b Loans and Advances	37,307.81	23,262.49	(-) 37.6
<b>Contingency Fund</b>	<b>500.00</b>	<b>500.00</b>	<b>-</b>				
<b>Public Account</b>	<b>71,841.90</b>	<b>81,846.96</b>	<b>13.9</b>	<b>Public Account</b>	<b>164.51</b>	<b>211.91</b>	<b>28.8</b>
A Small Savings, Provident Funds, etc.	42,095.22	47,478.08	12.8	a Advances	3.21	3.21	-
B Deposits	24,762.22	28,817.51	16.4	b Remittance	11.47	2.05	(-) 82.1
C Reserve Funds	4,984.46	5,551.37	11.4	c Suspense and Miscellaneous	149.83	206.65	37.9
D Remittances	-	-	-	<b>Cash balance (including investment in Earmarked Fund)</b>	<b>9,376.99</b>	<b>5,793.75</b>	<b>(-) 38.2</b>
				<b>Total</b>	<b>2,15,340.07</b>	<b>2,17,376.98</b>	<b>0.9</b>
				<b>Deficit in Revenue Account</b>	<b>69,308.69</b>	<b>98,208.86</b>	<b>41.7</b>
<b>Total</b>	<b>2,84,648.76</b>	<b>3,15,585.84</b>	<b>10.9</b>	<b>Total</b>	<b>2,84,648.76</b>	<b>3,15,585.84</b>	<b>10.9</b>

Source: Finance Accounts

During 2018-19, the assets increased by 0.9 per cent, while the liabilities increased by 10.9 per cent over the previous year.

### 1.10.2 Fiscal Liabilities

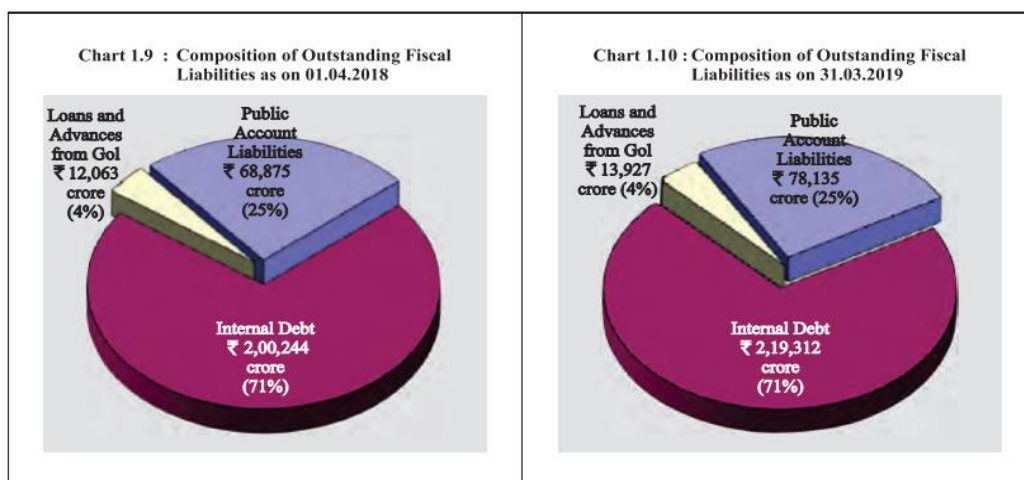
The trends in Fiscal Liabilities relative to GSDP are shown in **Table 1.32**.

**Table 1.32: Fiscal Liabilities- Basic Parameters**

(₹ in crore)					
	2014-15	2015-16	2016-17	2017-18	2018-19
Fiscal Liabilities	1,47,609	2,09,386	2,55,002	2,81,182	3,11,374
Rate of Growth	13.6	41.9	21.8	10.3	10.7
Population (in crore)	7.20	7.29	7.39	7.49	7.58
Per capita debt (in ₹)	20,501	28,722	34,504	37,541	41,078
<b>Fiscal Liabilities as a percentage of</b>					
GSDP	24.0	30.7	33.6	33.6	33.5
Revenue Receipts	161.6	208.8	233.9	220.9	225.8
Own Resources	284.4	390.3	455.5	423.9	409.8

Source: Finance Accounts

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Chart 1.9** and **Chart 1.10**.



Source: Finance Accounts

During 2018-19, fiscal liabilities increased by 11 per cent (₹ 30,192 crore) over the previous year due to increase in Internal Debt by 10 per cent (₹ 19,068 crore), Public Account Liabilities by 13 per cent (₹ 9,260 crore) and Loans and Advances from GoI by 15 per cent (₹ 1,864 crore).

The fiscal liabilities of ₹ 3,11,374 crore existing on 31 March 2019, included outstanding borrowings of ₹ 51,636 crore under UDAY, on account of issue of Non Statutory Liquidity Ratio (SLR) Bonds and forfeited Bonds which constituted Internal Debt of the State Government.

*During 2018-19, though the fiscal liability (total outstanding debt) to GSDP ratio (33.51 per cent) was within the FRBM target (35.0 per cent), however, it was substantially higher than the limit (24.4 per cent) recommended by the XIV-FC. Also, it was higher than the MTFPS target (32.76 per cent) as projected by the State Government itself. Further, the State Governments*

*annual incremental borrowings*<sup>35</sup> (₹ 30,192 crore) were higher than the ceilings for annual borrowings fixed by the GoI (₹ 28,203 crore) as per recommendations of XIV-FC.

### 1.10.3 Cash balances and investment of cash balances

**Table 1.33** depicts the cash balances and investments made by the State Government out of cash balances during the year.

**Table 1.33: Cash balances and Investment of Cash balances**

(₹ in crore)			
	Opening balance on 1 April 2018	Closing balance on 31 March 2019	Increase/ Decrease (-)
<b>(a) General Cash Balance</b>			
Cash in Treasuries	0.05	0.05	-
Deposits with Reserve Bank	11.09	(-) 64.45	(-) 75.54
Remittances in transit - Local	(-) 6.51	(-) 12.32	(-) 5.81
<b>Total</b>	<b>4.63</b>	<b>(-) 76.72</b>	<b>(-) 81.35</b>
Investments held in Cash Balance investment account	6,401.72	2,154.46	(-) 4,247.26
<b>Total (a)</b>	<b>6,406.35</b>	<b>2,077.74</b>	<b>(-) 4,328.61</b>
<b>(b) Other Cash Balances and Investments</b>			
Cash with departmental officers viz, Public Works Department Officers, Forest Department Officers, District Collectors	1.03	0.87	(-) 0.16
Permanent advances for contingent expenditure with departmental officers	2.90	2.86	(-) 0.04
Investment of earmarked funds	2,966.71	3,712.28	745.57
<b>Total (b)</b>	<b>2,970.64</b>	<b>3,716.01</b>	<b>745.37</b>
<b>Grand total (a)+ (b)</b>	<b>9,376.99</b>	<b>5,793.75</b>	<b>(-) 3,583.24</b>

Source: Finance Accounts

The State Government's cash balances at the end of the current year amounted to ₹ 5,794 crore. This has decreased by ₹ 3,583 crore (38.2 per cent) from the previous year.

- **Investment of cash balances**

Thirteenth Finance Commission as well as XIV-FC had recommended a directed effort by State Governments having large cash balances towards utilising their existing cash balances before resorting to fresh borrowings. Accumulation of cash beyond a level can be treated as inefficient management, as it leads to borrowing and avoidable interest burden. The Reserve Bank of India also reiterated the fact and advised the States to manage their cash balances more efficiently.

Year-wise position of cash balances<sup>36</sup>, market loans raised and budgeted expenditure is given in **Table 1.34**.

<sup>35</sup> It included Open Market Borrowings, Negotiated Loans from financial institutions, National Small Savings Fund loans, Central Government loans including EAPs, any loans for State Plan Schemes and Centrally Sponsored Schemes, other liabilities arising out of Public Account transfers under Small Savings, Provident Funds, Reserve Funds, Deposits, etc.

<sup>36</sup> It includes Cash in Treasuries, Deposits with Reserve Bank, Remittances in Transit-Local, Cash with the Departmental Officers, Permanent Advance, Investment from Cash balances and Investment from Earmarked balances.

**Table 1.34: Position of cash balances, market loans and budgeted expenditure**

	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Cash balance as on 1 April	10,446.44	8,949.28	8,397.27	8,112.46	9,376.99
Cash balance as on 31 March	8,949.28	8,397.27	8,112.46	9,376.99	5,793.75
Investment of cash balance in GoI Treasury Bills/Securities	7,628.42	5,915.95	5,585.10	6,401.72	2,154.46
Market loan raised	12,300	15,800	16,054	24,914	33,178
Total budgeted expenditure	1,26,470	1,32,883	1,66,541	1,70,073	1,95,439
Average monthly budgeted expenditure	10,539	11,074	13,878	14,173	16,287

Source: Finance Accounts and Budget Documents

The surplus cash balances of the State Government are automatically invested in 14 day treasury bills with an average interest rate of 5 per cent per annum and partly in 91,181 and 364 day auctioned treasury bills of RBI. Till the end of 2018-19, a sum of ₹ 2,154.46 crore was invested in GoI Treasury Bills/Securities, which earned an interest of ₹ 281.20 crore. Further, ₹ 3,712.28 crore was also invested in earmarked funds.

***State Government had maintained positive cash balances throughout the financial year without availing any ways and means advances or overdraft situation.***

#### **1.10.4 Reserve Funds**

According to Paragraph 4.5 of the State Budget Manual, Reserves and Reserve Funds are created for specific and well defined purposes in the accounts of the State Government (Public Account). These funds are created by contributions or grants from the Consolidated Fund of State or from outside agencies. The funds are further divided into two parts (i) Reserve Funds bearing interest and (ii) Reserve Funds not bearing interest. The funds are created by the sums transferred by debiting the concerned expenditure head of the Consolidated Fund of the State. Thereafter, the total expenditure incurred during the year is to be reimbursed from the concerned Reserve Fund.

As on 31 March 2019, there was an amount of ₹ 5,551.37 crore<sup>37</sup> in 26 Reserve Funds in Public Accounts including ₹ 738.24 crore in three interest bearing funds.

<sup>37</sup> It included mainly (a) Interest bearing (i) State Disaster Response Fund: ₹ 670.76 crore; (ii) Water Works under Depreciation Reserve Fund: ₹ 67.28 crore and (b) Non-interest bearing: (iii) Guarantee Redemption Fund: ₹ 4,080.16 crore; (iv) Resource Development Fund: ₹ 180.88 crore; (v) Rajasthan Transport Infrastructure Development Fund: ₹ 150.24 crore (vi) Dedicated Road Safety Fund: ₹ 142.55 crore (vii) Environment Reform and Health Fund in Mining Areas: ₹ 117.35 crore; and (viii) Water Conservation Cess Fund ₹ 53.64 crore.

- ***Operative Reserve Funds***

During 2018-19, a sum of ₹ 4,150.19 crore was credited to 22 operative Reserve Funds of the state which mainly included State Disaster Response Fund (₹ 2,103.68 crore<sup>38</sup>), Guarantee Redemption Fund (₹ 713.48 crore), State Road and Bridges Fund (₹ 260.34 crore), Other Development and Welfare Fund (₹ 809.35 crore) and Development Funds for Animal Husbandry Purposes (₹ 261.00 crore).

- ***Inoperative Reserve Funds***

As per Finance Account 2018-19, four Reserve Funds (₹ 4.24 crore) were inactive for more than five years. However, there is no provision for closing of inoperative reserve fund in the State Budget Manual. Of these, one fund<sup>39</sup> (₹ 0.20 crore) was interest bearing and three funds<sup>40</sup> (₹ 4.04 crore) were non-interest bearing.

The State Government was required to credit interest of ₹ 5.06 crore (conservatively estimated at 7.5 per cent, representing the average interest rate on Ways and Means Advances) on ₹ 67.48 crore lying in two interest bearing funds (one operative: ₹ 67.28 crore and one inoperative: ₹ 0.20 crore) as on 31 March 2018. It was however, observed that the same was not credited.

Detailed analysis of some of these operative reserve funds is as under:

#### ***1.10.4.1 State Disaster Response Fund***

The State Disaster Response Fund (SDRF) was set up on 1 April 2010 replacing the existing Calamity Relief Fund. The XIV-FC had recommended that annual contributions to the fund were to be contributed by GoI and State Government in the ratio of 75:25 per cent. As per recommendations of the XIV-FC, the GoR had to transfer ₹ 1,277 crore (₹ 957.75 crore central Share and ₹ 319.25 crore state share) to the SDRF during 2018-19. However, though GoI had transferred the full amount to GoR, it transferred only ₹ 1,181.22 crore (central share: ₹ 861.97 crore and state share: ₹ 319.25 crore) to the SDRF resulting in short transfer of the central share by ₹ 95.78 crore.

The State Government also transferred additional assistance of ₹ 526.14 crore received from GoI as well as last year's pending amount of ₹ 306.12 crore to the National Disaster Response Fund (NDRF) during 2018-19. There was net balance of ₹ 670.76 crore in SDRF (including balance in NDRF) after setting off expenditure of ₹ 1,516.19 crore on disaster relief operations as on 31 March 2019.

As per Guidelines (July 2015) for administration of the State Disaster Response Fund, the accretions to the fund together with income earned on the

<sup>38</sup> It included ₹ 832.26 crore of NDRF (including ₹ 306.12 crore for 2017-18).

<sup>39</sup> Departmental Management Scheme of *Jhamar Kotra* Rock Phosphate: ₹ 20.45 lakh.

<sup>40</sup> (i) Farmers Reform Fund: ₹ 0.74 lakh, (ii) Fund for intensive egg and hen production and marketing centres with the assistance of World Food Programme: ₹ 0.95 lakh and (iii) State Road Development Fund: ₹ 402.08 lakh.

investment of the SDRF was to be invested in Central Government dated Securities, Auctioned Treasury Bills and Interest earning deposits and certificates of deposits with scheduled Commercial banks. However, GoR invested only a part of SDRF balances into treasury bills and remaining amount kept for own use.

During 2018-19, the Fund earned ₹ 10.36 crore as interest through investing the unspent amount of fund in Treasury Bills. The GoR also paid ₹ 31.75 crore as interest on the amount which remained un-invested during 2017-18 and ₹ 16.59 crore as half yearly interest on amount which remained un-invested during 2018-19. However, the State Government did not credit interest on the un-invested amount from October 2018 to March 2019 during 2018-19.

#### 1.10.4.2 Rajasthan State Road Development Fund

The Government of Rajasthan (GoR) constituted Rajasthan State Road Development Fund in 2004 for development of State roads and State Road Development Projects as prescribed in the Act. The Act also provides for levying and collection of cess on sales of motor spirit (commonly known as petrol and high speed diesel oil). The applicable rate of levying of cess was ₹ 1.75 per litre w.e.f. 15.01.2016. The fund was constituted as a non interest bearing Reserve Fund in the Public Account and classified under the Head “8225-101-State Roads and Bridges Fund” in the accounts of the State Government.

Position of collection and transfer of the cess to State Roads and Bridges Fund as provided by the department is given in the **Table 1.35**.

**Table 1.35: Position of collection and transfer of cess to the fund**

(₹ in crore)						
S. No.	Year	Opening Balance of Un-transferred Amount	Cess Collection	Total (3+4)	Transferred to the fund	Closing Balance of Un-transferred Amount (5-6)
1	2	3	4	5	6	7
1	2014-15	208.31	407.01	615.32	280.00	335.32
2	2015-16	335.32	951.75	1,287.07	572.74	714.33
3	2016-17	714.33	1,311.78	2,026.11	0	2,026.11
4	2017-18	2,026.11	1,394.37	3,420.48	425.00	2,995.48
5	2018-19	2,995.48	1,409.62	4,405.10	260.34	4,144.76
	<b>Total</b>		<b>5,474.53</b>		<b>1,538.08</b>	

It was observed that the amount of cess collected was not fully transferred to the fund in any of these years. Against total collected cess of ₹ 5,474.53 crore only an amount of ₹ 1,538.08 crore (28.1 per cent) was transferred to the Fund during 2014-19.

It is evident from the table that an amount of ₹ 1,149.28 crore out of ₹ 1,409.62 crore during the year 2018-19 was pending for transfer from Consolidated Fund of the State to the Rajasthan State Road Development Fund as on March 2019.

**1.10.4.3 Rajasthan Cow Protection and Promotion Fund**

As per Section 3(B) of Rajasthan Stamp Act, 1998, State Government had proposed surcharge for conservation and propagation of cow and its progeny w.e.f. 08.03.2016. Further, Gopalan Department, Government of Rajasthan (GoR) had constituted “Rajasthan Cow Protection and Promotion Fund” in November 2016 and issued “Rajasthan Cow Protection and Promotion Fund” Rules, 2016 for administration of this fund. Main objective of this fund was the protection and development of cows and to create permanent infrastructure for cow shelter, homes and *kanji houses*.

The State Government had further introduced surcharge on Value Added Tax levied as per the Rajasthan Value Added Tax (Amendment) Act, 2018, proceeds of which shall be utilized for the purpose of conservation and propagation of cow and its progeny. As per these Rules, the surcharge levied and collected under the Act will be transferred to the fund. Out of this fund, one *per cent* amount may be incurred for administrative expenses by Gopalan Department.

Year-wise position of collection and transfer of surcharge to the Rajasthan Cow Protection and Promotion Fund is given in **Table 1.36**.

**Table 1.36: Position of collection/transfer of surcharge to the fund**

(₹ in crore)						
S. No.	Year	Opening Balance of Un-transferred Amount	Receipts of surcharge	Total (3+4)	Amount transferred to Fund	Closing Balance of Un-transferred Amount (5-6)
1	2	3	4	5	6	7
1	2015-16	-	13.16	13.16	-	13.16
2	2016-17	13.16	138.45	151.61	103.84	47.77
3	2017-18	47.77	257.98	305.75	173.68	132.07
4	2018-19*	132.07	536.25	668.32	261.00	407.32

\* Receipt inclusive of surcharge on VAT also.

It is evident from the table that during the year 2018-19 an amount of ₹ 275.25 crore out of ₹ 536.25 crore was pending for transfer from Consolidated Fund of the State to the Rajasthan Cow Protection and Promotion Fund as on March 2019.

The Department stated that the amount transferred to the fund was only as per budget provision and budget provisions are made as per needs of the department. Reply is not acceptable as Rules provide that un-transferred amount of previous year balances and estimated receipts of current year should be transferred every year.

Further, during the year an amount of ₹ 240.57 crore was disbursed from the Rajasthan Cow Protection and Promotion Fund leaving an unspent balance of ₹ 32.18 crore as on March 2019.



#### 1.10.4.4 Rajasthan Building and Other Construction Workers Welfare Fund

In addition to above mentioned Reserve Funds, GoR has also created the Rajasthan Building and Other Construction Workers Welfare Fund which is being operated as Personal Deposit Account (PD Account).

The Government of India (GoI) has enacted legislation like Building and Other Construction Workers (Regulation of Employment and Conditions of Services) Act, 1996 and the Building and Other Construction Workers Welfare Cess Act, 1996 for formulating and implementing various welfare schemes for the construction workers. As per Section 3 of the Cess Act, for augmenting resources of the Board, a cess (at prescribed rates) was leviable on all establishment whether central/state government departments/organizations or semi government organizations or private organizations carrying the building or other construction work.

To implement provisions of the Act, the Government of Rajasthan (GoR) has framed The Rajasthan Building and Other Construction Workers (Regulation of employment and conditions of service) Rules 2009 and created "Rajasthan Building and Other Construction Workers Welfare Fund" (Fund). As per rules, the amount of cess was to be transferred to the Fund within 30 days of its collection.

It was however, observed that an amount of ₹ 382.34 crore was pending for transfer from Consolidated Fund of the State to the Rajasthan Building and Other Construction Workers Welfare Fund as on March 2019 as given in **Table 1.37**.

**Table 1.37: Position of collection and transfer of the cess to fund**

(₹ in crore)						
S. No.	Year	Opening Balance of collected cess	Cess collected during the year	Total (3+4)	Amount transferred to the Board	Closing Balance (5-6)
1	2	3	4	5	6	7
1	2014-15	251.95	278.75	530.70	251.95	278.75
2	2015-16	278.75	322.45	601.20	278.75	322.45
3	2016-17	322.45	342.69	665.14	322.70	342.44
4	2017-18	342.44	338.60	681.04	342.69	338.35
5	2018-19	338.35	382.59	720.94	338.60	382.34

As evident from the table, out of ₹ 382.59 crore collected during the year 2018-19 an amount of ₹ 43.99 crore was short transferred in the fund as on March 2019.

Further, an expenditure of ₹ 302.90 crore was incurred from the Rajasthan Building and Other Construction Workers Welfare Fund during 2018-19 leaving huge unspent balance of ₹ 100.03 crore as on March 2019.

The Department intimated (November 2019) that balance amount (₹ 100.03 crore) in the fund was on account of bills pending for payments with treasury.

*Thus, from the review of Reserve Funds, it is observed that the State Government has short transferred ₹ 1564.30 crore in four Reserve fund/Deposit fund during the financial year 2018-19 in violation of rules and, therefore, has deferred its current year liability to future years, which has impact of understating the fiscal deficit by an equivalent amount.*

**Recommendation 9:**

*The State Government may consider transferring all the outstanding receipts to the statutory Reserve Funds/Deposit Funds to achieve the intended objectives of these funds as well as to ensure correct depiction of financial position of State Government.*

### 1.10.5 Contingent liabilities

#### (i) Status of Guarantees

Guarantees are contingent liabilities on the Consolidated Fund of the State which can be invoked in case of default by the borrower for whom the guarantee was extended. As per FRBM Act, 2005 (amended in April 2016) total outstanding Government guarantee on 31<sup>st</sup> March 2017 shall not exceed 70 per cent of estimated receipts in the Consolidated Fund of the State in financial year 2016-17 and thereafter total outstanding government guarantee at the end of each financial year shall not exceed 60 per cent of estimated receipts in the Consolidated Fund of the State in that financial year.

As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years are given in **Table 1.38**.

**Table 1.38: Guarantees given by the Government of Rajasthan**

(₹ in crore)				
Guarantees	2015-16	2016-17	2017-18	2018-19
Maximum amount guaranteed	1,61,236	1,18,161	1,12,057	1,31,026
Outstanding amount of guarantees	53,620	51,119	61,761	70,430
Maximum amount guaranteed to total Revenue Receipts (in per cent)	160.8	108.4	88.0	95.0
Estimated receipts in the Consolidated Fund	1,34,430	1,67,405	1,77,390	2,08,306
Outstanding guarantee w.r.t. estimated receipts (in per cent)	39.9	30.5	34.8	33.8

Source: Finance Accounts and budget documents

The outstanding guarantees increased by 14 per cent from ₹ 61,761 crore in 2017-18 to ₹ 70,430 crore in 2018-19 and were 51.1 per cent of the Revenue Receipts (₹ 1,37,873 crore) of the Government. The outstanding guarantees mainly pertained to five Power Companies (₹ 57,193 crore), Urban Development and Housing Sector (₹ 4,696 crore), one Road and Transport Corporation (₹ 2,758 crore) and seven Co-operatives (₹ 4,766 crore). The guarantees of Power Companies were given for repayment of loans/overdraft, amount raised by issue of bonds/debentures and payment of interest at stipulated rates.

***The outstanding guarantee to estimated receipts ratio (33.8 per cent) during 2018-19 was within the limit fixed under FRBM Act (60.0 per cent).***

- ***Guarantee Redemption Fund***

The State Government had set up the Guarantee Redemption Fund in 1999-2000. The corpus of the Fund is to be gradually increased to the desirable level of 5 per cent of outstanding guarantees in terms of the guidelines of the Reserve Bank of India (RBI), which administers the Fund. The Guarantee Redemption Fund has a balance of ₹ 4,080.16 crore as on 31 March 2019 which was 5.8 per cent of outstanding guarantees (₹ 70,430 crore). Further, during 2018-19 the State Government received ₹ 532.36 crore Guarantee Commission against the receivable amount of ₹ 533.11 crore.

- (ii) ***Off Budget borrowings***

In addition to the fiscal liabilities, availed by the State Government; it also guarantees loans availed by Companies/Corporations/Zila Parishads from the market/ financial institutions for implementation of State Plan programs, which are reflected outside the State Budget. Though the State Government states that the fund raised for these programs would be met out from the resources mobilized by these Companies/Corporations/Zila Parishads, however, borrowings by many of these concerns are repaid by the Government and ultimately turn out to be the liabilities of the State Government. Accordingly, these may be termed as "off budget borrowings".

The Finance Department, GoR, informed (June, 2019) that the State Government had given guarantees with respect to loans of ₹ 3,948.66 crore obtained by Zila Parishads (ZPs) from Housing Urban Development Corporation (HUDCO) for construction of dwelling units for Economically Weaker Section (EWS) families in Rural areas under Chief Minister Below Poverty Line (CMBPL) Awas Yojana.

During 2018-19, GoR added guarantees of ₹ 1.15 crore to the opening outstanding balances of ₹ 2,372.91 crore and cleared guarantees of ₹ 236.64 crore leaving a balance of ₹ 2,137.42 crore outstanding at the end of 2018-19.

It was revealed that ₹ 236.64 crore on account of principal and ₹ 209.64 crore as interest was transferred by GoR in Personal Deposit accounts of 31 ZPs during 2018-19, for payment of principal and interest on loans raised by them from HUDCO for CMBPL Awas Yojana, which indicates that State Government is resorting to off budget borrowings for meeting out its plan expenditure.

### ***1.10.6 Analysis of Borrowings of the Government***

The Public Debt of the State Government increased by 33 per cent per annum from ₹ 1,00,511 crore in 2014-15 to ₹ 2,33,239 crore in 2018-19. During

2018-19, it increased by 9.9 *per cent* over the previous year. The details are given in **Table 1.39**.

**Table 1.39: Outstanding Borrowings during 2014-19**

	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>(a) Internal Debt</b>					
Market Loans	61,386	75,193	89,518	1,10,445	1,37,267
Loans from National Bank for Agriculture and Rural Development	6,482	7,624	8,377	9,077	9,183
Special Securities issued to National Small Savings Fund of the Central Government	20,126	20,040	18,504	16,968	15,408
Loans from other Institutions	5,483	45,435*	67,886*	63,754*	57,454*
<b>Total (a)</b>	<b>93,477</b>	<b>1,48,292</b>	<b>1,84,285</b>	<b>2,00,244</b>	<b>2,19,312</b>
<b>(b) Loans and Advances from the Central Government</b>					
Non-Plan Loans	44	39	34	29	24
Loans for State/Union Territory Plan Schemes	6,980	8,209	11,095	12,024	13,893
Other Plan Loans	10	10	10	10	10
<b>Total (b)</b>	<b>7,034</b>	<b>8,258</b>	<b>11,139</b>	<b>12,063</b>	<b>13,927</b>
<b>Total Borrowings (a + b)</b>	<b>1,00,511</b>	<b>1,56,550</b>	<b>1,95,424</b>	<b>2,12,307</b>	<b>2,33,239</b>
Rate of Growth	15.1	55.8	24.8	8.6	9.9
Percentage of market loans to total borrowings	61	48	46	52	59

Source: Finance Accounts

\* Including outstanding borrowing under UDAY during 2015-16: ₹ 40,050 crore, 2016-17: ₹ 62,422 crore, 2017-18: ₹ 58,272 crore and 2018-19: ₹ 51,636 crore.

The outstanding borrowings both internal debt and loans and advances from the Central Government have shown a progressive increase over the period 2015-19. The share of market loans to total borrowing increased from 52 *per cent* in 2017-18 to 59 *per cent* in 2018-19.

## 1.11 Fiscal Imbalances

Three key fiscal parameters- Revenue Deficit, Fiscal Deficit and Primary Deficit - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the manner in which the deficit is financed and the resources are applied, are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual level of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2018-19.

### 1.11.1 Trends in Deficits

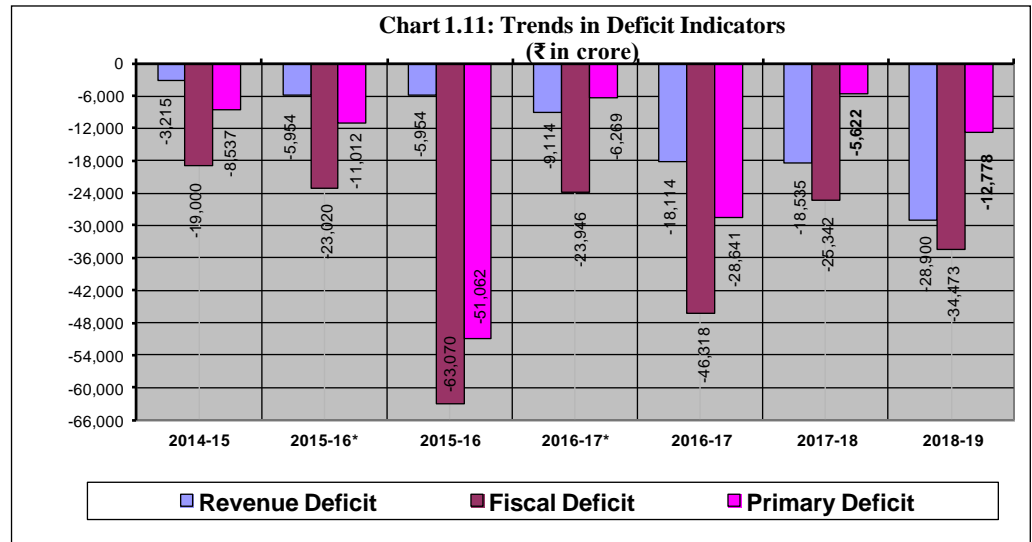
Trends in deficit and its indicators relative to GSDP and Revenue Receipts are summarised in **Table 1.40**.

**Table 1.40: Trends in deficit indicators relative to GSDP and Revenue Receipts**

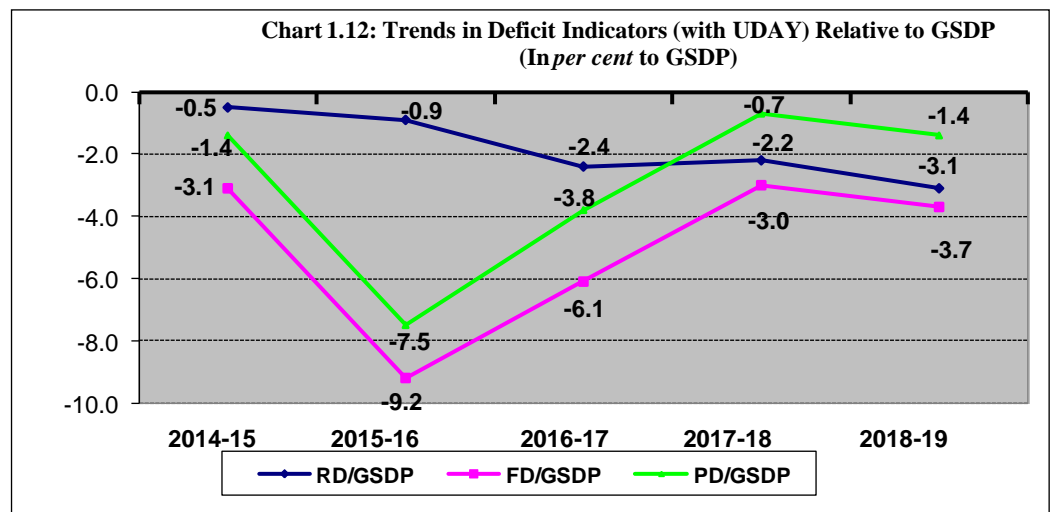
	2014-15	2015-16		2016-17		2017-18	2018-19
		Without UDAY	With UDAY	Without UDAY	With UDAY		
Revenue Deficit(-)/Revenue Surplus (+)	(-) 3,215	(-) 5,954	(-) 5,954	(-) 9,114	(-) 18,114	(-) 18,535	(-) 28,900
Fiscal Deficit (-)/Fiscal Surplus (+)	(-) 19,000	(-) 23,020	(-) 63,070	(-) 23,946	(-) 46,318	(-) 25,342	(-) 34,473
Primary Deficit	(-) 8,537	(-) 11,012	(-) 51,062	(-) 6,269	(-) 28,641	(-) 5,622	(-) 12,778
Revenue Deficit (surplus +)/GSDP	(-) 0.5	(-) 0.9	(-) 0.9	(-) 1.2	(-) 2.4	(-) 2.2	(-) 3.1
Fiscal Deficit as a percentage of GSDP	(-) 3.1	(-) 3.4	(-) 9.2	(-) 3.2	(-) 6.1	(-) 3.0	(-) 3.7
Primary Deficit (surplus +) as a percentage of GSDP	(-) 1.4	(-) 1.6	(-) 7.5	(-) 0.8	(-) 3.8	(-) 0.7	(-) 1.4
Revenue Deficit as a percentage of Fiscal Deficit	16.9	25.9	9.4	38.1	39.1	73.1	83.8
Revenue Deficit as a percentage of Revenue Receipts	3.5	5.9	5.9	8.4	16.6	14.6	21.0
Fiscal Deficit as a percentage of Revenue Receipts	20.8	25.21	62.89	23.88	42.48	19.91	25.0

Source: Finance Accounts

Charts 1.11 and 1.12 present the trends in deficit indicators over the period 2014-19.



\* Without UDAY



**1.11.1.1 Revenue Surplus/Deficit**

Revenue Surplus represents the difference between Revenue Receipts and Revenue Expenditures. Revenue Surplus helps to decrease the borrowings.

The State Government turned into a revenue deficit State in 2013-14 from revenue surplus in 2012-13. During 2018-19, revenue deficit (₹ 28,900 crore) increased by ₹ 10,365 crore (55.9 per cent) over the previous year (₹ 18,535 crore). During 2018-19, against the growth rate of 8.3 per cent of Revenue Receipts, the growth rate of Revenue Expenditure was 14.4 per cent. Further, there was an increase in the ratio of Revenue Deficit as a percentage of Revenue Receipt from 14.6 per cent in 2017-18 to 21 per cent in 2018-19. This was due to rise in buoyancy of revenue expenditure over revenue receipts, indicating relatively slower growth in revenue receipts as compared to growth in revenue expenditure.

This issue is discussed in detail in *paragraph 1.2.1*.

**Recommendation 10:**

*The increasing Fiscal Deficit coupled with huge Revenue Deficit component (83.8 per cent) is indicative of increasing dependency of the State Government on the borrowings even to meet out its revenue expenditure. State Government may strive to reduce its revenue deficit as a primary concern.*

**1.11.1.2 Fiscal Deficit**

Fiscal deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The deficit could be met either by additional public debts (internal or external) or by the use of surplus funds from Public Account. Fiscal deficit trends along with the trends of the deficit relative to key components are indicated in **Table 1.41**.

**Table: 1.41: Fiscal deficit and its parameters**

Period	Non-debt Receipts	Total Expenditure	Fiscal Deficit	Fiscal Deficit as per cent of		
				GSDP	Non-debt Receipts	Total Expenditure
2014-15	92,346	1,11,346	19,000	3.09	20.6	17.1
2015-16*	1,01,757	1,64,827	63,070	9.25	62.0	38.3
2016-17*	1,10,767	1,57,085	46,318	6.10	41.8	29.5
2017-18	1,42,457	1,67,799	25,342	3.03	17.8	15.1
2018-19	1,53,051	1,87,524	34,473	3.71	22.5	18.4

Source: Finance Accounts

\* The position includes impact of UDAY.

Fiscal deficit as a percentage of GSDP increased from 3.03 in 2017-18 to 3.71 in 2018-19. During 2018-19, the fiscal deficit increased by ₹ 9,131 crore from the previous year due to increase in market borrowing (₹ 8,264 crore).

***Fiscal deficit as a percentage of GSDP increased from 3.03 per cent in 2017-18 to 3.71 per cent in 2018-19, which was higher than the target of 3***

*per cent as prescribed under FRBM Act, 2005. After containing fiscal deficit regularly within the limit for the years 2012-13 and 2013-14 as prescribed under FRBM Act, the State Government has been unable to contain fiscal deficit under the target of 3 per cent since 2014-15.*

### 1.11.1.3 Components of Fiscal Deficit and its item-wise financing pattern

**Table 1.42** presents item-wise net disbursement/outflow financing pattern of fiscal deficits of the State during 2013-14 to 2018-19 along with receipts and disbursements during 2018-19.

**Table 1.42: Components of fiscal deficit and its item-wise financing pattern**

		Net disbursements/outflows					2018-19#		
		2013-14	2014-15	2015-16#	2016-17#	2017-18#	Receipts	Disbursements	Net
<b>(a) Composition of Fiscal Deficit</b>									
1	Revenue Deficit/ Surplus (-)	1,039	3,215	5,954	18,114	18,535	1,37,873	1,66,773	28,900
2	Net Capital Expenditure	13,654	16,088	21,961	16,952	20,607	20	19,638	19,618
3	Net Loans and Advances	496	(-) 303	35,155	11,252	(-) 13,800	15,158	1,113	(-) 14,045
	<b>Total (a)</b>	<b>15,189</b>	<b>19,000</b>	<b>63,070</b>	<b>46,318</b>	<b>25,342</b>	<b>1,53,051</b>	<b>1,87,524</b>	<b>34,473</b>
<b>(a) Financing Pattern of Fiscal Deficit</b>									
1	Market Borrowings	7,175	10,002	13,807	14,325	20,927	33,178	6,356	26,822
2	Loans from GoI	(-) 232	286	1,224	2,881	924	2,642	778	1,864
3	Special Securities Issued to National Small Saving Funds	(-) 745	104	(-) 86	(-) 1,536	(-) 1,536	0	1,560	(-) 1,560
4	Ways and Means	-	-	-	-	-	0	0	-
5	Loans from Financial Institutions	4,178	2,789	41,094	23,204	(-) 3,432	2,027	8,221	(-) 6,194
6	Small Savings, Provident Fund etc.	2,521	2,982	3,267	3,380	3,201	12,849	7,466	5,383
7	Deposits and Advances	(-) 421	1,409	2,255	3,242	5,703	1,51,092	1,47,036	4,056
8	Suspense and Miscellaneous	12	(-) 40	59	(-) 119	(-) 27	08	65	(-) 57
9	Remittances	(-) 6	(-) 1	(-) 20	(-) 3	10	2,429	2,420	09
10	Reserve Funds	267	(-) 28	918	659	836	4,150	3,583	567
	<b>Total (b)</b>	<b>12,749</b>	<b>17,503</b>	<b>62,518</b>	<b>46,033</b>	<b>26,606</b>	<b>2,08,375</b>	<b>1,77,485</b>	<b>30,890</b>
11	Increase (-)/ Decrease (+) in Cash Balance (a-b)	2,440	1,497	552	285	(-) 1,264	-	-	3,583
12	<b>Overall Deficit (b+11)</b>	<b>15,189</b>	<b>19,000</b>	<b>63,070</b>	<b>46,318</b>	<b>25,342</b>	<b>-</b>	<b>-</b>	<b>34,473</b>

# The position includes impact of UDAY.

Source : Finance Accounts

Fiscal deficit is the total borrowing requirement of the State and is the excess of Revenue and Capital Expenditure including loans and advances, over revenue and non-debt receipts. Composition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above Revenue and non-debt Receipts.

Market borrowings continued to finance a major portion of fiscal deficit. Its share in financing fiscal deficit decreased from 83 per cent in 2017-18 to 78 per cent in 2018-19. During 2018-19, the fiscal deficit of ₹ 34,473 crore was mainly met from Market Borrowings (₹ 26,822 crore).

### 1.11.1.4 Primary Deficit

While fiscal deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payments. Interest payments represent the expenditure of past obligations and are independent of current allocative priorities. To look at the imbalances of the current nature, these payments need to be separated and deducted from the total imbalances.

The primary surplus was maintained till 2011-12. The primary surplus turned into a primary deficit in 2012-13, due to increase in capital expenditure. The primary deficit increased from ₹ 5,622 crore in 2017-18 to ₹ 12,778 crore in 2018-19.

### 1.11.2 Debt Profile

Fiscal Deficit of the State as a proportion of GSDP was 3.1 *per cent* in 2014-15 and 9.2 *per cent* in 2015-16. It has declined to 3.7 *per cent* in 2018-19. However, the State did not register any Revenue Surplus or Primary Surplus during the last five years. There are various approaches for assessing the debt sustainability, one such approach is Domar model<sup>41</sup>. An analysis on debt sustainability was carried out using this approach.

The details are as follows:

$g-r$ ( $g$ : real economic growth rate; $r$ : real interest rate called Domar gap)	$s < 0$ (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 result of applying the analysis to Rajasthan is shown in the **Table** below:

Year	Real Growth Rate ( $g^*$ )	Real Interest Rate ( $r^{**}$ )	$g-r$ (Domar gap)	Primary Deficit/ Surplus ( $s$ ) (₹ in crore)	Remarks
2014-15	7.3	0.7	6.6	-8,537	As $g-r > 0$ and $s < 0$ , although Public Debt as percentage of GSDP would converge to a stable level, it would be at a level greater than zero.
2015-16	8.0	2.2	5.8	-51,062	
2016-17	5.6	3.1	2.5	-28,641	
2017-18	6.4	4.4	2.0	-5,622	
2018-19	7.3	4.3	3.0	-12,778	

\*Real Growth rate calculated for Real GDP

\*\*Real Interest rate calculated as Interest rate minus Inflation

Further, Debt to GSDP ratio stood at 33.5 per cent and the Fiscal Deficit to GSDP ratio at 3.71 *per cent* in 2018-19. The corresponding Fourteenth Finance Commission (FFC) Fiscal target of Debt limit was 24.4 *per cent* and Fiscal Deficit ceiling was 3 *per cent* of GSDP. The capital expenditure of the State has hovered between 14.5 and 10.5 *per cent* during 2014-2019.

It is seen that the  $g-r$  (Domar gap) is positive during the entire period 2014-15 to 2018-19 and as per the Domar model, the public debt position would be stated to be stable. It is however, noteworthy that the  $g-r$  (Domar gap) has not been registering a steadily rising trend. Further, in all the five years of the subject period i.e. 2014-15 to 2018-2019, there has been a primary deficit.

<sup>41</sup> E.D. Domar, 1914-1997



Other factors such as public account liabilities and force majeure events<sup>42</sup> and/or any other un-inventoried losses of revenue also have to be reckoned in assessing the debt sustainability/stability of the State<sup>43</sup>.

### 1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the composition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Persistent high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) did not have adequate assets backup. As per **Table 1.40**, it is evident that the ratio of the revenue deficit to fiscal deficit increased from 16.9 *per cent* in 2014-15 to 83.8 *per cent* in 2018-19. This indicates that the major part of the borrowing of the state is being used to meet out the revenue deficit.

The bifurcation of the primary deficit (**Table 1.43**) indicated the extent to which the deficit was on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

**Table 1.43: Primary deficit/surplus-Bifurcation of factors**

(₹ in crore)							
Year	Non-debt Receipts (NDR)	Primary Revenue Expenditure <sup>44</sup>	Capital Expenditure	Loans and Advances	Primary Expenditure	Excess of Non-debt Receipts over Primary revenue expenditure	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2014-15	92,346	84,079	16,103	701	1,00,883	(+) 8,267	(-) 8,537
2015-16	1,01,757	94,231	21,986	36,602	1,52,819	(+) 7,526	(-) 51,062
2016-17	1,10,767	1,09,463	16,980	12,965	1,39,408	(+) 1,304	(-) 28,641
2017-18	1,42,457	1,26,122	20,623	1,334	1,48,079	(+) 16,335	(-) 5,622
2018-19	1,53,051	1,45,078	19,638	1,113	1,65,829	(+) 7,973	(-) 12,778

Source: Finance Accounts

The above table shows that during 2014-15 to 2018-19, the Non-debt receipts were not sufficient to meet primary expenditure.

The share of capital expenditure in primary expenditure which was 16 *per cent* in 2014-15, decreased to 14 *per cent* in 2017-18, and it further decreased to 12 *per cent* in 2018-19. The non-debt receipts and primary expenditure increased by ₹ 10,594 crore and ₹ 17,750 crore respectively in 2018-19 compared to the previous year. This resulted in increase of primary deficit by ₹ 7,156 crore.

***The primary deficit of the State Government increased from ₹ 8,537 crore in 2014-15 to ₹ 12,778 crore during 2018-19, despite decrease in share of***

<sup>42</sup> Like current Coronavirus crisis & its effect on GSDP.

<sup>43</sup> As these cannot be anticipated or determined statistically, they have not been factored in the analysis.

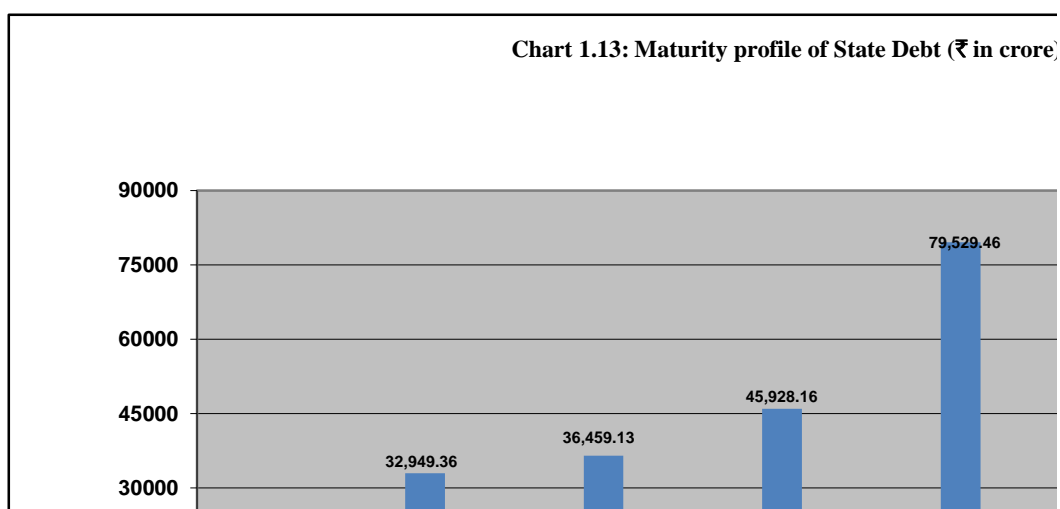
<sup>44</sup> Primary revenue expenditure = Revenue expenditure- Interest payments.

*capital expenditure from 16 per cent in 2014-15 to 12 per cent in 2018-19. The fact remains that non-debt receipts were not sufficient to meet the primary expenditure of the State.*

## 1.12 Debt Management

### (i) Debt Maturity Profile

The Maturity Profile of the State Debt (amounts payable in respect of each category of loans in different years) as on 31 March 2019 is depicted in **Chart 1.13**:



As per data shown in **Chart 1.13**, the maturity profile in respect of ₹ 14,575.81 crore was not clearly defined. The maturity profile of the public debt indicates that the liability of the State to repay the debt during the periods 2019-20, 2020-22 and 2022-24 would be ₹ 17,701.95 crore, ₹ 32,949.36 crore and ₹ 36,459.13 crore respectively which may put a strain on the Government budget during that period. Further, around 34.1 per cent (₹ 79,529.46 crore) of the total public debt (₹ 2,33,238.88 crore) at the end of the year belonged to a maturity bracket of 7 to 10 years. Therefore, the State Government would have to work out a well-thought out debt borrowing repayment strategy to avoid falling into a debt trap.

#### **Recommendation 11:**

*The State Government may consider to introduce “Consolidated Sinking Fund” as per recommendation of the XII FC to provide a cushion to meet out its increasing liability obligations.*

### (ii) Debt sustainability

Debt sustainability is defined as the ability of the State to service its debt liability in the future. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such

borrowings. It means that increase in fiscal deficit should match with the increase in capacity to service the debt. **Table 1.44** analyses the debt sustainability of the State according to these indicators for a period of five years beginning 2014-15.

**Table 1.44: Debt Sustainability: Indicators and Trends**

Indicators of Debt Sustainability	2014-15	2015-16	2016-17	2017-18	2018-19
Rate of Growth of Outstanding debt	13.6	41.9	21.8	10.3	10.7
Rate of Growth of GSDP	11.7	10.7	11.3	10.1	11.2
Average interest rate of Outstanding Debt	7.5	6.7	7.6	7.3	7.3
<b>Interest Payments/Revenue Receipts (in per cent)</b>	<b>11.5</b>	<b>12.0</b>	<b>16.2</b>	<b>15.5</b>	<b>15.7</b>
Receipts under public debt and other liabilities (₹ in crore)	1,34,644	1,99,313	2,01,683	1,86,325	2,08,734
Repayment (principal and interest) under public debt and other liabilities (₹ in crore)	1,27,408	1,49,544	1,73,744	1,79,865	2,00,237
<b>Debt Redemption ((Principal + Interest Payments)/Debt Receipts) (per cent)</b>	<b>94.6</b>	<b>75.0</b>	<b>86.1</b>	<b>96.5</b>	<b>95.9</b>
Net Availability of Borrowed Funds (₹ in crore)(per cent)	7,236 (5.4)	49,769 (25.0)	27,939 (13.9)	6,460 (3.5)	8,497 (4.1)

### Net availability of borrowed funds

Net availability of borrowed funds is defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used for redemption of old debt.

The net fund available from borrowing for current operations after providing for interest and repayment increased from ₹ 7,236 crore in 2014-15 to ₹ 8,497 crore in 2018-19.

- **Interest burden**

The ratio of interest payments to revenue receipt determines the debt sustainability of the State. During 2018-19, interest payments increased by 0.2 percentage points over the previous year and constituted 15.7 per cent of Revenue Receipts of the State.

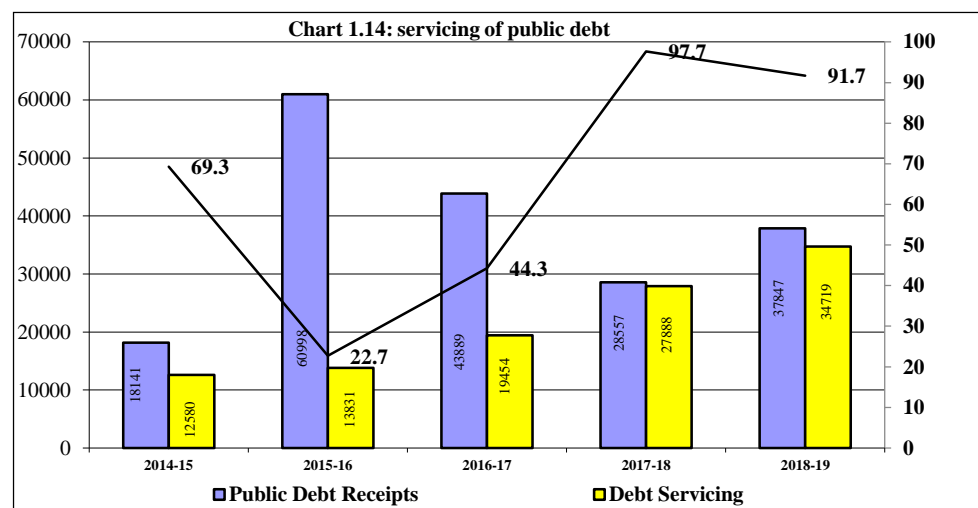
### (iii) Servicing of Public Debt

The interest payment and repayment of principal on public debt for the period from 2014-15 to 2018-19 are given in **Table 1.45**.

**Table 1.45: Servicing of Public Debt**

(₹ in crore)

Period	Public Debt									Debt Servicing			As a percentage of receipts (13/4)*100
	Public Debt Receipts			Repayment of Principal			Interest payment			(Repayment of Principal + interest payment)			
	Internal debt	Loans from GoI	Total (2 + 3)	Internal debt	Loans from GoI	Total (5 + 6)	Internal debt	Loans from GoI	Total (8 + 9)	Internal debt (5 + 8)	Loans from GoI (6 + 9)	Total (11 + 12)	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2014-15	17,346	795	18,141	4,451	509	4,960	7,146	474	7,620	11,597	983	12,580	69.3
2015-16	59,249	1,749	60,998	4,434	525	4,959	8,423	449	8,872	12,857	974	13,831	22.7
2016-17	40,434	3,455	43,889	4,441	574	5,015	14,002	437	14,439	18,443	1011	19,454	44.3
2017-18	27,000	1,557	28,557	11,041	633	11,674	15,797	417	16,214	26,838	1050	27,888	97.7
2018-19	35,205	2,642	37,847	16,137	778	16,915	17,358	446	17,804	33,495	1224	34,719	91.7
<b>Total</b>	<b>1,79,234</b>	<b>10,198</b>	<b>1,89,432</b>	<b>40,504</b>	<b>3,019</b>	<b>43,523</b>	<b>62,726</b>	<b>2,223</b>	<b>64,949</b>	<b>1,03,230</b>	<b>5,242</b>	<b>1,08,472</b>	



It can be seen from **Table 1.45** and **Chart 1.14** that during 2018-19 the debt servicing out of public receipts was 92 *per cent* as against 98 *per cent* in 2017-18. Thus, the average expenditure on debt servicing during 2014-19 was ₹ 21,694 crore which accounted for 57.3 *per cent* of average public debt receipts (₹ 37,886 crore) during the same period.

### 1.13 Follow-up

The Report of the Comptroller and Auditor General of India on State Finances for the year 2017-18 was presented in the State Legislature in July 2019. However, the report is under discussion by Public Accounts Committee (PAC). PAC has discussed and made recommendations on the Audit Reports of State Finances upto the year 2015-16.

Further, as per the order (December 1996) of the Finance Department of GoR, Action Taken Notes (ATNs) on all paragraphs appearing in Audit Reports are required to be submitted to PAC, duly vetted by Audit, within three months from the date of laying of the Reports in the State Legislature. A review of the outstanding ATNs on paragraphs included in the Audit reports as of November 2019 revealed that eight ATNs were pending from the concerned Departments<sup>45</sup>.

<sup>45</sup> Animal Husbandry, Colonisation, Command Area Development and Water Management, Elementary Education, Secondary Education, Environment, Forest, Ground Water, Higher Education, Horticulture, Industries, Labour and Employment, Law and Justice, Local Bodies, Local Self Government, Medical Education, Minorities Affairs, Public Health Engineering, Rural Development, Sanskrit Education, Solider Welfare, Tourism, Transport, Treasury and Accounts, Water Resources and Water Shed Development & Soil Conservation.