

CHAPTER 2

Finances of the State

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

2.1 Major changes in key fiscal aggregates during 2019-20 compared to 2018-19

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

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

Revenue Receipts	<ul style="list-style-type: none"> ➤ Revenue Receipts of the State increased by 5.03 <i>per cent</i> ➤ Own Tax Receipts of the State decreased by 1.37 <i>per cent</i> ➤ Own Non-Tax Receipts increased by 34.93 <i>per cent</i> ➤ State's Share of Union Taxes and Duties decreased by 13.87 <i>per cent</i> ➤ Grants-in-Aid from Government of India increased by 34.26 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ➤ Revenue Expenditure increased by 6.11 <i>per cent</i> ➤ Revenue Expenditure on General Services increased by 3.38 <i>per cent</i> ➤ Revenue Expenditure on Social Services increased by 11.10 <i>per cent</i> ➤ Revenue Expenditure on Economic Services increased by 1.71 <i>per cent</i> ➤ Expenditure on Grants-in-Aid increased by 13.70 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none"> ➤ Capital Expenditure decreased by 8.60 <i>per cent</i> ➤ Capital Expenditure on General Services decreased by 21.03 <i>per cent</i> ➤ Capital Expenditure on Social Services decreased by 19.76 <i>per cent</i> ➤ Capital Expenditure on Economic Services decreased by 3.63 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ➤ Disbursements of Loans and Advances decreased by 24.21 <i>per cent</i> ➤ Recoveries of Loans and Advances increased by 118.54 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> ➤ Public Debt Receipts increased by 0.80 <i>per cent</i> ➤ Repayment of Public Debt increased by 8.23 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ➤ Public Account Receipts decreased by 0.81 <i>per cent</i> ➤ Public Account Disbursements decreased by 1.31 <i>per cent</i>

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

2.2 Sources and Application of Funds

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

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

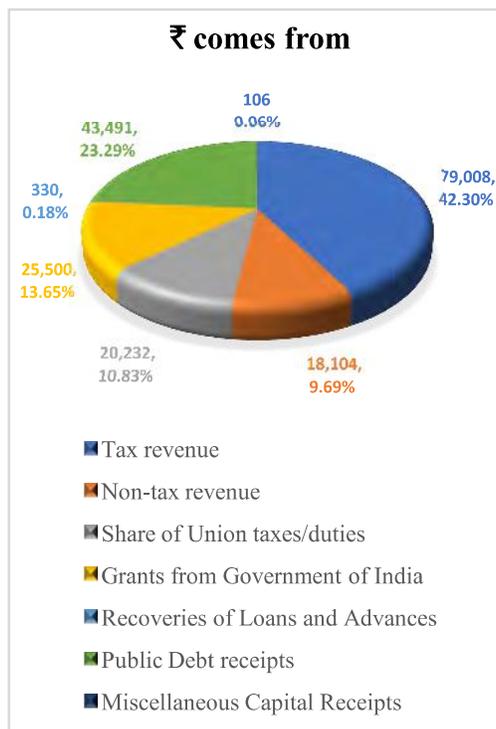
(₹ in crore)

	Particulars	2018-19	2019-20	Increase/ Decrease
Sources	Opening Cash Balance with RBI	16,529	19,601	3,072
	Revenue Receipts	1,36,002	1,42,844	6,842
	Recoveries of Loans & Advances	151	330	179
	Public Debt Receipts (Net)	27,714	26,789	(-925)
	Public Account Receipts (Net)	1,723	2,227	504
	Capital Receipts	65	106	41
	Total	1,82,184	1,91,897	9,713
Application	Revenue Expenditure	1,32,790	1,40,899	8,109
	Capital Expenditure	28,062	25,650	(-2,412)
	Disbursements of Loans & Advances	1,731	1,312	(-419)
	Closing Cash Balance with RBI	19,601	24,036	4,435
	Total	1,82,184	1,91,897	9,713

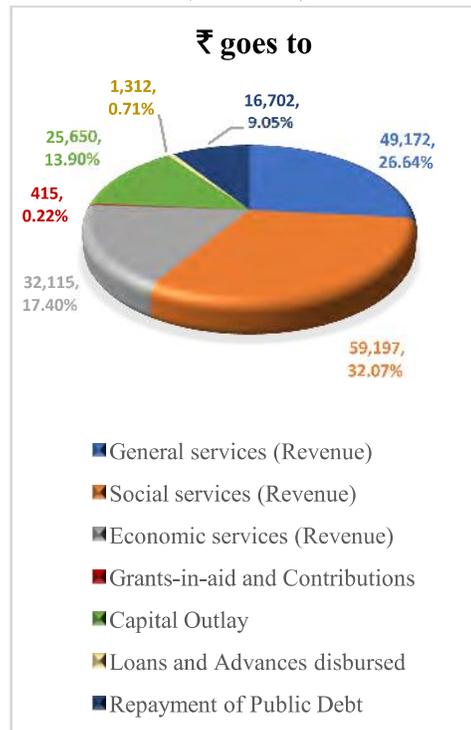
Source: Finance Accounts of the State Government of respective years.

Chart 2.1: Composition of Resources

(₹ in crore)

**Chart 2.2: Application of Resources**

(₹ in crore)



A time series data on the State Government finances for five-year period (2015-20) is given in **Appendix 2.1**.

2.3 Resources of the State

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **Capital receipts** comprise miscellaneous capital receipts, such as, proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

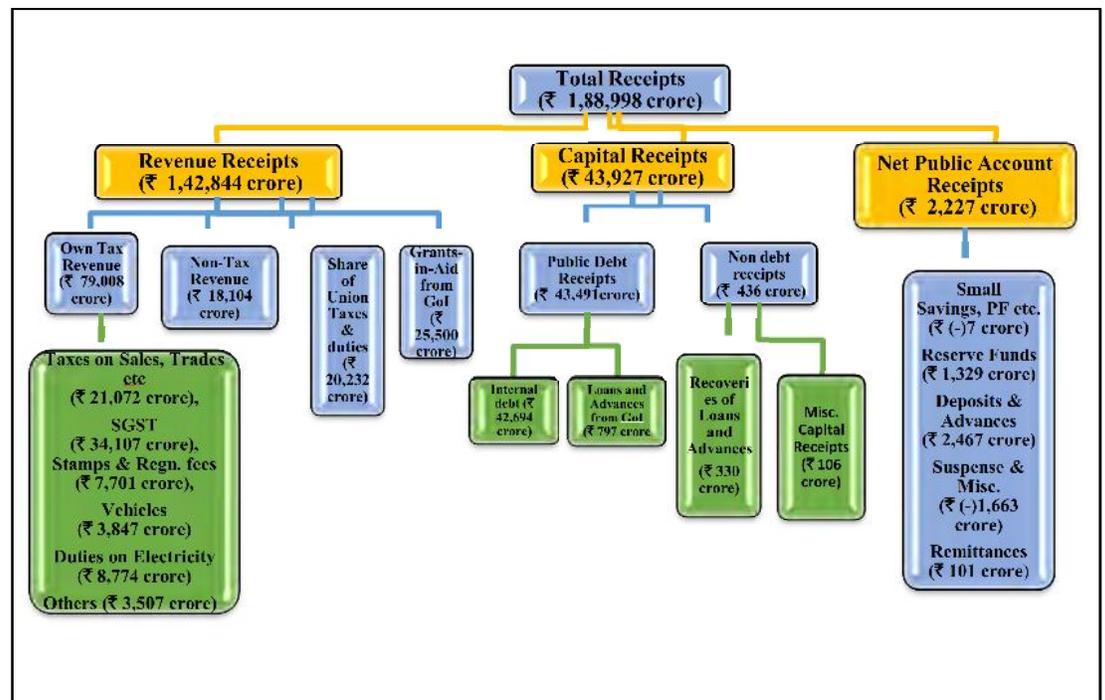
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions, such, as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the State

Composition of receipts of the State during 2019-20 is as given in **Chart 2.3**.

Chart 2.3 Compositions of Receipts of the State during 2019-20



2.3.2 State's Revenue Receipts

This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into State's own receipts and receipts from the Central Government.

2.3.2.1 Trends and Growth of Revenue Receipts

Table 2.3 provides the trends and growth of revenue receipts as well as revenue buoyancy with respect to GSDP over the five-year period (2015-20). Further, trends in revenue receipts relative to GSDP, components of revenue receipts and monthly trend of components of revenue receipts are given in **Charts 2.4, 2.5** and **2.6** respectively.

Table 2.3: Trend in Revenue Receipts

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	97,483	1,09,842	1,23,291	1,36,002	1,42,844
Rate of growth of RR (<i>per cent</i>)	5.99	12.68	12.24	10.31	5.03
Own Tax Revenue (₹ in crore)	62,649	64,443	71,549	80,103	79,008
Non-Tax Revenue (₹ in crore)	10,194	13,346	15,074	13,417	18,104
Own Revenue (Own Tax and Non-tax Revenue) (₹ in crore)	72,843	77,789	86,623	93,520	97,112
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	2.77	6.79	11.36	7.96	3.84
Gross State Domestic Product (₹ in crore) (2011-12 Series)	10,29,010	11,67,156	13,28,068 (P)	15,01,944 (Q)	16,63,362 (A)
Rate of growth of GSDP (<i>per cent</i>)	11.63	13.43	13.79	13.09	10.75
RR/GSDP (<i>per cent</i>)	9.47	9.41	9.28	9.06	8.59
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	0.52	0.94	0.89	0.79	0.47
State's Own Revenue Buoyancy w.r.t GSDP	0.24	0.51	0.82	0.61	0.36

Source: Finance Accounts of the State Government of respective years.

Source (GSDP figures): Statement under Gujarat Fiscal Responsibility Act, 2005 (Budget Publication No. 30 of 2020-21)

(P): Provisional Estimates; (Q): Quick Estimates, (A): Advance Estimates

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 0.47 implies that revenue receipts tend to increase by 0.47 percentage points, if the GSDP increases by one *per cent*.

Chart 2.4: Trend of Revenue Receipts

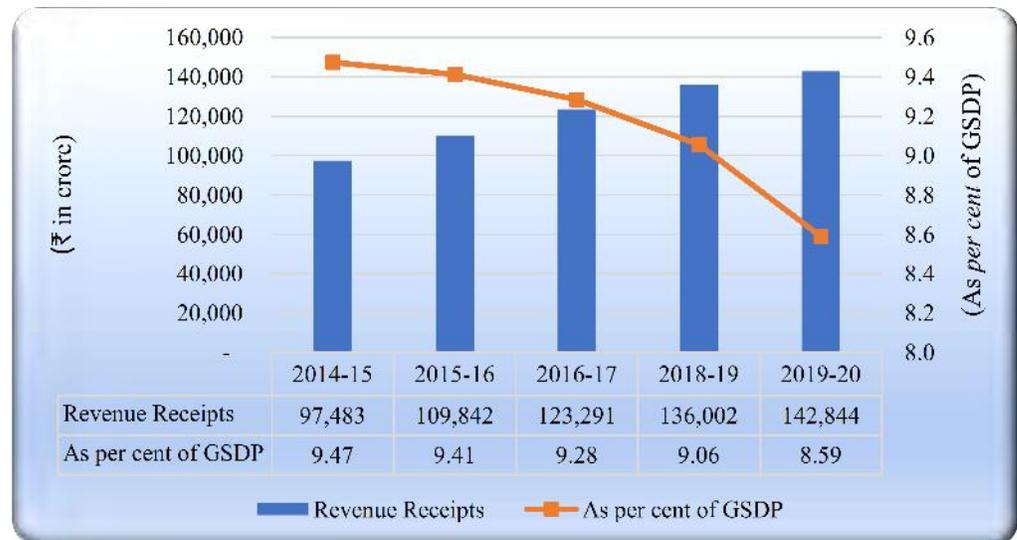


Chart 2.5: Trend of components of Revenue Receipts

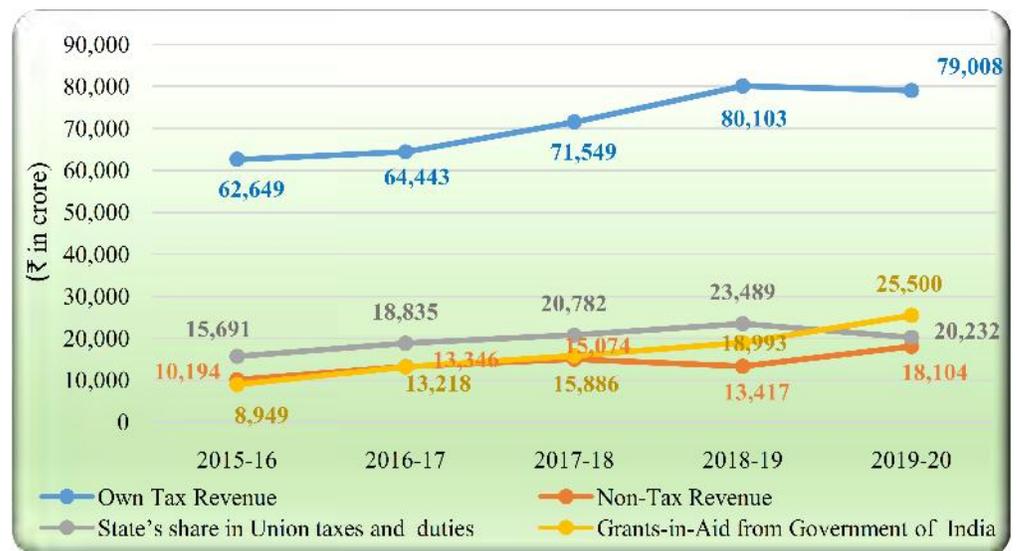
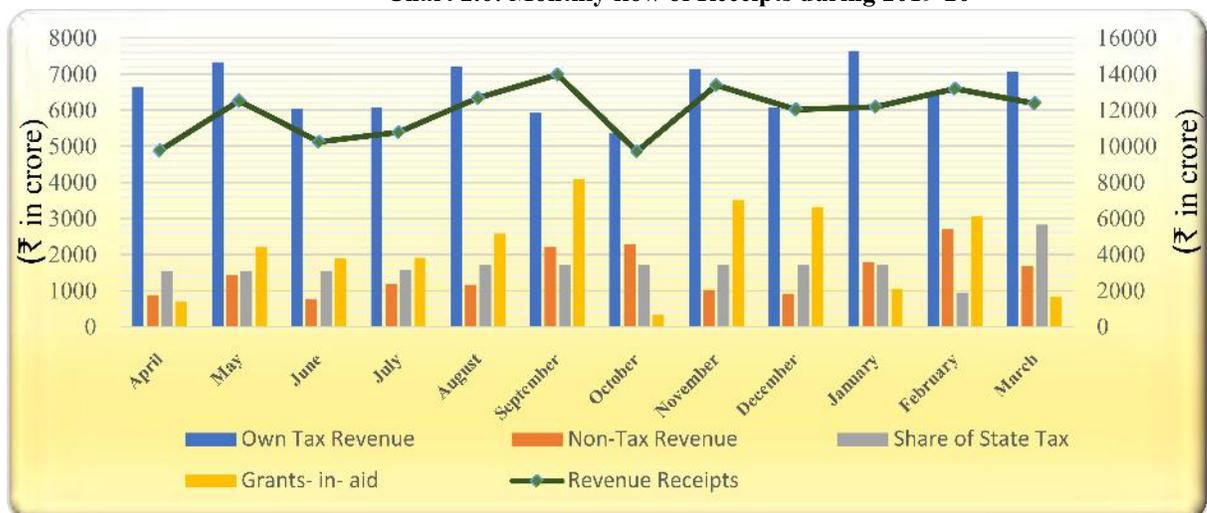


Chart 2.6: Monthly flow of Receipts during 2019-20



The trends in revenue receipts during 2015-20 revealed as follows:

- Revenue receipts increased by 46.53 *per cent* from ₹ 97,483 crore in 2015-16 to ₹ 1,42,844 crore in 2019-20 at Compound Annual Growth Rate (CAGR) of 10.02 *per cent*. During 2019-20, revenue receipts increased by ₹ 6,842 crore (5.03 *per cent*) over the previous year.
- A significant portion of revenue receipts (67.98 *per cent*) during 2019-20 came from the State's own resources, while central tax transfers and grants-in-aid together contributed 32.02 *per cent*.
- Table 2.3** shows that the percentage of revenue receipts to GSDP continuously decreased from 9.47 *per cent* in 2015-16 to 8.59 *per cent* in 2019-20, indicating that revenue receipts have not kept pace with the rate at which GSDP grew during 2015-20.

2.3.2.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from Central Government are determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes *etc.*

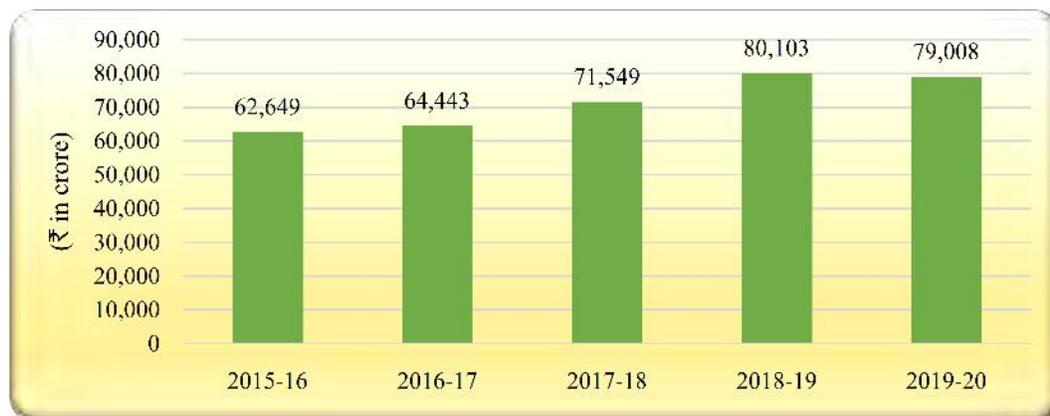
State's performance in mobilisation of additional resources is to be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

State's Own Tax Revenue

Own tax revenue of the State consists of State Goods and Services Tax (SGST), State excise, taxes on vehicles, stamp duty and registration, land revenue, taxes on goods and passengers *etc.*

The growth of State's own tax revenue during the last five years (2015-20) is shown in **Chart 2.7**.

Chart 2.7: Growth of Own Tax Revenue during 2015-20



The components of State's own tax revenue during 2015-20 are shown in **Table 2.4.**

Table 2.4: Components of State's own tax revenue during 2015-20

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	
					Budget Estimates	Actuals
Sales tax/VAT	44,091.05	46,313.78	29,638.88	22,414.25	24,840.00	21,071.72
Entertainment tax and luxury tax	195.63	223.57	85.41	3.32	85.92	3.69
SGST	Nil	Nil	21,250.85	34,888.71	48,735.00	34,106.67
State excise	123.32	151.53	84.75	130.59	133.67	138.26
Stamp duty and registration fees	5,549.42	5,782.93	7,254.75	7,780.77	8,972.32	7,701.17
Land revenue	2,528.50	1,998.52	1,859.04	2,407.51	2,750.00	2,358.74
Taxes and duties on electricity	5,999.66	5,833.10	6,484.29	7,347.79	7,900.00	8,774.35
Taxes on vehicles and taxes on goods and passengers	3,273.17	3,279.35	4,016.72	4,235.33	4,625.00	3,895.29
Other taxes	888.66	859.93	874.72	894.47	1,021.08	957.61
Own Tax Revenue	62,649.41	64,442.71	71,549.41	80,102.74	99062.99	79,007.50
Tax revenue as a percentage of GSDP	6.09	5.52	5.39	5.33	5.82	4.75
Tax revenue as a percentage of revenue receipts	64.27	58.67	58.03	58.90	64.02	55.31

Source: Finance Accounts of the State Government of respective years and Budget Publication No.1 of the Government of Gujarat for the 2020-21

State's own tax revenue increased by ₹ 16,358.09 crore from ₹ 62,649.41 crore in 2015-16 to ₹ 79,007.50 crore in 2019-20 at CAGR of 5.97 per cent. During the current year, major contributors to tax revenue were SGST (43.17 per cent), sales tax/VAT (26.67 per cent), taxes and duties on electricity (11.11 per cent) and stamp duty and registration fees (9.75 per cent).

State Goods and Services Tax (SGST)

Twelve years after the implementation of Value Added Tax (VAT) in 2006, the Union Government rolled out the Goods and Services Tax (GST) on 01 July 2017. The Gujarat Goods and Services Tax Act, 2017 was passed by the State Legislature in May 2017 and came into effect from 01 July 2017.

GST is levied on *intra-State* supply of goods or services (except alcohol for human consumption and five² specified petroleum products) and its components are shared by the Centre (CGST) and the State (SGST). Further, the Centre levies the Integrated GST (IGST) on *inter-State* supply of goods and services, and apportions the State's share of tax to the State where the goods or services are consumed.

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

The GoI enacted the Goods and Services Tax (Compensation to States) Act, 2017 to compensate the States for the shortfall in revenue arising on account of implementation of GST, considering an annual growth of 14 *per cent* from the base year (2015-16), for a period of five years.

For the State of Gujarat, the audited base year (2015-16) revenue to be subsumed³ by the GST regime was fixed by GoI at ₹ 28,856.39 crore. Thus, the protected revenue for Gujarat worked out to ₹ 48,737.29 crore⁴ for the year 2019-20.

Trends in SGST collection during 2017-18, 2018-19 and 2019-20 are given in **Table 2.5**.

Table 2.5: SGST receipts of Government of Gujarat

(₹ in crore)				
State Goods and Services Tax (SGST)	2017-18 ⁵	2018-19	2019-20	Increase in 2019-20 over 2018-19
Tax	14,882.77	23,160.01	25,169.82	(+)8.68
Apportionment of Taxes from IGST	615.60	806.74	962.08	(+)19.26
Others	5,752.48	10,921.96	7,974.77	(-)26.98
SGST collection	21,250.85	34,888.71	34,106.67	(-)2.24

Source: Finance Accounts of the State Government of respective years.

Against the protected revenue of ₹ 48,737.29 crore, the State Government earned a revenue of ₹ 33,866.82 crore⁶ during 2019-20 and therefore, entitled to a compensation of ₹ 14,870.47 crore.

² Crude, high speed diesel, petrol, aviation turbine fuel and natural gas

³ Taxes that have been subsumed under GST are: Value Added Tax, Central Sales Tax, Entertainment Tax, Luxury Tax, Entry tax, Cesses & Surcharges, Duties on Excise on medicinal and toilet preparations excluding VAT and CST on alcohol for human consumption and five specified petroleum products.

⁴ Base year revenue of ₹ 28,856.39 crore escalated at compound rate of 14 *per cent* annually for four years (2016-17, 2017-18, 2018-19 and 2019-20) worked out to ₹ 48,737.29 crore for 2019-20.

⁵ For the period with effect from July 01 2017 to March 2018.

⁶ ₹ 34,106.67 crore (SGST) and (-) ₹ 239.85 crore (Net of subsumed VAT)

However, the State Government received grants-in-aid of ₹ 10,646.52 crore from GoI towards compensation till March 2020, which included ₹ 1,668 crore relating to the previous year. Therefore, the deficit in compensation stood at ₹ 5,891.95 crore⁷. Of the deficit of ₹ 5,891.95 crore, State Government received ₹ 5,822.48 crore (till November 2020) from GoI, leaving a net deficit of ₹ 69.47 crore for 2019-20 (December 2020).

Analysis of Arrears of Revenue

The arrears of revenue indicate delayed realization of revenue due to the Government.

The arrears of revenue as on 31 March 2020 on VAT/sales tax and taxes and duties on electricity amounted to ₹ 54,222.61 crore of which, ₹ 23,684.14 crore was outstanding for more than five years, as detailed in the Table 2.6.

Table 2.6: Arrears of revenue

(₹ in crore)

Sr. No.	Head of Revenue	Total outstanding amount as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020	Remarks
1.	VAT/ Sales tax	54,062.00	23,551.41	Recovery certificates issued: ₹ 151.40 crore; recoveries stayed by High Court, other judicial authorities and Government: ₹ 17,619.40 crore; insolvency of dealers: ₹ 3,106.78 crore; other stages: ₹ 33,184.42 crore
2.	Taxes and duties on electricity	160.61	132.73	Recovery certificates issued: ₹ 45.47 crore; and stayed by Court: ₹ 87.26 crore; details for balance ₹ 27.88 crore was not provided by the Energy and Petrochemical Department.
	Total	54,222.61	23,684.14	

(Sources: Information furnished by the Departments)

Arrears of revenue in respect of stamp duty and registration fees; taxes on vehicles and taxes on goods and passengers; and oil and natural gas receipts (Director of Petroleum) have not been provided by concerned Departments despite being requested by Audit in May/September 2020.

Analysis of Arrears of Assessments

The arrears of assessment indicate the potential revenue which is blocked due to delayed assessment.

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending

⁷ ₹ 14,870.47 crore – (₹ 10,646.52 crore – ₹ 1,668 crore)

for finalisation at the end of the year, as furnished by the State Tax and Commercial Tax Department in respect of VAT/ sales tax and profession tax were as shown in **Table 2.7**.

Table 2.7: Arrears of assessments

(in numbers)

Head of Revenue	Opening balance	New cases due for assessment during 2019-20	Total assessments due	Cases disposed of during 2019-20	Balance at the end of the year as on 31 March 2020	Percentage of disposal (col.5 to 4)
VAT/Sales tax	3,62,848	7,043	3,69,891	6,183	3,63,708	1.67
Profession tax	27,515	5,782	33,297	327	32,970	0.98
Total	3,90,363	12,825	4,03,188	6,510	3,96,678	1.61

(Sources: Information furnished by the Departments)

It can be seen from the above table that disposal of the assessments during 2019-20 was 1.61 *per cent* while it 23.78 *per cent* in 2018-19⁸. The Department needs to make more efforts to dispose of the cases expeditiously.

Evasion of tax detected by the Departments

The cases of evasion of tax detected by the Departments, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government,

The cases of evasion of tax detected by two Departments (Finance and Revenue), cases finalised and demands for additional tax raised, as reported by these Departments, are given in **Table 2.8**:

Table 2.8: Cases of tax evasion

(₹ in crore)

Sr. no.	Head of Revenue	Cases pending as on 01 April 2019	Cases detected during 2019-20	Total	Number of cases in which assessment/ investigation was completed and additional demand with penalty etc. was raised		Number of cases pending for finalisation as on 31 March 2020
					Number of cases	Amount of demand	
1	VAT/ Sales tax	306	218	524	170	1,289.69	354
2	Stamp duty and registration fees	1,255	-	1,255	79	19.43	1,176*
	Total	1,561	218	1,779	249	1,309.12	1,530

(Sources: Information furnished by the Departments)

*Information pertains to Inspector General of Registration only and information from Superintendent of Stamp was awaited.

As could be seen, 86 *per cent* cases were pending for finalisation at the end of March 2020.

⁸ Report No. 3 of the year 2020, Government of Gujarat

Other Departments viz., Ports and Transport, Revenue (in respect of land revenue), Industries and Mines, Energy and Petrochemicals etc. did not furnish the details regarding evasion of tax/ revenue despite being requested by Audit in May/September 2020.

Pendency of Refund Cases

Promptness in disposal of refund cases is an important indicator of performance of the Departments.

The number of refund cases pending at the beginning of the year, claims received during the year, refunds allowed during the year and the cases pending at the close of the year, as reported by the Departments are given in **Table 2.9:**

Table 2.9: Refund cases

(₹ in crore)

Sr. No.	Particulars	GST		VAT/Sales tax		Stamp duty and registration fees**	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding as on 01 April 2019	1,093	162.95	6,906	1,238.94	-	-
2.	Claims received during the year	29,033	5,523.66	15,817	1,006.46	104	1.00
3.	Refunds made during the year	22,883	4,380.75	21,965	1,804.61	104	1.00
4.	Refunds rejected during the year	2,524	536.36	0	0	-	-
5.	Balance outstanding as on 31 March 2020	4,719	769.50	758	440.79	-	-

(Sources: Information furnished by the Departments)

**Information pertains to Inspector General of Registration only and information from Superintendent of Stamps was awaited.

The Revenue Department (in respect of land revenue), Transport Department and Industries and Mines Department did not furnish the details of pendency of refund cases at the end of March 2020 despite being requested in May/September 2020.

Non-Tax Revenue

Non-tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts etc.

The major sources of non-tax revenue and their trend analysis for the last five years (2015-20) are indicated in **Table 2.10.**

Table 2.10: Main components of State's non-tax revenue during 2015-20

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	
					Budget Estimates	Actuals
Interest receipts	843.00	2,580.10	1,081.44	1,611.71	1,296.00	2,331.15
Non-ferrous mining and metallurgical industries	3,350.19	3,746.50	8,988.62	4,863.00	5,880.00	4,147.91
Major and medium irrigation projects	1,028.42	1,086.10	1,211.52	1,326.95	1,433.74	1,365.02
Ports and light houses	922.24	933.49	967.59	1,153.35	1,498.28	1,361.26
Medical and public health	171.51	981.98	173.81	271.59	248.89	1,473.06
Police	219.82	248.88	318.01	312.19	385.19	467.53
Dividends & profits	96.06	110.10	96.29	120.03	132.23	89.00
Others	3,562.27	3,658.51	2,236.69	3,758.17	3,105.40	6,869.22
Non-tax revenue	10,193.51	13,345.66	15,073.97	13,416.99	13,979.73	18,104.15
Non-tax revenue as a percentage of GSDP	0.99	1.14	1.14	0.89	0.82	1.09
Non-tax revenue as a percentage of RR	10.46	12.15	12.23	9.87	9.03	12.67

Source: Finance Accounts of the State Government for the respective years and Budget Publication No.1 of the Government of Gujarat for the 2019-20.

The non-tax revenue, which ranged between 9.87 *per cent* and 12.67 *per cent* of revenue receipts of the State during the last five years, increased significantly by ₹ 4,687.16 crore (34.93 *per cent*) during 2019-20 over the previous year. The increase in non-tax revenue in 2019-20 over previous year was mainly due to more receipt in Medical and Public Health by ₹ 1,201.47 crore; Education, Sports, Art and Culture by ₹ 969.50 crore; Urban Development by ₹ 800.28 crore and interest receipts by ₹ 719.44 crore. The interest receipts were real accruals and not book adjustments.

The Water Resources Department is entrusted with the management of water resources. Receipts from supply of water for irrigation and non-irrigation (commercial/domestic use) purposes is the most important source of revenue for the Department. Section 30 of the Gujarat Irrigation and Drainage Act, 2013 lays down that State Government may determine the rates leviable for supply of canal water for irrigation and non-irrigation purposes. The rates of water charges so fixed are revised from time to time.

At the end of March 2020, water charges to the extent of ₹ 9,907.56 crore were outstanding, as shown in the **Table 2.11**.

Table 2.11: Details of outstanding water charges at the end of March 2020

(₹ in crore)

Financial Year	Outstanding water charges (cumulative)		
	Irrigation	Non-irrigation	Total
2017-18	333.42	7,835.15	8,168.57
2018-19	349.88	8,725.43	9,075.31
2019-20	354.85	9,552.71	9,907.56

Source: Information provided by the Department

It may be seen that outstanding water charges under irrigation as well as non-irrigation purposes had been increasing steadily over the last three years. The Department needs to take necessary steps to recover the dues.

2.3.2.3 Transfers from Centre

The two main components of transfers from the GoI are Central tax transfers (*i.e.*, State's share in Union taxes and duties) and Grants-in-aid. A trend analysis of transfers from the Centre during the last 10 years (2010-20) is shown in **Table 2.12**.

Table 2.12: Transfers from Centre

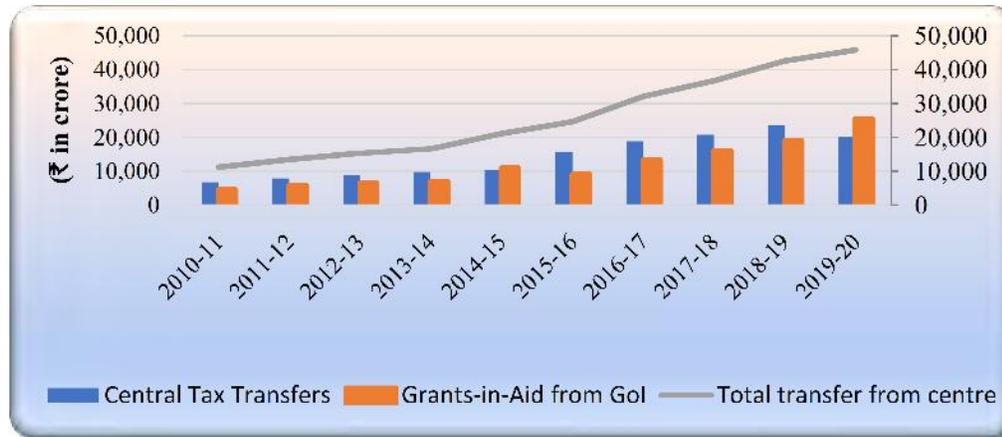
(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Central Tax Transfers	6,679.44	7,780.31	8,869.04	9,701.93	10,296.35	15,690.43	18,835.39	20,782.29	23,489.33	20,232.09
Grants-in-Aid	4,430.55	5,649.86	6,445.80	6,883.13	10,799.01	8,949.22	13,218.05	15,885.60	18,992.48	25,500.02
Total	11,109.99	13,430.17	15,314.84	16,585.06	21,095.36	24,639.65	32,053.44	36,667.89	42,481.81	45,732.11
Percentage increase over previous year	17.19	20.88	14.03	8.29	27.19	16.80	30.09	14.40	15.86	7.65
Total transfers from Centre as percentage of revenue receipts	21.22	21.33	20.36	20.74	22.94	25.28	29.18	29.74	31.24	32.02

Source: Finance Accounts of the State Government of respective years.

The transfers from Centre increased by 312 *per cent* from ₹ 11,109.99 crore in 2010-11 to ₹ 45,732.11 crore in 2019-20. The percentage increase over the previous year ranged between 7.65 *per cent* (2019-20) and 30.09 *per cent* (2016-17) during the ten-year period.

Chart 2.8: Trends in transfers from Centre



Central tax transfers

The Fourteenth Finance Commission (14thFC) recommended that the States' share of Central taxes is to be increased to 42 *per cent* from 32 *per cent* recommended by the Thirteenth Finance Commission (13thFC). Gujarat's share in the net proceeds of Central tax and Service tax was fixed at 3.084 *per cent* and 3.172 *per cent* respectively by the 14thFC for the award period 2015-20. Actual devolution *vis-à-vis* Finance Commissions' projections is shown in **Table 2.13**.

Table 2.13: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)				
Year	Finance Commission projections	Projections in Finance Commission Report	Actual tax devolution	Difference
2010-11	Other than Service tax- 3.041 <i>per cent</i> & Service tax- 3.089 <i>per cent</i> (13 th FC)	9,541	6,679	2,862
2011-12		11,190	7,780	3,410
2012-13		13,199	8,869	4,330
2013-14		15,569	9,702	5,867
2014-15		18,365	10,296	8,069
2015-16	Other than Service tax- 3.084 <i>per cent</i> & Service tax- 3.172 <i>per cent</i> (14 th FC)	20,397	15,691	4,706
2016-17		23,463	18,835	4,628
2017-18		27,026	20,782	6,244
2018-19		31,166	23,489	7,677
2019-20		35,982	20,232	15,750

Source: Finance Commission Reports and Finance Accounts of the State Government of respective years.

The main components of Central tax transfers during 2015-20 are shown in **Table 2.14**.

Table 2.14: Components of Central tax transfers

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	Percentage change over previous year
Direct Taxes						
Corporation Tax	4,928.55	6,027.35	6,361.23	8,167.69	6,898.37	(-)15.55
Taxes on income other than Corporation Tax	3,423.89	4,189.02	5,371.41	6,015.16	5,405.35	(-)10.14
Taxes on Wealth	1.19	13.80	0	2.99	0.30	(-)89.97
Sub-total	8,353.63	10,230.17	11,732.64	14,185.84	12,304.02	(-)13.27
Indirect Taxes						
Central Goods and Services Tax	GST was implemented with effect from 01 July 2017		291.72	5,796.85	5,741.16	(-)0.96
Integrated Goods and Services Tax			2,097.04 ⁹	462.60	0	(-)100.00
Customs	2,505.81	2,592.73	2,096.40	1,664.83	1,282.45	(-)22.97
Union Excise	2,087.30	2,960.67	2,191.29	1,106.37	891.64	(-)19.41
Service Tax	2,732.28	3,051.76	2,373.20	218.18	0	(-)100.00
Others	11.41	0.06	0	54.66	12.82	(-)76.55
Sub-total	7,336.80	8,605.22	9,049.65	9,303.49	7,928.07	(-)14.78
Total	15,690.43	18,835.39	20,782.29	23,489.33	20,232.09	(-)13.87
Percentage increase over the previous year	52.39	20.04	10.34	13.03	(-)13.87	
Central tax transfers as percentage of revenue receipts	16.10	17.15	16.86	17.27	14.16	

Source: Finance Accounts of the State Government of respective years.

The Central tax transfers at ₹ 20,232.09 crore in 2019-20 decreased by 13.87 *per cent* over the previous year. Both the components of Central tax transfers *i.e.*, direct taxes and indirect taxes also decreased by 13.27 *per cent* and 14.78 *per cent* respectively over the previous year. They also dipped in 2019-20 for the first time during the period 2015-20. No IGST share was released to the State during the year.

Grants-in-Aid from GoI

The components of grants-in-aid received from GoI during 2015-20 are shown in **Table 2.15**.

⁹ This includes advance apportionment of unsettled IGST on ad hoc basis (₹ 1,062 crore).

Table 2.15: Grants-in-aid from GoI

Particulars ¹⁰	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	2,179.28	3,192.93	0.00	0.00	0.00
Grants for State/Union Territory Plan Schemes	6,064.11	8,505.95	0.00	0.00	0.00
Grants for Central Plan Schemes	104.28	53.41	0.00	0.00	0.00
Grants for Centrally Sponsored plan schemes	601.55	1,465.76	0.00	0.00	0.00
Centrally Sponsored Schemes	0.00	0.00	8,942.08	8,784.58	8,724.64
Finance Commission grants	0.00	0.00	3,166.85	3,313.36	5,040.24
Other grants (including GST compensation)	0.00	0.00	3,776.67	6,894.54	11,735.14
Total	8,949.22	13,218.05	15,885.60	18,992.48	25,500.02
Percentage increase over previous year	(-17.13)	47.70	20.18	19.56	34.26
Total grants-in-aid as percentage of revenue receipts	9.18	12.03	12.88	13.96	17.85

Source: Finance Accounts of the State Government of respective years.

The grants-in-aid from GoI increased from ₹ 8,949.22 crore in 2015-16 to ₹ 25,500.02 crore in 2019-20. The nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by grants for Centrally Sponsored Schemes, Finance Commission grants and Other grants to States.

The grants-in-aid from GoI in 2019-20 increased by ₹ 6,507.54 crore (34.26 per cent) over the previous year. The increase was mainly due to increase in GST compensation by ₹ 4,497.52 crore, grants for urban local bodies by ₹ 684.06 crore, grants for rural local bodies by ₹ 605.97 crore and grants for state disaster response fund by ₹ 436.85 crore.

Table 2.16 below shows the monthly grants-in-aid received and monthly closing balance of cash balance investment accounts.

Table 2.16: Monthly grants-in-aid received and closing balance of cash balance investment account

Month	(₹ in crore)	
	Grant-in-aid received	Closing balance of cash balance investment account
April 2019	706.96	10,105.80
May 2019	2,222.84	8,462.85
June 2019	1,889.86	7,078.25
July 2019	1,912.38	9,135.53
August 2019	2,578.31	9,736.93
September 2019	4,083.22	10,527.33
October 2019	349.74	5,295.53

¹⁰ The Controller General of Accounts revised the classification of grants-in-aid with effect from financial year 2017-18.

Month	Grant-in-aid received	Closing balance of cash balance investment account
November 2019	3,509.89	9,348.80
December 2019	3,324.81	7,778.42
January 2020	1,038.13	9,851.49
February 2020	3,064.63	12,375.35
March 2020	819.25	10,347.99

Source: Monthly Civil Accounts of the State Government for the respective months.

Grants awarded by the Fourteenth Finance Commission

The 14thFC recommended transfers of funds to the States in respect of three types of grants-in-aid viz., local Government, disaster management and post-devolution revenue deficit.

During 2019-20, Government of Gujarat received two types of grants from GoI i.e., grants for local Government and disaster management totalling ₹ 4,511 crore, against ₹ 5,220 crore of the awarded amount. Further, for the period 2015-20, it received ₹ 16,703 crore for these two grants, against ₹ 17,963 crore of the awarded amount. Being a revenue surplus State, the State Government was not eligible for post-devolution revenue deficit grants.

The details of amounts awarded and received during 2019-20 and 14thFC period (2015-20) are shown in **Table 2.17**.

Table 2.17: Details of amounts awarded and received

Transfers	Recommendation of 14 th FC			Actual release by GoI			Release by State Government to implementing agencies		
	2015-16 to 2018-19	2019-20	Total (2015-20)	2015-16 to 2018-19	2019-20	Total (2015-20)	2015-16 to 2018-19	2019-20	Total (2015-20)
Grants to PRIs	6,018	2,616	8,635	5,801	2,331	8,132	5,801	2,331	8,132
(a) General Basic Grant	5,440	2,331	7,771	5,440	2,331	7,771	5,440	2,331	7,771
(b) General Performance Grants	579	285	863	361	0	361	361	0	361
Grants to ULBs	4,447	1,961	6,407	4,113	1,538	5,651	4,113	1,538	5,651
(a) General Basic Grant	3,588	1,538	5,126	3,577	1,538	5,115	3,577	1,538	5,115
(b) General Performance Grants	859	423	1,281	536	0	536	536	0	536
Total for Local Bodies	10,465	4,577	15,042	9,914	3,869	13,783	9,914	3,869	13,783
State Disaster Response Fund	2,278	643	2,921	2,279	642	2,921	2,279	642	2,921
Grand Total	12,743	5,220	17,963	12,193	4,511	16,703	12,193	4,511	16,703

Source: Finance Department of Government of Gujarat

It may be seen from the table above that while the Local Bodies received major portion of the general basic grants recommended by the 14thFC during

2015-20, they lost a substantial portion (₹ 1,247 crore) of general performance grants during the same period, due to non-fulfillment of conditions prescribed by the Ministry of Housing and Urban Affairs, GoI regarding service delivery benchmarks, increase in own revenue sources and completed audited annual accounts.

The concerned Departments¹¹ need to comply with the conditions attached with these grants and make sure that there is no loss of revenue/grants on this account.

2.3.3 Capital Receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. The net public debt receipts after discharging public debt plus other capital receipts is the net capital receipts.

The following table shows the trends in growth and composition of net capital receipts.

Table 2.18: Trends in growth and composition of net capital receipts

(₹ in crore)					
Sources of State's capital receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital receipts	23,611	28,074	27,299	43,362	43,927
Public debt receipts	23,486	27,668	26,953	43,146	43,491
Public debt repayment	6,194	9,073	13,700	15,432	16,702
Net Public Debt Receipts	17,292	18,595	13,253	27,714	26,789
Miscellaneous capital receipts	0	240	0	65	106
Recovery of loans and advances	125	166	346	151	330
Non-debt capital receipts	125	406	346	216	436
Net capital receipts	17,417	19,001	13,599	27,930	27,225
Net internal debt	17,700	19,091	13,872	26,231	26,786
Growth rate (<i>per cent</i>)	23.93	7.86	(-)27.34	89.09	2.12
Net loans and advances from GoI	(-)407	(-)496	(-)619	1,483	3
Growth rate (<i>per cent</i>)	20.77	21.87	24.80	(-) 339.58	(-)99.80
Rate of growth of debt capital receipts (<i>per cent</i>)	24.00	7.54	(-)28.73	109.11	(-)3.34
Rate of growth of non-debt capital receipts (<i>per cent</i>)	(-)56.45	224.80	(-)14.78	(-)37.57	101.85
Rate of growth of GSDP (<i>per cent</i>)	11.63	13.43	13.79	13.09	10.75
Rate of growth of capital receipts (<i>per cent</i>)	22.38	9.09	(-)28.43	105.38	(-)2.53

Source: Finance Accounts of the State Government for the respective years

¹¹ Urban Development and Urban Housing Department and, Panchayats, Rural Housing and Rural Development Department

Capital receipts increased by 86 *per cent* from ₹ 23,611 crore in 2015-16 to ₹ 43,927 crore in 2019-20. However, it increased marginally by 1.3 *per cent* in 2019-20 over 2018-19. During 2019-20, 61 *per cent* of capital receipts came from net internal debt. Net capital receipts increased by 56.31 *per cent* from ₹ 17,417 crore in 2015-16 to ₹ 27,225 crore in 2019-20, mostly due to increase in net public debt receipts.

Public debt receipts create future repayment obligations. During the last five years (2015-20), 37 *per cent* of public debt receipts were used for repayment of public debts raised in earlier years while the remaining 63 *per cent* was used for creation of assets.

2.3.4 State's performance in mobilization of resources

State's performance in mobilization of resources is assessed in terms of its own resources comprising own-tax and non-tax revenue.

Table 2.19: Tax and non-tax receipts *vis-à-vis* projections

(₹ in crore)

	14 th FC projections	Budget estimates	Actual	Percentage variation of actual over	
				Budget estimates	14 th FC projections
Own tax revenue	1,46,452.00	99,062.99	79,007.50	(-)20.25	(-) 46.05
Non-tax revenue	18,262.00	13,979.73	18,104.15	29.50	(-) 0.86

As could be seen, while the State Government fell short of achieving the targets for own tax revenue set in the budget estimates and 14thFC by 20 *per cent* and 46 *per cent* respectively, it exceeded the budget estimates target for non-tax revenue by 30 *per cent*.

2.4 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. This paragraph along with sub-paragraphs gives the analysis of allocation of expenditure in the State.

2.4.1 Growth and composition of expenditure

The total expenditure, its composition and relative share in GSDP during the last five years (2015-20) is presented in **Table 2.20**.

Table 2.20: Total expenditure and its composition

(₹ in crore)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total expenditure (TE)	1,20,623	1,26,728	1,45,004	1,62,583	1,67,861
Revenue expenditure (RE)	95,779	1,03,895	1,18,060	1,32,790	1,40,899
Capital expenditure (CE)	24,169	22,355	26,313	28,062	25,650
Loans and advances	675	478	631	1731	1312
As a percentage of GSDP					
TE/GSDP	11.72	10.86	10.92	10.82	10.09
RE/GSDP	9.31	8.90	8.89	8.84	8.47
CE/GSDP	2.35	1.92	1.98	1.87	1.54
Loans and advances/GSDP	0.07	0.04	0.05	0.12	0.08

Source: Finance Accounts of the State Government of respective years.

The above table shows that total expenditure of the State increased by 39.16 per cent from ₹ 1,20,623 crore in 2015-16 to ₹ 1,67,861 crore in 2019-20. During the year, it increased by 3.25 per cent over the previous year. As percentage of GSDP, total expenditure remained the lowest at 10.09 per cent in 2019-20 over the five-year period (2015-20).

Charts 2.9 and **2.10** present the trends in revenue expenditure and capital expenditure respectively over a period of five years (2015-20) whereas **Chart 2.11** depicts the trend in the share of the components of total expenditure.

Chart 2.9: Trend of revenue expenditure during 2015-20

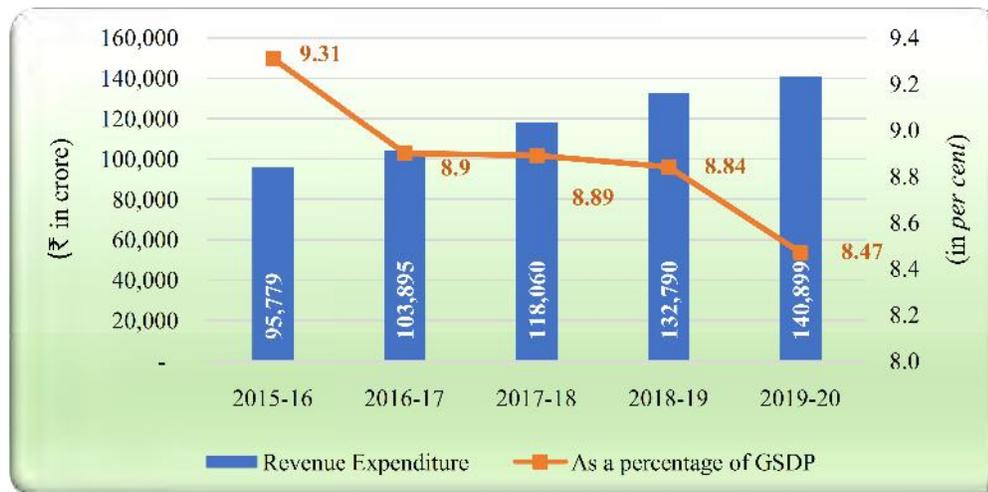
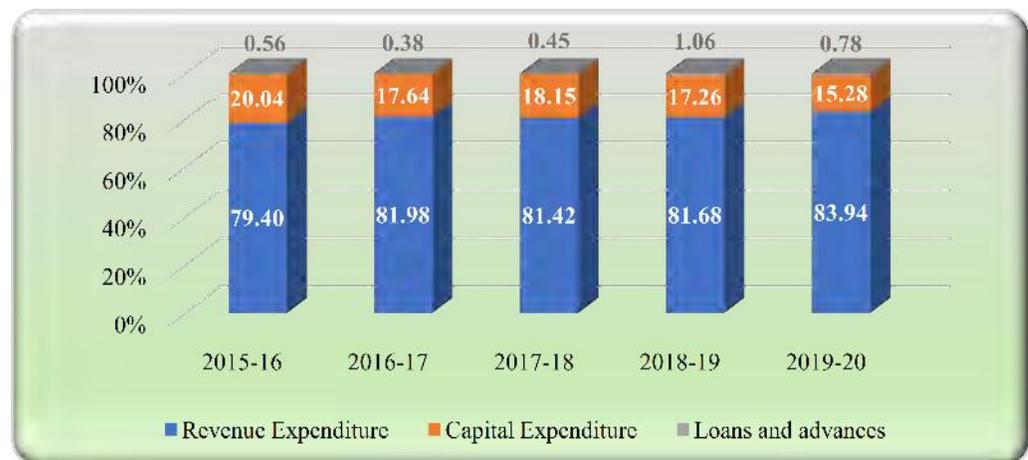


Chart 2.10: Trend of capital expenditure during 2015-20



Chart 2.11: Trend in share of components of total expenditure



As is evident from the above charts, revenue expenditure had been a major component of total expenditure during 2015-20 and stood at 83.94 *per cent* in 2019-20. However, revenue expenditure as percentage of GSDP decreased from 9.31 *per cent* in 2015-16 to 8.47 *per cent* in 2019-20.

Trends in total expenditure in terms of activities namely, general services, social services, economic services, grants-in-aid and loans and advances during 2015-20 are as shown in **Table 2.21**.

Table 2.21: Trends in total expenditure in terms of activities

Activities	(Share in <i>per cent</i>)				
	2015-16	2016-17	2017-18	2018-19	2019-20
General services	27.93	28.74	29.15	29.79	29.71
Social services	40.24	40.35	38.51	37.51	38.94
Economic services	30.81	30.20	31.57	31.41	30.32
Loans and advances	0.56	0.38	0.44	1.06	0.78
Grants-in-aid and contributions to local bodies & PRIs	0.46	0.33	0.33	0.23	0.25

Source: Finance Accounts of the State Government of respective years.

Chart 2.12 presents the trend of total expenditure in terms of activities during last five years (2015-20) and **Chart 2.13** presents the total expenditure in terms of activities during the current year (2019-20).

Chart 2.12: Trend of total expenditure in terms of activities during 2015-20

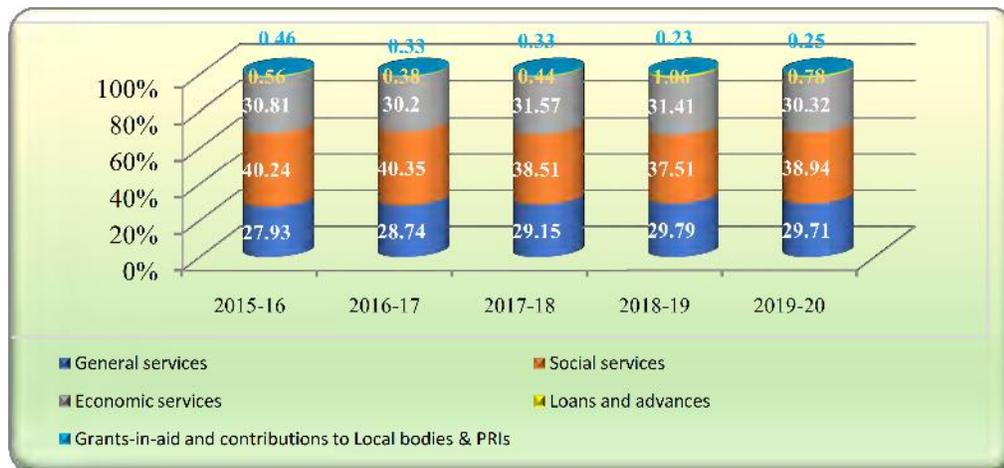
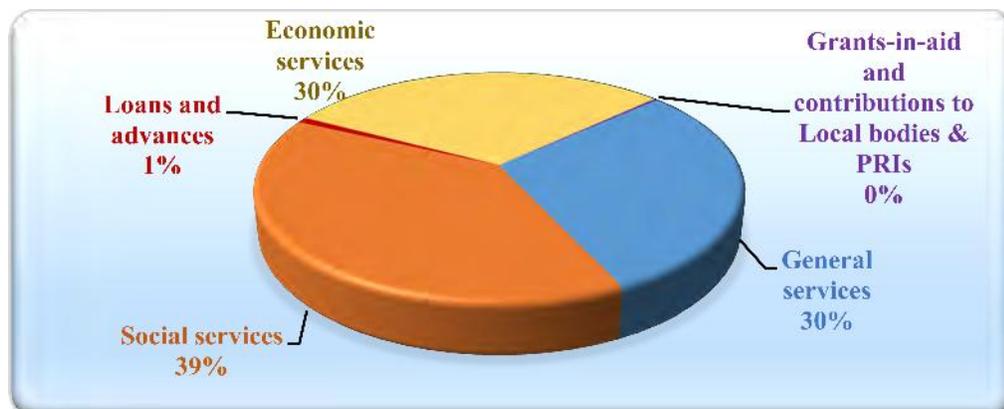


Chart 2.13: Total expenditure in terms of activities during 2019-20



The movement of the relative share of general, social and economic services exhibited stability during 2015-20, with marginal inter-year variations. As compared to 2015-16, the share of social services decreased by 1.3 per cent and the share of general services increased by 1.78 per cent during 2019-20.

2.4.2 Revenue Expenditure

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

The overall revenue expenditure, its rate of growth, its ratio to total expenditure and buoyancy vis-à-vis GSDP and revenue receipts during 2015-20 are as indicated in **Table 2.22**.

Table 2.22: Trends of revenue expenditure

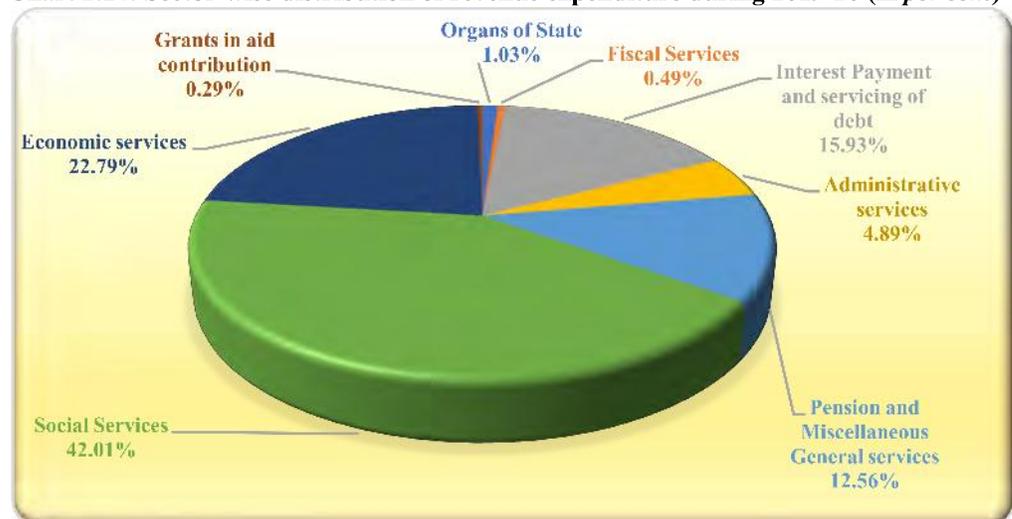
	2015-16	2016-17	2017-18	2018-19	2019-20
Total expenditure (TE) (₹ in crore)	1,20,623	1,26,728	1,45,004	1,62,583	1,67,861
Revenue expenditure (RE) (₹ in crore)	95,779	1,03,895	1,18,060	1,32,790	1,40,899
Growth of RE over previous year (<i>per cent</i>)	10.53	8.47	13.63	12.48	6.11
RE/TE (<i>per cent</i>)	79.40	81.98	81.42	81.68	83.94
RE/GSDP (<i>per cent</i>)	9.31	8.90	8.89	8.84	8.47
RE/RR (<i>per cent</i>)	98.25	94.59	95.76	97.64	98.64
Buoyancy of revenue expenditure with					
GSDP	0.91	0.63	0.99	0.95	0.57
Revenue receipts	1.76	0.67	1.11	1.21	1.21

Source: Finance Accounts of State Government of respective years.

Revenue expenditure increased continuously from ₹ 95,779 crore in 2015-16 to ₹ 1,40,899 crore in 2019-20 and grew by ₹ 8,109 crore (6.11 *per cent*) during 2019-20 over the previous year. The increase in revenue expenditure in 2019-20 over the previous year was mainly due to more expenditure on urban development by ₹ 2,284 crore, interest payments by ₹ 2,262 crore, industries by ₹ 825 crore and relief on account of natural calamities by ₹ 808 crore.

The rate of growth of revenue expenditure fluctuated widely with a low of 6.11 *per cent* in 2019-20 to a high of 13.63 *per cent* in 2017-18. Revenue expenditure as percentage of GSDP continuously decreased over the period 2015-20 and stood lowest at 8.47 *per cent* during 2019-20. Revenue expenditure as percentage of revenue receipts was 98.64 *per cent* during 2019-20.

The sector-wise distribution of revenue expenditure during 2019-20 is shown in **Chart 2.14**.

Chart 2.14: Sector-wise distribution of revenue expenditure during 2019-20 (in per cent)

2.4.2.1 Major changes in revenue expenditure

Table 2.23 details the significant variations under various Heads of Account with regard to revenue expenditure of the State during the current year and the previous year.

Table 2.23: Variations in revenue expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Account	2018-19	2019-20	Variation (percentage)
2217- Urban Development	9,403.81	11,687.84	2,284.03 (24)
2049- Interest Payment	20,183.36	22,448.66	2,265.30 (11)
2852- Industries	2,526.35	3,351.09	824.74 (33)
2245- Relief on account of Natural Calamities	743.06	1,550.89	807.83 (109)
2801- Power	7,365.62	8,134.79	769.18 (10)
2235-Social Security and Welfare	1,136.57	1,897.49	760.92 (67)
2211-Family Welfare	1,806.59	2,518.60	712.01 (39)
2236-Nutrition	2,466.99	3,078.59	611.59 (25)
2202- General Education	22,733.83	23,330.82	596.99 (3)
2210- Medical and Public Health	6,120.42	6,697.38	576.96 (9)
2802-Petroleum	0.00	564.69	564.69
2071- Pensions and Other Retirement Benefits	18,295.44	17,662.59	(-)632.85 (3)
2401- Crop Husbandry	4,811.25	2,858.01	(-)1,953.24 (41)

Source: Finance Accounts of the State Government of respective years.

The table above indicates that revenue expenditure under Pensions and Other Retirement Benefits declined during the year, primarily due to the decrease in expenditure on superannuation and retirement allowances and commuted value of pensions. Crop Husbandry also recorded a decrease during 2019-20 compared to the previous year due to decline in expenditure relating to crop insurance.

2.4.2.2 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Higher committed expenditure leaves the Government with lesser flexibility for development sector.

Table 2.24 presents the trend of committed expenditure and its components during 2015-20.

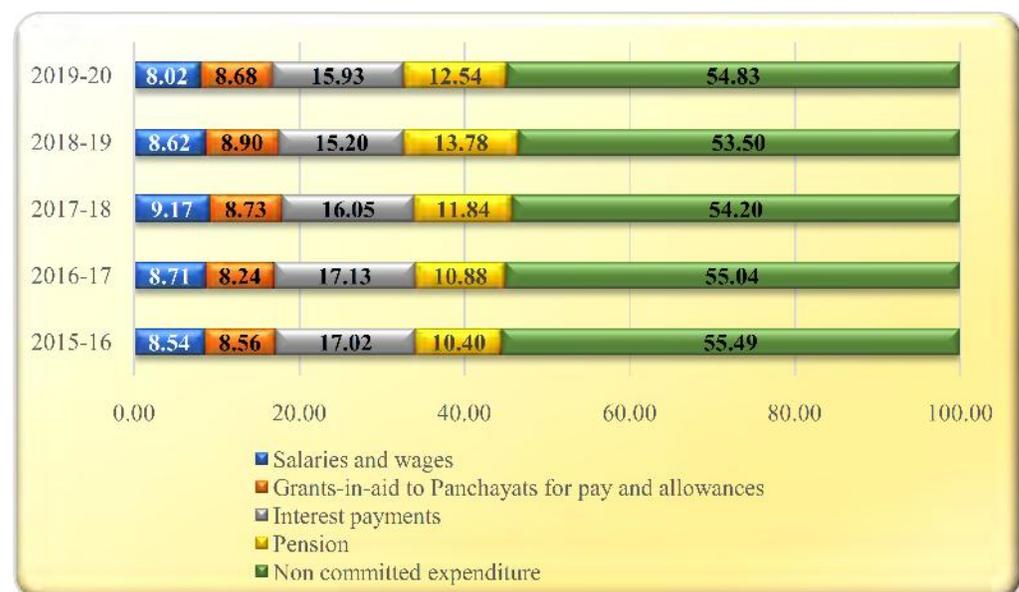
Table 2.24: Trend of committed expenditure and its components

(₹ in crore)

Components of committed expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries and wages	8,178	9,050	10,832	11,448	11,301
Grants-in-aid to Panchayats for pay and allowances	8,195	8,559	10,302	11,821	12,235
Interest payments	16,300	17,797	18,954	20,183	22,449
Pension	9,963	11,303	13,979	18,295	17,663
Total committed expenditure	42,636	46,709	54,067	61,747	63,648
As a percentage of Revenue Receipts (RR)					
Revenue Receipts	97,483	1,09,842	1,23,291	1,36,002	1,42,844
Salaries and wages	8.39	8.24	8.79	8.42	7.91
Grants-in-aid to Panchayats for pay and allowances	8.41	7.79	8.36	8.69	8.57
Interest payments	16.72	16.21	15.37	14.84	15.72
Pension	10.22	10.29	11.34	13.45	12.37
Total	43.74	42.52	43.85	45.40	44.56
As a percentage of Revenue Expenditure (RE)					
Revenue Expenditure	95,779	1,03,895	1,18,060	1,32,790	1,40,899
Salaries and wages	8.54	8.71	9.17	8.62	8.02
Grants-in-aid to Panchayats for pay and allowances	8.56	8.24	8.73	8.90	8.68
Interest payments	17.02	17.13	16.05	15.20	15.93
Pension	10.40	10.88	11.84	13.78	12.54
Total	44.52	44.96	45.80	46.50	45.17

Source: Finance Accounts of the State Government of respective years.

Chart 2.15: Share of committed expenditure in total revenue expenditure (in per cent)



As percentage of revenue expenditure, committed expenditure remained around 45 *per cent* during 2015-20. After an initial increase from 44.52 *per cent* in 2015-16 to 46.50 *per cent* in 2018-19, it marginally decreased to 45.17 *per cent* in 2019-20. As percentage of revenue receipts, committed expenditure increased from 43.74 *per cent* in 2015-16 to 44.56 *per cent* in 2019-20. The share of non-committed revenue expenditure in total revenue expenditure increased marginally by 1.33 *per cent* in 2019-20 over 2018-19.

The components of committed expenditure are discussed in the succeeding paragraphs.

Salaries and wages

Expenditure on salaries and wages increased by ₹ 3,123 crore (38 *per cent*) from ₹ 8,178 crore in 2015-16 to ₹ 11,301 crore in 2019-20. It accounted for 7.91 *per cent* of revenue receipts and 8.02 *per cent* of revenue expenditure during 2019-20. Against the projection of ₹ 12,374 crore made in MTFPS for 2019-20, expenditure on Salaries and wages during 2019-20 was ₹ 11,301 crore.

Grants-in-aid to Panchayats for pay and allowances

Grants-in-aid to Panchayats for pay and allowances increased by ₹ 4,040 crore (49 *per cent*) from ₹ 8,195 crore in 2015-16 to ₹ 12,235 crore in 2019-20. It accounted for 8.68 *per cent* of revenue expenditure during 2019-20. As percentage of the revenue receipts, it increased slightly from 8.41 *per cent* in 2015-16 to 8.57 *per cent* in 2019-20.

Interest payments

Interest payments increased from ₹ 16,300 crore in 2015-16 to ₹ 22,449 crore in 2019-20. Interest payments increased by 11.23 *per cent* in 2019-20 over the previous year due to increased interest liability of ₹ 2,498 crore on market loans. During 2019-20, interest payments on market loans stood at 67.96 *per cent* of the total interest payments while interest payments on special securities issued to National Small Savings Fund accounted for 16.92 *per cent* of the total interest payments. As a percentage of the revenue receipts, expenditure on interest payments increased from 14.84 *per cent* in 2018-19 to 15.72 *per cent* in 2019-20. Also, the share of interest payment in revenue expenditure increased from 15.20 *per cent* in 2018-19 to 15.93 *per cent* in 2019-20.

Pension payments

There were 4.52 lakh pensioners¹² in Gujarat State (July 2019). Expenditure on pension continuously increased during 2015-19 but decreased by 3.45 *per cent* from ₹ 18,295 crore in 2018-19 to ₹ 17,663 crore in 2019-20, mainly on account of less payment of superannuation and retirement benefits

¹² As per Fiscal Policy Strategy Statement under Gujarat Fiscal Responsibility Act, 2005 for 2019-20 (July 2019), there were 4.52 lakh pensioners in the State. These are pensioners of Gujarat Government and aided institutions and do not include Social Security Pension.

and commuted value of pension. Expenditure on pension in 2019-20 accounted for 12.37 *per cent* of the total revenue receipts of the State.

In its disclosures made under Gujarat Fiscal Responsibility Act, 2005, the State Government estimated (July 2019) the pension payments as percentage of revenue receipts at 10.66 *per cent*. However, it stood higher at 12.37 *per cent* in 2019-20.

Undischarged liabilities under National Pension System

The State Government introduced the ‘Defined Contribution Pension Scheme (National Pension System)’ with effect from 01 April 2005. As per the guidelines of the Scheme, the employee contributes 10 *per cent* of his basic pay and dearness allowance every month which is matched by the State Government and the entire amount is transferred to the designated fund manager through National Securities Depository Limited (NSDL)/Trustee Bank. The State Government signed (January 2009) agreements with the NPS trust for fund management of the Scheme and adopted (May 2009) the Central framework for implementation of the Scheme.

The employees’ contribution and the State share is credited to the Public Account¹³ and then transferred to the NSDL. During the year 2019-20, the State Government collected ₹ 820.54 crore from the employees as contribution towards NPS and also contributed ₹ 814.53 crore as its share towards the Scheme. Further, against the total collected funds of ₹ 1,650.81 crore (including previous years’ balance of ₹ 15.74 crore), the State Government transferred ₹ 1,630.18 crore to NSDL, leaving a balance of ₹ 20.63 crore. The entire balance of ₹ 20.63 crore for the period 2019-20 was transferred to NSDL on 24 April 2020. During 2019-20, the Government also paid an interest of ₹ 1.60 crore to the fund manager for late/delayed transfer of funds.

2.4.2.3 Expenditure on subsidies

Expenditure on subsidies increased by 6.67 *per cent* from ₹ 17,269 crore in 2018-19 to ₹ 18,420 crore in 2019-20. The major beneficiary Departments of subsidy during 2019-20 were: Energy and Petrochemicals; Industries and Mines; Agriculture, Farmer’s Welfare and Co-operation; and Social Justice and Empowerment.

Energy and Petrochemicals Department received a subsidy of ₹ 8,574.94 crore (47 *per cent*) of which, a major portion of ₹ 4,528 crore was on account of fuel price and power purchase adjustment charges, ₹ 1,600 crore for compensation in agriculture tariff and ₹ 1,008 crore for horse power based tariff to agriculturists.

In Industries and Mines Department, of the total subsidy of ₹ 4,295.89 crore (23 *per cent*), ₹ 1,500 crore was given for development of textile industry and ₹ 1,450.36 crore as assistance to the large industries.

¹³ Major Head 8342-117 (Other Deposits- Defined Contribution Pension Scheme for Government Employees)

Of ₹ 1,877.37 crore (10 per cent) received as subsidy by Agriculture, Farmer's Welfare and Co-operation Department, ₹ 1,049.87 crore was given as financial assistance to farmers for subvention of interest.

The Gujarat State Road Transport Corporation was also given a subsidy of ₹ 321 crore to compensate for operations in uneconomic routes, student concession *setc.*

Table 2.25: Expenditure trend of subsidies

(₹ in crore)

Components of committed expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies	9,045	11,082	13,621	17,269	18,420
Total revenue receipts	97,483	1,09,842	1,23,291	1,36,002	1,42,844
Subsidies as a percentage of revenue receipts	9.28	10.09	11.05	12.70	12.90
Total revenue expenditure	95,779	1,03,895	1,18,060	1,32,790	1,40,899
Subsidies as a percentage of revenue expenditure	9.44	10.67	11.54	13.00	13.07

Source: Finance Accounts of the State Government of respective years.

2.4.2.4 Financial assistance by the State Government to local bodies and other institutions

Financial assistance is provided by the State Government to local bodies and other institution by way of grants-in-aid to meet expenses on pay and allowances, other miscellaneous expenses and creation of capital assets.

Table 2.26: Trend of financial assistance to local bodies

(₹ in crore)

Financial assistance to institutions	2015-16	2016-17	2017-18	2018-19	2019-20
Panchayatiraj institutions	22,085	16,124	19,686	19,645	22,034
Urban local bodies	8,480	7,336	7,791	8,747	9,345
Public sector undertakings	55	77	74	79	84
Autonomous bodies	3,091	4,720	5,308	6,388	6,259
Non-Governmental organisations	2,625	990	1,091	1,096	1,197
Others	7,712	18,808	20,857	23,656	25,343
Total	44,048	48,055	54,807	59,611	64,262
Revenue expenditure	95,779	1,03,895	1,18,060	1,32,790	1,40,899
Assistance as percentage of revenue expenditure	45.99	46.25	46.42	44.89	45.61

Source: Finance Accounts of the State Government of respective years.

As can be seen from table above, financial assistance to local bodies and other institutions has continuously increased over the five-year period from ₹ 44,048 crore in 2015-16 to ₹ 64,262 crore in 2019-20.

Further, grantee institutions under 'Others' category received substantial financial assistance from the State Government (about 39 per cent) during the

last four of the five years (2016-20). However, recording of grantee institutions *en masse* under ‘Others’ category together with absence of details of assets created with the concerned grant-releasing Departments of the State Government was a matter of concern, as it rendered such transactions opaque. In this regard, observations of Audit may kindly be referred to in paragraph 3.6.2.5 (Chapter 3) and paragraph 4.6.1 (Chapter 4).

2.4.3 Capital Expenditure

Capital expenditure is the money spent on the acquisition of assets like land, buildings, machinery, equipment, as well as investment in shares. The overall capital expenditure, its growth over previous year and its percentage to GSDP during the last five years (2015-20) are indicated in **Table 2.27**.

Table 2.27: Trend of capital expenditure during 2015-20

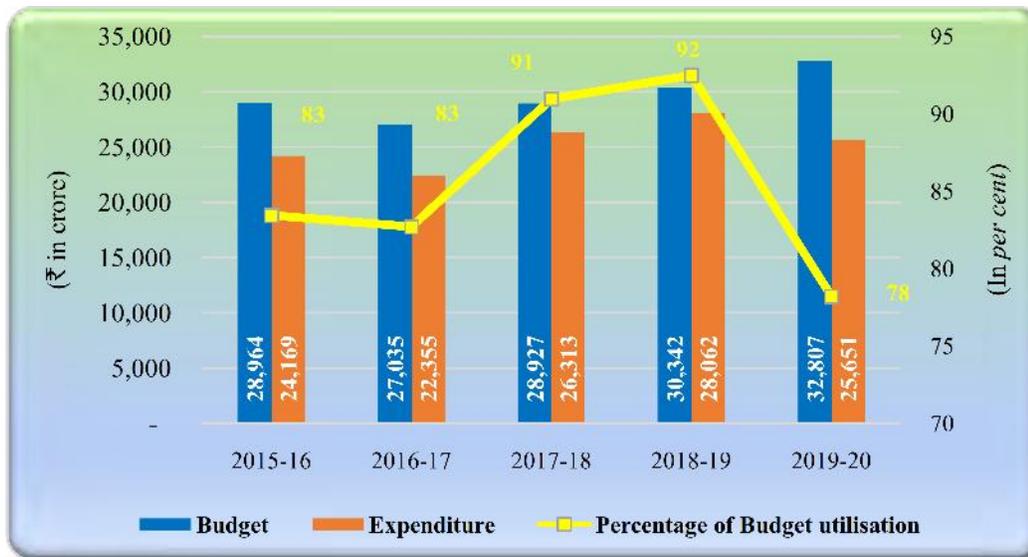
	2015-16	2016-17	2017-18	2018-19	2019-20
Total expenditure (TE) (₹ in crore)	1,20,623	1,26,728	1,45,004	1,62,583	1,67,861
Capital expenditure (CE) (₹ in crore)	24,169	22,355	26,313	28,062	25,650
Growth of CE over previous year (<i>per cent</i>)	0.05	-7.51	17.71	6.65	-8.60
CE/TE (<i>per cent</i>)	20.04	17.64	18.15	17.26	15.28
CE/GSDP (<i>per cent</i>)	2.35	1.92	1.98	1.87	1.54

Source: Finance Accounts of the State Government of respective years.

Capital expenditure increased from ₹ 24,169 crore in 2015-16 to ₹ 25,650 crore in 2019-20, except for a decrease in 2016-17 and 2019-20. Of the total capital expenditure of ₹ 25,650 crore incurred in 2019-20, ₹ 8,464.18 crore or 33 *per cent* was spent on irrigation projects (major, medium and minor) followed by ₹ 3,399.46 crore (13 *per cent*) on power projects and ₹ 3,328.67 crore (13 *per cent*) on roads and bridges.

Decrease in capital expenditure by ₹ 2,411 crore during 2019-20 over the previous year was mainly on account of decrease in expenditure on Medium Irrigation by ₹ 1,458 crore, Medical and Public Health by ₹ 992 crore, Major Irrigation by ₹ 462 crore, Education, Sports, Art and Culture by ₹ 356 crore, offset by increase in expenditure on Power projects by ₹ 526 crore, Civil Aviation by ₹ 270 crore, and Roads and Bridges by ₹ 239 crore.

The State Government could not meet the budgetary allocation for capital expenditure in any year during the five-year period (2015-20). The trend of actual capital expenditure *vis-à-vis* budgetary allocation during 2015-20 are given in **Chart 2.16**.

Chart 2.16: Trend of capital expenditure vis-à-vis budgetary allocation during 2015-20

2.4.3.1 Major changes in capital expenditure

Table 2.28 highlights significant variations under various Heads of Account with regard to capital expenditure of the State during 2018-19 and 2019-20.

Table 2.28: Capital expenditure during 2019-20 compared to 2018-19

Major Heads of Accounts	(₹ in crore)			
	2018-19	2019-20	Variation	Variation (percentage)
4701- Capital Outlay on Medium Irrigation	5061.55	3603.21	(-) 1458.34	(-) 29
4210- Capital Outlay on Medical and Public Health	2049.73	1057.38	(-) 992.35	(-) 48
4801-Capital Outlay on Power Projects	2873.57	3399.46	525.89	18
4700- Capital Outlay on Major Irrigation	3886.23	3423.94	(-) 462.29	(-) 12
4202-Capital Outlay on Education, Sports, Art and Culture	915.17	559.38	(-) 355.78	(-) 39
5053-Capital Outlay on Civil Aviation	108.58	378.44	269.86	249
4059- Capital Outlay on Public Works	564.89	302.49	(-) 262.40	(-) 46
5054- Capital Outlay on Roads and Bridges	3089.68	3328.67	238.99	8
4055- Capital Outlay on Police	198.25	370.85	172.60	87
4216- Capital Outlay on Housing	698.77	569.37	(-) 129.40	(-) 19
4702- Capital Outlay on Minor Irrigation	1326.91	1437.03	110.12	8
4875-Capital Outlay on Other Industries	104.11	212.63	108.52	104
4250-Capital Outlay on other Social Services	317.98	216.24	(-) 101.74	(-) 32

Source: Finance Accounts of the State Government of respective years.

2.4.3.2 Investment in State Public Sector Undertakings

The State Public Sector Undertakings (SPSUs) include State Government Companies and Statutory Corporations. There were 88 Government Companies and Statutory Corporations in the State as at the end of 31 March

2020. This included 62 Government Companies, 22 Government Controlled Other Companies and four Statutory Corporations.

The term Government Company is defined in Section 2(45) of the Companies Act, 2013 as a Company in which not less than fifty-one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a Company which is a subsidiary of a Government Company.

Besides, any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to as Government Controlled Other Companies.

The quantum of investment (in terms of equity and long-term loans) made in 88 Government Companies and Corporations at the end of 31 March 2020 was as indicated in **Table 2.29**.

Table 2.29: Equity and loans in Government Companies and Corporations

(₹ in crore)

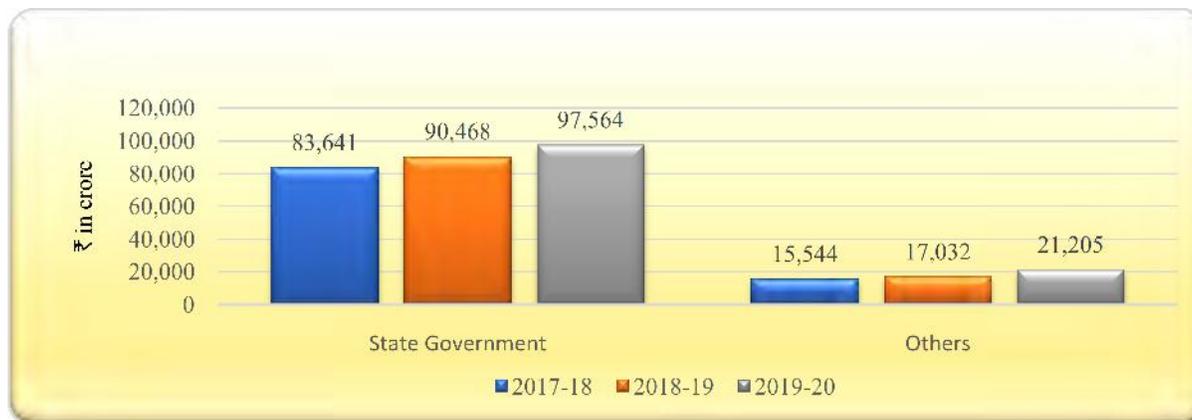
Source of Investment	As on 31 March 2019			As on 31 March 2020		
	Equity	Long-Term Loans	Total	Equity	Long-Term Loans	Total
State Government	90,467.59	7,833.76	98,301.35	97,563.66	8,170.96	1,05,734.62
Central Government	2,910.42	2,607.93	5,518.35	3,509.61	3,940.61	7,450.22
Financial Institutions and Others	14,121.19	37,118.78	51,239.97	17,695.60	31,808.25	49,503.85
Total Investment	1,07,499.20	47,560.47	1,55,059.67	1,18,768.87	43,919.82	1,62,688.69
Percentage of investment of State Government to Total Investment	84.16	16.47	63.40	82.15	18.60	64.99

Source: Compiled based on information received from SPSUs.

As could be seen, the total equity investment in 88 SPSUs registered a net increase of ₹ 11,269.67 crore in 2019-20. The net increase in equity investment was largely due to additional equity investment of ₹ 7,205.01 crore in nine SPSUs during 2019-20.

Investment in equity by State Government and others in Government Companies and Corporations during last three years (2017-20) is depicted in **Chart 2.17**.

Chart 2.17: Investment in Equity in Government Companies and Corporations



Details of significant investments (investment of more than ₹ 200 crore) made by the State Government during 2019-20 in the paid-up capital of the SPSUs is given in **Table 2.30**.

Table 2.30: Significant investments made by the State Government

(₹ in crore)		
Name of SPSUs	Name of Department	Amount
Statutory Corporations		
Gujarat State Road Transport Corporation	Ports and Transport	259.92
Government Companies		
Sardar Sarovar Narmada Nigam Limited	Narmada Water Resources, Water Supply and Kalpsar	3,345.84
Gujarat Urja Vikas Nigam Limited	Energy and Petrochemicals	3,335.93
Dholera Industrial City Development Limited	Industries and Mines	260.20

Source: Compiled based on information received from SPSUs.

Out of 88 SPSUs, there were 44 SPSUs (including two¹⁴ Statutory Corporation) which did not have any outstanding long-term loans.

The total long-term loans from all sources outstanding against 44 SPSUs as on 31 March 2020 was ₹ 43,919.82 crore. Compared to 31 March 2019, the long-term loans from all sources decreased by ₹ 3,640.65 crore as on 31 March 2020. Of the total loans of SPSUs (₹ 43,919.82 crore) as on 31 March 2020, loans from Central Government were ₹ 3,940.61 crore.

2.4.3.3 Budgetary support to State Public Sector Undertakings

The State Government provides financial support to SPSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grants/subsidies, guarantee issued and guarantee commitment outstanding in respect of active SPSUs for the last three years ending March 2020 are given in **Table 2.31**.

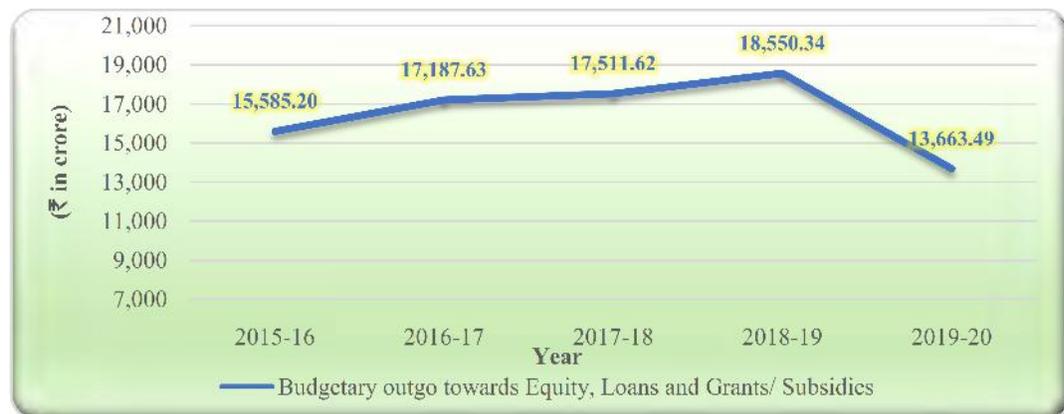
¹⁴ Gujarat State Warehousing Corporation and Gujarat Industrial Development Corporation

Table 2.31: Details of budgetary support to SPSUs during last three years

Sl. No.	Particulars	(₹ in crore)					
		2017-18		2018-19		2019-20	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	14	8,739.64	12	6,826.14	10	7,275.23
2.	Loans given from budget	10	215.82	7	1,109.70	5	889.94
3.	Grants/Subsidy from budget	27	8,556.16	27	10,614.50	27	5,498.32
4.	Total Outgo (1+2+3)	-	17,511.62	-	18,550.34	-	13,663.49
5.	Guarantees issued during the year	1	120.50	2	57.32	-	-
6.	Guarantee Commitment outstanding at the end of the year	4	201.52	4	75.03	3	69.33

Source: Compiled based on information received from SPSUs.

The budgetary outgo towards equity, loans and grants/subsidies for past five years are shown in **Chart 2.18**.

Chart 2.18: Budgetary outgo towards Equity, Loans and Grants/Subsidies

The annual budgetary assistance to SPSUs ranged between ₹ 13,663.49 crore and ₹ 18,550.34 crore during the period 2015-20. The budgetary assistance of ₹ 13,663.49 crore provided during 2019-20 included loans, grants/subsidy and equity of ₹ 889.94 crore, ₹ 5,498.32 crore and ₹ 7,275.23 crore respectively. Sardar Sarovar Narmada Nigam Limited received the major share of equity funds (₹ 3,345.84 crore) from the budgetary outgo for acquisition of capital assets.

In order to enable the SPSUs to secure financial assistance from Banks and Financial Institutions, the State Government provides guarantee under the Gujarat State Guarantees Act, 1963. Such guarantees are given subject to the limits prescribed by the Constitution of India, for which guarantee fee is being charged. This fee varies from 0.25 to one *per cent per annum* as decided (31 December 1988) by the State Government. The guarantee commitment decreased from ₹ 201.52 crore in 2017-18 to ₹ 69.33 crore in 2019-20. Sardar Sarovar Narmada Nigam Limited paid guarantee fee of ₹ 0.17 crore during 2019-20.

2.4.3.4 Quality of Capital Expenditure

If the State Government continues to make investments in loss-making Government Companies whose net worth are completely eroded, the chances of realizing return on investment become remote. Similarly, experience has shown the inevitability of writing-off the loans given to loss-making Corporations and other bodies such as sugar mills, financial corporations *etc.* Requisite steps need to be taken to maintain transparency in such financial operations.

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

Quality of investments in the companies, corporations and other bodies

Statement No. 19 of Annual Finance Accounts of the State Government contains the details of investments made by the State Government in statutory corporations, Government companies, rural banks, joint stock companies, co-operative institutions and local bodies. As of 31 March 2020, the State Government invested ₹ 99,919 crore in these companies/corporations/ institutions (**Table 2.32**).

Table 2.32: Trend of returns on investments

(₹ in crore)

Investments>Returns/Cost of Borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Statutory Corporations	2,119	2,656	3,249	3,488	3,752
Rural Banks	14	14	14	14	14
Government Companies	68,169	74,730	82,416	88,865	95,702
Municipalities Port Trusts	00 ¹⁵	00	00	00	00
Co-operative institutions and Local Bodies	395	400	402	404	418
Other Joint Stock Companies and Partnerships	33	33	33	33	33
Investments at the end of the year	70,730	77,833	86,114	92,804	99,919
Returns/Dividend earned (₹ in crore)	96.06	110.10	96.30	120.03	88.99
Return on Investment (<i>per cent</i>)	0.14	0.14	0.11	0.13	0.09
Average rate of interest on Government borrowings (<i>per cent</i>)	7.69	7.67	7.59	7.44	7.47
Difference between average interest rate on Government borrowings and rate of return (<i>per cent</i>)	7.55	7.53	7.48	7.31	7.38

Source: Finance Accounts of the State Government of respective years.

Table 2.32 shows that the State Government's investments increased by ₹ 29,189 crore during 2015-20. During 2019-20, the State Government made an additional investment of ₹ 7,115 crore over the previous year which largely included ₹ 6,837 crore in Government Companies and ₹ 264 crore in Statutory Corporations. Of the ₹ 6,837 crore invested in Government Companies during 2019-20, ₹ 3,346 crore (49 *per cent*) was invested in Sardar Sarovar Narmada

¹⁵ The investment was merely ₹ 0.03 lakh.

Nigam Limited and ₹ 3,286 crore (48 *per cent*) was invested in Gujarat Urja Vikas Nigam Limited.

The **Table 2.32** also shows that the average return on investments in these companies/corporations/institutions was 0.12 *per cent*¹⁶ during 2015-20 while the Government paid an average interest of 7.57 *per cent* on its borrowings during the same period.

There were differences with regard to investment figures as per records of SPSUs and those appearing in the Finance Accounts. The State Government had been requested several times during 2019-20 to reconcile the differences. The reconciliation was awaited.

Investments during the year in loss-making companies and companies whose net worth has completely eroded are given in **Table 2.33** and **Table 2.34**.

Table 2.33: Investments made in loss-making companies

(₹ in crore)

Sr. No.	Company/ Corporation	Loss during the 2018-19	Investment made during the year	Cumulative investment as on 31 March 2020
1.	Sardar Sarovar Narmada Nigam Limited (SSNNL)	1,490.00	3,345.83	63,499.18

Source: Finance Accounts of the State Government for the year 2019-20

Table 2.34: Investments made in companies whose net worth has completely eroded

(₹ in crore)

Sr. No.	Company/ Corporation	Networth as on 31 March 2017	Investment made during the year	Cumulative investment as on 31 March 2020
1.	Gujarat State Road Transport Corporation (GSRTC)	(-)774.89	259.92	3,553.38

Source: Finance Accounts of the State Government for the year 2019-20

The additional investment of ₹ 7,115.52 crore made by the State Government during 2019-20 accounted for 27.74 *per cent* of the total capital expenditure (₹ 25,650 crore). This additional investment of ₹ 7,115.52 crore included an investment of ₹ 3,345.83 crore in SSNNL which had been booking losses since 2015-16, and ₹ 259.92 crore in GSRTC which had been booking losses since 1973-74. The SSNNL had accumulated losses of ₹ 5,128 crore at the end of 2018-19 while GSRTC had accumulated losses of ₹ 3,410.80 crore at the end of 2016-17. The GSRTC reported negative net worth to the tune of ₹ 774.89 crore as on its last balance sheet date.

¹⁶ It is dividend earned on investments done by the State Government in statutory corporations, Government companies, rural banks, joint stock companies, co-operative institutions and local bodies.

As the chance of earning Return on Investment made in Companies incurring losses, and where their accumulated losses have resulted in erosion of the net-worth, is remote, the State Government may consider future payments to these Companies in the form of Grants instead of Share Capital, so as to reduce the disparity in investment *vis-à-vis* return.

Profits earned by Government Companies/Corporations

Forty three of 66 Government Companies/Corporations reported profits of ₹ 2,615.20 crore in 2019-20 *vis-à-vis* ₹ 2,155.96 crore reported by 42 Companies/Corporations in 2018-19. Of the 43 Companies, two¹⁷ Companies reported profits in 2019-20, after incurring net losses in the previous year. Of the 22 Government Controlled Other Companies, nine Companies reported profits of ₹ 2,535.25 crore in 2019-20. The overall profit earned by 88 SPSUs was ₹ 2,584.33 crore.

Losses incurred by Government Companies/Corporations

Thirteen of 66 Government Companies/Corporations reported losses of ₹ 2,354.63 crore in 2019-20 *vis-à-vis* ₹ 2,531.89 crore reported by 12 Companies/Corporations in 2018-19. Of the 22 Government Controlled Other Companies, 10 Companies incurred losses of ₹ 211.49 crore during the year ended 31 March 2020. During 2018-19, seven Government Controlled Other Companies incurred losses of ₹ 78.64 crore.

Ten Government Companies/Corporations and three Government Controlled Other Companies did not report either profit or loss as per their latest finalized financial statements in 2019-20.

Rate of Real Return on Government Investment

In view of the significant investment by Government in the SPSUs, Rate of Real Return or RORR on such investment is essential from the perspective of State Government. Traditional calculation of Return on Investment (ROI) is based on historical cost of investment, which may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value (PV) of money. Therefore, in addition, RORR is calculated considering the PV of historical cost of investment. PV of the State Government investment was computed where funds had been infused by the State Government as equity, grants/subsidies and interest free loans since inception of these Companies till 31 March 2020.

The RORR of State Government investment in the SPSUs was computed on the basis of following assumptions:

- Interest free loans (IFL) have been considered as investment infusion by the State Government. However, in case of repayment of loans by

¹⁷ Gujarat Nomadic and De-notified Tribes Development Corporation and Gujarat Industrial Corridor Corporation Limited

SPSUs, the PV was calculated on the reduced balances of IFLs over the period

- The average rate of interest on State Government borrowings for the relevant financial year¹⁸ was adopted as compound rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year.

Of the 66 SPSUs (Government Companies and Statutory Corporations), the State Government has made direct investment in 60 SPSUs. **Table 2.35** shows the RORR calculation of State Government investment in these 60 SPSUs considering the PV of historical cost of investments, since their inception till 2019-20.

Table 2.35: Year-wise details of investments made by the State Government in SPSUs and their present value till 2019-20

(₹ in crore)

Financial year	Present Value of investment at beginning of year	Amount infused by State Government during the year				Investment at the end of the year	Avg. rate of interest on Government borrowings (in percent)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earnings (+)/ losses (-) for the year
		Equity	Interest free loan/ (Net repayment)	Grants/ Subsidies for operation and administrative Expenditure	Total Investment					
1	2	3	4	5	6=3+4+5	7=2+6	8	9=7× [1+(8÷100)]	10= [7× (8÷100)]	11
Up to 2004-05	-	14,107.20	21.15	2,143.43	16,271.78	16,271.78	9.08	17,749.26	1,477.48	-
2005-06	17,749.26	3,124.54	0.05	2,432.36	5,556.95	23,306.21	8.06	25,184.69	1,878.48	405.37
2006-07	25,184.69	3,321.00	77.34 ¹⁹	2,966.28	6,364.62	31,549.31	8.19	34,133.20	2,583.89	238.87
2007-08	34,133.20	3,218.23	-0.43	3,402.59	6,620.39	40,753.59	8.12	44,062.78	3,309.19	783.6
2008-09	44,062.78	5,524.94	-11.04	4,955.36	10,469.26	54,532.04	7.80	58,785.54	4,253.50	736.39
2009-10	58,785.54	2,326.56	15.73	5,430.18	7,772.47	66,558.01	7.64	71,643.04	5,085.03	684.98
2010-11	71,643.04	2,922.52	497.84	5,349.56	8,769.92	80,412.96	7.56	86,492.18	6,079.22	1,089.45
2011-12	86,492.19	3,824.42	130.67	4,517.76	8,472.85	94,965.04	7.63	1,02,210.87	7,245.83	1,636.27
2012-13	1,02,210.87	7,076.43	-8.74	6,777.61	13,845.30	1,16,056.17	7.66	1,24,946.07	8,889.90	1,823.74
2013-14	1,24,946.08	6,709.97	27.11	7,142.97	13,880.05	1,38,826.13	7.62	1,49,404.68	10,578.55	1,187.35
2014-15	1,49,404.68	6,713.58	333.35	7,752.47	14,799.40	1,64,204.08	7.76	1,76,946.32	12,742.24	873.79
2015-16	1,76,946.32	7,675.04	323.82	7,547.66	15,546.52	1,92,492.84	7.69	2,07,295.54	14,802.70	(-),1,105.34
2016-17	2,07,295.54	8,357.37	-84.3	8,635.57	16,908.64	2,24,204.18	7.67	2,41,400.64	17,196.46	(-)16,371.63
2017-18	2,41,400.63	8,739.64	41.25	8,556.16	17,337.05	2,58,737.68	7.59	2,78,375.87	19,638.19	(-)1,443.64
2018-19	2,78,375.88	6,826.14	926.03	10,614.50	18,366.67	2,96,742.55	7.44	3,18,820.20	22,077.65	(-)530.42
2019-20	3,18,820.20	7,275.23	512.10	5,498.32	13,285.65	3,32,105.85	7.47	3,56,914.16	24,808.31	(-)741.29
	Total	97,742.81	2,801.93	93,722.78	1,94,267.52					

Source: Information provided by SPSUs

The table above shows that Companies where State Government has directly invested in equity had suffered net losses from 2015-16 onwards. Therefore, the RORR on State Government investment was 'Nil' from 2015-16 to 2019-20.

¹⁸ The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances for the relevant year.

Average rate for interest paid = Interest Payment ÷ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities) ÷ 2] × 100

¹⁹ This represents net interest free loan out of total investment of ₹ 227.34 crore, the remaining amount of ₹ 150 crore was converted to equity in 2006-07.

Return on Equity of SPSUs

Return on Equity or ROE²⁰ is a measure of financial performance of Companies calculated by dividing net income by shareholders' equity. The consolidated ROE of 88 Government Companies and Corporations during last three years from 2017-18 to 2019-20 is given in **Table 2.36**.

Table 2.36: Return on Equity

Year	Net Profit after Tax (₹ in crore)	Shareholder fund (₹ in crore)	ROE (in percentage)
2017-18	(-)441.33	99,571.08	(-)0.44
2018-19	975.39	1,13,291.01	0.86
2019-20	2,584.33	1,27,069.45	2.03

Source: Information provided by SPSUs

As could be seen, ROE of 88 Government Companies and Corporations increased from (-) 0.44 *per cent* in 2017-18 to 2.03 *per cent* in 2019-20.

The ROE of 43 profit-making Companies was 4.22 *per cent* in 2019-20 as compared to 4.02 *per cent* in respect of 42 profit-making Companies in 2018-19. However, ROE of all the 66 Government Companies (including 13 loss-making and 10 zero-profit/loss Companies) was 0.23 *per cent* in 2019-20.

At the end of March 2020, ROE of nine profit-making Government Controlled Other Companies was 24.10 *per cent* while it was 18.12 *per cent* in respect of all the 22 Government Controlled Other companies.

Erosion of capital in Government Companies

As on 31 March 2020, the aggregate net worth of all the 88 Government Companies and Corporations was ₹ 1,27,069.45 crore against their paid-up capital of ₹ 1,05,856.96 crore.

As on 31 March 2020, 35 Government Companies registered accumulated losses of ₹ 28,921.11 crore. Of the 35 SPSUs, 21 SPSUs incurred losses of ₹ 2,528.53 crore in 2019-20 while 14 SPSUs, though did not incur any losses (including zero profit) in 2019-20, had accumulated losses of ₹ 15,640.07 crore till March 2020. Eleven out of 35 SPSUs were under winding-up/closure/liquidation.

As on 31 March 2020, 20 out of 35 SPSUs reported negative net worth of ₹ 6,151.12 crore against equity investment of ₹ 4,191.48 crore. Of the 20 SPSUs with negative net worth, four SPSUs earned profit of ₹ 376.37 crore in 2019-20. These 20 SPSUs, whose capital had been completely eroded, had an outstanding loan from Government of Gujarat amounting to ₹ 4,281.15 crore as on 31 March 2020.

²⁰ Return on Equity = (Net Profit after Tax and preference Dividend/Equity) × 100; Where Equity = Paid up Capital + Free Reserves – Accumulated Losses – Deferred Revenue Expenditure

Quantum of loans and advances disbursed and recovered

In addition to investments in Co-operative societies, Corporations and Companies, State Government has also provided loans and advances to many of these institutions/organisations.

Table 2.37 presents the trend of outstanding loans and advances as on 31 March 2020 along with interest receipts *vis-à-vis* interest payments for the five-year period from 2015-16 to 2019-20.

Table 2.37: Quantum of loans disbursed and recovered during five year

	(₹ in crore)				
Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance	6,777	7,327	7,638	7,923	9,503
Amount advanced during the year	675	477	631	1,731	1,312
Amount recovered during the year	125	166	346	151	330
Closing Balance	7,327	7,638	7,923	9,503	10,485
Loans for which terms and conditions have not been settled	634	373	521	1,296	905
Net addition during the year	550	311	285	1,580	982
Interest Receipts on loans advanced	172	117	88	74	62
Interest receipts as a <i>percentage</i> of outstanding Loans and Advances	2.35	1.53	1.13	0.85	0.62
Interest payments	16,300	17,797	18,954	20,183	22,449
Average Rate of Interest paid on the outstanding borrowings of the Government (<i>per cent</i>)	7.69	7.67	7.59	7.44	7.47
Difference between the rate of interest paid and rate of interest received (<i>per cent</i>)	5.34	6.14	6.46	6.59	6.85

Source: Finance Accounts of the State Government of respective years.

The table shows that the total outstanding loans and advances increased from ₹ 9,503 crore in 2018-19 to ₹ 10,485 crore in 2019-20. Of the total loans advanced disbursed during the year (₹ 1,312 crore), ₹ 884 crore was advanced for social services, ₹ 379 crore for economic services and ₹ 49 crore was advanced for Miscellaneous purposes. Loans advanced under social services were used for urban development and welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes and Minorities. Major portion of the loans advanced under economic services went to transport sector (₹ 277 crore) and power sector (₹ 101 crore).

Recovery of loans and advances increased by ₹ 179 crore from ₹ 151 crore in 2018-19 to ₹ 330 crore in 2019-20. However, interest receipts on loans and advances disbursed during the year decreased by ₹ 12 crore.

Further, of the total loans advanced during the year (₹ 1,312 crore), loans amounting ₹ 905 crore were disbursed by the Administrative Departments or

Finance Department without setting terms and conditions for repayments of loans and rate of interest payable.

Audit observed that due to poor financial condition, the GSRTC had not been able to deposit the passenger tax collected by it over the years to Government Account as well as pay the arrears of Seventh Pay commission to its employees. The passenger tax was being used by GSRTC to meet its expenses. The Administrative Department (Ports and Transport) with the approval of Finance Department treated (January and March 2020) the outstanding passenger tax as loans advanced to GSRTC (₹ 44.62 crore) and also extended (October 2019) loan of ₹ 232.46 crore for payment of Seventh Pay Commission dues to its employees. However, the relevant sanction orders do not prescribe repayment schedule and rate of interest payable by the GSRTC. As on 31 March 2020, GSRTC had an outstanding loan balance of ₹ 3,653 crore, which included ₹ 924.88 crore advanced during 2015-20.

Capital locked in incomplete projects

Blocking of funds in incomplete projects/works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods.

At the end of March 2020, 123 capital works, each valuing ₹ 10 crore or more and completion date of which was 31 March 2020, were incomplete on which an expenditure of ₹ 5,810.99 crore had been incurred. Year-wise and Department-wise details of incomplete projects are given in **Table 2.38** and **Table 2.39** respectively.

Table 2.38: Age profile of incomplete projects as on 31 March 2020

Year	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2020)
2013-14	1	30.11	16.91
2015-16	6	559.64	520.68
2016-17	16	526.64	323.29
2017-18	51	4,438.56	3,971.66
2018-19	48	2,167.26	977.81
2019-20	1	14.15	0.64
Total	123	7,736.36	5,810.99

Table 2.39: Department-wise profile of incomplete projects as on 31 March 2020

Department	No. of incomplete projects	Estimated cost	Expenditure
	(number)	(₹ in crore)	
Roads & Buildings	104	4,288.25	2,583.87
Narmada, Water Resources, Water Supply and Kalpsar	19	3,448.11	3,227.12
Total	123	7,736.36	5,810.99

Source: Appendix IX of Finance Accounts of the State Government for the year 2019-20.

It may be seen that as on 31 March 2020, the Roads and Buildings Department incurred 60.25 per cent on 104 incomplete projects while Narmada, Water Resources, Water Supply and Kalpsar Department spent 93.59 per cent on 19 incomplete projects (with reference to the initial budgeted costs).

Implementation of Ujwal DISCOM Assurance Yojana

Ujwal DISCOM Assurance Yojana (UDAY) was launched by the GoI in November 2015 for operational and financial turnaround of State-owned power distribution companies (DISCOMs). UDAY envisaged signing of an agreement between State Governments, DISCOMs and GoI for stipulating the respective responsibilities of the parties for achieving operational and financial milestones as described in the Scheme, after which, the State Governments were to take over 75 per cent of outstanding debts of DISCOMs as on 30 September 2015 over two years *i.e.*, 50 per cent in 2016-17 and 25 per cent in 2017-18.

The Government of Gujarat entered (February 2016) into a tripartite Memorandum of Understanding with four State-owned DISCOMs and GoI, but without the component of financial turnaround and financing of future losses and working capital, as all the four DISCOMs had already achieved financial turnaround in 2005-06. In view of this, no financial assistance had been provided by the State Government to the State DISCOMs during 2019-20 under UDAY Scheme.

2.4.3.5 Resource availability of the State under Public Private Partnership projects

Public Private Partnership (PPPs) 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.

As on 31 March 2020, the status of PPP projects in infrastructure sector was as indicated in **Table 2.40**.

Table 2.40: Status of PPP projects in infrastructure sector

(₹ in crore)

Sr. No.	Sector	Projects completed		Projects under implementation		Planned for future	
		No.	Total investment	No.	Expenditure incurred	No.	Estimated cost
1.	Ports	55	51,619.53	16	14,535.95	5	1,734.00
2.	Power	6	11,350.00	1	43.30	9	12,745.00
3.	Roads	19	2,596.06	7	3,808.75	8	2,900.09
4.	Road Transport	7	923.01	11	750.18	4	419.81
5.	Railways	1	395.00	2	1,262.25	0	0
6.	Urban Development	84	1,877.87	46	4,894.73	46	1,999.61
7.	Water	0	0.00	0	0.00	2	5,000.00
8.	Logistic Parks	0	0.00	0	0.00	3	550.00
9.	Aviation	0	0.00	1	0.00	3	0.00
10.	IT, ITES and Biotech	3	5.12	3	255.00	1	100.00
11.	Agriculture	2	23.18	0	0.00	0	0.00
	Total	177	68,789.77	87	25,550.16	81	25,448.51

Source: Information provided by Gujarat Infrastructure Development Board

Table 2.40 shows that out of 264 PPP projects valuing ₹ 94,340 crore in the infrastructure sector in Gujarat, 177 projects valuing ₹ 68,790 crore had been completed by March 2020. Major investments were in Urban Infrastructure sector where 84 projects have been completed and 46 projects were under implementation. Further, under the Ports sector, 55 projects valuing ₹ 51,620 crore have been completed and 16 projects with investment of ₹ 14,536 crore were in progress. The number of completed projects as on 31 March 2020 was the same as that of on 31 March 2019, indicating no projects were completed during the year 2019-20.

2.4.4 Expenditure Priorities of the State

Availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. It is important for the State Government to take appropriate expenditure rationalisation by focusing more on development expenditure – which is expenditure on Social and Economic Services. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure and the proportion of revenue expenditure being spent on Education and Health Sectors. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Table 2.41 compares the fiscal priority of the State Government with that of General Category States (GCS) with regard to development expenditure, expenditure on Social and Economic Sectors, and capital expenditure during 2019-20, taking 2015-16 as the base year.

Table 2.41: Expenditure Priority of the State in 2015-16 and 2019-20

(in per cent)

Fiscal Priority of the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE/ AE	CE/ AE	Education/ AE	Health/ AE
Average (ratio) in 2015-16 of							
GCS	16.97	36.09	34.19	70.29	14.81	15.68	4.79
Gujarat	11.72	40.36	31.21	71.57	20.04	15.96	5.91
Average (ratio) in 2019-20 of							
GCS	15.15	36.73	28.69	65.42	12.97	15.91	5.21
Gujarat	10.09	39.47	30.55	70.02	15.28	15.01	6.13

AE: Aggregate Expenditure (it is the Total Expenditure); DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure.

Source: Finance Accounts of the State Government of respective years.

Table 2.41 reveals the following:

- The percentage of total expenditure to GSDP in Gujarat was lower than GCS during 2015-16 and 2019-20.
- Development expenditure consists of both economic services expenditure and social services expenditure. Development expenditure as percentage of total expenditure in Gujarat was higher than GCS during 2015-16 and 2019-20.

- The expenditure on social services as percentage of total expenditure in the State was higher than GCS during 2015-16 and 2019-20.
- The expenditure on economic services as percentage of total expenditure in the State was lower than GCS during 2015-16 but higher during 2019-20.
- As per Human Development Report brought out by United Nations Development Programme (UNDP) in 2020 (HDR 2020), Human Development Index of India was 0.655 whereas Gujarat stood at 0.681 during 2020.
- The State had a higher ratio of capital expenditure to total expenditure during 2015-16 and 2019-20, as compared to GCS. However, capital expenditure as percentage of total expenditure in the State declined from 20.04 *per cent* in 2015-16 to 15.28 *per cent* in 2019-20.
- Gujarat has given priority to health sector in 2015-16 and 2019-20 as compared to GCS. As per HDR 2020, Health Index of Gujarat at 0.786 was higher than that of India (0.768) in 2020.
- While the ratio of Education to total expenditure in Gujarat was better than GCS in 2015-16, it fell below the GCS in 2019-20. The State needs to increase the outlay on Education. As per HDR 2020, Educational Index of Gujarat at 0.558 was same as that of India in 2020.
- Total expenditure of the State to GSDP at 10.09 *per cent* indicates more private sector participation in the economy of the State during 2019-20.

2.4.5 Object Head-wise Expenditure

Finance Accounts depict transactions only up to the Minor Head level. Therefore, a drill-down view of budgetary allocations and the extent of expenditure incurred at the Object Head level is given in **Table 2.42**.

Table 2.42: Object Head-wise expenditure *vis-à-vis* budget authorisation

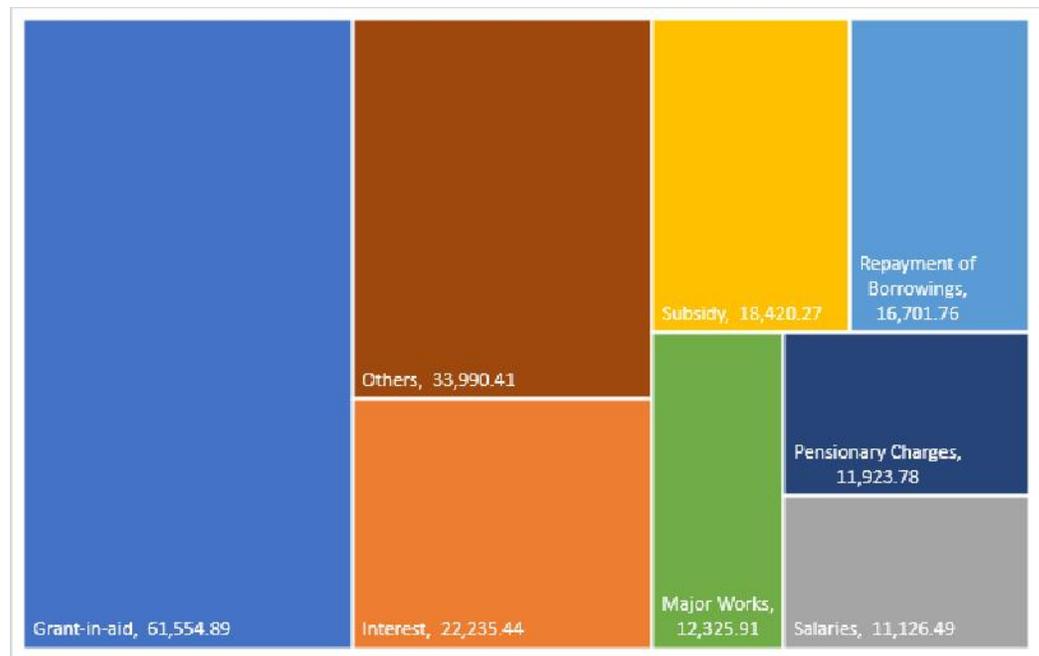
(₹ in crore)			
Head	Budget	Expenditure	Utilisation percentage
Grants-in-aid	65,638.19	61,554.89	93.78
Interest	22,564.95	22,235.44	98.54
Salaries	20,142.21	11,126.49	55.24
Subsidy	19,134.93	18,420.27	96.27
Repayment of Borrowings	16,654.70	16,701.76	100.28
Major Works	15,881.65	12,325.91	77.61
Pensionary Charges	12,525.33	11,923.78	95.20
Investments	9,237.21	6,933.81	75.06
Other Capital Expenditure	7,112.39	6,239.07	87.72
Grants to Local Bodies for creation of Capital Assets	5,970.93	2,707.36	45.34
Other Charges	3,568.03	3,401.81	95.34
Minor Works	2,418.15	2,105.08	87.05
Scholarships/Stipend	1,990.14	1,877.88	94.36

Head	Budget	Expenditure	Utilisation percentage
Loans and Advances	1,595.19	1,311.73	82.23
Supplies and Materials	1,449.91	1,399.49	96.52
Inter-Account Transfer	1,340.00	848.87	63.35
Machinery and Equipment	1,296.82	994.64	76.70
Office Expenses	1,007.23	722.87	71.77
Cost of Ration (Diet Charges)	848.82	322.25	37.96
Other Contractual Services	734.92	795.50	108.24
Motor Vehicles	658.05	372.32	56.58
Over Time Allowances	434.98	414.05	95.19
Wages	429.82	360.93	83.97
Contributions to Panchayats	335.00	2,154.84	643.24
Advertising and publicity	236.43	169.46	71.68
Professional Services	219.04	155.32	70.91
Domestic Travel Expenses	186.41	161.98	86.90
Petrol, Oil and Lubricants	115.77	101.45	87.63
Rent, Rates and Taxes	85.58	88.39	103.28
Arms and Ammunition	54.17	55.80	103.02
Clothing and Tentage	24.74	11.76	47.51
Publication	19.82	13.96	70.42
Secret Service Expenditure	6.67	6.48	97.17
Depreciation	2.80	2.80	100.00
Rewards	1.25	0.85	67.61
Foreign Travel Expenses	0.43	0.14	32.19
Others	348.56	259.51	74.45
Total	2,14,271.22	1,88,278.95	87.87

Source: Information provided by Office of the Principal Accountant General (A & E)

It may be seen that of the total budgetary allocation of ₹ 2,14,271.22 crore, the actual expenditure on various Object Heads during 2019-20 was ₹ 1,88,278.95 crore (88 *per cent*). Of the 37 Object heads mentioned above, budgetary allocation of more than 100 *per cent* was spent under five Heads. Under 24 Object Heads, budgetary allocation between 70 *per cent* and 100 *per cent* was spent, while in the remaining eight Object Heads, expenditure incurred was below 70 *per cent* of the budgetary allocation. A Tree Map of top eight Object Heads is shown below in **Chart 2.19**.

Chart 2.19: Object Head-wise expenditure



2.5 Contingency Fund

The Contingency Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State. The Contingency Fund of the Government of Gujarat has a corpus of ₹ 200 crore. During 2019-20, an amount of ₹ 54.74 crore was drawn out of the Contingency Fund and spent for meeting unforeseen expenditure. The entire amount was recouped before the closure of financial year.

2.6 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. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.6.1 Net Balances in Public Account

The component-wise net balances in Public Account of the State at the end of March 2020 were as follows:

Table 2.43: Component-wise net balances in Public Account as of 31 March of the year

(₹ in crore)

Sector	Sub-Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	9,527.31	10,059.86	10,400.17	10,608.63	10,601.21
J. Reserve Funds	(a) Reserve Funds bearing Interest	2,965.10	3,493.43	2,355.14	1,504.58	1,818.03
	(b) Reserve Funds not bearing Interest	11,298.64	12,186.10	12,576.73	13,998.70	15,014.72
K. Deposits and Advances	(a) Deposits bearing Interest	11,201.15	12,087.51	12,954.29	13,677.83	14,073.56
	(b) Deposits not bearing Interest	15,563.29	16,946.97	17,175.71	18,454.00	20,525.16
	(c) Advances	(-0.81)	(-0.81)	(-0.79)	(-0.73)	(-0.71)
L. Suspense and Miscellaneous	(a) Suspense	(-417.51)	(-434.57)	(-447.98)	(-516.66)	(-303.87)
	(b) Other Accounts ²¹	2,022.98	460.99	972.81	314.30	(-1,561.23)
	(c) Accounts with Governments of Foreign Countries	(-0.59)	(-0.59)	(-0.59)	(-0.59)	(-0.59)
	(d) Miscellaneous	0.00	0.00	0.00	0.00	0.00
M. Remittances	(a) Money Orders, and other Remittances	831.42	763.28	969.48	637.47	738.56
	(b) Inter-Governmental Adjustment Account	(-2.29)	(-2.66)	(-1.26)	(-1.26)	(-1.64)
TOTAL		52,988.69	55,559.51	56,953.71	58,676.27	60,903.20

Source: Finance Accounts of the State Government of respective years.

Note: +ve denotes debit balance and -ve denotes credit balances

The yearly changes in composition of Public Account balances over the five-year period (2015-20) are given in **Chart 2.20**.

²¹ Other Accounts under L - Suspense and Miscellaneous does not include Cash Balance Investment Account, Permanent Cash Imprest & Departmental Balances.

Chart 2.20: Yearly changes in composition of Public Account balances

(₹ in crore)



2.6.2 Reserve Funds

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

There were 17 Reserve Funds earmarked for specific purpose during 2019-20 of which, four Reserve Funds bearing interest were having a balance of ₹ 1,818.03 crore, and 13 Funds were not interest bearing, having balance of ₹ 15,014.72 crore. The total accumulated balance in these funds as on 31 March 2020 was ₹ 16,832.75 crore of which, ₹ 13,672.22 crore was invested.

Of the 17 Reserve Funds, five Reserve Funds having a balance of ₹ 2.11 crore were inoperative, of which, four Reserve Funds (₹ 2.10 crore) were inoperative since 1999-2000 while one Reserve Fund (₹ 0.01 crore) was inoperative since 2014-15.

2.6.2.1 Consolidated Sinking Fund

The State Government constituted a Consolidated Sinking Fund (CSF) in 2003-04 for amortisation of outstanding liabilities. The RBI, which is responsible for administering the fund, issued guidelines enlarging the scope of CSF for including liabilities (Internal debt + Public Account Liabilities) of the Government from the financial year 2007-08. Further, as per latest guidelines (2017-18) for CSF issued by the State Government, the minimum corpus of the fund should be five *per cent* of State's outstanding liabilities from the year 2018-19 and thereafter to maintain it on rolling basis.

There was short-contribution in the CSF by ₹ 766.05 crore during 2019-20, as the closing balance in the fund was ₹ 13,526.15 crore against the minimum corpus of ₹ 14,292.20 crore. The State Government credited an accrued interest of ₹ 931.34 crore to the fund during 2019-20.

2.6.2.2 State Disaster Response Fund

As per recommendations of 13thFC, the State Government had been operating the State Disaster Response Fund (SDRF) since 2011-12. In terms of GoI guidelines (September 2010), the Central and State Governments were required to contribute to the fund in the ratio of 75:25.

As on 01 April 2019, the fund had an opening balance of ₹ 1,504.53 crore. During 2019-20, the State Government transferred ₹ 1,264.00 crore (₹ 886.80 crore Central share and ₹ 377.20 crore State share) to the fund. Of the total available balance of ₹ 2,768.53 crore, ₹ 2,435.15 crore²² was incurred on natural calamities during the year from the fund balance, leaving ₹ 333.38 crore in the fund at end of March 2020.

Details of expenditure charged to SDRF during the year are given in **Table 2.44**.

Table 2.44: Details of expenditure charged to SDRF

(₹ in crore)		
Major Head of Account	Minor Head of Account	Expenditure during 2019-20
2245- Relief on Account of Natural Calamities 01- Drought	102-Drinking Water Supply	30.00
	104-Supply of Fodder	434.13
Subtotal 01		464.13
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc.	101-Gratuitous Relief	60.40
	105-Veterinary care	1.19
	111-Ex-gratia payments to bereaved families	19.08
	112- Evacuation of population	0.84
	113- Assistance for repairs/reconstruction of Houses	3.02
	122-Repairs and Restoration of Damaged Irrigation	2.22
800-Other Expenditure		2,138.27
Subtotal 02		2,225.02
2245- Relief on Account of Natural Calamities 05-State Disaster Response Fund	101- Transfer to Reserve funds/ Deposit Accounts-State Disaster Response Fund	1,264.00
	901- Deduct - Amount met from State Disaster Response Fund	(-) 2,435.15
Subtotal 05		(-) 1,171.15

²² Major Head 2245-05 (Relief on account of natural calamities-SDRF)

Major Head of Account	Minor Head of Account	Expenditure during 2019-20
2245- Relief on Account of Natural Calamities 80- General	001-Direction and Administration	7.29
	102-Management of Natural Disasters, Contingency Plans in disaster prone areas	7.20
	800-Other Expenditure	18.40
	911- Deduct-Recoveries of Overpayments	0.00
Subtotal 80		32.89
Total 2245		1,550.89
Expenditure incurred in conformity with items and norms of SDRF approved by SEC (Only the amount booked under 2245-01 and 2245-02 is admissible expenditure under SDRF)		2,435.15

Source: Finance Accounts of the State Government for the year 2019-20

In terms of the GoI guidelines, balances lying in the fund were required to be invested²³, which was not done. The interest to be credited to the fund on the balances of earlier years had also not been estimated and credited by the State Government.

Further, as per para 17 of guidelines on Constitution and Administration of the SDRF, expenditure for providing immediate relief to the victims of State-specific natural disasters within the local context in the State, which are not included in the GoI notified list of disasters issued by MHA, as per approved norms, was to be met from SDRF within the limit of 10 *per cent* of the Fund available in SDRF. However, the State Government incurred an expenditure of ₹ 2,435.15 crore during the year, which constituted 88 *per cent* of the Fund available in SDRF.

Whether the State Government has notified the disasters on which expenditure had been done and reasons for exceeding the limit of 10 *per cent* needs clarification. Reply from the state Government in this regard was not received (December 2020).

2.6.2.3 Guarantee Redemption Fund

The Twelfth Finance Commission recommended setting up of a Guarantee Redemption Fund (GRF) to meet the contingent liabilities arising from the guarantees given by the Government. The Government of Gujarat has created a GRF for guarantees extended by it on loans taken by various entities like State Public Sector Undertakings, State Co-operative Societies *etc.* In terms of the guidelines of the RBI, which administers the Fund, the corpus of the Fund is to be gradually increased to the desirable level of five *per cent* of outstanding guarantees.

During 2019-20, the closing balance in the Fund was ₹ 736.26 crore against the minimum required corpus of ₹ 223.11 crore. The State Government credited an accrued interest of ₹ 36.63 crore to the Fund during 2019-20.

²³ The accretions to the SDRF are to be invested through RBI in Central Government dated securities; auctioned treasury bills; and interest earning deposits and certificates of deposits with scheduled commercial banks.

As on 31 March 2020, out of the total Fund of ₹ 736.26 crore, ₹ 472.53 crore was invested by the RBI.

2.6.3 Deposits and Advances

2.6.3.1 Accounting of transactions relating to Central Road Fund

The GoI provides annual grants under the Central Road Fund (CRF) to the State Governments to incur expenditure on specific road projects. In terms of the extant accounting procedure, the grants are to be initially booked as Revenue Receipts under Major Head “1601 Grants-in-Aid”, and an equivalent amount transferred to the Public Account under Major Head “8449- Other Deposits 103 Subvention from Central Road Fund” by debiting the Revenue expenditure Major Head “3054 Roads and Bridges”. This process ensures that receipt of the grants do not result in overstatement of revenue surplus (or understatement of revenue deficits) in the Accounts. Expenditure on specific road works is initially booked under the relevant revenue or capital Major Head (Major Head 3054 or 5054) is to be subsequently adjusted from the Fund balance by way of minus debit under Major Heads 3054/5054 by corresponding debit to the Fund (Major Head 8449-103).

During 2019-20, the State Government received a grant of ₹ 718.87 crore from GoI under CRF which was accounted for in State’s Accounts under Major Head-1601 by following the extant accounting procedure. An expenditure of ₹ 697.58 crore was incurred on specific road works during the year, leaving a balance of ₹ 27.25 crore (including previous years’ balances) under the Deposit Head as on 31 March 2020.

2.6.3.2 Non-transfer of Labour Cess to Labour Welfare Board

Under Section 3 of the Building and Other Construction Workers’ Welfare Cess Act, 1996, there shall be levied and collected a cess at such rate not exceeding two *per cent*, but not less than one *per cent* of the cost of construction incurred by an employer, as the Government may, by notification in the Official Gazette, from time to time, specify. As per Rule 5(3) of the Building and Other Construction Workers’ Welfare Cess Rules, 1998, the cess so collected is to be transferred to the Building and Other Construction Workers’ Welfare Board (Board) within 30 days of its collection.

Audit observed that in terms of the Building and Other Construction Workers’ Welfare Cess Act, 1996, the State Government levied and collected cess amounting to ₹ 3,013.95 crore during the period 2006-07 to 2019-20, and transferred ₹ 2,013.85 crore to Gujarat Building and Other Construction Workers’ Welfare Board as grants-in-aid, leaving a balance of ₹ 1,000.10 crore which had not been transferred as of 31 March 2020. Further, of ₹ 507.82 crore collected during 2019-20 as cess, only ₹ 165.28 crore was transferred to the Board, leaving a balance of ₹ 342.54 crore which was not transferred to the Board, in violation of the Building and Other Construction Workers’ Welfare Cess Rules, 1998.

2.6.3.3 Non-transfer of fines to Personal Ledger Account

The Government of Gujarat *vide* Resolution dated 01 July 2000 decided that a specified percentage of the income received during the year from the State urban areas through penalties under section 200 (1) of the Motor Vehicle Act shall be deposited in a Budget Head namely, Gujarat State Marg Suraksha Nidhi (GSMSN). The funds available under GSMSN were to be utilised for traffic management purposes.

For smooth functioning of GSMSN, a Personal Ledger Account (PLA) was opened in the name of the Director General and Inspector General of Police (DG & IGP), Gandhinagar with effect from March 2004. The DG & IGP were to collect various proposals for traffic management from different implementing authorities and incur expenditure from the PLA, after taking approval of Traffic Management Committee. In July 2006, the State Government decided to transfer 100 *per cent* fines to the PLA for better administration of GSMSN.

Scrutiny of budget estimates and Appropriation Accounts for the years 2012-13 to 2019-20, however, revealed a shortfall of 22 *per cent* between actual traffic fines collected and that transferred to PLA during the last eight years, as detailed in **Table 2.45**.

Table 2.45: Shortfalls in transferring traffic fines to PLA

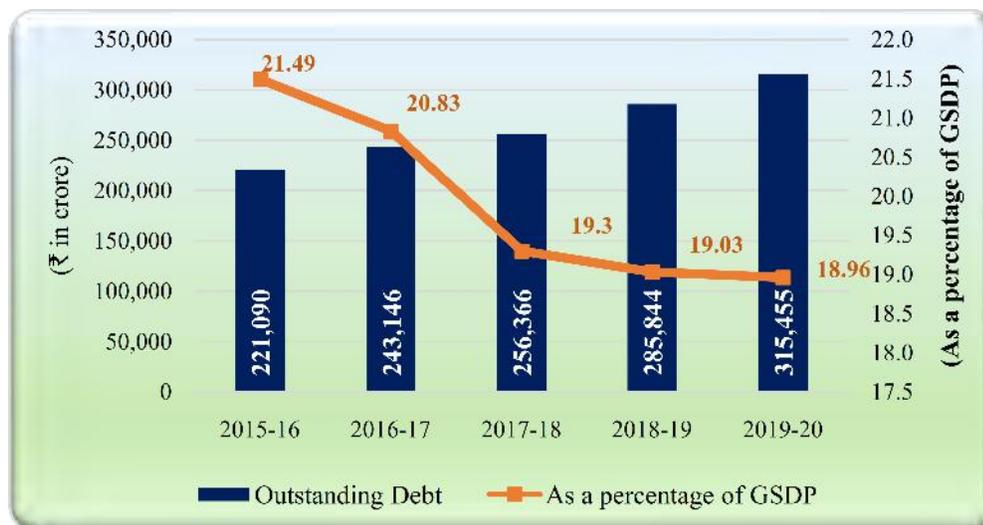
Year	Revenue from traffic fines (₹ in crore)		Provision for PLA (₹ in crore)		
	BE	Actual collection	BE	Actual transfer	As percentage of actual collection
2012-13	45.00	52.82	20.50	17.88	33.85
2013-14	62.22	48.40	20.00	20.00	41.32
2014-15	56.40	75.71	25.00	25.00	33.02
2015-16	72.95	73.20	35.00	35.00	47.81
2016-17	85.65	84.17	40.00	25.00	29.70
2017-18	77.35	63.06	35.00	48.57	77.02
2018-19	113.78	109.62	200.00	98.00	89.40
2019-20	75.60	173.33	63.06	260.00	150.00
Total	588.95	680.31	438.56	529.45	77.82

Source: Budget Estimates and Appropriation Accounts of respective years.

2.7 Debt Management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

Chart 2.21: Trend of outstanding debt



2.7.1 Debt Profile: Components

Total debt of the State Government typically constitutes the internal debt of the State²⁴, loans and advances from the Central Government, and public account liabilities. The trend of total debt receipts, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period (2015-20) is given in **Table 2.46**.

Table 2.46: Component-wise trend of debt during 2015-20

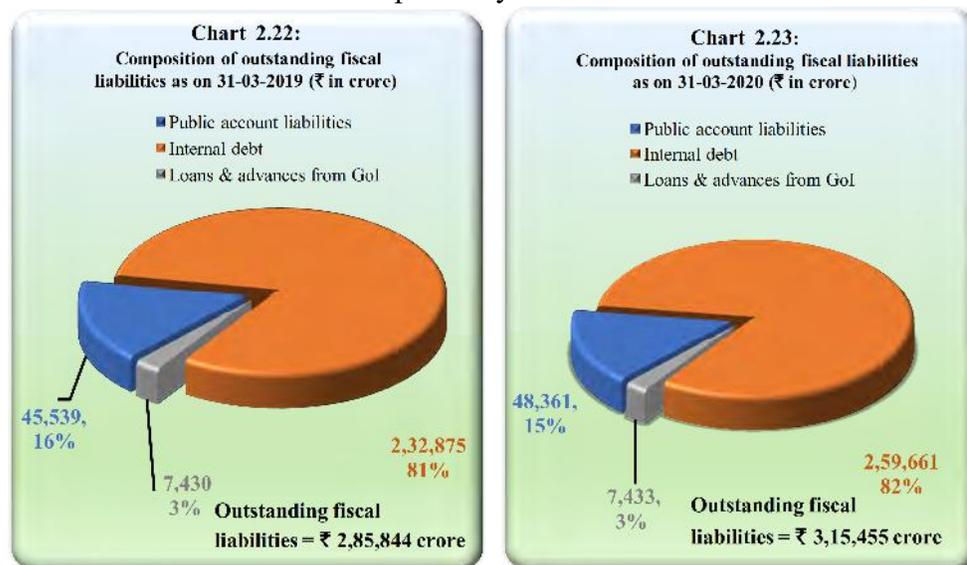
		(₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Total Outstanding Debt		2,21,090	2,43,146	2,56,366	2,85,844	3,15,455
Public Debt	Internal Debt	1,73,681	1,92,772	2,06,643	2,32,875	2,59,661
	Loans from GoI	7,062	6,566	5,947	7,430	7,433
Public Account Liabilities		40,347	43,808	43,776	45,539	48,361
Rate of growth of outstanding debt (percentage)		9.28	9.98	5.44	11.50	10.36
Gross State Domestic Product (GSDP)		10,29,010	11,67,156	13,28,068	15,01,944	16,63,362
Debt/GSDP (<i>per cent</i>)		21.49	20.83	19.30	19.03	18.96
Interest payments		16,300	17,797	18,954	20,183	22,449
Burden of interest payments (IP/RR)		16.72	16.20	15.37	14.84	15.72
Total Debt Receipts		70,239	72,224	81,158	1,02,963	1,02,300
Total Debt Repayments (Debt redemption)		51,462	50,168	67,938	73,486	72,689
Total Debt Available		18,777	22,056	13,220	29,477	29,611
Debt Repayments/ Debt Receipts (<i>per cent</i>)		73.27	69.46	83.71	71.37	71.05

Source: Finance Accounts of the State Government of respective years.

²⁴Market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions *etc.*

Table 2.46 shows that the total outstanding debt of the State Government increased from ₹ 2,85,844 crore in 2018-19 to ₹ 3,15,455 crore in 2019-20. However, debt to GSDP ratio had decreased consistently over the period of five years and stood at 18.96 *per cent* in 2019-20. This was well within the target of 25.76 *per cent* recommended by the 14th FC.

Component-wise break-up of outstanding debt or fiscal liabilities of the State Government at the end of March 2019 and March 2020 are shown in **Chart 2.22** and **Chart 2.23** respectively.



The charts above show that the internal debt of the State Government, which is primarily market borrowings through issue of State Development Loans, accounted for 81 *per cent* and 82 *per cent* of the total outstanding debt during 2018-19 and 2019-20 respectively.

Chart 2.24 below captures the trend of various sub-components of outstanding debt of the State Government during 2015-20 *i.e.*, internal debt, loans and advances from Central Government and public account liabilities.

Chart 2.24: Components-wise debt trend

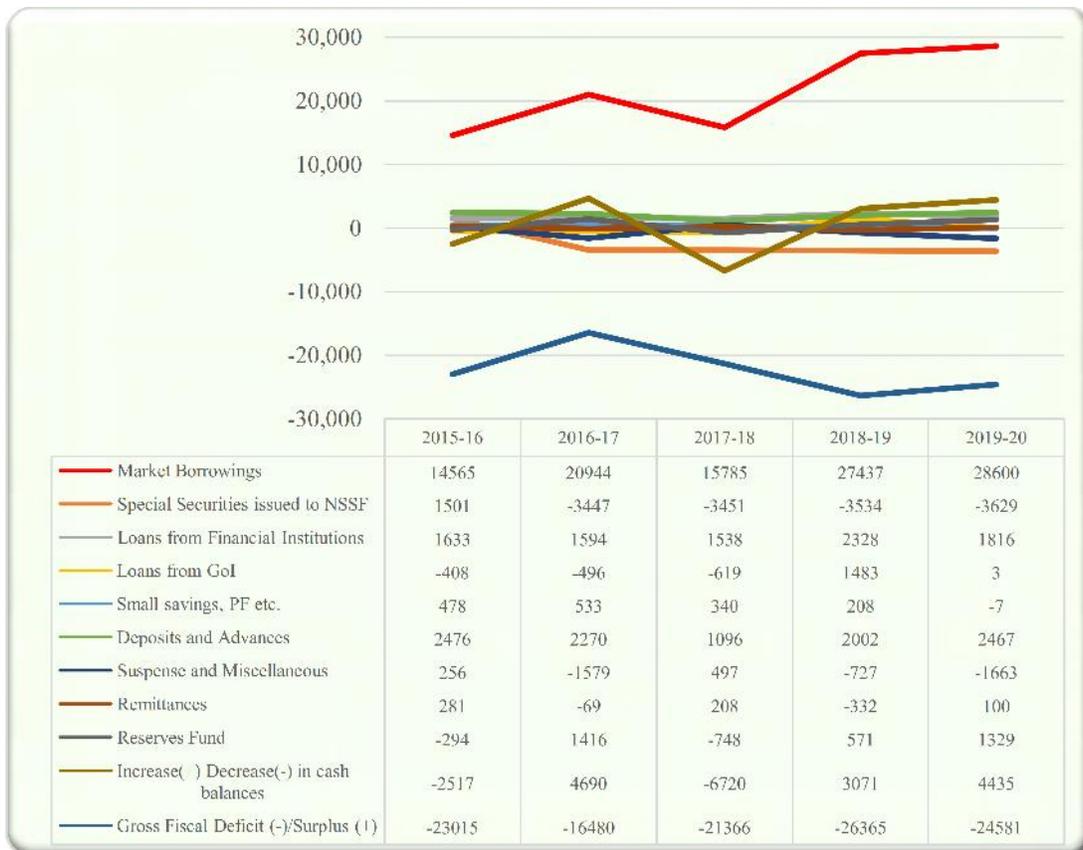
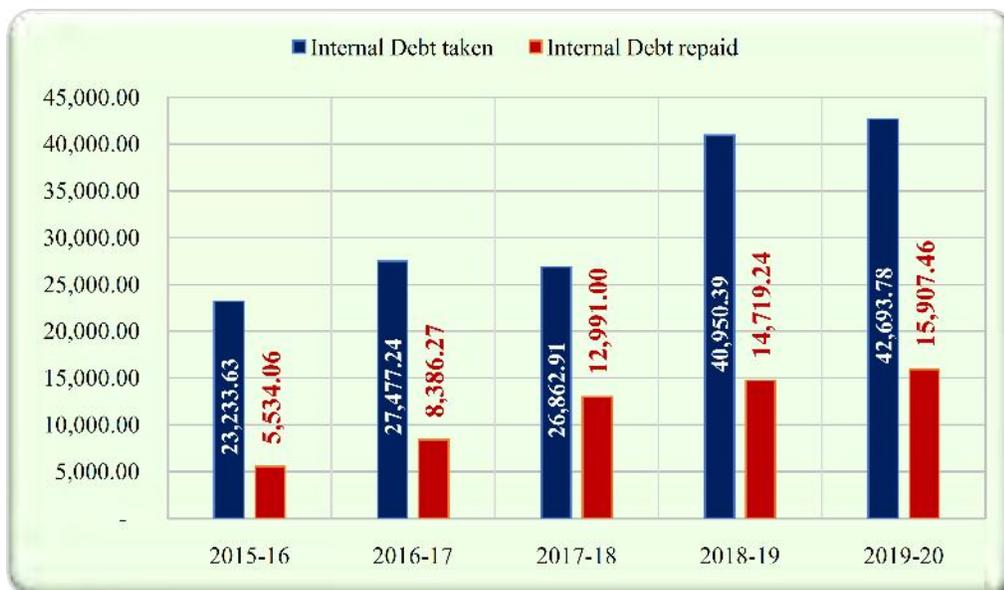


Chart 2.25 below shows the trend of internal debt taken by the State Government and repaid during the last five year (2015-20).

Chart 2.25: Internal debt taken vis-à-vis repaid during 2015-20



2.7.1.1 Components of fiscal deficit and its financing pattern

The share of revenue deficit in fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Persistently high ratio of revenue deficit to fiscal deficit indicates that the asset base of the State Government is continuously getting eroded and a part of the borrowing (fiscal liabilities) does not have any asset backup. Gujarat is revenue surplus state and as such, though the fiscal deficit has increased in absolute terms, the fiscal deficit-GSDP ratio improved from 2.24 in 2015-16 to 1.48 in 2019-20.

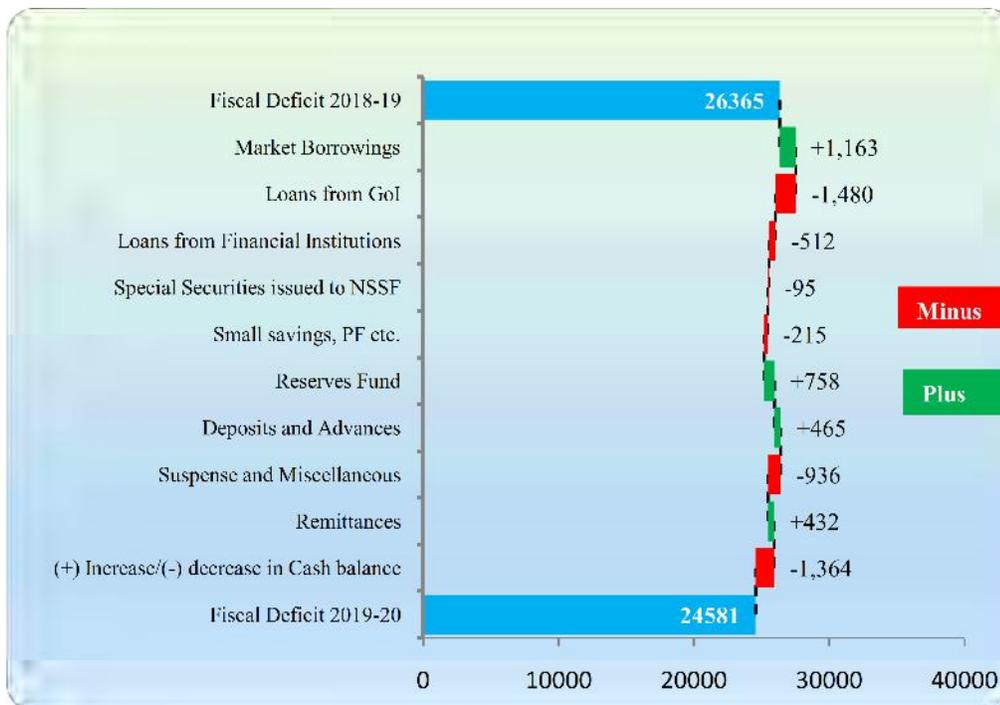
The financing pattern of fiscal deficit has undergone a compositional shift as reflected below in **Table 2.47**.

Table 2.47: Components of fiscal deficit and its financing pattern

Particulars		2015-16	2016-17	2017-18	2018-19	2019-20
		(₹ in crore)				
Fiscal Deficit (-)/Surplus (+)		(-23,015)	(-16,480)	(-21,366)	(-26,365)	(-24,581)
FD/GSDP (per cent)		(-2.24)	(-1.41)	(-1.61)	(-1.76)	(-1.48)
Composition of Fiscal Deficit/Surplus						
1	Revenue Deficit (-)/Surplus(+)	1,704	5,947	5,232	3,212	1,945
2	Net Capital Expenditure	(-24,169)	(-22,115)	(-26,313)	(-27,997)	(-25,544)
3	Net Loans & Advances	(-550)	(-312)	(-285)	(-1,580)	(-982)
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	14,565	20,944	15,785	27,437	28,600
2	Special Securities issued to NSSF	1,501	(-3,447)	(-3,451)	(-3,534)	(-3,629)
3	Loans from Financial Institutions	1,633	1,594	1,538	2,328	1,816
4	Loans from GoI	(-408)	(-496)	(-619)	1,483	3
5	Small savings, PF etc.	478	533	340	208	(-7)
6	Deposits and Advances	2,476	2,270	1,096	2,002	2,467
7	Suspense and Miscellaneous	256	(-1,579)	497	(-727)	(-1,663)
8	Remittances	281	(-69)	208	(-332)	100
9	Reserves Fund	(-294)	1,416	(-748)	571	1,329
10	Contingency Fund	10	4	0	0	0
Total		20,498	21,170	14,646	29,436	29,016
Increase (+)/Decrease (-) in Cash Balance		(-2,517)	(+4,690)	(-6,720)	(+3,071)	(+4,435)
*All the figures are net of disbursements outflows during the year						

Source: Finance Accounts of the respective years.

Chart 2.26: Financing of fiscal deficit expressed through a water flow chart (₹ in crore)



The financing pattern of fiscal deficit (net of disbursements/outflows) during the year is shown in **Table 2.48**.

Table 2.48: Receipts and disbursements of components financing the fiscal deficit
(₹ in crore)

Particulars		Receipt	Disbursement	Net
1	Market Borrowings	38,900	10,300	28,600
2	Loans from GOI	797	794	3
3	Special Securities issued to NSSF	0	3,629	(-)3,629
4	Loans from Financial Institutions	3,794	1,978	1,816
5	Small Savings, PF, etc.	2,237	2,244	(-)7
6	Deposits and Advances	52,489	50,022	2,467
7	Suspense and Miscellaneous	26,525	28,188	(-)1,663
8	Remittances	19,528	19,428	100
9	Reserve Fund	4,082	2,753	1,329
10	Overall Deficit	1,48,352	1,19,336	(-)29,016
11	Increase (+)/Decrease (-) in cash balance	1,82,222	1,86,657	4,435
12	Gross Fiscal Deficit	3,30,574	3,05,993	(-)24,581

Source: Finance Accounts of the year 2019-20.

2.7.2 Debt Profile: Maturity and Repayment

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

Public Debt consists of internal debt, and loans and advances received from GoI. The maturity profile of public debt of ₹ 2,67,094 crore comprising internal debt (₹ 2,59,661 crore) and loans and advances from GoI (₹ 7,433 crore), as per Statement No. 17 of the Finance Accounts for the year 2019-20, is as shown in **Table 2.49**.

Table 2.49: Maturity profile of Public Debt

Year of maturity	Maturity Profile	Amount			Maturity profile of outstanding Public Debt (in %)
		Internal Debt	Loans & Advances from GoI	Total outstanding Public Debt	
By 2020-21	0-1 year	17,140.35	748.89	17,889.23	6.70
Between 2021-22 & 2022-23	2-3 years	44,630.36	1,893.09	46,523.45	17.42
Between 2023-24 & 2024-25	4-5 years	44,542.99	1,774.47	46,317.46	17.34
Between 2025-26 & 2026-27	6-7 years	54,673.63	960.18	55,633.81	20.83
2027-28 onwards	Above 7 years	98,673.70	2,056.45	1,00,730.15	37.71
Total		2,59,661.03	7,433.07	2,67,094.10	100.00

Source: Finance Accounts of the State Government for the year 2019-20

The maturity profile of outstanding stock of public debt as on 31 March 2020 indicates that 62 *per cent* of the total public debt (₹ 1,66,363.95 crore) would be repayable within the next seven years which may put a strain on the Government budget during that period. Remaining 38 *per cent* (₹ 1,00,730.15 crore) would become due for servicing after seven years. In view of the increasing committed expenditure on one hand and decreasing revenue surplus on the other, the State Government would have to work out a well-thought out borrowing-repayment strategy to avoid falling into a debt trap.

Chart 2.27 shows the maturity profile of public debt and **Chart 2.28** the repayment schedule of market loans in the ensuing years.

Chart 2.27: Maturity profile of Public Debt

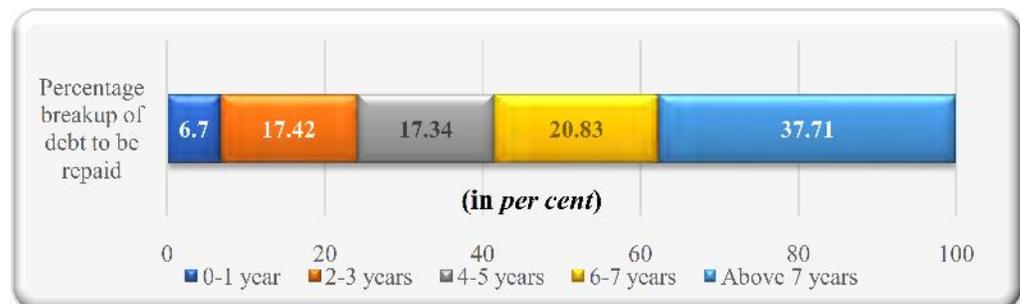


Chart 2.28: Repayment schedule of market loans



Source: Information received from Finance Department of Government of Gujarat

2.8 Debt Sustainability Analysis

2.8.1 Debt Sustainability

Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now, and in future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the borrower by examining their ability to service the debt through timely interest payments and repay debt out of current and regular sources of revenue.

This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, fiscal deficit, burden of interest payments (measured by ratio of interest payments to revenue receipts) and maturity profile of the State Government debt.

2.8.1.1 Trend in debt sustainability indicators

Table 2.50 shows the debt sustainability of the State for the five-year period beginning from 2015-16.

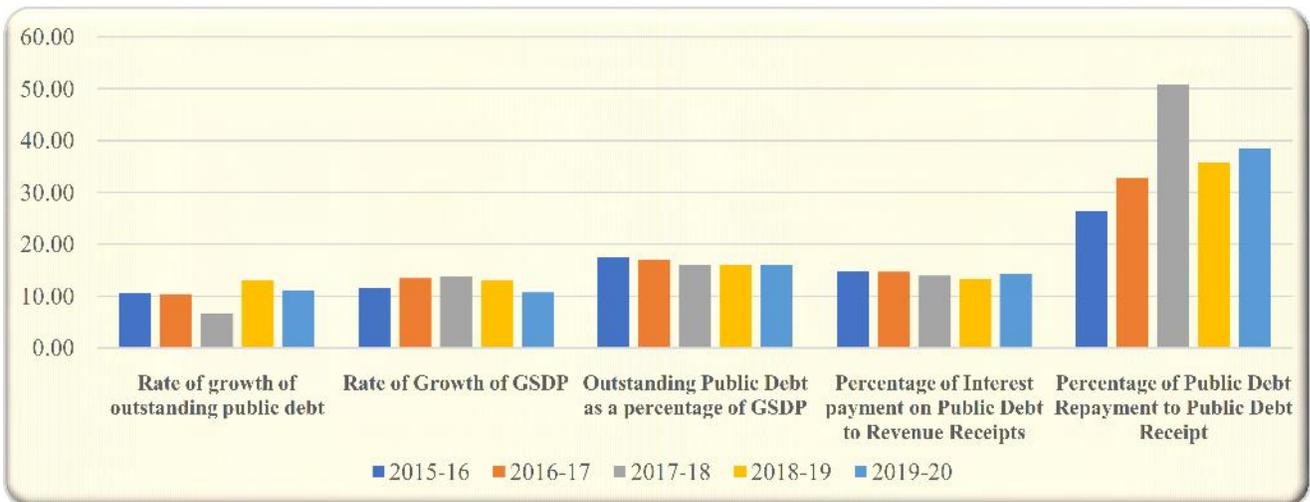
Table 2.50: Debt Sustainability: Indicators and Trends

Indicators of Debt sustainability	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt	180743	199338	212590	240305	267094
Rate of growth of outstanding public debt (percent)	10.58	10.29	6.65	13.04	11.15
Gross State Domestic Product (GSDP)	1029010	1167156	1328068	1501944	1663362
Rate of growth of GSDP (percent)	11.63	13.43	13.79	13.09	10.75
Public Debt/GSDP (per cent)	17.56	17.08	16.01	16.00	16.06
Public Debt Receipts	23,486	27,668	26,953	43,146	43,491
Public Debt Repayment	6,194	9,073	13,700	15,432	16,702
Interest payments on Public Debt	14480	16117	17178	18215	20338
Average interest rate on Outstanding	8.41	8.48	8.34	8.04	8.02

Indicators of Debt sustainability	2015-16	2016-17	2017-18	2018-19	2019-20
Public debt ²⁵ (<i>per cent</i>)					
Percentage of Interest Payment on Public Debt to Revenue Receipts	14.85	14.67	13.93	13.39	14.24
Percentage of Public Debt Repayment to Public Debt Receipts	26.37	32.79	50.83	35.77	38.40
Net Public Debt available to the State ²⁶ (₹crore)	2812	2478	-3925	9499	6451
Available Public Debt as a percentage of Public Debt Receipts (<i>per cent</i>)	11.97	8.96	-14.56	22.02	14.83

Source: Finance Accounts of the State Government for the respective years

Chart 2.29: Trends of Debt Sustainability indication



As can be seen from **Table 2.50**, the ratio of public debt to GSDP was within a range of 16 *per cent* to 17.56 *per cent* during 2015-20.

However, the burden of interest payment on public debt ranged from 13.39 *per cent* to 14.85 *per cent* of the revenue receipts. The percentage of public debt repayment to public debt receipts also increased over the previous year. This indicates the need to review sustainability of debt of the State.

During 2015-20, while GSDP grew at a CAGR of 12.76 *per cent*, the outstanding Public Debt has grown at a CAGR of 10.25 *per cent*.

2.8.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities having encumbrance on the Consolidated Fund of the State in cases of defaults by borrowers for whom guarantees have been extended by the State Government. Statement No. 20 of the Finance Accounts gives details of guarantees given by the State Government. Details in this compilation are prepared from the information furnished by State

²⁵ Interest paid/(OB of Public debt + CB of Public debt)/2

²⁶ Net Public Debt available to the State Government is calculated as excess of Public Debt receipts over Public Debt repayment and interest payment on Public Debt

Government. The maximum amount for which guarantees were given by State Government and outstanding guarantees for the last five years is given in **Table 2.51**.

Table 2.51: Guarantees given by the Government of Gujarat

(₹ in crore)

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Ceiling limit on Government Guarantees under Gujarat State Guarantees Act, 1963	20,000	20,000	20,000	20,000	20,000
Maximum amount guaranteed	11,333	11,333	11,796	11,796	11,747
Outstanding amount of guarantees	5,236	4,804	4,834	4,699	4,462
Percentage of outstanding amount of guarantees to total revenue receipts	5.37	4.37	3.92	3.46	3.12

Source: Finance Accounts of the State Government of respective years.

The Gujarat State Guarantees Act, 1963 prescribed capping of outstanding guarantees within the limit of ₹ 20,000 crore. During 2019-20, State Government extended guarantees amounting ₹ 10 crore. Of the total outstanding guarantees of ₹ 4,462 crore, 29 per cent (₹ 1,287 crore) were in respect of Sardar Sarovar Narmada Nigam Limited and 15 per cent (₹ 650 crore) were in respect of Gujarat Water Infrastructure Limited. The outstanding guarantees (₹ 4,462 crore) accounted for 3.12 per cent of the total revenue receipts of the State Government (₹ 1,42,844 crore) and were well within the limit of ₹ 16,000 crore prescribed under the Gujarat Fiscal Responsibility Act, 2005.

During 2019-20, State Government received ₹ 0.34 crore as guarantee fees from State level bodies, against the budget estimates of ₹ 3.24 crore. Further, no amount was paid by the State Government on account of invocation of guarantees during 2019-20.

Review of Guarantees

The Finance Department *vide* its Circular of December 1998 prescribed the procedure to be followed by Administrative Departments with regard to guarantees given by the State Government.

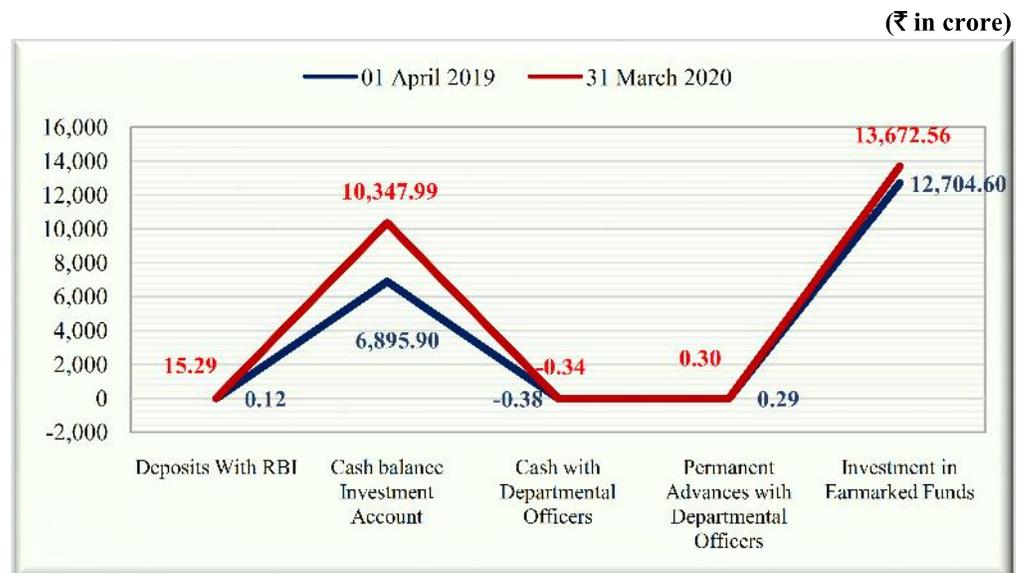
Sardar Sarovar Narmada Nigam Limited (SSNNL) raised term loans from various banks, and Government of Gujarat stood as guarantor for these loans. The guarantees to the extent of repayment of dues were vacated by Narmada, Water Resources, Water Supply and Kalpsar Department from time to time. Audit observed that as per Statement No. 20 of the Finance Accounts, guarantees for loans amounting to ₹ 1,286.51 crore were yet to be vacated. However, records of SSNNL showed that except for ₹ 70.79 crore, major portion of these loans had long been repaid, and NOCs issued by the banks, showing no outstanding balance against these loans.

It was also observed that guarantee register as prescribed in Government Circular (December 1998) was not maintained by the Department.

2.8.3 Management of Cash Balances

The details of opening and closing cash balances with Government of Gujarat as of 01 April 2019 and 31 March 2020 are shown in **Chart 2.30**.

Chart 2.30: Opening and closing cash balances of financial year 2019-20



As per an agreement with the RBI, the State Government has to maintain a minimum daily cash balance of ₹ 2.80 crore with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/ Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is ₹ 19.15 crore with effect from 01 February 2016 and the limit of SWMA is revised by the Bank from time to time.

The State Government maintained the minimum daily cash balance with the RBI during 2019-20 and no WMA/SWMA/OD was availed of during the year.

2.8.3.1 Investment of Cash Balances

Details of cash balances and investment made by the State Government out of cash balances during 2019-20 are shown in **Table 2.52**.

Table 2.52: Cash balances and investment of cash balances

(₹ in crore)

Cash balances and investment of cash balances	Opening balance on 01/04/2019	Closing balance on 31/03/2020	Increase(+)/ Decrease(-)
(A) General cash balance			
Cash in Treasuries	0.00	0.00	0.00
Deposits with Reserve Bank of India	0.12	15.29	15.17
Remittances in Transit – Local	0.00	0.00	0.00
Investments held in Cash Balance Investment Account (Treasury Bills)	6,895.90	10,347.99	3,452.09
Total (A)	6,896.02	10363.28	3,467.26
(B) Other Cash balances and investments			
Cash with Departmental Officers viz. Public Works, Forest, District Collectors etc.	(-)0.38	(-)0.34	0.04
Permanent advances with Departmental Officers for contingent expenditure	0.29	0.30	0.01
Investment in earmarked funds	12,704.60	13,672.56	967.96
Total (B)	12,704.51	13,672.52	968.01
Total Cash Balances (A)+ (B)	19,600.53	24,035.80	4,435.27
Interest realised²⁷	1,219	1,142	(-)77

Source: Finance Accounts of the State Government for the year 2019-20.

The State Government's cash balances of ₹ 24,035.80 crore at the end of the current year showed an increase of ₹ 4,435.27 crore (22.63 per cent) over the previous year. Of the cash balances of ₹ 24,035.80 crore, ₹ 10,348 crore was invested in GoI Treasury Bills which earned an interest of ₹ 211 crore during the year. Further, ₹ 13,673 crore was invested in earmarked funds which earned an interest of ₹ 931 crore.

Due to adequate cash balance during 2018-19, the State Government did not avail of any Ways and Means Advance from the RBI for maintenance of its minimum cash balance.

The cash balance investments of the State during the five-year period (2015-20) are given below.

Table 2.53: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	12,401.93	8,945.52	(-)3,456.41	584.97
2016-17	8,945.52	12,749.99	3804.47	509.52
2017-18	12,749.99	5,198.09	(-)7551.90	553.79
2018-19	5,198.09	6,895.90	1697.81	234.24
2019-20	6,895.90	10,347.99	3452.09	211.33

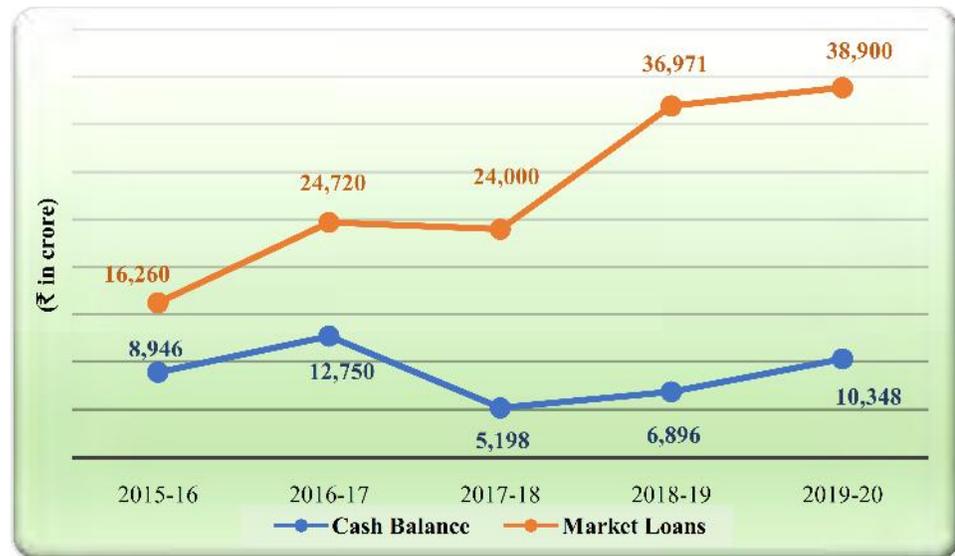
Source: Finance Accounts of the State Government for respective years

²⁷ Interest of ₹ 931 crore and ₹ 985 crore realized during 2019-20 and 2018-19 respectively on Sinking fund Investment (realized along with regular investment); hence, not included under MH 0049 plus interest on Cash Investment ₹ 211 crore and ₹ 234 crore

The trend analysis of the cash balance investment of the State Government during 2015-20 revealed that investment increased significantly during 2016-17 and 2019-20. During the current year, investments held in cash balance investment account stood at 5.05 *per cent* of the original budget estimates (₹ 2,04,815 crore).

Chart 2.31 compares the balances available in the cash balance investment account and the market loans raised by the State Government during the period 2015-20. Market Loans were taken at higher interest rates whereas, investment in Treasury Bills yielded interest at lower rates.

Chart 2.31: Market loans raised *vis-a-vis* Investments held in Cash Balance Investment Account



During 2019-20, the State Government raised ₹ 38,900 crore from the market, while at the same time, the balances available in cash balance investment account increased from ₹ 6,896 crore in 2018-19 to ₹ 10,348 crore in 2019-20, indicating that Government could have avoided the borrowings to that extent.

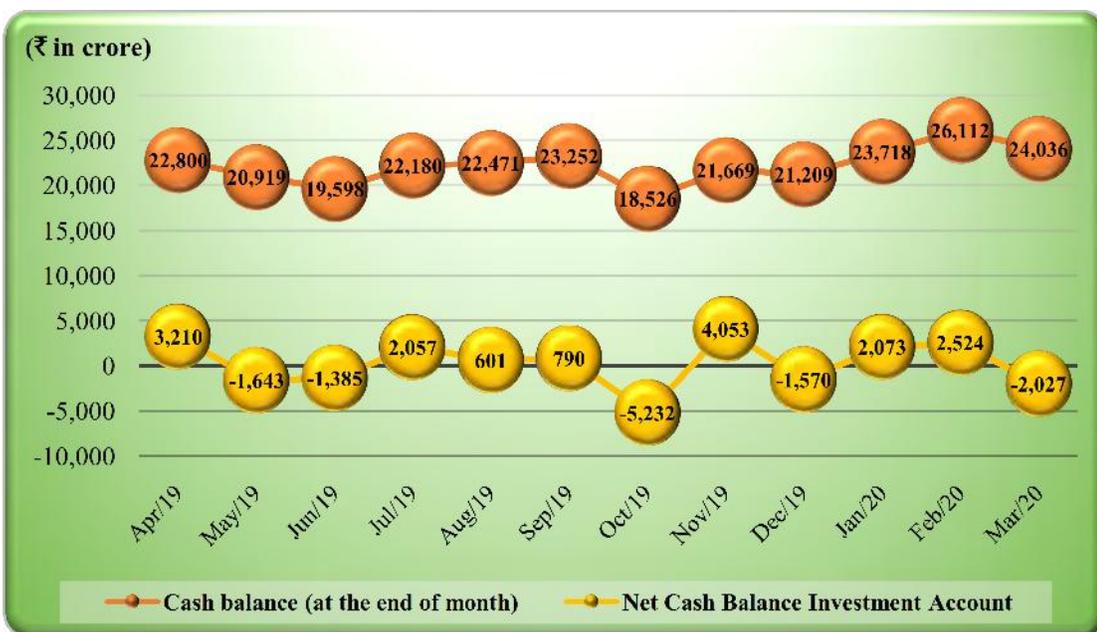
Chart 2.32 shows the daily cash balance held in cash balance investment account during 2019-20 and **Chart 2.33** shows the month-wise movement of cash balance at the end of the month and net cash balance investments during 2019-20.

Chart 2.32: Daily Cash balance held in cash balance investment account during 2019-20

(₹ in crore)



Chart 2.33: Month-wise movement of Cash Balance (at the end of month) and net Cash Balance Investments during 2019-20



2.9 Conclusion

The State Government registered an increase of 5.03 *per cent* in its revenue receipts during 2019-20 compared to the previous year. There had been a significant increase in State’s non-tax revenue during 2019-20 over 2018-19. The buoyancy of State’s own revenue with respect to GSDP during 2019-20 was lowest during the preceding four years (2016-20). The State was largely financed from its own resources, with 68 *per cent* of the revenue coming from its own sources.

Capital expenditure as a percentage of total expenditure decreased continuously over the last three years.

Development expenditure of the State as well as expenditure on health was more than that of the other General Category States while it was less in education sector.

The State Government had been able to control its committed expenditure but, expenditure on subsidy was increasing.

Despite adequate cash balance, the State Government resorted to market borrowings.

2.10 Recommendations

- State Government needs to provide on priority, accurate information to the Principal Accountant General (A&E) with regard to the capital invested in projects, which are at various stages of completion for several years, as well as the complete and accurate details relating to its investment in PSUs;
- The State Government may consider developing a debt sustainability framework for achieving improved long-term sustainability in fiscal deficit management and to guide the borrowing decisions of the State in a way that matches their financing needs with current and prospective repayment;
- The State Government may ensure that Administrative Departments maintain the prescribed guarantee register and reconcile the guarantees invoked with the Office of the Principal Accountant General (A&E) periodically.

