

CHAPTER 2

FINANCES OF THE STATE

2.1 Major changes in Key fiscal aggregates *vis-à-vis* 2018-19

This chapter provides a bird's eye view and an audit perspective on the finances of the State Government during 2019-20 and analyses changes in major fiscal aggregates relative to 2018-19 keeping in view the overall trends during the preceding five years.

Table 2.1 gives a 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 4.03 <i>per cent</i>✓ Own Tax receipts of the State increased by 13.69 <i>per cent</i>✓ Own Non-tax receipts increased by 5.96 <i>per cent</i>✓ State's Share of Union Taxes and Duties decreased by 13.86 <i>per cent</i>✓ Grants-in-Aid from Government of India increased by 33.21 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none">✓ Revenue expenditure increased by 11.51 <i>per cent</i>✓ Revenue expenditure on General Services increased by 5.99 <i>per cent</i>✓ Revenue expenditure on Social Services increased by 14.17 <i>per cent</i>✓ Revenue expenditure on Economic Services increased by 14.84 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none">✓ Capital expenditure decreased by 7.80 <i>per cent</i>✓ Capital expenditure on General Services increased by 56.65 <i>per cent</i>✓ Capital expenditure on Social Services decreased by 11.46 <i>per cent</i>✓ Capital expenditure on Economic Services decreased by 13.20 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none">✓ Disbursement of Loans and Advances decreased by 88.89 <i>per cent</i>✓ Recoveries of Loans and Advances increased by 3.41 <i>per cent</i>
Public Debt	<ul style="list-style-type: none">✓ Public Debt Receipts increased by 22.93 <i>per cent</i>✓ Repayment of Public Debt increased by 38.28 <i>per cent</i>
Public Account	<ul style="list-style-type: none">✓ Public Account Receipts increased by 66.27 <i>per cent</i>✓ Disbursement of Public Account increased by 68.81 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none">✓ Cash balance increased by ₹ 2,668.09 crore (335.44 <i>per cent</i>) during 2019-20 compared to previous year

2.2 Sources and Application of Funds

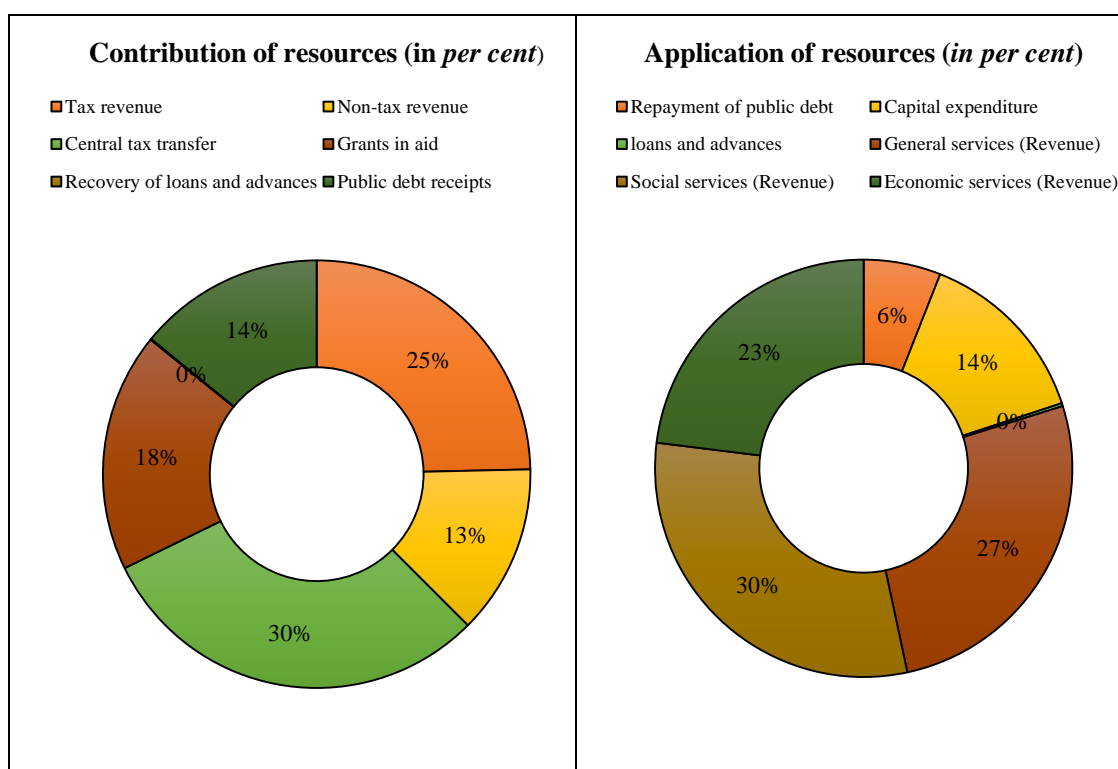
Table 2.2 compares the sources and application of funds of the State during 2019-20 with 2018-19.

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	-242.16	188.30	430.46
	Revenue Receipts	56,151.70	58,417.14	2,265.44
	Recoveries of Loans and Advances	47.57	49.19	1.62
	Public Debt Receipts (Net)	4,743.32	5,361.72	618.40
	Public Account Receipts (Net)	2,315.90	2,430.28	114.38
	Total	63,016.33	66,446.63	3,430.30
Application	Revenue Expenditure	50,630.73	56,456.63	5,825.90
	Capital Expenditure	10,711.71	9,878.71	-833.00
	Disbursement of Loans and Advances	1,485.59	165.43	-1,320.16
	Closing Cash Balance with RBI	188.30	-54.14	-242.44
	Total	63,016.33	66,446.63	3,430.30

Chart 2.1 gives details of receipts into and expenditure from the Consolidated Fund during 2019-20 in terms of percentages.

Chart 2.1: Details of Sources and Application of funds during 2019-20

2.3 Resources of the State

This paragraph provides the composition of the overall receipts. Besides, the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

The resources of the State are described below:

- 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).

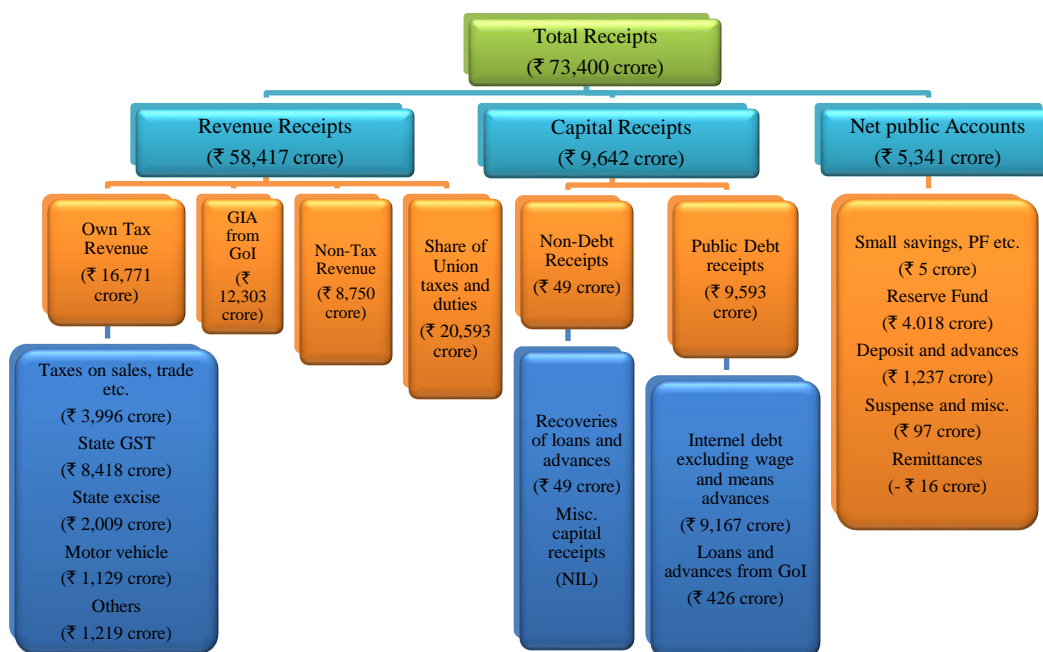
2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

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.

Composition of receipts of State during 2019-20 is given in **Chart 2.2**.

Chart 2.2: Composition of receipts of the State during 2019-20



2.3.1 State's Revenue Receipts

2.3.1.1 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. Further, trends in revenue receipts relative to GSDP and composition of revenue receipts are given in **Appendix 2.1**.

Table 2.3: Trend in Revenue Receipts

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	40,638	47,054	52,756	56,152	58,417
Rate of growth of RR (per cent)	28.74	15.79	12.12	6.44	4.03
Own Tax Revenue	11,478	13,299	12,353	14,752	16,771
Non-Tax Revenue	5,853	5,351	7,847	8,258	8,750
Rate of growth of Own Revenue (Own Tax and Non- tax Revenue) (per cent)	18.0	7.6	8.3	13.9	10.9
Gross State Domestic Product (₹ in crore) (2011-12 Series)	2,06,613	2,36,250	2,69,816	2,97,204	3,28,598
Rate of growth of GSDP (per cent)	-5.45	14.34	14.21	10.15	10.56
RR/GSDP (per cent)	19.67	19.92	19.55	18.89	17.78
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	*	1.10	0.85	0.63	0.38
State's Own Revenue Buoyancy w.r.t GSDP	*	0.53	0.58	1.37	1.03

Source of GSDP figures: Directorate of Economics and Statistics, P.E. - Provisional Estimates; Q.E. - Quick Estimates

*Since growth of GSDP was negative hence buoyancy was not calculated.

The growth of revenue receipts of the State decreased consistently from 28.74 per cent in 2015-16 to 4.03 per cent in 2019-20 due to decrease in growth rate of State share of Union taxes from 68.30 per cent in 2015-16 to (-)13.86 per cent in 2019-20. However, revenue receipt growth was highest in 2015-16 due to one-time borrowings on UDAY bonds.

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

Chart 2.3: Trend in Revenue Receipts

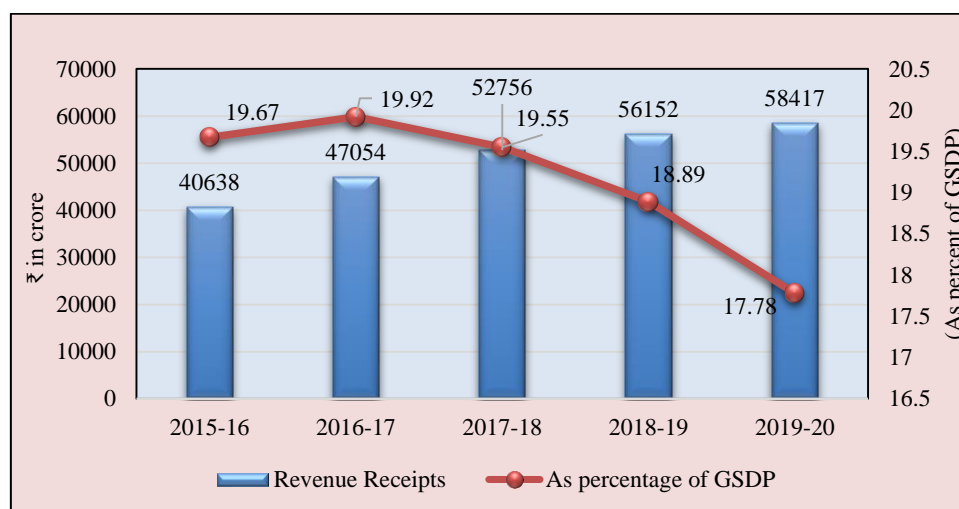
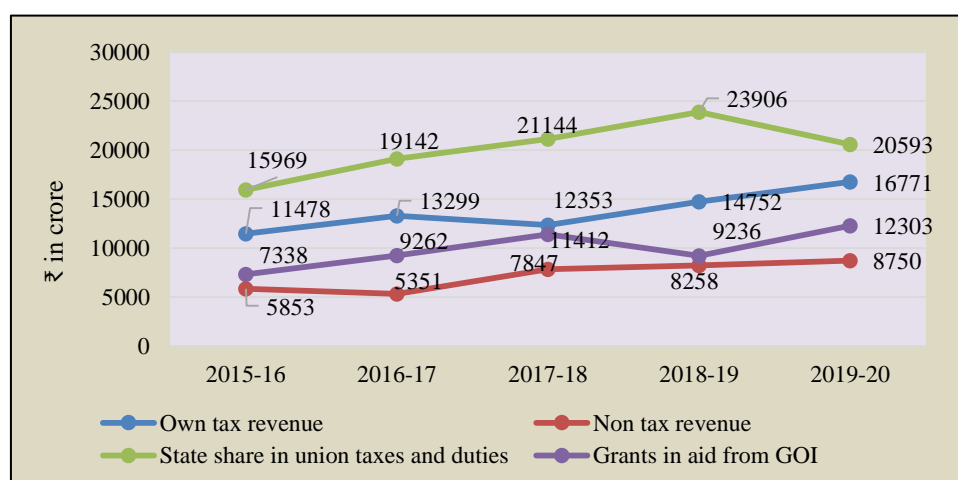


Chart 2.4: Trend of components of Revenue Receipts



Further, as shown in **Table 2.3** and **Charts 2.3** and **2.4** the State's own revenues during 2019-20 grew by 10.90 per cent over the previous year, whereas, the revenue received from GoI (CTT & GIA) decreased by 0.74 per cent. The CTT decreased substantially (by ₹ 3,313 crore) during the year mainly due to taxes subsumed in the GST which was offset by the significant increase in GIA (by ₹ 3,067 crore).

2.3.1.2 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. State's performance in mobilisation of additional resources has been assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

A. Own Tax revenue

Own tax revenues of the State consist of State GST, State excise, Taxes on vehicles, Sales Tax on Petroleum and alcohol for human consumption, Stamp duty and Registration fees, Land revenue, Taxes on goods and passengers, etc. **Chart 2.5** shows growth of tax revenues of the State during the period 2015-20.

Chart 2.5: Growth of Tax Revenue during 2015-20

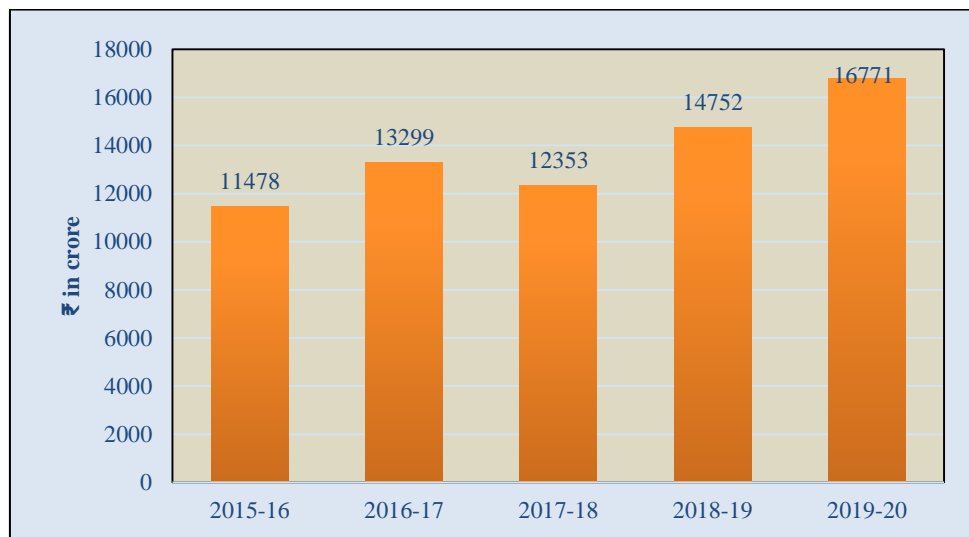


Table 2.4: Components of State's Own Tax Revenue

Year	2015-16	2016-17	2017-18	2018-19	2019-20	Sparklines
Sales tax	8,999	10,549	5,715	3,475	3,996	
SGST	0	0	4,124	8,201	8,418	
State excise	912	962	841	1,083	2,009	
Taxes on vehicles	633	682	779	864	1,129	
Stamp duty and registration fees	532	607	469	451	560	
Land revenue	164	240	156	389	338	
Others	238	259	270	289	321	
Total	11,478	13,299	12,354	14,752	16,771	

The growth rate of own tax revenue ranged between 10.90 to 19.40 *per cent* during the period 2015-20, except in 2017-18 when it was (-) 7.10 *per cent* due to introduction of GST. The own tax revenue growth during 2018-19 (19.40 *per cent*) was higher than 2019-20 (13.69 *per cent*). The growth rate during 2018-19 was higher due to less collection of taxes in 2017-18 as a result of implementation of GST.

Collection of State Excise during 2019-20 was nearly double to its collection during 2018-19. It was mainly due to increase in number of shops and due to implementation of new retail excise policy during 2019-20. Collection of taxes on vehicles also increased due to new tax structure and collection of arrear from the defaulters.

State Goods and Services Tax (SGST)

As per the GST (Compensation to States) Act, 2017, States will be compensated for the shortfall in revenue arising on account of implementation of the Goods and Services Tax considering an annual growth of 14 *per cent* from the base year (2015-16), for a period of five years. 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 compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG of India. A base year (2015-16) revenue figure of taxes subsumed under GST was finalised under GST Act. In the case of Jharkhand, the revenue was ₹ 6,410.51 crore during the base year (2015-16). The projected revenue for any year in a State shall be calculated by applying the projected growth rate (14 *per cent* per annum) over the base year revenue of that State.

The projected revenue for the year 2019-20 in accordance with the base year figure was ₹ 10,827.10 crore. However, the revenue receipt of the State Government in respect of taxes subsumed under GST during 2019-20 was ₹ 8,419.25 crore. The GoI provided ₹ 1,531.82 crore as compensation during the year to protect the revenue collection of the State. However, compensation amount pertaining to the months of February and March 2019 (₹ 172.00 crore) was received in May 2019 and amount pertaining to the period of December 2019 to March 2020 was not received during the year 2019-20. Amount (₹ 470.17 crore) pertaining to the period from December 2019 to February 2020 received in June 2020 and pertaining to March 2020 (₹ 199.83 crore) received in July 2020.

Hence, against the projected revenue of ₹ 10,827.10 crore, the SGST collection and compensation received was ₹ 10,621.07 crore leading to short receipt of ₹ 206.03 crore.

Advance apportionment of IGST and its adjustment against GST compensation

GoI is to apportion IGST to State Governments under section 17 of the IGST Act, 2017. The State Tax Division, Ministry of Finance, Department of Revenue (GoI) sanctioned provisional/advance settlement of apportionment of ₹ 69.12 crore with the condition that the amount will be settled from future payments of IGST.

Audit of GST Receipts

The Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. The required access to data has been provided in January 2021. The accounts 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.

Analysis of arrears of revenue and arrears of assessment

The arrears of revenue indicate delayed realization of revenue due to the Government. Similarly, arrears of assessment indicate potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and affect ultimately the revenue deficit.

As on 31 March 2020, arrears in collection of revenue were ₹ 6,532.33 crore (Commercial Tax Department, Excise & Prohibition Department, Motor Vehicle Tax Department and Land Revenue Department) of which ₹ 1,474.53 crore was outstanding for more than five years. Out of the total arrears in these departments, amounts held up by the Courts and other appellate authorities were ₹ 7.72 crore pertaining to the Excise and Prohibition Department.

The total revenue arrears as on 31 March 2020 constituted 37.25 per cent of own tax (₹ 16,771 crore) of the State as against 44.22 per cent during 2018-19.

Details of evasion of tax detected by Department, refund cases etc.

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

Table 2.5: Evasion of Tax Detected

(₹ in crore)

Head of revenue	Cases pending as on 1 April 2020	Amount of demand	Cases detected during 2019-20	Amount of demand	Total cases	Amount of demand	Cases in which additional demand with penalty raised		Cases pending as on 31-Mar-2020	Amount of demand as on
							No. of cases	Amount of demand		
Taxes/VAT on sales, Trade	3	27.95	0	0	3	27.95	0	0	3	27.95

As on 31 March 2020, three cases of evasion of taxes amounting to ₹ 27.95 crore were informed by the Commercial Tax Department. No case of evasion of taxes was reported by Excise & Prohibition Department, Motor Vehicle Tax Department and Land Revenue Department.

Table 2.6: Details of refund cases

(₹ in crore)

Sl. No.	Particulars	Sales Tax/VAT		State Excise		Total	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	37	32.12	67	3.79	104	35.91
2.	Claims received during the year	69	17.97	Nil	Nil	69	17.97
3.	Refunds made during the year	30	6.79	Nil	Nil	30	6.79
4.	Refunds rejected during the year	Nil	Nil	Nil	Nil	Nil	Nil
5.	Balance outstanding at the end of year	76	43.30	67	3.79	143	47.09

As on 31 March 2020, 143 cases of refund of taxes amounting to ₹ 47.09 crore were outstanding in Commercial Tax Department (₹ 43.30 crore) and State Excise and Prohibition Department (₹ 3.79 crore).

B. Non Tax Revenue

Non-Tax revenue (NTR) consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc.

Non-Tax revenue collected during 2019-20 was ₹ 8,750 crore. The collection of NTR was higher than the normative projection of ₹ 6,224 crore made by the FFC for the year but was significantly lower than the budget estimates of ₹ 11,771 crore.

Component-wise non-tax revenue collected during 2015-20 is as shown in **Table 2.7**

Table 2.7: Non-tax revenue collected during 2015-20

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Interest receipts	122	121	169	47	310	
Dividends and profits	0	0	0	0	0	
Other non-tax receipts	5731	5230	7678	8211	8440	
(a) Non ferrous mining	4384	4094	5941	5935	5461	
(b) Education	20	21	20	590	169	
(c) Urban development	268	144	122	265	529	
(d) Major irrigation	19	20	131	321	424	
(e) Civil supplies	19	4	5	6	420	
(f) Others	1021	947	1459	1094	1437	
Total	5853	5351	7847	8258	8750	

The share of NTR in revenue receipts remained nearly same at 14 *per cent* during the period 2015-20 except 2016-17 (11.37 *per cent*). The main source of NTR was receipts from Non-ferrous Mining and Metallurgical Industries. However, collection under Non-ferrous Mining and Metallurgical Industries decreased by ₹ 473.28 crore due to less collection of mineral concession fees, rents and royalties, which was compensated by increased collection under Civil supplies and others. Interest receipts increased significantly during 2019-20 due to interest accrued on cash balance investment. Average rate of interest at which government borrowed funds was 6.34 *per cent* per annum whereas, rate of interest received on its cash balance was only five *per cent* per annum.

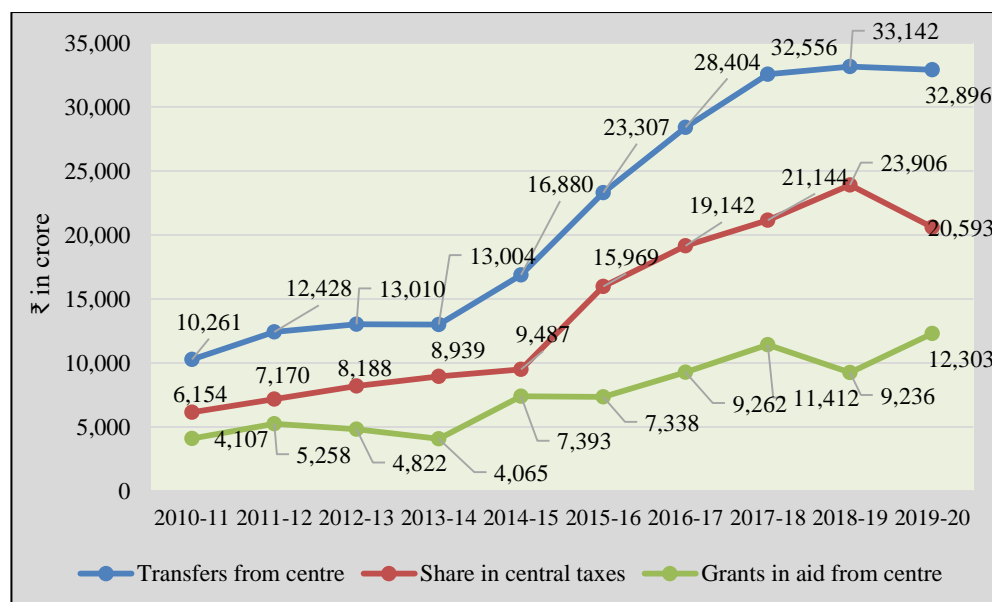
It was noticed that receipts under urban development and civil supplies increased significantly during 2019-20 over the previous year mainly due to recoveries of unspent balances of Grants-in-aid.

Irregular deposit under Minor Head-913

A total amount of ₹ 1,800.00 crore (unspent balances of Grants-in-aid and unutilised scheme funds) has been deposited by the State Government under Minor head '913-recovery of unspent balance of Grants-in-aid' below 40 revenue receipt Major heads during the year 2019-20. Bifurcation of the deposited amount into those pertaining to Centrally Sponsored Schemes and State Schemes is not available. The deposited amount, not being actual revenue, is included in the revenue receipts resulting in overstatement of revenue surplus of the State Government to that extent.

C. Transfers from the Centre

The central transfer to the State in shape of Central Tax Transfer and Grants-in-aid was more than 50 per cent of total Non-debt revenue of the State during 2010-20, except in 2013-14 when it was just below this mark. The ratio of central transfer to non-debt receipt was highest during 2017-18 (62 per cent) due to less collection of own revenue and receipts of compensation for revenue loss arising out of implementation of GST. During 2019-20 the ratio stood at 56 per cent.

Chart 2.6: Transfer from Centre to the State

The devolution of taxes by the Central to State increased consistently from ₹ 6,154 crore in 2010-11 to ₹ 23,906 crore in 2018-19. However, it decreased to ₹ 20,593 crore (decrease of ₹ 3,313 crore) in 2019-20 over the previous year.

Central tax transfer

Component wise trend of Central Tax Transfers (CTT) over the past five years are depicted in **Table 2.8**.

Table 2.8: Central Tax Transfers

(₹ in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax (CGST)	NA	NA	299	5,900	5,844
Integrated Goods and Services Tax (IGST)	NA	NA	2,134	471	0
Corporation Tax	5,031	6,135	6,475	8,313	7,021
Taxes on Income other than Corporation Tax	3,503	4,264	5,467	6,122	5,502
Customs	2,551	2,639	2,134	1,695	1,305
Union Excise Duties	2,117	3,013	2,230	1,126	908
Service Tax	2,755	3,077	2,404	220	0
Other Taxes ²	12	14	0	59	13
Central Tax transfers	15,969	19,142	21,144	23,906	20,593
Percentage of increase over previous year	68	20	10	13	-14
Percentage of Central tax transfers to Revenue Receipts	39	41	40	43	35

NA- not applicable

The decrease of CTT in 2019-20 over the previous year was mainly due to less receipt of taxes on income other than corporation tax (by ₹ 621 crore), Corporation Tax (by ₹ 1,292 crore) and non-receipt of IGST. Central Tax Transfer constituted 35.25 per cent of the revenue receipts (₹ 58,417.14 crore) of the State during 2019-20 as against 42.57 per cent in 2018-19.

Grants-in-aid from GoI

The growth rate of GIA from GoI showed wide fluctuation between 23.23 per cent and 33.21 per cent during the period 2015-20, including (-) 19.02 per cent in 2018-19. It was lowest during the year 2018-19 mainly due to less grants received for Centrally sponsored schemes viz., Pradhan Mantri Gram Sadak Yojana by ₹ 528 crore, Swachh Bharat Abhiyan (Gramin) by ₹ 249 crore and Basic Grants to Local Bodies by ₹ 538 crore. While, its growth was maximum during 2019-20 mainly due to more basic grants received for Rural and Urban Local Bodies of the State under recommendation of the Fourteenth Finance Commission.

Table 2.9: Grants-in-aid from Government of India

(₹ in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants*	1,685.82	1,875.29	-	-	-
Grants for State Plan Schemes*	4,950.18	6,792.89	-	-	-
Grants for Central Plan Schemes*	50.90	78.01	-	-	-
Grants for Centrally Sponsored Schemes*	650.74	515.16	-	-	-
Grants for Special Plan Schemes	-	-	-	-	-
Grants for Centrally Sponsored Schemes (CSS)	-	-	7,985.24	6,996.85	7,339.05
Finance Commission Grants	-	-	1,583.03	1,059.89	3,154.60
Other transfers/Grants to States/Union Territories with Legislature	-	-	1,844.02	1,178.78	1,809.01
Total	7,337.64	9,261.35	11,412.29	9,235.52	12,302.66
Percentage of increase over the previous year	-0.74	26.21	23.23	-19.07	33.21
Percentage of GIA to Revenue Receipts	18.06	19.68	21.63	16.45	21.06

Source: Finance Accounts

*No figures, since, the nomenclature of plan and non-plan grants was stopped from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

² Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

Fourteenth Finance Commission Grants (FFC)

Details of grants released by the Central Government to the State Government, on the recommendation of FFC, for urban local bodies and Panchayati Raj Institutions of the State in shape of basic and general performance grants are given in **Table 2.10**.

Table 2.10: Recommended amount, actual release and transfers of Grants-in-aid

(₹ in crore)

Transfers	Recommendation of the XIV-FC			Actual release by GoI			Release by State Government [#]		
	2015-19	2019-20	Total	2015-19	2019-20	Total	2015-19	2019-20	Total
Local Bodies									
(i) Grants to PRIs	4,214.62	1,832.12	6,046.74	3,493.54	2,236.71	5,730.25	10,149.07	2,497.70	12,646.77
(a) General Basic Grant	3,809.48	1,632.59	5,442.07	2,997.51	2,236.71	5,234.22	10,149.07	2,497.70	12,646.77
(b) General Performance Grants	405.14	199.53	604.67	496.03	0.00	496.03			
(ii) Grants to ULBs	1,328.72	585.83	1,914.55	670.11	586.39	1,256.50	7,695.52	1,504.45	9,199.97
(a) General Basic Grant	1,072.16	459.48	1,531.64	670.11	518.42	1,188.53	7,695.52	1,504.45	9,199.97
(b) General Performance Grants	256.56	126.35	382.91	0.00	67.97	67.97			
Total for Local Bodies	5,543.34	2,417.95	7,961.29	4,163.65	2,823.10	6,986.75	17,844.59	4,002.15	21,846.74
State Disaster Response Fund*	1,568.00	442.00	2,010.00	1,176.00	331.50	1,507.50	1,568.00	442.00	2,010.00
Grand Total	7,111.34	2,859.95	9,971.29	5,339.65	3,154.60	8,494.25	19,412.59	4,444.15	23,856.74

* Including State share of 25 per cent of total grant.[#] includes grants received from GoI

Source: XIV-FC Report and Finance Accounts

2.3.2 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. Details of capital receipts during 2015-20 are given in **Table 2.11**.

Table 2.11: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	13,276.00	7,119.42	8,203.85	7,850.43	9,642.31
Miscellaneous Capital Receipts	0	0	25.09	0	0
Recovery of Loans and Advances	31.06	38.46	42.41	47.57	49.19
Net Public Debt Receipts	10,999.49	5,003.51	5,187.81	4,743.34	5,361.72
<i>Internal Debt</i>	11,001.00	4,927.00	5,117.24	4,637.10	5,109.14
<i>Growth rate(in per cent)</i>	128.46	(-)55.21	3.86	(-)9.37	10.17
<i>Loans and advances from GoI</i>	(-)1.51	76.51	70.57	106.22	252.44
<i>Growth rate (in per cent)</i>	(-)70.79	5,166.89	(-)7.76	50.52	137.66
Rate of growth of debt Capital Receipts	97.98	(-)46.54	14.90	(-)4.10	22.93
Rate of growth of non-debt capital receipts	(-)6.06	22.58	76.32	(-)29.85	4.66
Rate of growth of GSDP	(-)5.45	14.34	14.21	10.15	10.56
Rate of growth of Capital Receipts (per cent)	97.47	(-)46.37	15.23	(-)4.31	22.83

Source: Finance Accounts and MoSPI website

As depicted in the above table, rate of growth of capital receipts showed wide fluctuation during 2015-20. During 2019-20, capital receipts of the State increased significantly over the previous year mainly due to increased borrowings under Market loans (by ₹ 1,991 crore). The debt capital receipts was significantly high in 2015-16 due to one-time borrowings of ₹ 5,553.37 crore under Ujjwal DISCOM Assurance Yojana (UDAY) bonds. No borrowing was made on UDAY bonds after 2015-16.

2.3.3 State's performance in mobilisation of resources

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

Table 2.12: Tax and non-tax receipts vis-à-vis projections for 2019-20

(₹ in crore)

	FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget estimates	FC projections
Own Tax revenue	26,090.00	24,319.00	16,771.45	(-)31.04	(-)35.72
Non-tax revenue	6,224.00	11,770.93	8,749.98	(-)25.66	40.58

As shown in **Table 2.12**, actual collection of Own-tax revenue and Non-tax revenue during the year 2019-20 was much less than the budget estimates.

2.4 Application of resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector.

Growth and composition of expenditure

Table 2.13, **Chart 2.7** and **Appendix 2.1** present the trends in Total Expenditure and its composition over the last five years (2015-20).

Table 2.13: Total expenditure and its composition

(₹ in crore)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	52,192	57,285	64,756	62,827	66,501
Revenue Expenditure (RE)	36,553	45,089	50,952	50,631	56,457
Capital Expenditure (CE)	8,159	10,861	11,953	10,712	9,879
Loans and Advances	7,480	1,335	1,852	1,485	165
As a percentage of GSDP					
TE/GSDP	25.30	24.20	24.00	21.10	20.20
RE/GSDP	17.70	19.10	18.90	17.04	17.18
CE/GSDP	3.95	4.60	4.43	3.60	3.01
Loans and Advances/GSDP	3.62	0.57	0.69	0.50	0.05

As shown in the **Table 2.13** ratio of TE, RE, CE etc. to GSDP decreased consistently from 2015-16 onwards which shows that the government was neither spending money on development activities nor on creation of capital asset.

Table 2.14: Relative share of various sectors of expenditure

(per cent)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	24.09	23.76	26.82	29.36	30.00
Social Services	30.48	35.15	32.64	32.51	34.44
Economic Services	45.33	40.99	40.46	38.06	35.48

From **Table 2.14** it is evident that the share of expenditure on general services had been increasing consistently from 2015-16 whereas, share of expenditure on economic services has decreased significantly from 45.33 per cent in 2015-16 to 35.48 per cent in 2019-20. Share of expenditure on social services was almost constant during these years.

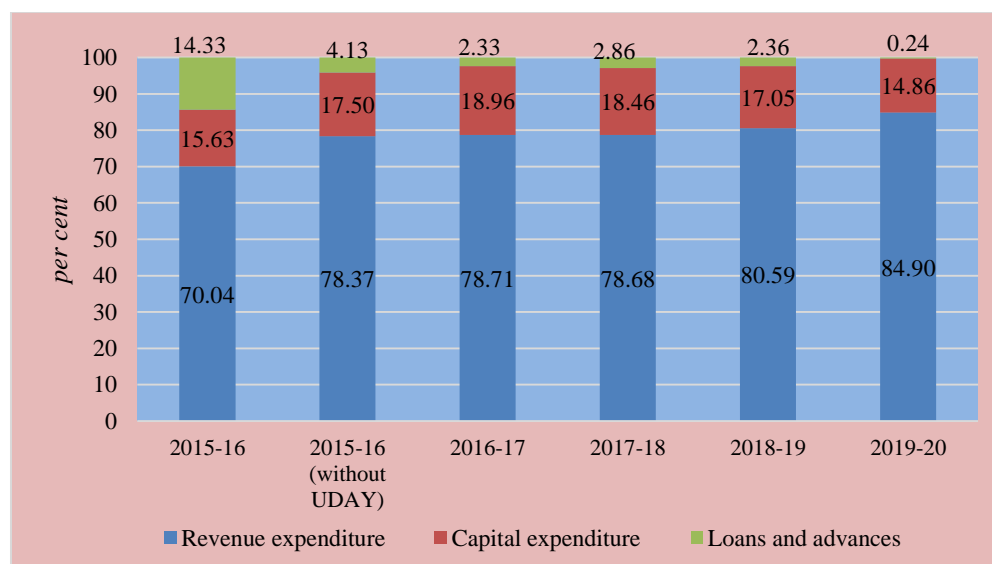
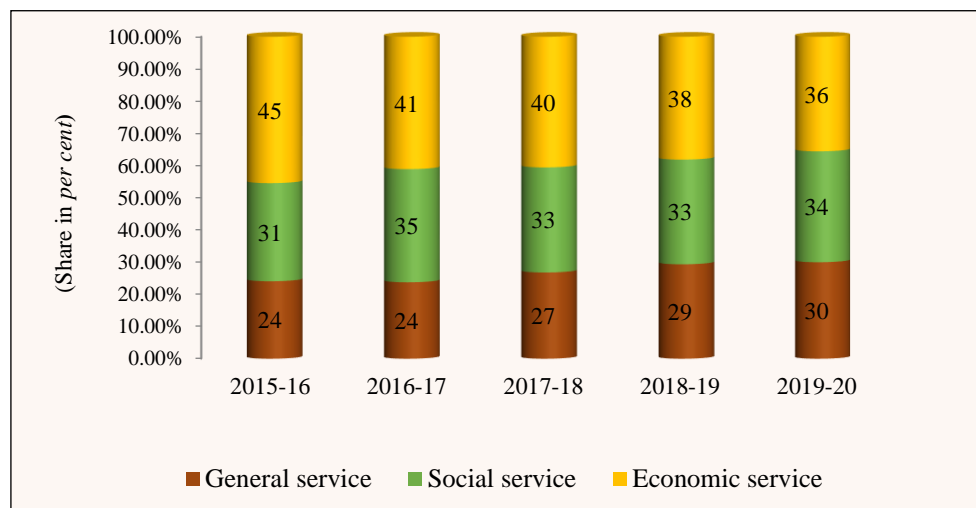
Chart 2.7: Total Expenditure- Trends in share of its components

Chart 2.8: Total Expenditure- Expenditure by Activities

2.4.1 Revenue Expenditure

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

It was observed that revenue expenditure (RE) as a percentage of total expenditure, increased significantly from 70 *per cent* in 2015-16 to 85 *per cent* in 2019-20. However, revenue expenditure as a percentage of GSDP remained nearly same during 2018-19 and 2019-20 at 17 *per cent*.

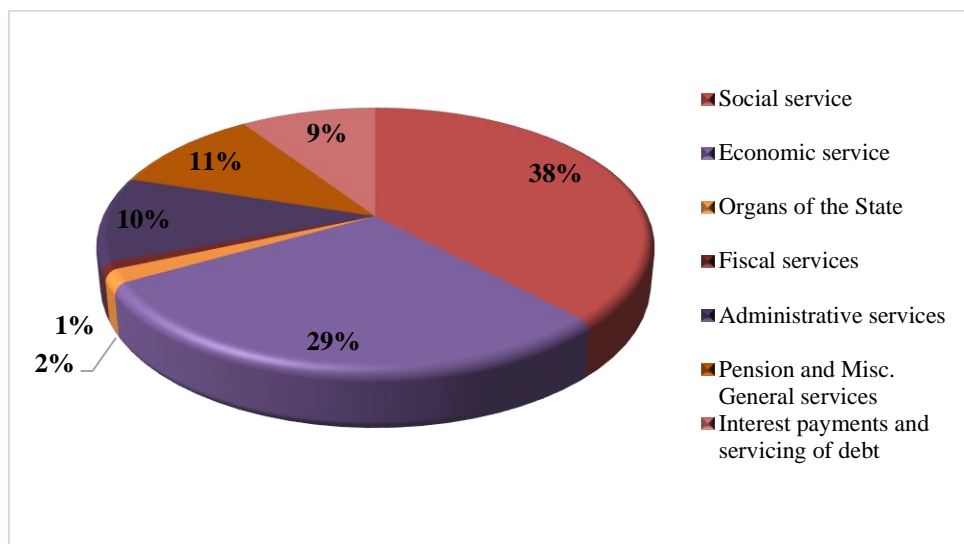
Out of total revenue expenditure of ₹ 56,456.63 crore during 2019-20, ₹ 28,829.69 crore was spent on establishment and ₹ 27,626.94 crore on State and Central schemes. Further, out of ₹ 56,456.63 crore, major share (38 *per cent*) was spent on social service, followed by general service (33 *per cent*). The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts are indicated in **Table 2.15** and the sectoral distribution of Revenue Expenditure pertaining to 2019-20 is given in **Chart 2.9**.

Table 2.15: Revenue Expenditure – Basic Parameters

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	52,192	57,285	64,756	62,827	66,501
Revenue Expenditure (RE)	36,553	45,089	50,952	50,631	56,457
Rate of Growth of RE (<i>per cent</i>)	15.0	23.4	13.0	-0.6	11.5
Revenue Expenditure as percentage of TE	70.0	78.7	78.7	80.6	84.9
RE/GSDP (<i>per cent</i>)	17.70	19.10	18.90	17.04	17.18
RE as percentage of RR	89.9	95.8	96.6	90.2	96.6
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	-2.75	1.63	0.91	-0.06	1.09
Revenue Receipts (ratio)	0.52	1.48	1.07	-0.09	2.85

Source: Finance Accounts of respective years

Revenue expenditure on different services as percentage of total revenue expenditure during 2019-20 has been shown in **Chart 2.9**.

Chart 2.9: Sector wise Distribution of Revenue Expenditure

During 2019-20, the growth rate of Revenue Expenditure increased to 11.5 per cent in comparison to (-) 0.6 per cent in 2018-19 and its percentage in total expenditure increased by 4.3 per cent during the year. However, as a percentage of GSDP, Revenue Expenditure had marginally increased by 0.14 per cent over the previous year. Further, Revenue Expenditure was lower by ₹ 9,860 crore *vis-à-vis* the budget estimate (₹ 66,317 crore) during 2019-20.

Major changes in Revenue Expenditure

Significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year are detailed in **Table 2.16**.

Table 2.16: Variation in Revenue Expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
2040-Taxes on Sales, Trade etc.	83.06	80.26	(-) 2.80
2075-Miscellaneous General Services	4.96	2.02	(-) 2.94
2215-Water Supply and Sanitation	1,379.57	655.47	(-) 724.10
2216-Housing	17.23	12.79	(-) 4.44
2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	1,146.45	1,205.41	58.96
2236 -Nutrition	547.47	436.15	(-) 111.32
2501-Special Programmes for Rural Development	485.37	607.69	122.32
2505-Rural Employment	3,391.95	3,495.94	103.99
2515-Other Rural Development Programmes	3,554.32	3,769.15	214.83

As shown in the above table, the revenue expenditure on water supply and sanitation decreased significantly during 2019-20 over the previous year mainly due to less expenditure on (1) special component plan for scheduled caste (mainly under National Rural Drinking Water Programme and Rural Sanitation), (2) tribal area sub-plan (mainly under Rural Piped Water Supply Scheme, Rural Sanitation and National Rural Drinking Water

Programme) and (3) sewerage services (mainly under Rural Sanitation) by 65 per cent, 56 per cent and 89 per cent respectively.

Revenue expenditure on nutrition decreased mainly on special nutrition programmes and tribal area sub-plan (mainly under special scheme for distribution of nutritious food for welfare of family and child) by 20 per cent and 23 per cent respectively.

Increase in revenue expenditure on special programs for rural development was result of more expenditure on Swarna Jayanti Gram Swarajgar Yojna by 57 per cent and tribal area sub-plan by 40 per cent. Similarly, increase in other rural development programmes was a result of more assistance to rural local bodies by ₹ 1,621 crore.

2.4.2 Committed expenditure

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

Table 2.17 presents the trends in the components of committed expenditure during 2015-20 and percentage of committed expenditure to Revenue Receipts and Revenue Expenditure during 2015-20.

Table 2.17: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries & Wages	8,218	8,927	11,221	12,138	12,832
Expenditure on Pensions	3,990	4,135	5,913	5,991	6,005
Interest Payments	3,320	4,172	4,662	4,852	5,308
Total	15,528	17,234	21,796	22,981	24,145
As a percentage of Revenue Receipts (RR) (₹ 58,417 crore)					
Salaries & Wages	20.20	19.00	21.30	21.60	22.00
Expenditure on Pensions	9.82	8.79	11.21	10.67	10.28
Interest Payments	8.17	8.87	8.84	8.64	9.09
Total	38.19	36.65	41.34	40.91	41.37
As a percentage of Revenue Expenditure (RE) (₹ 56,457 crore)					
Salaries & Wages	22.50	19.80	22	24	22.7
Expenditure on Pensions	10.92	9.17	11.61	11.83	10.64
Interest Payments	9.08	9.25	9.15	9.58	9.40
Total	42.50	38.22	42.75	45.42	42.74

During 2019-20, Salaries & Wages, Interest Payments and Pension together accounted for 42.74 per cent of the revenue expenditure against 45.42 per cent in 2018-19 whereas, it consumed 41.37 per cent of the revenue receipts in 2019-20.

Interest payment

The growth rate of interest payments in 2019-20 was 9.40 per cent against 4.10 per cent in 2018-19. Percentage of interest payments to revenue receipts increased from 8.64 per cent in 2018-19 to 9.09 per cent in 2019-20 mainly due to payment of more interest on other internal debts. The interest payment to revenue receipt ratio was higher than the FFC recommendation of 8.08 per cent.

Undischarged liabilities in National Pension System

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

During 2019-20, employer's contribution of ₹ 496.27 crore was transferred to NSDL. The State Government transferred ₹ 495.51 crore against receipt of ₹ 522.43 crore as employees' contribution to the designated fund manager through NSDL during 2019-20. A balance of ₹ 39.55 crore remained in the Public Account (Major Head 8342-117-Defined Contribution Pension Scheme) at the end of 2019-20.

Subsidies

As can be seen from the details given in **Table 2.18** there was a significant increase in expenditure on subsidies during the year 2019-20. Subsidies as a percentage of Revenue Receipts increased significantly from 3.73 *per cent* in 2018-19 to 7.32 *per cent* in 2019-20. In absolute terms, expenditure on payment of subsidies increased from ₹ 2,092 crore in 2018-19 to ₹ 4,275³ crore in 2019-20.

During 2019-20, Government of Jharkhand paid subsidy mainly under Major Heads 2401-Crop Husbandry (₹ 1,746 crore), 2801-Power (₹ 1,350 crore) and 3456- Civil Supplies (₹ 1,044 crore). No subsidy was given for irrigation. The increase in subsidy during 2019-20 by ₹ 2,183 crore over the previous year was mainly due to subsidy for crop husbandry under programme Agriculture Farms by ₹ 600 crore, special component plan for Scheduled caste by ₹ 200 crore, tribal area sub-plan by ₹ 500 crore etc. and tariff subsidy by ₹ 755 crore for consumers through Jharkhand Bijli Vitran Nigam Limited.

Table 2.18: Expenditure on subsidies during 2015-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	522	1,859	1,440	2,092	4,275
Subsidies as a percentage of RR	1.28	3.95	2.73	3.73	7.32
Subsidies as a percentage of RE	1.43	4.12	2.83	4.13	7.57

Source: Finance and Appropriation Accounts

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.

³ Appendix II of Finance Accounts 2019-20

Table 2.19: Financial Assistance to Institutions etc.

(₹ in crore)

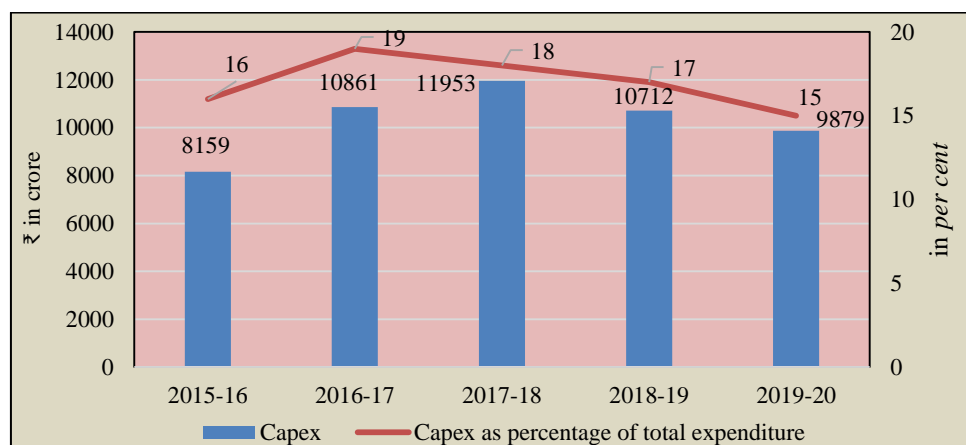
Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
(A) Local Bodies					
Municipal Corporations and Municipalities	1,830.77	2,961.14	1,155.11	1,748.5	1,505.45
Panchayati Raj Institutions	3,407.48	2,533.77	1,270.13	2,937.69	2,497.70
Total (A)	5,238.25	5,494.91	2,425.24	4,686.19	4,003.15
(B) Others					
Universities	826.24	1,133.03	671.67	621.08	1,265.29
Development Authorities	3,410.53	3,915.39	7,447.41	3,952.30	10,771.73
Public Sector Undertakings	3,987.54	0	0	0	1,753.28
Other Institutions	1,427.46	9,788.69	10,169.67	8,716.24	1,398.01
Total (B)	9,651.77	14,837.11	18,288.75	13,289.62	15,188.31
Total (A+B)	14,890.02	20,332.02	20,713.99	17,975.81	19,191.46
Revenue Expenditure	36,553	45,089	50,952	50,631	56,457
Assistance as percentage of Revenue Expenditure	40.74	45.09	40.65	35.50	33.99

During 2019-20, financial assistance to PRIs decreased by ₹ 439.99 crore mainly due to less release of grant on recommendation of Thirteen Finance Commission as given in previous year (₹ 167.15 crore), less GIA for Rastriya Gram Swaraj Abhiyan by ₹ 2,184.68 crore. Financial assistance to ULBs decreased by ₹ 243.05 crore during the year mainly due to decrease in GIA for water supply and sanitation by ₹ 375.13 crore and GIA for land management and acquisition by ₹ 274.81 crore offset by more basics grants on recommendation of FFC by ₹ 432.91 crore.

2.4.3 Capital Expenditure

Capital Expenditure (CE) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings etc.

Chart 2.10: Capital Expenditure in State



Major changes in Capital Expenditure

There was consistent increase in capital expenditure during 2015-16 to 2017-18 which recorded significant decrease by ₹ 1,241 crore in 2018-19 and by ₹ 833 crore in 2019-20. During 2019-20, the capital expenditure decreased due to less expenditure on social services by 11 per cent and economic services by 13 per cent over previous year.

In spite of less capital expenditure (CE) on economic services in comparison to the previous year the major share of CE was on economic services (₹ 7,209 crore) in 2019-20. Priority was given to transport (₹ 3,687 crore), rural development (₹ 1,991 crore) and irrigation and flood control (₹ 1,328 crore). However, in comparison to the previous year, there was less expenditure on all these services during 2019-20.

Out of the total allocation (₹ 12,863.92 crore) under capital section, ₹ 2,985.21 crore remained unutilised during 2019-20. A major portion of the savings were mainly from the funds provided for construction of major roads (₹ 355 crore), widening and strengthening of state highways (₹ 250 crore), construction of bridges (₹ 145 crore), minimum need programme for rural roads (₹ 436 crore).

Table 2.20: Capital Expenditure during 2019-20 compared to 2018-19

(₹ in crore)			
Major Heads of Accounts	2018-19	2019-20	Increase (+)/ Decrease (-)
4059-Capital Outlay on Public Works	269.05	366.15	97.10
4210-Capital Outlay on Medical and Public Health	273.39	347.69	74.30
4702-Capital Outlay on Minor Irrigation	311.96	158.85	-153.11
4711-Capital Outlay on Flood Control Projects	18.22	5.47	-12.75
5054-Capital Outlay on Roads and Bridges	3,843.01	3,674.33	-168.68
5055-Capital Outlay on Road Transport	9.56	9.2	-0.36

2.4.4 Quality of capital expenditure

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

Quality of investments in the companies, corporations and other bodies

As per latest finalised accounts received from 13 companies, net worth of five companies⁴ was completely eroded as their cumulative net worth was (-) ₹ 7,006.84 crore as on 31 March 2019.

Further as per those accounts 12 companies were loss making and their loss during 2018-19 was ₹ 583.63 crore. Out of these loss making companies, three companies (JBVNL, JUSNL and Jharkhand Rail Infrastructure Development Corporation Ltd.) received Government loans amounting to ₹ 1,465.85 crore during 2018-19. Since, loans to these loss making companies were included in the capital expenditure of the State, it resulted in overestimation of assets.

It was also noticed that the total paid up capital of these PSUs was ₹ 14,610.81 crore, of which, paid up capital by the state was ₹ 13,402.33

⁴ Tenughat Vidyut Nigam Ltd. (- ₹ 1,013.63 crore), Jharkhand Bijli Vitran Nigam Ltd. (- ₹ 5,954.48 crore), Jharkhand Hill Area Lift Irrigation Corporation Ltd. (- ₹ 13.81 crore), Jharkhand Silk Textile and Handicraft Development Corporation Ltd. (- ₹ 23.14 crore) and Jharkhand Plastic Park Ltd. (- ₹ 1.78 crore).

crore as on 31 March 2019. Accumulated loss of these PSUs was ₹5,503.22 crore as on 31 March 2019.

Investment in equity by the Government

As per Finance Accounts of the State ending 31 March 2020, the Government had invested ₹447.95 crore in, one Regional Rural Bank (₹45.73 crore), 18 Government companies (₹241.38 crore) and 21 co-operatives banks and societies (₹160.84 crore) since inception of the State in November 2000. However, verification of PSUs accounts and sanction orders of the State during 2016-17 revealed that the Government accounts had understated investment by ₹124.54 crore during 2000-2016, due to erroneous budgetary categorisation, viz., not providing the investment under the appropriate minor head and depicting investment in share capital as GIA. After being pointed out by Audit, Finance Department of the State had reconciled and corrected investment figures in respect of four companies amounting to ₹65 crore⁵ at the end of 2019-20, however, investments of ₹59.54 crore⁶ against five entities at the end of the current financial year remained still unsettled.

Table 2.21: Return on Investment

Investment/return/ cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year (₹ in crore)	261.7	320.83	376.87	432.87	447.95
Return (₹ in crore)	0.47	0	0	0	0
Return (<i>per cent</i>)	0.18	0	0	0	0
Average rate of interest on Government Borrowings(<i>per cent</i>)	6.63	6.76	6.98	6.29	6.34
Difference between interest rate and return (<i>per cent</i>)	6.45	6.76	6.98	6.29	6.34

Source: Finance Accounts

Despite no return from its investments, the State Government made investment of ₹15.08 crore in four⁷ State PSUs and one corporation (Tribal Co-operative development) in the form of equity during 2019-20. As evident from the above table there was a huge gap between the cost of government borrowings and return on investment.

Audit further observed that investments made by the erstwhile State of Bihar in form of equities in Damodar Valley Corporation (₹1,781.55 crore) and Tenughat Vidyut Nigam Limited (₹100 crore) up to 14 November 2000 have not been apportioned between the successor States of Bihar and Jharkhand.

⁵ Jharkhand Hill Area Lift Irrigation Corporation ₹5 crore; Jharkhand Urban Infrastructure Development Corporation ₹35 crore; Jharkhand Silk Textile and Handicraft Development Corporation ₹10 crore and Jharkhand Urban Transport Corporation Ltd.- ₹15 crore.

⁶ Greater Ranchi Development Authority- ₹39.14 crore; Jharkhand State Agriculture Development Corporation Ltd.-₹2 crore; Jharkhand Medical and health Infrastructure Development and Procurement Corporation Ltd.-₹5 crore; Jharkhand Urja Vikash Nigam Ltd.- ₹8.40 crore and Jharkhand State Food and Civil Supplies Corporation Ltd.- ₹5 crore.

⁷ Minority Development and Finance Corporation (₹0.50 crore), Jharkhand Industrial Infrastructure Development Corporation (₹4 crore), Jharkhand Rail Infrastructure Development Corporation Limited (₹10 crore) and Goods and service tax network (₹0.08 crore).

2.4.5 Loans and Advances given by the Government

Apart from equity investments in the entities shown in **Table 2.21** the State Government has also been providing loans and advances to many of these entities and its employees. **Table 2.22** presents the outstanding loans and advances as on 31 March 2020 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.22: Quantum of loans disbursed and recovered during five years

(₹ in crore)

Quantum of loans disbursed and recovered	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of loans outstanding	8,738	16,187	17,483	19,292	20,730
Amount advanced during the year	7,480	1,335	1,852	1,486	165
Amount recovered during the year	31	39	43	48	49
Closing Balance of the loans outstanding	16,187	17,483	19,292	20,730	20,846
Net addition	7449	1296	1809	1438	116
Interest received	4.33	3.88	87.66	14.72	38.91
Interest rate on Loans and Advances given by the Government.	0.05	0.02	0.50	0.08	0.19
Rate of Interest paid on the outstanding borrowings of the Government	6.63	6.76	6.98	7.98	6.34
Difference between the rate of interest paid and interest received (<i>per cent</i>)	6.58	6.74	6.48	7.90	6.15

A significant portion of the total outstanding loans at the end of March 2020 (₹ 20,846 crore) was mainly outstanding with power companies (₹ 19,947 crore) and Water Supply, Sanitation, Housing and Urban Development (₹ 753 crore).

Outstanding arrears of loanee entities at the end of March 2020 amounted to ₹ 3,136.40 crore (principal: ₹ 1,663.07 crore and interest: ₹ 1,473.33 crore).

Loan to Jharkhand State Food and Civil Supplies Corporation Ltd. (₹ 44 crore) in 2011-12 was understated in the Government accounts due to incorrect budgetary categorisation under revenue expenditure instead of capital expenditure. Loans to Jharkhand State Electricity Board (JSEB) amounting to ₹ 7,222.18 crore continue to be depicted in the government accounts as receivable from the Board, even though the Board was unbundled in January 2014 into separate companies. Thus, the assets of the State were inflated to the extent of ₹ 7,222 crore.

Audit, further, observed that loans made by the erstwhile State of Bihar to Tenughat Vidyut Nigam Limited (₹ 608 crore) before 14 November 2000 have not been apportioned between the successor States of Bihar and Jharkhand.

Recommendation 1: *The State Government should rationalise its investments and loans advanced to various entities such that the return on investment and loans at least matches the Government borrowing costs. Otherwise increasing fiscal liabilities accompanied by negligible rate of returns in investments might lead to a situation of unsustainable debt.*

2.4.6 Capital locked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of capital expenditure. Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years leads to the extra burden in terms of servicing of debt and interest liabilities.

Year wise and Department-wise information pertaining to incomplete projects which were to be completed on or before 31 March 2020 is given in **Table 2.23** and **Table 2.24** respectively.

Table 2.23: Age profile of incomplete projects as on 31 March 2020

(₹ in crore)

Completion Year	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2020)	Revised estimates	
				No. of projects	Amount
Upto 2011	3	33.39	43.23	1	27.84
2012	3	54.10	17.01	1	43.04
2013	2	10.64	7.74	0	0
2014	3	16.69	13.46	2	7.49
2015	21	232.30	186.24	3	8.87
2016	22	697.73	437.39	1	13.88
2017	50	568.00	470.48	7	52.09
2018	104	989.43	739.94	9	42.48
2019	170	2,227.00	1,370.83	6	6.69
Total	378	4,829.28	3,286.32	30	202.38

Table 2.24: Department-wise profile of incomplete projects as on 31 March 2020

(₹ in crore)

Department	No. of incomplete projects	Estd. cost	Expenditure	Revised estimates	
				No. of projects	Estimate increased by
Road construction department	90	2,575.67	1,729.46	11	69.58
Rural works department	89	197.28	120.40	3	0.99
Drinking water and sanitation	32	533.96	436.68	0	0.00
Water resources department	85	1,033.81	727.99	12	131.11
Rural development department	61	242.72	160.46	3	0.67
Building construction department	21	245.84	111.33	1	0.03
Total	378	4,829.28	3,286.32	30	202.38

Source: Finance Accounts

Out of 378 projects shown in the above table, revised cost of only 30 projects were provided which showed that estimated cost of ₹ 661.03 crore in those 30 projects escalated by ₹ 202.38 crore due to non-completion of those projects in time. Since the details of the remaining projects were not

furnished by the departments, their revised cost was not exhibited in the Finance Accounts and was thus not ascertainable.

2.4.7 Capital expenditure transferred to public accounts

It was observed from the Finance Accounts that ₹ 982.47 crore was transferred from the capital head of accounts of the consolidated fund to deposit heads in public account. Out of total amount transferred ₹ 388.82 crore were transferred to public works deposit head and ₹ 593.65 crore to the deposits of local funds.

Table 2.25: Transfer from Consolidated fund to Public Account

Sl. No.	Head of Account				Amount (₹ in crore)	
	From		To			
1	4047	Other fiscal services	8443	Civil deposit- works deposit	108 -public	49.48
2	4055	Capital outlay on police	8443	Civil deposit- works deposit	108 -public	29.31
3	4202	Capital outlay on education, sports, art and culture	8443	Civil deposit- works deposit	108 -public	10.12
4	4210	Capital outlay on medical and health	8443	Civil deposit- works deposit	108 -public	21.71
5	4225	Capital outlay on welfare of SC, ST and other backward classes	8443	Civil deposit- works deposit	108 -public	51.95
6	4515	Capital outlay on other rural development programmes	8443	Civil deposit- works deposit	108 -public	174.68
7	5054	Capital outlay on roads and bridges	8443	Civil deposit- works deposit	108 -public	23.98
8	5452	Capital outlay on tourism	8443	Civil deposit- works deposit	108 -public	27.59
9	4055	Capital outlay on police	8448	Deposit of local fund-120- other funds		126.59
10	4202	Capital outlay on education, sports, art and culture	8448	Deposit of local fund-120- other funds		24.62
11	4210	Capital outlay on medical and health	8448	Deposit of local fund-120- other funds		223.72
12	4225	Capital outlay on welfare of SC, ST and other backward classes	8448	Deposit of local fund-120- other funds		218.72
Total						982.47

The book transfer of fund to public account was mere transfer of fund from one head to another and was not actual expenditure leading to over statement of expenditure under capital section. Expenditure of those transferred amount from the deposit heads during the financial year could not be ascertained due to non-availability of any details in the accounts of the State. However, it was noticed that under Minor Head 108- public Works Deposits ₹ 3,164 crore was added (including the transactions shown in the above table) in opening balance of ₹ 3,630 crore and ₹ 2,302 crore was spent leading to a balance of ₹ 4,492 crore at the end of March 2020. Similarly, ₹ 5,508 crore (including the transactions shown in the above

table) was added in the opening balance of ₹ 6,837 crore under the Minor Head 120- Other funds and ₹ 4,578 crore spent during the year leading a balance of ₹ 7,767 crore.

2.4.8 Implementation of Ujwal Discom Assurance Yojana (UDAY)

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

With an objective to improve the operational and financial efficiency of the State DISCOMs, a tripartite Memorandum of Undertaking (MoU) was executed between Ministry of Power (GoI), concerned State Government and State Power Distribution Companies. This scheme facilitated State Governments to take over 75 per cent of DISCOM's outstanding debt over a period of two years.

The outstanding debt of the DISCOMs was to be taken over in the form of equity, loan and grant/subsidy. The loan extended to DISCOMs under UDAY has to be converted into grant and equity in the subsequent three years. Accordingly, the States had to convert loan into equity and subsidy.

Further, the State Government would have to take over losses, if any, of the DISCOMs in a graded manner as below:

Year	2017-18	2018-19	2019-20	2020-21
Loss to be taken over by State.	5% of loss of 2016-17	10% of loss of 2017-18	25% of loss of 2018-19	50% of loss of previous year

During scrutiny it was observed that the State of Jharkhand took over 100 per cent liabilities of outstanding dues of JBVNL with Central Public Sector Undertakings (CPSUs) and 75 per cent of the outstanding debt of JBVNL as on 30.09.2015. State issued a loan of ₹ 6,136 crore to JBVNL of which, ₹ 5,553 crore was raised as borrowings on UDAY bonds and ₹ 583.00 crore was given from the consolidated fund of the State. Borrowings on UDAY bond have been raised at an interest rate of 8 to 8.99 per cent per annum which were to be repaid between the years 2021-22 to 2030-31, whereas the loan was given to JBVNL at an interest rate of 13 per cent per annum.

The loan by the State government to DISCOM was not converted into grant and/or equity as per requirement of the scheme as of 31 December 2020. However, as per latest finalised accounts, JBVNL was running a loss of ₹ 212.17 crore and its net worth was completely eroded and stood at negative ₹ 5,954.48 crore as on 31 March 2019. No borrowing was made on UDAY bond by the State after 2015-16.

2.4.9 Resource availability of the State under Public Private Partnership Projects

Public Private Partnership (PPP) is an arrangement between the government or statutory entity and a private sector entity, to provide a

framework that enables them to work together to meet the rising demand of the public for infrastructure development.

Table 2.26: Sector-wise details of PPP Projects

(₹ in crore)

Sl. No.	Sector*	Completed		Ongoing		Planned for future	
		No.	Estimated Cost	No.	Estimated Cost	No.	Estimated Cost
1.	Energy	1	181.43	1	77.00	-	-
2.	Tourism	-	-	1	250.00	-	-
3.	Medical	-	-	1	80.10	-	-
4.	Water Supply & Sanitation	-	-	1	12.00	1	150.00
5.	Roads and Bridges	11	5,560.10	2	642.60	1	2,768.68
	Total	12	5,741.53	6	1,061.70	2	2,918.68

Source: www.pppinindia.gov.in*Current status not available hence, posted in planned for future column.

2.4.10 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Table 2.27: Expenditure priority of the State with regards to Health, Education and Capital expenditure

(per cent)

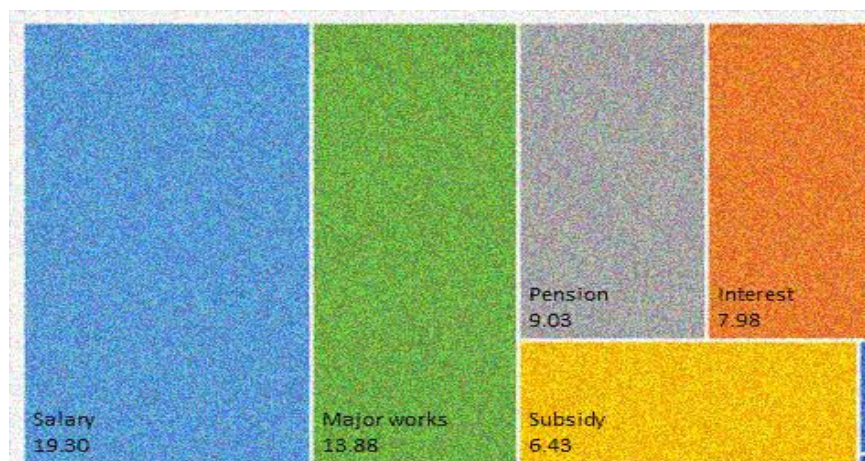
	AE/GSDP	CE/AE	SSE/AE	ESE/AE	Education/AE	Health/ AE
General Category States Average (2014-15)	15.99	13.98	36.14	32.36	16.54	4.92
Jharkhand	17.46	14.52	33.66	37.60	15.27	4.24
General Category States Average (2019-20)	15.15	12.97	36.73	28.69	15.91	5.21
Jharkhand	20.24	14.86	34.44	35.48	15.04	4.72

As evident from the table, during 2019-20 the ratio of education expenditure and economic service expenditure to aggregate expenditure (AE) decreased in comparison to its ratio during 2014-15, whereas, the ratio of other expenditures to AE showed improvement during 2019-20.

In comparison to the average of the General Category States (GCS) on social sector expenditure including education and health the ratio of Jharkhand was less in both the years 2014-15 and 2019-20.

2.4.11 Object head wise expenditure

Finance Accounts depict transactions only up to the Minor Head level. Therefore, statement four of the Finance Accounts give a view down to the extent of object head level. **Chart 2.11** gives information about the share of object/ purpose of the expenditure on major items.

Chart 2.11: Expenditure on Major Items

As depicted in the **Chart 2.11** a huge share of Total Expenditure consumed by the expenditure on Salaries, Pension, Interest Payments and Subsidies during the year 2019-20, however, nearly 14 *per cent* of TE was utilized on the major works i.e. for creation of infrastructure and assets in the State.

2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

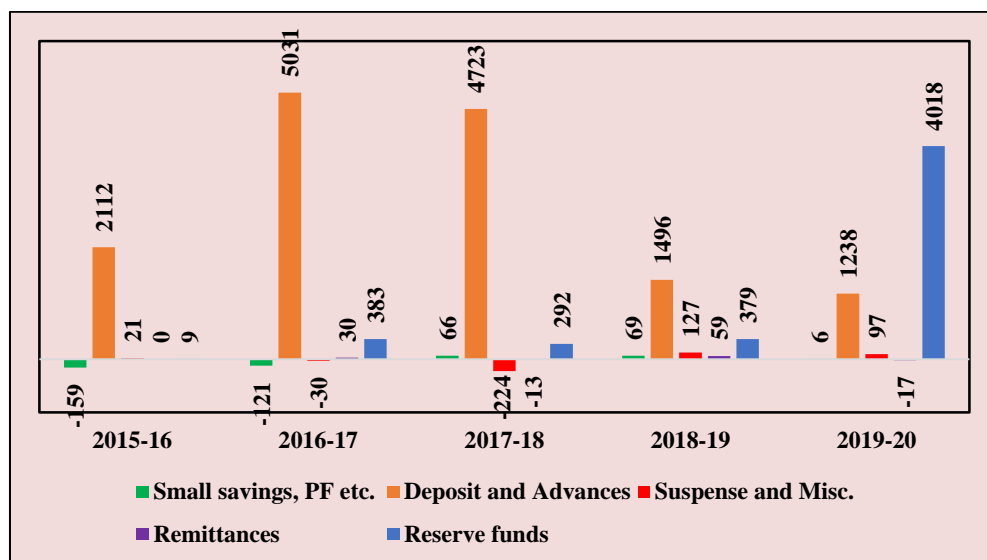
2.5.1 Net Public Account Balances

The component-wise net balances in Public Account of the State are given in **Table 2.28**.

Table 2.28: Component-wise net balances in Public Account as of 31 March 2020

		(₹ 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.	-1,197.17	-1,075.67	-1,142.18	-1,211.11	-1,216.86
J. Reserve Funds	(a) Reserve Funds bearing Interest	-876.46	-1,259.21	-1,551.04	-1,930.09	-5,948.02
	(b) Reserve Funds not bearing Interest	0	0	0	0	0
K. Deposits and Advances	(a) Deposits bearing Interest	-14.13	-9.7	-13.52	-12.64	-39.55
	(b) Deposits not bearing Interest	-8,601.67	-13,637.8	-18,356.4	-19,853.8	-21,065.2
	(c) Advances	4.5	4.94	5.78	6.28	7.15
L. Suspense and Miscellaneous	(a) Suspense	-122.45	-92.08	132.14	5.42	-91.29
	(b) Other Accounts	2,108.66	1,445.59	392.6	207.09	3,117.62
	(c) Accounts with Govt. of Foreign Countries	0	0	0	0	0
	(d) Miscellaneous	0	0	0	0	0
M. Remittances	(a) Money Orders, and other Remittances	-0.96	28.65	-66.84	-118.85	-114.25
	(b) Inter- Governmental Adjustment Account	23.62	24.15	27.16	19.57	31.95
TOTAL		-8,676.06	-14,571.13	-20,572.30	-22,888.13	-25,318.45

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

Chart 2.12: Year-wise changes in composition of public account balances

Net additions in Deposits and Advances during 2019-20 was mainly due to significant increase in credit in the Personal Deposits (by ₹ 1,156 crore), public works deposit (by ₹ 862 crore) under major head- ‘8443- civil deposits’ and other funds (by ₹ 930 crore) under major head- ‘8448- deposits of local funds’ in comparison to the previous year. Reserve fund bearing interest increased significantly due to credit of ₹ 4,158 crore to State Compensatory Afforestation Fund during the year.

2.5.2 Reserve Funds bearing interest

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 are two interest bearing reserve funds in the State during the year 2019-20; (1) State Disaster Response Fund and (2) State Compensatory Afforestation Fund.

State Disaster Response Fund

As per Para 7 of SDRF guidelines 2015, the State Government is required to transfer the contribution to the SDRF received from GoI along with its share to Public Account head within 15 days of its receipt. Any delay will require the State Government to release the amount with interest (Bank Rate of RBI) for the number of days of delay.

It was noticed that during 2019-20, the State Government transferred the contribution from GoI along with its share into Public Account with a delay of 74 days (₹ 165.75 crore) and 162 days (₹ 165.75 crore) after receipt of Central share, for which the State Government was liable to pay interest of ₹ 7.85 crore, which was not paid.

As per Para 19 and 20 of SDRF guidelines 2015, the balances under the funds should be invested by the State in (a) Central Government dated securities (b) auctioned treasury bills and (c) interest earning deposits and certificates of deposits with Scheduled Commercial Banks. The Finance

Department of the Government of Jharkhand, had informed (July 2019) that ₹ 400 crore was invested in Scheduled Commercial Banks during the year 2012-13.

Further, as per the guidelines, the Government was required to pay interest on the non-invested balances at the rate of interest (7.59 *per cent*) payable on overdrafts, which is to be added to the corpus of the fund itself. However, GoJ had not paid any interest to SDRF since its creation, which works out to ₹ 681.76 crore at the applicable rates of interest for the period 2011-20. Of this, unpaid interest for 2019-20 alone amounted to ₹ 146.49 crore, resulting in overstatement of revenue surplus and understatement of fiscal deficit for the year. Consequently, the non-invested balances of ₹ 1,930.09 crore in the Fund as on 31 March 2020 are only book entries and do not represent actual cash balance. Such unpaid interest, since the operation of the fund represents the unaccounted liabilities of the State.

Table 2.29: 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	101-Gratuitous Relief	38.28
	102-Drinking Water Supply	109.68
Sub Total		147.96
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc.	101-Gratuitous Relief	1.29
	113-Repairs and reconstruction of Houses	2.24
	114- Assistances to farmers for purchase of agriculture input	0.10
Sub Total		3.64
05-State Disaster Response Fund	101-Transfer to reserve fund and deposit account- SDRF	221.00
	901- Deduct - Amount met from State Disaster Response Fund	214.10
Sub Total		6.90
2245- Relief on Account of Natural Calamities 80- General	Direction and administration, Training of disaster preparedness, management of Natural Disasters etc.	62.74
Sub Total		62.74
Grand Total		221.24

State Compensatory Afforestation Fund

As per CAF (Accounting Procedure) Rules, 2018, all monies realised from the User Agencies are required to be credited to Minor Head “103-State Compensatory Afforestation Deposits” below the Major Head “8336-Civil Deposits” at the first instance. Thereafter, 90 *per cent* shall be transferred to Minor Head “129-State CAF” below the Major Head “8121-General and other Reserve Funds”. Balance 10 *per cent* shall be transferred to National Fund on monthly basis by crediting Minor Head “102-National Compensatory Afforestation Deposits” under the Major Head “8336-Civil Deposits-11-Jharkhand”.

Besides, on receipt of 90 *per cent* of the State’s share from *ad hoc* Authority (onetime measure), the same shall also be credited to Minor Head “129-State Compensatory Afforestation Fund” below the Major Head “8121-General and other Reserve Funds.”

During 2019-20, the State Government received ₹ 4,158.02 crore (reconciled amount upto 7 February 2019) from the Central Government towards 90 *per cent* of the State's share lies with *ad hoc* Authority including interest of ₹ 220.13 crore and credited to the Jharkhand Compensatory Afforestation Fund (JCAF). In addition, a sum of ₹ 568.73 crore received (8 February 2019 to 31 March 2020) from the beneficiaries were directly remitted to Central Fund instead of crediting 90 *per cent* of the amount to JCAF and remaining balance 10 *per cent* to Central Fund. The expenditure incurred out of the fund during the year was ₹ 146.99 crore, whereas the total balance in JCAF as on 31 March 2020 was ₹ 4,011.03 crore.

2.5.3 Reserve Funds not bearing interest

Consolidated Sinking Fund

Following the recommendations of the Twelfth Finance Commission, the State has created a Consolidated Sinking Fund for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds etc., during 2016-17.

GoJ had an outstanding debt of ₹ 83,782.93 crore at the beginning of the year 2019-20, for which, GoJ made budget provision of ₹ 280.16 crore to transfer into the Sinking Fund during the year. However, no amount was transferred during the year. Similarly, budget provisions made during the previous years were also not transferred to the fund and the fund remained inactive. Moreover, non-transfer of Fund resulted in overstatement of revenue surplus and understatement of fiscal deficit of the State as discussed in **Paragraph 1.5.1**.

Guarantee Redemption Fund

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed.

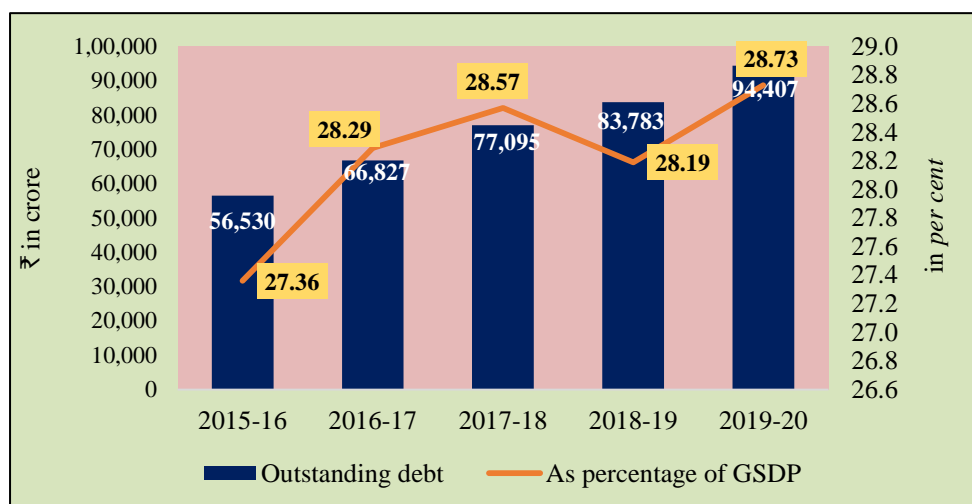
As per the recommendation of the Twelfth Finance Commission, the GoJ was required to constitute a Guarantee Redemption Fund (GRF) through earmarked guarantee fees. This was to be preceded by risk weighting of guarantees. The quantum of contribution to the fund was to be decided accordingly. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued. However, the Fund has not been created.

2.5.4 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.

Total debt of the Government and its percentage to GSDP for the period 2015-20 has been shown in **Chart 2.13**. Abstract of liabilities and assets of the state as on 31.03.2020 are given in **Appendix 2.2**.

Chart 2.13: Total debt of the Government and its percentage to GSDP



2.5.4.1 Debt profile: Components

Total debt of the State Government typically constitutes of internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government.

Details of availability of funds on account of receipts and repayments under public debt and public account liabilities during 2015-20 are given in **Table 2.30**.

Table 2.30: Component wise debt trends

		(₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Total Debt		56,530.49	66,826.97	77,095.03	83,782.93	94,406.60
Public Debt	Internal Debt	43,755.57	48,682.31	53,799.09	58,436.19	63,545.46
	Loans from Gol	2,085	2,162	2,233	2,339	2,592
Liabilities on Public Account		10,689.43	15,982.37	21,063.09	23,007.66	28,269.62
Rate of growth of outstanding debt (percentage)		29.75	18.21	15.37	8.67	12.68
Gross State Domestic Product (GSDP)		2,06,613	2,36,250	2,69,816	2,97,204	3,28,598
Total Debt/GSDP (per cent)		27.36	28.29	28.57	28.19	28.73
Total Debt Receipts		33,843.34	19,192.64	25,205.53	22,223.80	30,980.35
Total Debt Repayments		20,881.94	8,896.17	14,937.47	15,535.90	20,356.68
Interest payments		3,320.00	4,172.00	4,661.68	4,851.97	5,307.71
Net availability of borrowed funds		9,641.40	6,124.47	5,606.38	1,835.93	5,315.96
Debt Repayments/Debt Receipts (percentage)		71.51	68.09	77.76	91.74	82.84

Overall fiscal liabilities (Total Debt) of the State increased from ₹ 83,783 crore in 2018-19 to ₹ 94,407 crore in 2019-20. The fiscal liabilities to GSDP ratio was 28.73 per cent against the MTFP target of 27.10 per cent. Increasing liabilities raised the issue of sustainability of State Government Finances. Moreover, apportionment of fiscal liabilities of the composite

Bihar State between successor States of Bihar and Jharkhand has not been done so far.

Net availability of borrowed funds decreased gradually from ₹ 9,641 crore in 2015-16 to ₹ 1,836 crore in 2018-19 which increased significantly to ₹ 5,315.96 crore during 2019-20. During 2019-20, the main contributors in the available borrowed funds was receipts of the state compensatory afforestation fund under reserve funds (₹ 4,011 crore) and deposit not bearing interest (₹ 1,211 crore).

During 2019-20, the receipts of the State under public debt and other liabilities increased by 39.40 *per cent* whereas, repayment of public debt and other liabilities including interest increased by 25.88 *per cent* over the previous year resulting in more availability of borrowed funds to the State. However, major share of borrowed funds was utilised for discharging existing liabilities during 2019-20. Component wise debt trends during 2019-20 has shown in **Chart 2.14**, whereas, **Chart 2.15** shows further breakup of components of public debt and public accounts in overall debt of the state. **Chart 2.16** shows receipts and repayment of internal debt during the period 2015-20.

Chart 2.14: Break up of Total Debt at the end of 2019-20

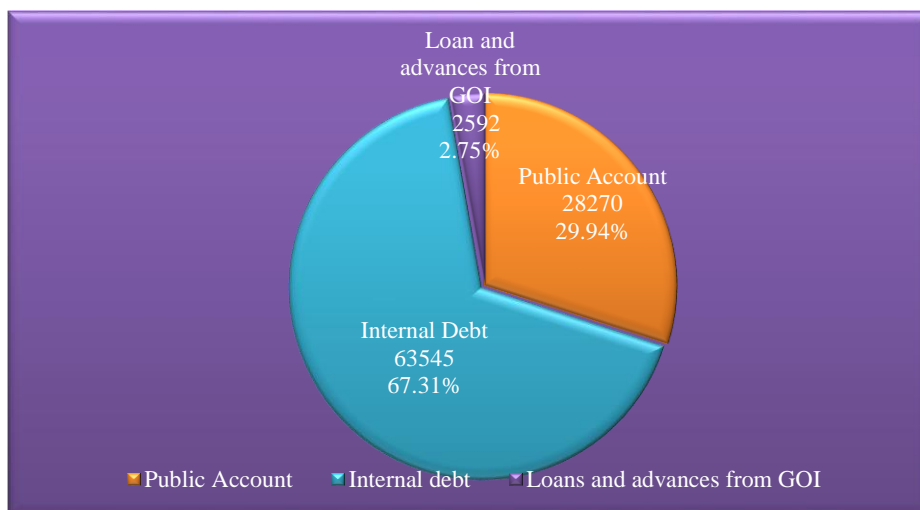


Chart 2.15: Components of public debt and public accounts in overall debt

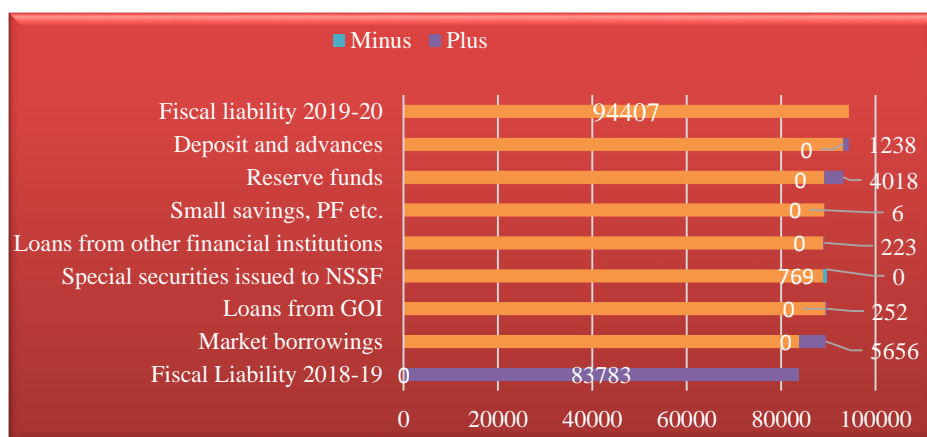
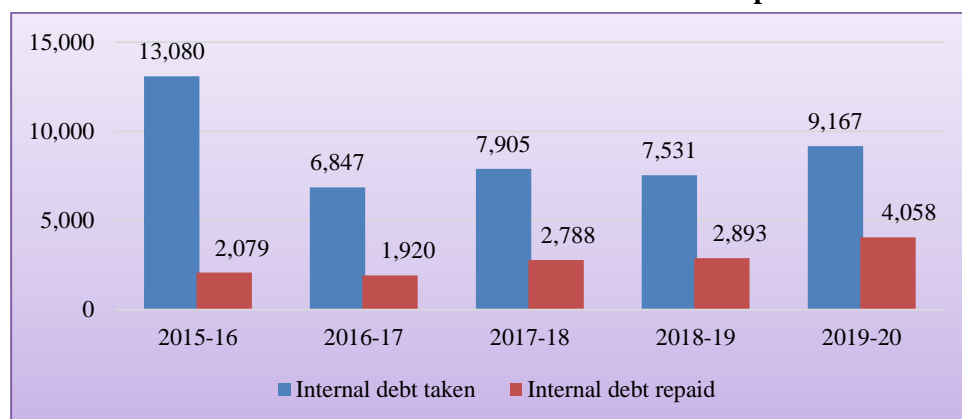


Chart 2.16: Internal Debt taken vis-a-vis repaid

Details of financing pattern of fiscal deficit during the period 2015-20 are given in **Table 2.31**.

Table 2.31: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit					
1 Revenue Surplus	4,085	1,965	1,804	5,521	1,960
2 Net Capital Expenditure	8,159	10,861	11,928	10,712	9,879
3 Net Loans and Advances	7,449	1,296	1,809	1,438	116
Financing Pattern of Fiscal Deficit					
1 Market Borrowings	4,755	4,725	4,807	4,023	5,656
2 Loans from GOI	-2	77	71	106	252
3 Special Securities issued to NSSF	573	-733	-746	-757	-769
4 Loans from Financial Institutions	5,673	934	1,054	1,371	222
5 Small Savings, PF, etc.	-159	-121	66	69	6
6 Deposits and Advances	2,112	5,031	4,722	1,496	1,238
7 Suspense and Miscellaneous	21	-30	-224	127	97
8 Remittances	1	-30	93	60	-17
9 Reserve Fund	10	383	292	379	4018
10 Overall Deficit	12,984	10,236	10,135	6,874	10,703
11 Increase/Decrease in cash balance	-1,461	-43	1,798	-245	-2,668
12 Gross Fiscal Deficit	11,523	10,193	11,933	6,629	8,035

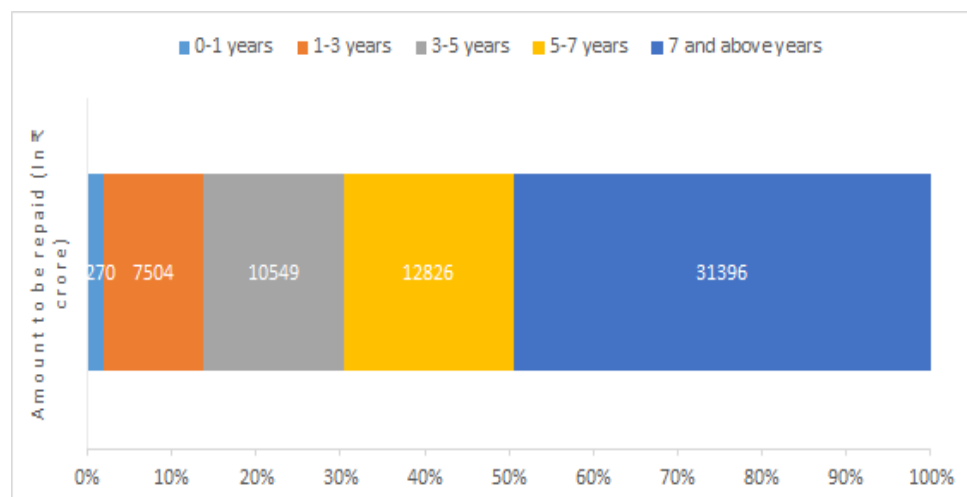
During 2019-20, the fiscal deficit of ₹ 8,035 crore was mainly financed by Market Borrowings (₹ 5,656 crore), Reserve fund (₹ 4,018 crore) and Deposits and Advances (₹ 1,238 crore). Amount utilised from reserve fund relates to Jharkhand compensatory afforestation fund received from GoI in August 2019 and March 2020.

2.6 Debt Maturity profile and Repayment

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

Table 2.32: Debt Maturity profile of repayment of State debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	1,483.01	2.24
1 – 3	7,972.00	12.05
3 – 5	11,061.14	16.72
5 – 7	13,169.87	19.91
7 and above	32,450.97	49.08
Total	66,136.99	100.00

Chart 2.17: Debt Maturity profile

As evident from the **Table 2.32** and **Chart 2.17** depicting maturity profile of public debt, the redemption pressure is likely to rise from the year 2022-23 and reach a peak from the year 2025-26 due to maturity of Jharkhand Government stock.

2.6.1 Fiscal Deficit and Debt Sustainability

In the above context of fiscal sustainability, the Thirteenth Finance Commission defined debt sustainability in terms of debt-GSDP ratio and also in terms of interest payments relative to revenue receipts. The Fourteenth Finance Commission (FFC) recommended for fiscal consolidation for the Central and State Government and provided limits for fiscal deficit and debt stock as a percentage of GSDP. Government of Jharkhand in its FRBM Act, 2007 decided to maintain its fiscal deficit at not more than three *per cent* of the estimated GSDP. In view of FRBM Act, target of debt stock to GSDP percentage were given every year in the MTFP statement submitted with the budget.

The status of debt stock *vis-à-vis* the FFC targets and FRBM targets were as provided in **Table 2.33**.

Table 2.33: Debt sustainability – FRBM indicator based analysis

Year	Fiscal Deficit to GSDP (in per cent)		Debt stock to GSDP (in per cent)		Interest Payment to Revenue Receipts (in per cent)	
	Target as per MTFP prepared under FRBM Act	Achievement	Target as per MTFP prepared under FRBM Act	Achievement	FFC targets	Achievement
2015-16	2.80	5.58	27.4	27.36	8.68	8.17
2016-17	2.16	4.31	28.3	28.29	8.63	8.87
2017-18	2.49	4.42	27.9	28.57	8.54	8.84
2018-19	2.61	2.23	27.2	28.19	8.32	8.64
2019-20	2.09	2.45	27.1	28.73	8.08	9.09

Source: Finance Accounts of the respective years, MTFP and FFC Report

The State Government was able to contain the fiscal deficit below the FRBM targets (three *per cent*) during 2019-20, however, failed to achieve revised target (2.09 *per cent*) fixed in Medium Term Fiscal Policy (MTFP) statement. Normative projection for ratio of interest payment to revenue

receipts (burden of interest payment) by FFC was not achieved by the State and it remained higher than the projection from 2016-17 onwards.

Recommendation 2: *Although the State has already achieved the target laid down in its FRBM Act to reduce the revenue deficit to zero and generate revenue surplus the State has to put in concerted efforts to maintain its fiscal deficit within the FRBM target and revised target in MTFP statement after mid-term review.*

2.6.2 Utilisation of borrowed funds

Borrowed funds should ideally be used for capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable.

Table 2.34: Utilisation of borrowed funds

(₹ in crore)

Sl. No.	Year	2015-16	2016-17	2017-18	2018-19	2019-20
1	Total Borrowings	13,244.65	7,081.42	8,136.85	7,803.43	9,593.12
2	Repayment of earlier borrowings (Principal) (percentage)	2,245.93	2,077.88	2,949.50	3,060.10	4,231.40
3	Net capital expenditure	8,159.00	10,861.00	11,927.62	10,711.71	9,878.71
4	Net loans and advances	7,449.00	1,296.00	1,809.00	1,438.43	116.24
5=(1-2-3-4)	Portion of Revenue expenditure met out of net available borrowings	-4,609.28	-7,153.46	-8,549.27	-7,406.81	-4,633.23

Source: Finance Accounts

The State had to repay of ₹ 4,231.40 crore for earlier borrowings during 2019-20 of which, ₹ 1,960.51 crore met from revenue surplus and balance ₹ 2,270.89 crore met from the borrowings of the current year leading to less availability of borrowed funds for the capital expenditure and loans and advances given by the state. The part of capital expenditure not covered by the public debt was met from the public account balances.

2.6.3 Status of Guarantees (Contingent Liabilities)

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

The Government of Jharkhand has neither created guarantee redemption fund nor made any policy in this regard. However, the government has given letter of comfort (LOC) amounting to ₹ 450 crore in favour of Jharkhand Bijli Vitaran Nigam Limited in December 2018. Further, LOC of ₹ 157.15 crore given on behalf of JSEB in February 2013 was pending for clearance in the accounts of the government even after unbundling of the JSEB in January 2014.

Table 2.35: Guarantees given by the State Government

(₹ in crore)

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding amount of guarantees including interest	157.15	157.15	157.15	607.15	607.15

2.7 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance 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 was revised by the RBI from time to time (₹ 720.00 crore w.e.f. 1 February 2016). State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund Guarantee Redemption Fund as well. **Table 2.36** shows comparative details of general cash balance and its investment during 2018-19 and 2019-20 and **Table 2.37** shows position of Cash Balance Investment Account (Major Head-8673) during the period 2015-20.

Table 2.36: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2019	Closing balance on 31 March 2020
A. General Cash Balance		
Cash in treasuries	0	0
Deposits with Reserve Bank of India	188.30	-54.14
Deposits with other Banks	0	0
Remittances in transit – Local	0	0
Sub-total	188.30	-54.14
Investments held in Cash Balance investment account	167.90	3,070.62
Total (A)	356.20	3,016.48
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	39.05	46.84
Permanent advances for contingent expenditure with department officers	0.13	0.16
Investment in earmarked funds	400.00	400.00
Total (B)	439.18	447.00
Total (A + B)	795.38	3,463.48
Interest realised	31.43	147.42

Source: Finance Accounts

Table 2.37: Cash Balance Investment Account (Major Head-8673)

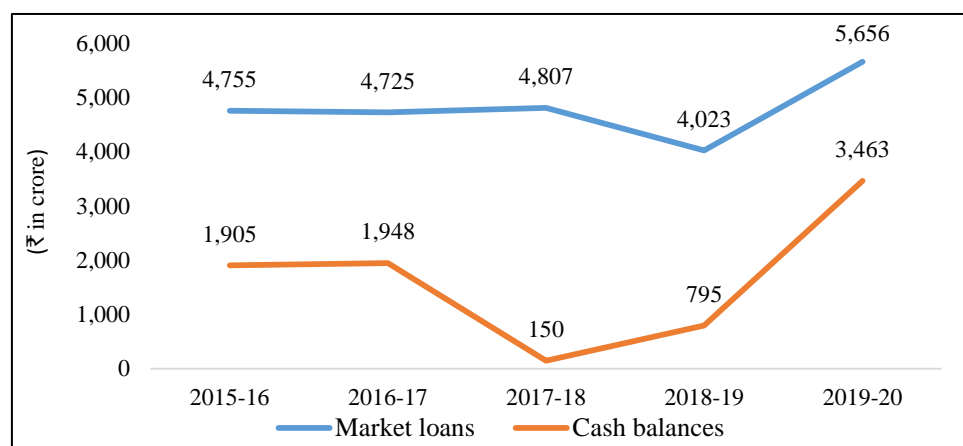
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	666.13	2,102.04	1,435.91	117.26
2016-17	2,102.04	1,439.09	-662.95	117.01
2017-18	1,439.09	354.56	-1,084.53	78.56
2018-19	354.56	167.9	-186.66	31.43
2019-20	167.9	3,070.62	2,902.72	147.42

The balance in the Cash Balance Investment Account as on 31 March 2020 was ₹ 3,070.62 crore and the interest realised on investment during 2019-20 was ₹ 147.42 crore. Substantial increase in cash balances was due to receipt of State Compensatory Afforestation Fund from GoI. Earmarked funds (SDRF) amounting to ₹ 400 crore was invested in Scheduled Commercial Banks during 2012-13.

There was a difference of ₹ 41.69 crore (net credit) between the figures reflected in the accounts {₹ 54.14 crore (credit)} and that intimated by the RBI {₹ 12.45 crore (debit)}. This difference in the Reserve Bank Deposit Balance has been taken up by the Principal Accountant General (A&E), Jharkhand with RBI, Ranchi for reconciliation and necessary correction.

Chart 2.18 shows comparative trend of market loans and cash balances during the last five years.

Chart 2.18: Trend of market loans and cash balances

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

During the year 2019-20, the State Government raised ₹ 5,656 crore from the market, while at the same time, the cash balance increased significantly from ₹ 795 crore to ₹ 3,463 crore, indicating that much of the borrowing was avoidable.

2.8 Conclusion

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government.

The State had a revenue surplus of ₹ 1,960.51 crore in 2019-20. The fiscal deficit of the State was 2.45 *per cent* of GSDP at the end of March 2020 against the FRBM target and FFC norm of three *per cent*.

In total expenditure of the state, share of expenditure on general services increased consistantly from 2015-16 onwards whereas, share of expenditure on economic services decreased significantly from 45.33 *per cent* in 2015-16 to 35.48 *per cent* in 2019-20. Share of expenditure on social service fluctuated between 30.48 and 35.15 *per cent* during 2015-20.

Revenue expenditure of the State constituted 84.90 *per cent* of the total expenditure of which 42.74 *per cent* spent on salaries, interest and pension payment. The expenditure on salaries, interest and pension payments consumed 41.37 *per cent* of revenue receipts.

Capital expenditure during 2019-20 decreased by ₹ 833 crore over the previous year due to less expenditure on social services by 11 *per cent* and economic service by 13 *per cent*.

As per annual accounts of the State ending 31 March 2020, the Government had invested ₹ 447.95 crore (in government companies, rural bank and co-operative institutions) since inception of the State in November 2000. The returns on these investments were 'nil' during 2019-20 while the Government paid an average interest rate of 6.34 *per cent* on its borrowings during 2019-20.

Apart from investments, a huge amount of loans (₹ 20,846 crore) given by the government to its entities were outstanding at the end of March 2020.

Overall fiscal liabilities (Total Debt) increased from ₹ 83,783 crore in 2018-19 to ₹ 94,407 crore in 2019-20. The fiscal liabilities to GSDP ratio was 28.73 *per cent* against the MTFP target of 27.10 *per cent*. Increasing liabilities raised the issue of sustainability of State Government Finances. Apportionment of fiscal liabilities of the composite Bihar State between successor States of Bihar and Jharkhand has not been done so far.

The government had not paid any interest to SDRF since its creation, which works out to ₹ 681.76 crore. Although government made budget provision of ₹ 280.16 crore to transfer into the Sinking Fund during the year however, the same was not transferred. This resulted in overstatement of revenue surplus and understatement of fiscal deficit for the year.