

Chapter I: Overview

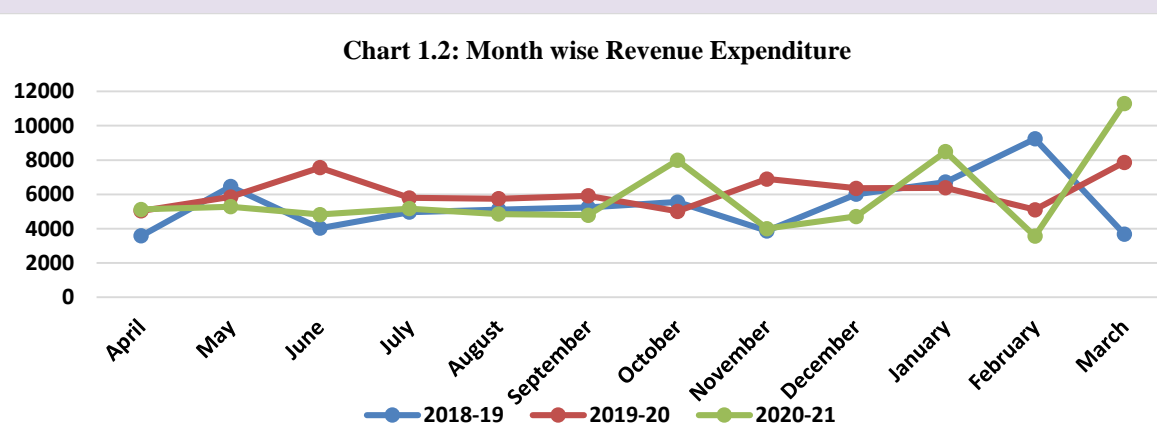
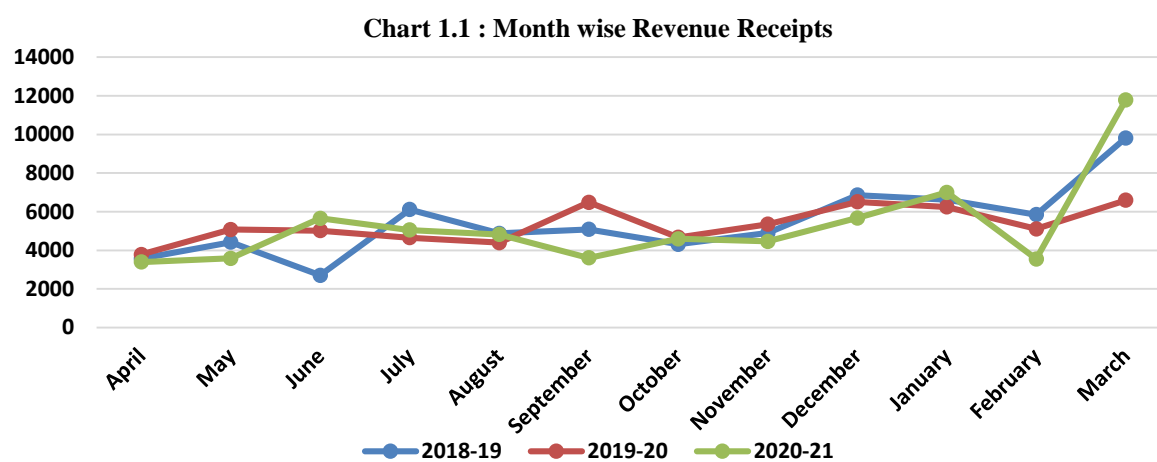
1.1 Profile of the State

Chhattisgarh is located in the central part of India and is spread over an area of 1,35,192 sq. km (4.11 *per cent* of geographical area of India). The State was created in November 2000 by bifurcating the composite State of Madhya Pradesh. It has 28 districts and is home to 2.55 crore population as per Census 2011. The State's population increased from 2.08 crore in 2001 to 2.55 crore in 2011, recording a decadal growth of 22.61 *per cent*. At current prices, the per capita income of the State was estimated at ₹1,04,943 during 2020-21, which was lower than the national average of ₹1,28,829. General and financial data relating to the State is given in *Appendix 1.1*.

Box-1: The Year of Covid-19 Pandemic and State Finances

During 2020-21, the growth rate of Chhattisgarh's Gross State Domestic Product (GSDP) dipped to 1.54 *per cent*, which ranged between 7.41 to 16.72 *per cent* during 2016-20. All the three sectors i.e. industry, agriculture and services that contribute to GSDP registered a lower growth rate than previous year (Details are in **Chart 1.1** and **1.3**).

During 2020-21, the economic slowdown coupled with Covid-19, had an effect of decreasing revenue receipts and revenue expenditure of the State as compared to previous year. Month wise position of State's revenue and expenditure vis-à-vis previous years is shown in **Chart 1.1** and **1.2**:



Impact on Receipts

The revenue receipts which increased during 2016-17 to 2018-19, registered a negative growth during the year 2019-20 and 2020-21 due to COVID-19 pandemic (Details are given in **Table 2.3** of **Chapter-II**). The State's performance in mobilization of its own resources declined over the previous year by (-)0.08 *per cent* due to negative growth rate of (-)10.04 *per cent* in Non-Tax Revenue.

The Central Tax Transfers and Grants-in-Aid (GIA) constitute 52 *per cent* of Revenue Receipts of the State. Central Tax Transfers basically, constitute share of net proceeds of taxes collected by Central Government. As the State's share has been fixed at 42 *per cent* by XIV Finance Commission and reduced to 41 *per cent* in XV Finance Commission, the absolute amount of share depends on total quantum of the taxes collected by Central Government. The total quantum of taxes collected by the Central Government decreased during 2019-20 and 2020-21 due to COVID-19 Pandemic, so the Central Tax Transfers too decreased during same period, which otherwise was showing growth rate above 10 *per cent* from 2016-17 to 2018-19. (Details are in **Table 2.7** of **Chapter-II**). Similarly, receipts under GIA from the Government of India also decreased by 5.87 *per cent* over the previous year.

Impact on Expenditure

The total expenditure decreased by ₹2,992.32 crore from ₹82,099.86 crore in 2019-20 to ₹79,107.54 crore in 2020-21. During the year 2020-21 as a result of the COVID-19 pandemic and lockdown, the economy was affected and various economy measures to rationalize Government expenditure and optimum utilization of available resources were undertaken by the State Government. The State Government restricted the utilization of total budget provision upto 70 *per cent* and regulated the expenditure pertaining to several heads like training, Government tours and meetings, implementation of new schemes, purchase of new vehicles etc.

Savings due to covid-19

There were huge savings during 2020-21, with 17 grants out of 72 grants/Appropriations showing utilisation of less than 50 *per cent* of the budget allocation. The utilization of funds decreased from 86.30 *per cent* to 81.22 *per cent* of the total budgetary provision in 2020-21. Out of the total 1656 sub-heads requiring reasons for variation, reasons were provided in 830 sub-heads of which in 122 cases reasons for variation were attributed to curtailment in budget/less expenditure due to COVID-19.

Impact on revenue and fiscal deficit and its financing

Chhattisgarh, which was a revenue surplus State from 2016-17 to 2018-19, turned into revenue deficit State during 2019-20 and 2020-21. Revenue Deficit during 2019-20 and 2020-21 was ₹9,608.61 crore and ₹6,856.66 crore respectively. Fiscal Deficit during 2019-20 and 2020-21 was ₹17,969.55 crore and ₹15,822.38 crore respectively (Details are in **Table 2.29** of the **Chapter II**).

Shortfall in revenue was met with higher receipts under internal debt and loans from Government of India. During 2020-21, Market borrowings (₹13,000 crore) raised by the State Government continued to finance the major portion of fiscal deficit and its net share in financing the fiscal deficit was 66.36 *per cent*. During 2020-21, the internal debt increased by 16.82 *per cent* (₹10,156.14 crore) and loan and advances from the GoI increased by 123.20 *per cent* (₹3,405.25 crore). The surge in loans and advances was due to back to back loan of ₹3,109 crore in lieu of shortfall in GST compensation provided to the State Government as debt receipt. The debt servicing of this loan would be done from the collection of cess in the GST Compensation Fund and hence, the repayment obligation will not be on the other resources of State.

The GST compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. However, in addition to receiving the GST compensation amounting to ₹3,212.16 crore as revenue receipts, due to inadequate balance in GST Compensation Fund during the year 2020-21, Chhattisgarh also received back to back loan of ₹3,109 crore under debt receipt of the State Government, with no repayment liability for the State.

Thus revenue deficit and fiscal deficit would work out as ₹3,747.66 crore and ₹12,713.38 crore respectively during the year 2020-21, keeping in view the debt receipt of ₹3,109 crore in lieu of GST compensation.

1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Trends in annual growth of Chhattisgarh's GSDP (current prices) *vis-à-vis* GDP of the country are given in **Table 1.1**.

Table 1.1: Trends in GSDP compared to the national GDP

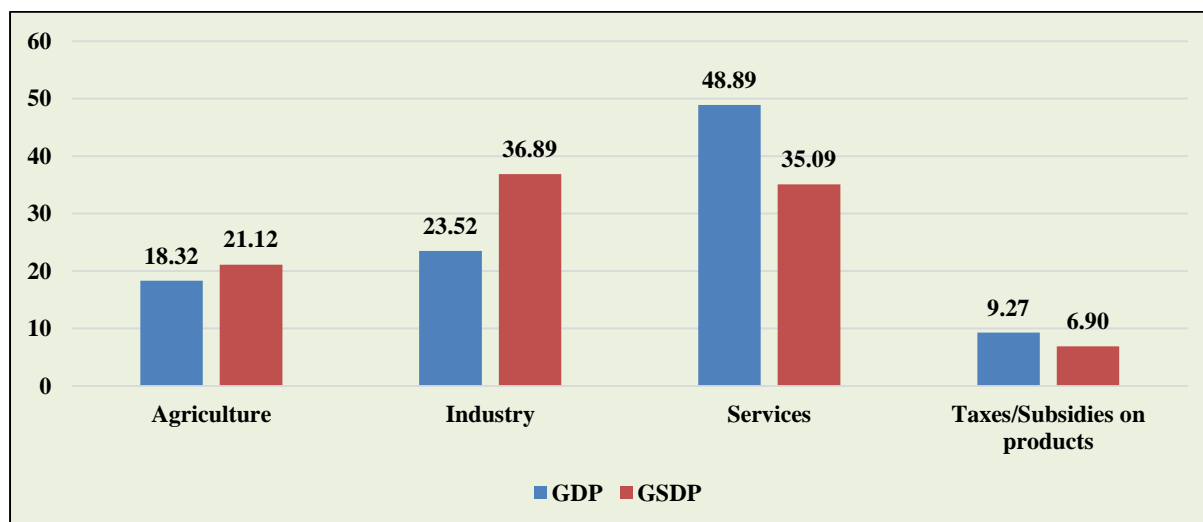
Year	2016-17	2017-18	2018-19	2019-20	2020-21
GDP of India at current prices (₹ in crore)	1,53,91,669	1,70,90,042	1,88,86,957	2,03,51,013	1,97,45,670
Growth Rate of GDP over previous year (in per cent)	11.76	11.03	10.51	7.75	(-) 2.97
State's GSDP at current prices (₹ in crore)	2,62,801	2,82,283	3,18,101 ^P	3,44,955 ^Q	3,50,270 ^A
Growth Rate of GSDP over previous year (in per cent)	16.72	7.41	12.69	8.44	1.54

Source: GoI's Economic Survey (2020-21) and Directorate of Economics and Statistics, Chhattisgarh
A - Advanced Estimates; Q - Quick Estimates; P - Provisional Estimates

As can be seen from the table above, the growth rate of GSDP of Chhattisgarh oscillated between 1.54 and 16.72 *per cent* during the five-year period 2016-17 to 2020-21. Even though the GSDP of Chhattisgarh grew at a higher rate during 2020-21 compared to the GDP of India, it registered a lower growth rate compared to the previous year mainly due to decrease in growth rate of all three Sectors that make up the GSDP - Agriculture, Industry and Services sectors, from 13.35 *per cent*, 4.73 *per cent* and 10.01 *per cent* in 2019-20 to 10.40 *per cent*, (-)3.34 *per cent* and 3.34 *per cent* in 2020-21 respectively.

Economic activities are generally divided into Primary, Secondary and Tertiary sectors, which correspond to Agriculture, Industry, and Services Sectors. Change in sectoral contribution of the GSDP is also important to understand the changing structure of economy. **Chart 1.3** below shows the sectoral composition of GSDP of Chhattisgarh *vis-à-vis* GDP of India during 2020-21.

Chart 1.3: Sectoral composition of GSDP of Chhattisgarh vis-à-vis GDP of India during 2020-21

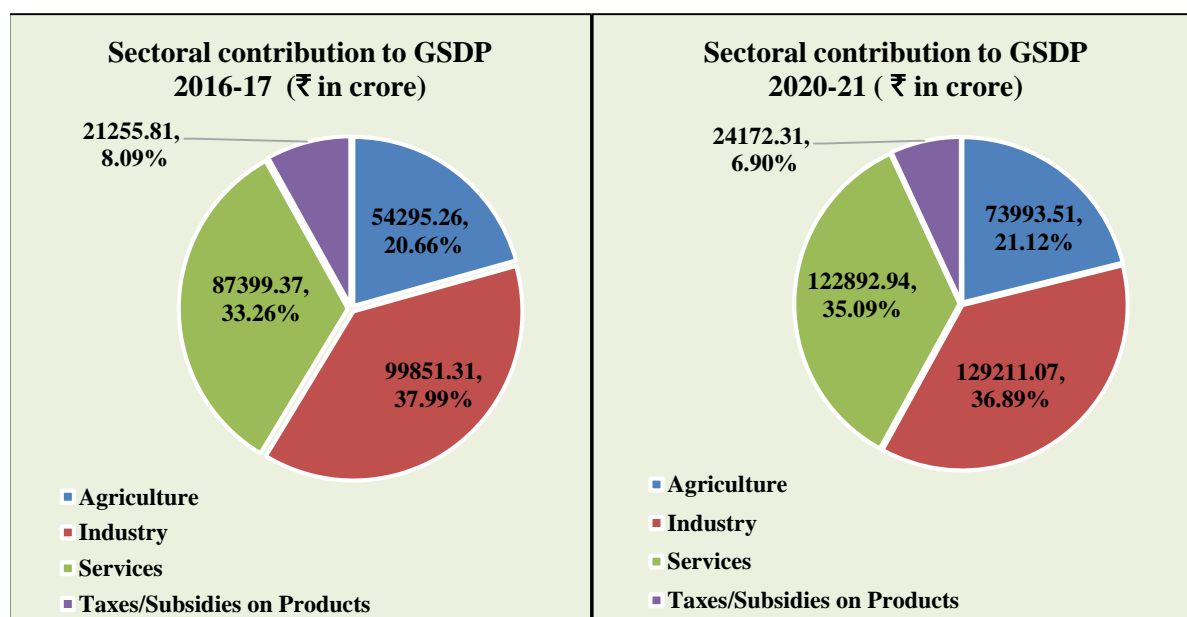


Source: GoP's Economic Survey (2020-21) and Directorate of Economics and Statistics, Chhattisgarh

As can be seen from **Chart 1.3**, during 2020-21 the major contributing factor to GSDP of Chhattisgarh was Industrial sector, while for the GDP of India, it was Services sector. Percentage wise, contribution of Industry and Agriculture sectors in GSDP of Chhattisgarh was higher than that of national GDP, whereas Services sector and Taxes/Subsidies on products contributed less to GSDP of the State compared to their share in GDP of India.

Chart 1.4 reveals that during the five-year period 2016-17 to 2020-21, there has been an increase in the relative share of agriculture and service sectors in GSDP of the State from 20.66 per cent and 33.26 per cent in 2016-17 to 21.12 and 35.09 per cent in 2020-21 respectively. During the same period, there has been a decrease in the share of industry sector from 37.99 per cent in 2016-17 to 36.89 per cent in 2020-21. Also, Taxes and Subsidies on Products decreased from 8.09 per cent in 2016-17 to 6.90 per cent in 2020-21.

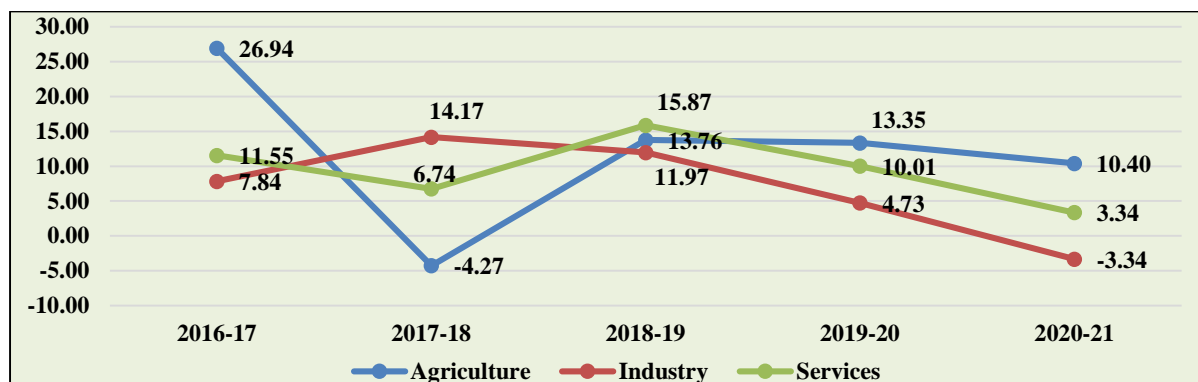
Chart 1.4: Change in sectoral contribution to GSDP (2016-17 to 2020-21)



Source: Economic Survey (2020-21), Directorate of Economics and Statistics, Chhattisgarh

The year-on-year change in contribution of various sectors to the GSDP of the State is given below in **Chart 1.5**:

Chart 1.5: Sectoral growth in GSDP



Source: Economic Survey (2020-21), Directorate of Economics and Statistics, Chhattisgarh

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of Chhattisgarh for the year ending 31 March 2021 has been prepared by the CAG for submission to the Governor of Chhattisgarh under Article 151 (2) of the Constitution of India.

Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State for the year 2020-21 constitute the core data for this report. Other sources include the following:

- Budget of the State for the year 2020-21 forms an important source of data –both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, and for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit), Chhattisgarh;
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP related statistics from the Directorate of Economic and Statistical Department of Chhattisgarh; and
- Various audit reports of the CAG of India during 2016-21.

The analysis has been carried out in the context of recommendations of the Fifteenth Finance Commission (XVFC), Chhattisgarh Fiscal Responsibility and Budget Management (CGFRBM) Act, Budget documents of the State and guidelines of the Government of India.

1.3 Report Structure

The SFAR is structured into the following five Chapters:

Chapter - I	<p><u>Overview</u></p> <p>This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices, and State's fiscal position including the deficits/ surplus.</p>
Chapter - II	<p><u>Finances of the State</u></p> <p>This chapter provides a broad perspective of the finances of the State, the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2016-17 to 2020-21, debt profile of the State, and key Public Account transactions, based on the Finance Accounts of the State.</p>
Chapter -III	<p><u>Budgetary Management</u></p> <p>This chapter is based on the Appropriation Accounts of the State, reviews the appropriations and allocative priorities of the State Government, and reports on deviations from Constitutional provisions relating to budgetary management</p>
Chapter -IV	<p><u>Quality of Accounts & Financial Reporting Practices</u></p> <p>This chapter comments on the quality of accounts rendered by various authorities of the State Government, and on issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.</p>
Chapter -V	<p><u>Financial Performance of State Public Sector Undertakings</u></p> <p>This Chapter presents the summary of financial performance of State Public Sector Enterprises (Government Companies and Statutory Corporations) of Chhattisgarh.</p>

1.4 Overview of Government Accounts Structure

The Accounts of the Government are kept in three Parts:

1. Consolidated Fund of the State [Article 266(1) of the Constitution of India]

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments *etc.*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State [Article 267(2) of the Constitution of India]

This 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.

3. Public Accounts of the State [Article 266(2) of the Constitution of India]

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue receipts consists of tax revenue, non-tax revenue, share of Union Taxes/ Duties, and grants from Government of India.

Revenue expenditure consists of all those expenditures of the government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **capital receipts** consist of:

Debt receipts: Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc.*;

Non-debt receipts: Proceeds from disinvestment, Recoveries of loans and advances;

Capital expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

The Government accounting classification system is both functional and economic.

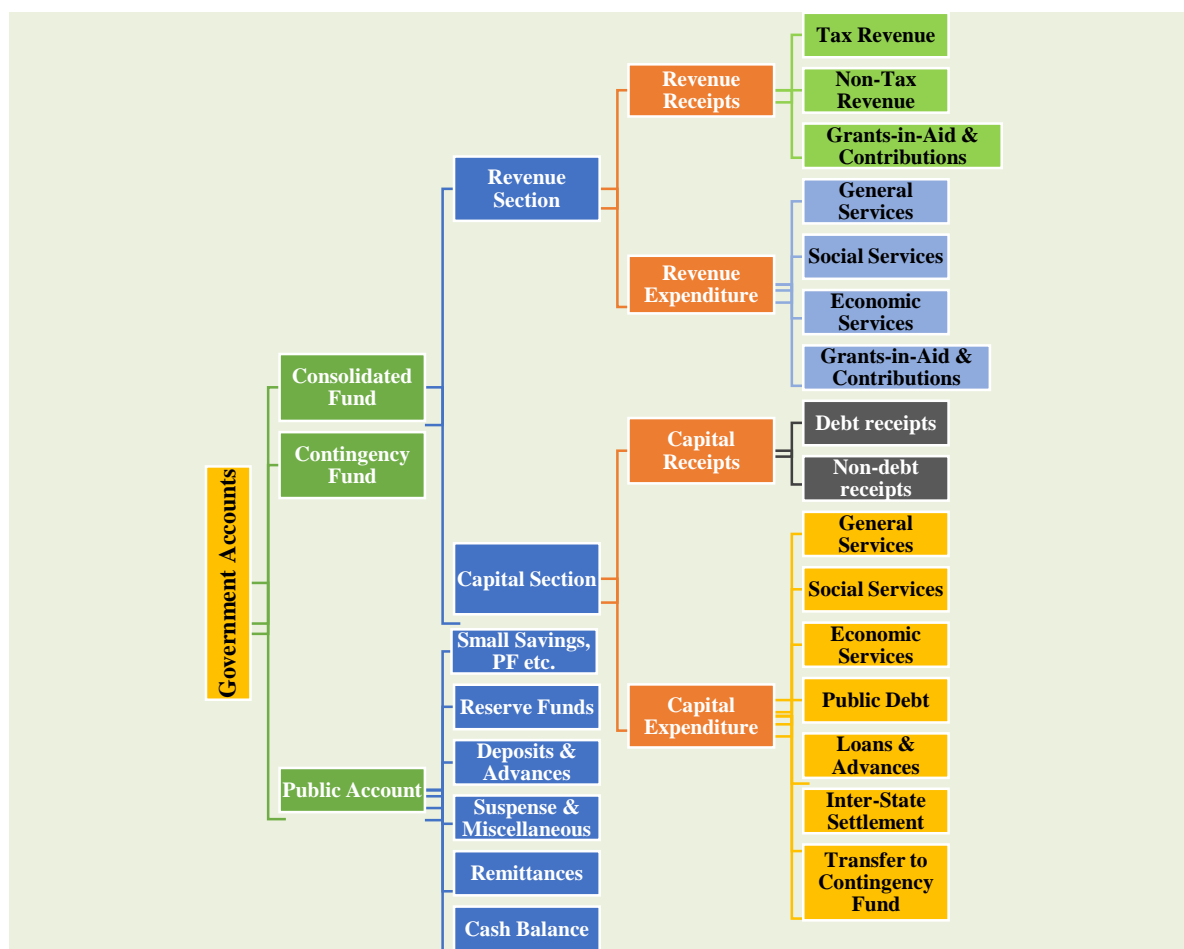
	Attributes of transactions	Classification
Standardised in List of Major and Minor Heads of Account by Controller General of Accounts	Function - Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)

Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, etc. (2-digit)

Functional classification involves arranging the receipts and expenditure by economic categories, distinguishing the Government transactions into Sections like Revenue and Capital (including Public Debt, Loans and Advances), Sectors like Tax Revenue from other revenue and Grants-in-Aid, Sub-sectors like Taxes on Income and Expenditure, fiscal services, etc. On the expenditure side also, the transactions are classified into Sectors viz., General Services, Economic Services, Social Services and Grants-in-Aid and contributions and sub-divided into Major Heads of account below these Sectors. Major Heads of account falling within the Consolidated Fund generally correspond to 'Functions' of Government, such as 'Education', while Minor Heads subordinate to them identify the 'Programme' undertaken to achieve the objectives of the function represented by the Major Head. A programme may consist of a number of schemes or activities and these generally, correspond to 'Sub-heads' below the Minor head. 'Detailed head' below the Sub-head, is primarily meant for itemised control over expenditure and indicates the object or nature of expenditure on a scheme or activity in terms of inputs such as 'Salaries', 'Office Expenses', 'Grants-in-Aid', etc.

A pictorial depiction of the structure of Government Accounts is given in **Chart 1.6**.

Chart 1.6: Pictorial depiction of the structure of Government Accounts



1.5 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Chhattisgarh caused to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2020-21, in the form of an **Annual Financial Statement**. In terms of Article 203, the above was submitted to the State Legislature in the form of 71 Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill was passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. Finance Accounts and Appropriation Accounts encompass the core data for preparation of the SFAR. These Accounts are based on actual receipts and expenditure of the State during the year 2020-21 including various inter-governmental and other adjustments carried out by the Reserve Bank of India (RBI).

The Madhya Pradesh Budget Manual (as adopted by the Government of Chhattisgarh) details the formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities.

1.5.1 Snapshot of Finances

The following table provides the details of actual financial results *vis-a-vis* Budget Estimates for the year 2020-21, and actuals of 2019-20.

Table 1.2: Snapshot of Finances

(₹ in crore)						
Sl. No	Components	2019-20 (Actual)	2020-21 (Budget Estimate)	2020-21 (Actuals)	Percentage of Actual to B.E.	Percentage of Actuals to GSDP
1.	Tax Revenue	22,117.85	26,155.00	22,889.20	87.51	6.53
2.	Non-Tax Revenue	7,933.77	9,215.00	7,136.95	77.45	2.04
3.	Share of Union Taxes and duties	20,205.84	26,803.30	20,337.54	75.88	5.81
4.	Grants-in-aid and contributions	13,611.24	21,658.00	12,812.49	59.16	3.66
5.	Revenue Receipts (1+2+3+4)	63,868.70	83,831.30	63,176.18	75.36	18.04
6.	Recovery of Loans and Advances including Inter State Settlement	256.91	300.00	104.13	34.71	0.03
7.	Misc. Capital Receipts	4.70	0.00	4.85	0.00	0.00
8.	Borrowings and other Liabilities ¹	16,206.99	11,518.41	11,951.92	103.76	3.41
9.	Capital Receipts (6+7+8)	16,468.60	11,818.41	12,061.57	102.06	3.44
10.	Total Receipts (5+9)	80,337.30	95,649.71	75,237.75	78.66	21.48
11.	Revenue Expenditure	73,477.31	81,399.95	70,032.84	86.04	19.99
12.	Interest Payments	4,970.33	5,840.79	5,633.11	96.44	1.61
13.	Grants in aid for creation of Capital Assets	1,939.61	2,732.19	1,837.67	67.26	0.52
14.	Capital Expenditure of which	8,622.55	14,249.76	9,074.70	63.68	2.59
	<i>Capital Outlay</i>	8,566.39	13,814.11	9,024.19	65.33	2.58

¹ (Net Public Debt Receipts + Net Public Account Receipts + Net Contingency Fund) + (Net Opening Cash Balance and Closing Cash Balance)

Sl. No	Components	2019-20 (Actual)	2020-21 (Budget Estimate)	2020-21 (Actuals)	Percentage of Actual to B.E.	Percentage of Actuals to GSDP
	<i>Loans and Advances including Inter-state Settlement</i>	56.16	435.65	50.51	11.59	0.01
15.	Total Expenditure (11+14)	82,099.86	95,649.71	79,107.54	82.71	22.58
16.	Revenue Surplus (+)/ Deficit (-) (5-11)	(-)9,608.61	2,431.35	(-)6,856.66	(-)282.01	(-)1.96
17.	Fiscal Deficit {15-(5+6+7)}	(-)17,969.55	(-)11,518.41	(-)15,822.38	137.37	(-)4.52
18.	Primary Deficit (17+12)	(-)12,999.22	(-)5,677.62	(-)10,189.27	179.45	(-)2.91

Source: Finance Accounts of respective year and Budget Book 2020-21.

1.5.2 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public accounts, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Assets			
	2019-20	2020-21	Percentage Increase/ Decrease(-)		2019-20	2020-21	Percentage Increase/ Decrease(-)
Internal Debt	60,382.67	70,538.81	16.82	Gross Capital Outlay	92,893.83	1,01,913.17	9.71
Loans and Advances from GoI	2,764.05	6,169.30 ²	123.20	Loans and Advances	1,397.08	1,342.78	-3.89
Contingency Fund (corpus)	100.00	100.00	0.00	Contingency fund (un-recouped)	0.00	0.00	0.00
Small Savings, Provident Funds, etc.,	7,617.67	8,021.40	5.30	Advances	1.83	1.83	0.00
Deposits	5,483.29	5,985.11	9.15	Remittance	278.30	329.28	18.35
Reserve Funds	9,697.05	9,180.67	-5.33	Suspense and Miscellaneous	0.00	0.00	0.00
Suspense and Miscellaneous	89.52	77.19	-13.77	Cash Balance ³	11,396.60	9,461.37	-16.98
				Total (1 to 7)	1,05,967.64	1,13,048.43	6.68
Remittances	0.00	0.00	0.00	Deficit on Government Account	19,833.39	12,975.95	-34.58
Total (1 to 8)	86,134.25	1,00,072.48	16.18	Total (8-9)	86,134.25	1,00,072.48	16.18

Source: Finance Accounts of respective year and Budget Book

1.6 Fiscal Balance: Achievement of deficit and total debt targets

Deficit is an indicator of prudent fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied, are important pointers to its

² Includes back to back loan of ₹3,109 crore in lieu of GST compensation shortfall. The debt servicing of this loan would be done from the collection of cess in the GST compensation Fund.

³ Including investment in earmarked fund

fiscal health. This section presents trends, nature and magnitude of deficits and the manner of financing these deficits, and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under CGFRBM Act/Rules/fiscal policy statements for the financial year 2020-21.

1.6.1 Compliance with provisions of State FRBM Act

In compliance with the recommendations of Twelfth Finance Commission (TFC), the State Government enacted the Chhattisgarh Fiscal Responsibility and Budget Management Act, 2005 (CGFRBM Act) (amended in September 2011 and 2016) to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability and greater transparency in fiscal operations of the Government, and conduct of fiscal policy in a Medium Term Fiscal Framework (MTFF).

As per the CGFRBM Act 2005, the State Government was to eliminate revenue deficit and bring fiscal deficit down to 3 *per cent* of the GSDP by the end of 31 March 2009. Further, as per CGFRBM (Amendment) Act (3 March 2021) which came into effect from 1 March 2020, the fiscal deficit for the financial year 2019-20 and 2020-21 shall not exceed five *per cent* of GSDP. The revenue deficit, fiscal deficit and total liabilities as a percentage of GSDP may exceed the limits specified on the grounds of unforeseen demands on the finances of the State arising out of internal disturbance or natural calamity or such other exceptional grounds as the State Government may specify.

Major fiscal variables, as set in CGFRBM Act/ disclosures made under the Act in fiscal policy statements, and their achievement during 2016-21 are given in **Table 1.4**.

Table 1.4: Major fiscal variables for 2016-21⁴

Fiscal Parameters	Fiscal Targets set in the Act/MTFFS	ACHIEVEMENT (₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Deficit (-)/ Surplus (+)	Revenue Surplus	5,520.65	3,417.32	683.76	(-)9,608.61	(-)6,856.66
		Yes	Yes	Yes	No	No
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	3.50 <i>per cent</i> of GSDP for 2016-19 and 5.00 <i>per cent</i> of GSDP for 2019-21	(-) 4,047.27 (1.54 %)	(-) 6,810.32 (2.41 %)	(-) 8,292.23 (2.61 %)	(-)17,969.55 (5.21 %)	(-)15,822.38 (4.53 %)
		Yes	Yes	Yes	No	Yes
Total outstanding debt as percentage of GSDP	15.45% for 2016-17 18.47% for 2017-18 18.06% for 2018-19 21.23% for 2019-20 21.59% for 2020-21	16.84%	18.74%	20.98 %	22.82%	25.58% ⁵
		No	No	No	No	No

Source: Finance Accounts of the respective years

The State could not achieve the target of revenue surplus during 2019-20 and 2020-21. During 2020-21, Revenue Deficit of the State was ₹6,856.66 crore as compared to ₹9,608.61 crore in

⁴ The percentages w.r.t GSDP indicated in earlier reports have been revised due revised figures of GSDP.

⁵ Debt to GSDP percentage has been calculated on total debt of ₹89,605.22 crore excluding amount of back to back to loan of ₹3,109 crore in lieu of GST compensation shortfall.

2019-20. The decrease of ₹2,751.95 crore in Revenue Deficit was mainly due to decrease in Revenue expenditure by ₹3,444.47 crore (4.69 *per cent*) as compared to 2019-20 despite decrease in Revenue Receipts by ₹692.52 crore (1.08 *per cent*). The receipts under GIA from the Government of India decreased by 5.87 *per cent* over the previous year.

Fiscal Deficit of the State decreased during 2020-21 (₹15,822.38 crore) by ₹2,147.17 crore from ₹17,969.55 crore in 2019-20, as the Revenue Deficit decreased to ₹6,856.66 crore in 2020-21 from ₹9,608.61 crore in 2019-20. The ratio of Fiscal Deficit to GSDP was within the target prescribed under FRBM/MTFPS during the years 2016-17 to 2020-21, except in 2019-20. Fiscal Deficit at 5.21 *per cent* of the GSDP exceeded the target prescribed in the FRBM Act during 2019-20.

The GST compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. However, in addition to receiving the GST compensation amounting to ₹ 3212.16 crore as revenue receipts, due to inadequate balance in GST compensation fund during the year 2020-21, Chhattisgarh also received back to back loan of ₹3,109 crore under debt receipt of the State Government, with no repayment liability for the State. The revenue deficit of ₹6,856.66 crore and fiscal deficit of ₹15,822.38 crore of the State Government as depicted in the Finance Accounts 2020-21 should, therefore, be read in conjunction with debt receipt of ₹3,109 crore in lieu of GST compensation. Thus revenue deficit and fiscal deficit would work out as ₹3,747.66 crore and ₹12,713.38 crore respectively during the year 2020-21, keeping in view the debt receipt of ₹3,109 crore in lieu of GST compensation.

The percentage of total outstanding debt to GSDP during 2020-21 was (25.58 *per cent*) more than the target prescribed in the MTFPS (21.59 *per cent*) by the State Government but within the target recommended by the XV Finance Commission (28 *per cent*). The percentage of debt to GSDP has been calculated after excluding back to back loan of ₹3,109 crore received by the State Government in lieu of shortfall in GST compensation, from the amount of total outstanding debt.

1.6.2 Disclosures made under CGFRBM Act during 2020-21

As per the CGFRBM Act, the State Government shall in each financial year lay before the State Legislature, fiscal policy statements such as Macroeconomic Framework Statement (MFS), Medium Term Fiscal Policy Statement (MTFPS) and Fiscal Policy Strategy Statement alongwith the annual financial statement:

The statements shall contain an overview of the State economy, an analysis of growth and sectoral composition of GSDP, an assessment related to State Government finances and future prospects, three year rolling targets for the prescribed fiscal indicators etc.,

Table 1.5 indicates the variation between the estimates made for 2020-21 in MFS/MTFPS presented to the State Legislature and actuals of the year.

Table 1.5: Actuals *vis-à-vis* estimates in MFS/MTFPS under FRBM Act for 2020-21

(₹ in crore)

Sl. No	Fiscal Variables	Projection as per disclosures under FRBM act	Actuals (₹ in crore)	% Increase(+)/ Decrease(-)
1	Own Tax Revenue	26,155.00	22,889.20	-12.49
2	Non-Tax Revenue	9,215.00	7,136.95	-22.55
3	Share of Central Taxes	26,803.30	20,337.54	-24.12
4	Grants-in aid from GoI	21,658.00	12,812.49	-40.84
5	Revenue Receipts (1+2+3+4)	83,831.30	63,176.18	-24.64
6	Revenue Expenditure	81,399.95	70,032.84	-13.96
7	Revenue Deficit (-)/Surplus (+) (5-6)	2,431.35	-6,856.66	-382.01
8	Fiscal Deficit (-)/Surplus (+)	-11,518.41	-15,822.38	37.37
9	Debt-GSDP ratio (<i>per cent</i>)	21.59	25.58 ⁶	22.60
10	GSDP growth rate at current prices (<i>per cent</i>)	9.97	1.54	-84.55

Source: Finance Accounts and FRBM disclosures 2020-21.

As can be seen from the above table, it is evident that the projections made in the MFS/MTFPS were not met during 2020-21. The projection of revenue surplus as per MFS turned into revenue deficit, as the revenue receipts fell short by 24.64 *per cent* and the revenue expenditure was 13.96 *per cent* lower than the projections.

1.6.3 Deficit and Surplus

When a Government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture Government deficit.

Revenue Deficit/ Surplus (Revenue Expenditure – Revenue Receipts)	<i>Refers to the difference between revenue expenditure and revenue receipts.</i> <ul style="list-style-type: none"> When the government incurs a revenue deficit, it implies that the Government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure. Existence of revenue deficit is a cause of concern as revenue receipts were not able to meet even revenue expenditure. Moreover, part of capital receipts was utilized to meet revenue expenditure, reducing availability of capital resources to that extent for creation of capital assets. This situation means that the Government will have to borrow not only to finance its investment but also for its consumption requirements. This leads to a build-up of stock of debt and interest liabilities and forces the government, eventually, to cut expenditure. If major part of revenue expenditure is committed expenditure (interest liabilities, salaries, pensions), the government reduces productive expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications.
Fiscal Deficit/ Surplus (Total expenditure – (Revenue receipts + Non-	<i>It is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. Fiscal Deficit is reflective of the total borrowing requirements of Government.</i> <ul style="list-style-type: none"> Fiscal deficit is the difference between the government's total expenditure and its total receipts excluding borrowings. Non-debt capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale

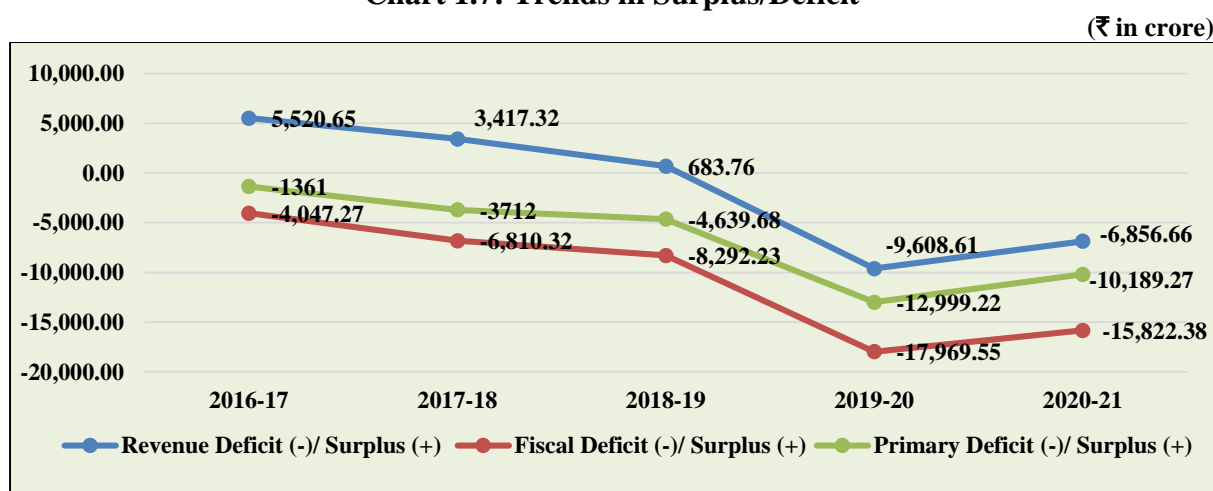
⁶ Debt/GSDP ratio calculated on outstanding debt excluding the amount of back to back loan of ₹3,109 crore.

debt creating capital receipts)	<p>of PSUs.</p> <ul style="list-style-type: none"> The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources. <p>Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus it is desirable to fully utilize borrowed funds for the creation of capital assets and to use revenue receipts for the repayment of principal and interest.</p>
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1.6.4 Trends of Deficit/Surplus

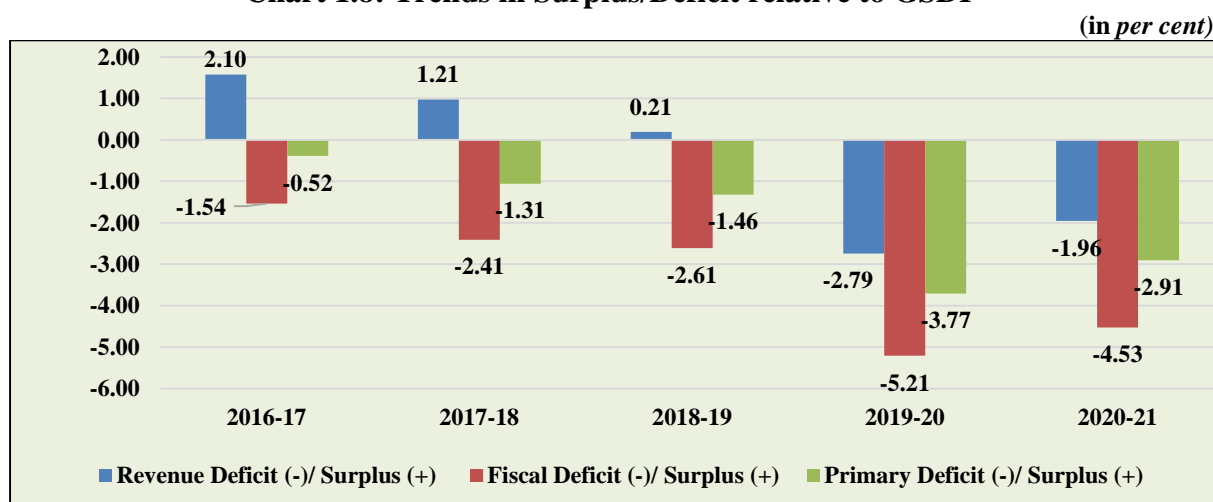
The State had a fiscal deficit of ₹15,822.38 crore during the year 2020-21, representing 4.53 per cent of the GSDP (₹3,50,269.83 crore) and constituting 20.00 per cent of Total Expenditure (₹79,107.54 crore). The Primary Deficit of ₹12,999.22 crore during 2019-20 decreased to ₹10,188.60 crore during the current year. The Revenue Deficit of ₹9,608.61 crore during 2019-20 decreased to ₹6,856.66 crore. The trend of surplus and deficit over the five-year period 2016-17 to 2020-21 is depicted in **Chart 1.7** and trend in surplus or deficit relative to GSDP is given in **Chart 1.8** below:

Chart 1.7: Trends in Surplus/Deficit



Source: Finance Accounts of the respective years

Chart 1.8: Trends in Surplus/Deficit relative to GSDP



Source: Finance Accounts of the respective years

1.7 Deficits and Total Debt after examination in Audit

Deficit and debt position are two crucial fiscal indicators in assessing the financial health of the State. In order to present a true and fair picture of State Finances, various issues that came to notice of audit which have an impact on the fiscal deficit and debt position of the state Government are detailed below.

1.7.1 Post audit - Deficits/surplus

Certain issues *viz.* incorrect classification/booking of revenue expenditure as capital by the State Government in its accounts of 2020-21, non-transfer of central share of grant received to the respective funds and other issues, which are discussed in the Report in succeeding Chapters, had an impact on Revenue/ Fiscal surplus/deficit indicated in the Finance Accounts of 2020-21. In order to arrive at actual deficit figure, the impact of above issues needs to be appropriately factored in.

The impact of issues pointed out above resulted in understatement of revenue deficit and fiscal deficit by ₹2,658.61 crore and ₹792.76 crore respectively for the year 2020-21 which has been worked out in the **Table 1.6** and the assessment of actual deficit after taking into account the above audit impact is depicted in **Table 1.7**.

Table 1.6: Impact on Revenue/Fiscal Deficit, post examinations by Audit

(₹ in crore)

Item	Impact on Revenue Deficit		Impact on Fiscal Deficit	
	Over Stated	Under Stated	Over Stated	Under Stated
Grants-in- Aid booked under Capital Section instead of Revenue	0.00	1,837.67	0.00	0.00
Revenue Expenditure on booked under Capital Section	0.00	28.18	0.00	0.00
National Pension Scheme	0.00	4.84	0.00	4.84
Interest liabilities on National Pension Scheme	0.00	1.83	0.00	1.83
Non Transfer of Central share of Grants-in-Aid to State Disaster Response Fund	0.00	172.80	0.00	172.80
Non Transfer of corresponding State Share of Grants-in-Aid to State Disaster Response Fund	0.00	57.60	0.00	57.60
Non Transfer of Central share of Grants-in-Aid to State Disaster Mitigation Fund	0.00	43.20	0.00	43.20
Non Transfer of corresponding State Share of Grants-in-Aid to State Disaster Mitigation Fund	0.00	14.40	0.00	14.40
Non transfer of Infrastructure Development Cess	0.00	219.90	0.00	219.90
Non transfer of Environment Cess	0.00	219.90	0.00	219.90
Non transfer of Grants-in-Aid of Central Road Fund	0.00	58.29	0.00	58.29
Total	0.00	2,658.61	0.00	792.76

Table 1.7: Result of impact computed by audit

(₹ in crore)

Particular	As per Finance Accounts	Understated by	Actual/Post audit examination
(1)	(2)	(3)	(4)=(2)+(3)
Revenue Deficit (-)	(-) 6,586.66	(-) 2,658.61	(-) 9,245.27
Fiscal deficit (-)	(-) 15,822.38	(-) 792.76	(-) 16,615.14

1.7.2 Post audit – Total Debt/ liabilities

Total liabilities as defined under the CG FRBM Act, 2005 means the liabilities included under the Consolidated Fund and the Public Account of the State and include borrowings by the public sector undertakings, special purpose vehicles and other equivalent instruments including guarantees where the principal and interest are to be serviced out of the State budget.

Audit examination revealed that during the period 2017-21, the State Government has resorted to off-budget borrowings of ₹2,333.98 crore out of which Government made repayment of ₹24.19 crore through budget. This issue has been discussed in detail in **para 4.15** of the Report. For computing post audit liabilities, the off-budget borrowings have been added to the total liabilities.

In order to meet the shortfall in GST compensation to be paid to the State due to inadequate balance in GST Compensation Fund, the Government of India set up a special borrowing in the year 2020-21 and accordingly, released back to back loans to State amounting to ₹3,109 crore. This back to back loan has been considered over and above the yearly net borrowing ceiling of the State fixed on the basis of Finance Commission recommendation. Further, the debt servicing of this loan is to be done from the collection of cess in GST Compensation Fund, and hence repayment obligation will not be met from other resources of the State. For computing post audit liabilities back to back loan received in lieu of GST compensation shortfall is also excluded.

Due to off-budget borrowings and back to back loan, the total debt/liabilities has increased/decreased as a percentage of GSDP as given in **Table 1.8**.

Table 1.8: Overall liabilities, post examination in Audit

Sl. No.	Particulars	Amount (₹ in crore)	Percentage of GSDP
1.	Total liabilities/Overall debt as per Accounts as on 31.03.2021 (A)	92,714.22	26.47
2.	Net off-budget liabilities (₹2333.98 - ₹24.19) as on 31.03.2021(B)	2,309.79	0.66
3.	Total liabilities including off-budget liabilities (C) = (A) + (B)	95,024.01	27.13
4.	Back to back loan in lieu of GST compensation shortfall (D)	3,109.00	0.89
	Total liabilities (C)-(D)	91,915.01	26.24

Source: Finance Accounts 2020-21

It can be seen from the above table that the debt to GSDP percentage decreased from 26.47 *per cent* to 26.24 *per cent* after adjusting the off-budget liabilities and back to back loan.